CITY OF OAKLAND CALIFORNIA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016






CITY OF OAKLAND

CALIFORNIA

SINGLE AUDIT REPORTS

FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY THE FINANCE DEPARTMENT

KIRSTEN LACASSE, CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

Single Audit Reports
Year Ended June 30, 2016

Table of Contents

CITY OF OAKLAND

Single Audit Reports
Year Ended June 30, 2016

Table of Contents (Continued)

CITY OF OAKLAND
SINGLE AUDIT REPORTS

PROJECT TEAM

AUDIT/FINANCIAL STATEMENT COORDINATOR

Kirsten LaCasse, *Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Theresa Woo
Financial Analyst

Connie L. Chu
Accountant III

Accounting CAFR Team

Michelle Wong
Timothy Turner
Lilian Falkin

Erico Parras
Felipe Kiocho
Young Shin

Andy Yang
Rogelio Medalla

SPECIAL ASSISTANCE

Dawn Hort
David Jones

Katano Kasaine
Sharon Holman

SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES

City Administrator’s Office

City Attorney’s Office

Finance Department - Treasury Bureau

Human Resources Department

FINANCIAL SECTION

MGO Certified Public Accountants

Century City
Los Angeles
Newport Beach
Oakland
Sacramento
San Diego
San Francisco
Walnut Creek
Woodland Hills

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Oakland Police and Fire Retirement System were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
505 14th Street, 5th Floor
Oakland, CA 94612

www.mgocpa.com

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedules of employer pension contributions, the schedules of funding progress - other postemployement benefits, and the budgetary comparison schedules of the General Fund and the Other Special Revenue Fund as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, the State of California Department of Community Services and Development supplemental schedules of revenue and expenditures, and the supplemental schedule of expenditures of Alameda County awards (collectively referred to as supplementary schedules), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* the State of California Department of Community Services and Development, and the County of Alameda, respectively, and are not a required part of the basic financial statements.

The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Oakland, California
December 16, 2016, except for our report on the supplementary schedules, for which the date is March 23, 2017

This section of the City of Oakland's (the City) Single Audit Reports provides an overview and analysis of the financial activities of the City for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

The government-wide statement of net position for the City's governmental and business-type activities indicates that as of June 30, 2016, the total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $44.3 million compared to a negative net position of $86.3 billion at June 30, 2015:

- $1.3 billion represents the City's investment in capital assets, less any related outstanding debt and related deferred outflows and inflows of resources used to acquire those assets *(net investment in capital assets)*. These capital assets are used to provide services to citizens and are not available for future spending.
- $555.1 million represents resources that are subject to restrictions on their use and are available to meet the City's ongoing obligations for programs, of which $233.5 million pertains to Low and Moderate Income Housing Redevelopment.
- $1.8 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension liabilities and annual other postemployment benefits cost, and other unfunded long-term liabilities *(unrestricted net position)*. The net pension liabilities deficit is the biggest contributing factor at $1.2 billion.
- $113.3 million increase in the City's total net position was derived from governmental activities. The increases in real estate transfer tax, sales and use tax, property tax, business license, and transient occupancy tax,. These increases were off-set by increases in expenses of $84.2 million primarily in Public Safety.
- $17.4 million increase in net position was derived from the Business-type activities, mainly the Sewer related activities.

The City's governmental cumulative fund balances increased by 4.5 percent or $28.7 million to $667.8 million compared to $639.1 million for the prior fiscal year. This increase is primarily attributed to the reduction in debt repayment resulting from the General Obligation Refunding Bonds (Series 2015).

The City met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund, a subfund of the General Fund, expenditures for fiscal year 2015-16 (See Note (II) I).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of three components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Required Supplementary Information

In addition, this report also contains other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to the financial statements for a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows and inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community services, community and economic development, and public works. The business-type activities of the City include the sewer service system and the parks and recreation. The government-wide financial statements do not include the fiduciary funds, which comprise the private purpose trust funds and pension trust funds. Resources in the fiduciary funds are not available to support the City's own programs.

The government-wide financial statements include the primary government of the City and the Port of Oakland (Port), as a discrete component unit. Financial information for the Port is reported separately from the financial information presented for the primary government. Further information about the Port can be obtained from the Port Financial Services Division, 530 Water Street, Oakland, CA 94607 or visit the website at www.portofoakland.com.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: *governmental funds, proprietary funds* and *fiduciary funds.*

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects, debt service and general fund). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the federal and state grant special revenue fund, the low and moderate income housing asset fund (LMIHF), the municipal capital improvement fund, and the other special revenue fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the general fund and the other special revenue fund in the required supplementary information to demonstrate compliance with this budget.

Proprietary Funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information shown in the government-wide statements only in more detail.

The City maintains the following two types of proprietary funds:

(1) ***Enterprise Funds*** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The Sewer Service Fund is considered to be a major fund of the City.

(2) ***Internal Service Funds*** are used to report activities that provide services and supplies for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles,

radio and communication equipment, facilities management, printing and reproduction, central stores, purchasing and information technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of employees and parties outside the City. The Police and Fire Retirement System (PFRS) Fund is reported as a pension trust fund. The private purpose trust funds along with the private pension trust fund are reported as trust funds since their resources are not available to support the City's own programs. For this reason, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes the budgetary schedule for the General Fund and the other special revenue fund, schedules of changes in the net pension liability and related ratios and pension plan contributions, and schedules of funding progress for other postemployment benefits.

Other Information

In addition, this report presents combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds that immediately follow the required supplementary information.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial condition. As of June 30, 2016, the City's total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by $44.3 million compared to a negative net position of $86.3 billion at June 30, 2015, which represents an increase in net position of $130.7 million. Cash and investments are higher by $100 million primarily due to higher property tax, sales and local tax revenues. Additionally, construction in progress increased by $76.5 million. These amounts were off-set by the net increase in long-term liabilities. The City's net position reflects the net investment in capital assets of $1.3 billion for governmental and business-type activities. Of the remaining balance, $555.1 million are subject to external restrictions on how they may be used. The unrestricted net position of $1.8 billion is comprised of a deficit balance of $1.8 billion for governmental activities, and a positive balance of $28.1 million for business-type activities.

Statement of Net Position
June 30, 2016 and 2015
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Assets:						
Current and other assets	$ 1,236,051	$ 1,164,999	$ 58,851	$ 62,191	$ 1,294,902	$ 1,227,190
Capital assets	1,372,798	1,310,939	211,354	196,663	1,584,152	1,507,602
Total assets	2,608,849	2,475,938	270,205	258,854	2,879,054	2,734,792
Deferred outflows of resources:						
Loss on refunding of debt	18,798	20,371	-	-	18,798	20,371
Related to pensions	95,780	89,930	3,368	2,929	99,148	92,859
Total deferred outflows of resources	114,578	110,301	3,368	2,929	117,946	113,230
Liabilities:						
Long-term liabilities	1,109,675	1,134,663	39,123	41,430	1,148,798	1,176,093
Other liabilities	187,390	178,561	915	2,996	188,305	181,557
Net pension liability	1,207,032	1,091,745	31,133	29,079	1,238,165	1,120,824
Net OPEB obligation	305,024	256,922	-	-	305,024	256,922
Total liabilities	2,809,121	2,661,891	71,171	73,505	2,880,292	2,735,396
Deferred iutflows of resources:						
Gain on refunding of debt	-	-	513	553	513	553
Related to pensions	69,768	193,107	2,089	5,286	71,857	198,393
Total deferred inflows of resources	69,768	193,107	2,602	5,839	72,370	198,946
Net Position:						
Net investment in capital assets	1,079,164	1,025,789	171,743	155,257	1,250,907	1,181,046
Restricted	555,205	140,950	-	-	555,205	140,950
Unrestricted (deficit)	(1,789,831)	(1,435,498)	28,057	27,182	(1,761,774)	(1,408,316)
Total net position	$ (155,462)	$ (268,759)	$ 199,800	$ 182,439	$ 44,338	$ (86,320)

Governmental activities: The City's net position in governmental activities increased by $113.3 million.

Total assets increased by $132.9 million, or 5.40%, to $2.6 billion. The significant changes in assets occurred in the following areas:

- *Capital assets* increased by $61.9 million. The increase was due largely to additional construction in progress.
- *Current and Other Assets* increased by $71.1 million mainly due to changes in cash and investments.

Total liabilities increased by $147.3 million, or 5.5% to $2.8 billion. The significant changes in liabilities occurred in the following areas:

- *Long-term liabilities* decreased by $25.0 million primarily attributed to $67.7 million debt service payments of government bonds. The decrease is off-set by $18.9 million accreted interest and $24.1 million issuance in capital leases, which includes an IT systems lease of $17.0 million and a radio lease of $7.1 million.
- *Net pension liability* increased $115.4 million compared to the balance at June 30, 2015.
- *Net OPEB Obligations* increased by $48.1 million compared to the balance at June 30, 2015.
- *Other liabilities* increased by $8.8 million compared to the balance at June 30, 2015.

The net position increased by $113.3 billion to a deficit $155.5 million as of June 30, 2016. The City net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

- $1.1 billion of the net position reflects its *investment in capital assets* (e.g., land, buildings infrastructure, facilities and equipment), net of any related outstanding debt and debt-related deferred outflows and inflows of resources that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. These assets, therefore, are *not* available for future spending.
- $555.1 million of the net position represents resources that are subject to restrictions on how they may be used and therefore restricted.
- $1.8 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the pension liabilities and annual other postemployment benefits cost, and other unfunded long-term liabilities.

The following table indicates the changes in net position for governmental and business-type activities:

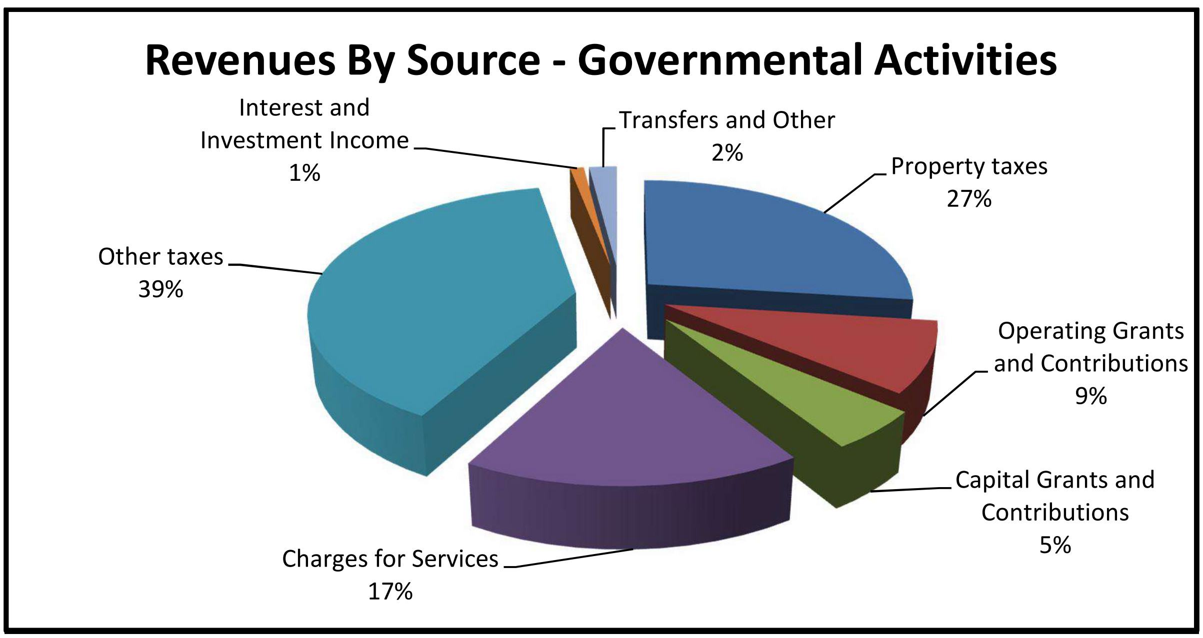
Statement of Activities
For the Years Ended June 30, 2016 and 2015
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	$ 178,309	$ 182,293	$ 59,414	$ 57,839	$ 237,723	$ 240,132
Operating grants and contributions	90,090	92,865	-	-	90,090	92,865
Capital grants and contributions	54,043	70,322	-	-	54,043	70,322
General revenues:					-	-
Property taxes	279,764	267,534	-	-	279,764	267,534
State taxes:					-	-
Sales and use taxes	77,365	63,895	-	-	77,365	63,895
Gas tax and motor vehicle in-lieu	8,819	12,030	-	-	8,819	12,030
Local taxes:					-	-
Business license	75,504	66,677	-	-	75,504	66,677
Utility consumption	51,006	50,594	-	-	51,006	50,594
Real estate transfer	89,594	62,665	-	-	89,594	62,665
Transient occupancy	25,671	21,569	-	-	25,671	21,569
Parking	20,175	18,398	-	-	20,175	18,398
Voter approved special tax	37,793	37,443	-	-	37,793	37,443
Franchise	18,609	18,150	-	-	18,609	18,150
Interest and investment income	4,596	6,362	233	142	4,829	6,504
Other	20,987	12,745	-	-	20,987	12,745
Total revenues	1,032,325	983,542	59,647	57,981	1,091,972	1,041,523
Expenses:						
General government	99,183	82,493	-	-	99,183	82,493
Public safety	432,862	383,904	-	-	432,862	383,904
Community services	134,799	121,740	-	-	134,799	121,740
Community and economic development	85,396	75,268	-	-	85,396	75,268
Public works	114,597	105,619	-	-	114,597	105,619
Interest on long-term debt	54,335	68,033	-	-	54,335	68,033
Sewer	-	-	39,270	36,957	39,270	36,957
Parks and recreation	-	-	872	681	872	681
Total expenses	921,172	837,057	40,142	37,638	961,314	874,695
Change in net position before transfers	111,153	146,485	19,505	20,343	130,658	166,828
Transfers	2,144	2,002	(2,144)	(2,002)	-	-
Special Item - Transfer of excess tax allocation bond	-	107,696	-	-	-	107,696
Extraordinary gain/loss SCO asset review and DOF	-	-			-	-
Change in net position	113,297	256,183	17,361	18,341	130,658	274,524
Net position at beginning of year	(268,759)	981,818	182,439	196,334	(86,320)	1,178,152
Adjustment due to implementation of GASB Statement No. 68	-	(1,506,760)	-	(32,236)	-	(1,538,996)
Net position at end of year	$ (155,462)	$ (268,759)	$ 199,800	$ 182,439	$ 44,338	$ (86,320)

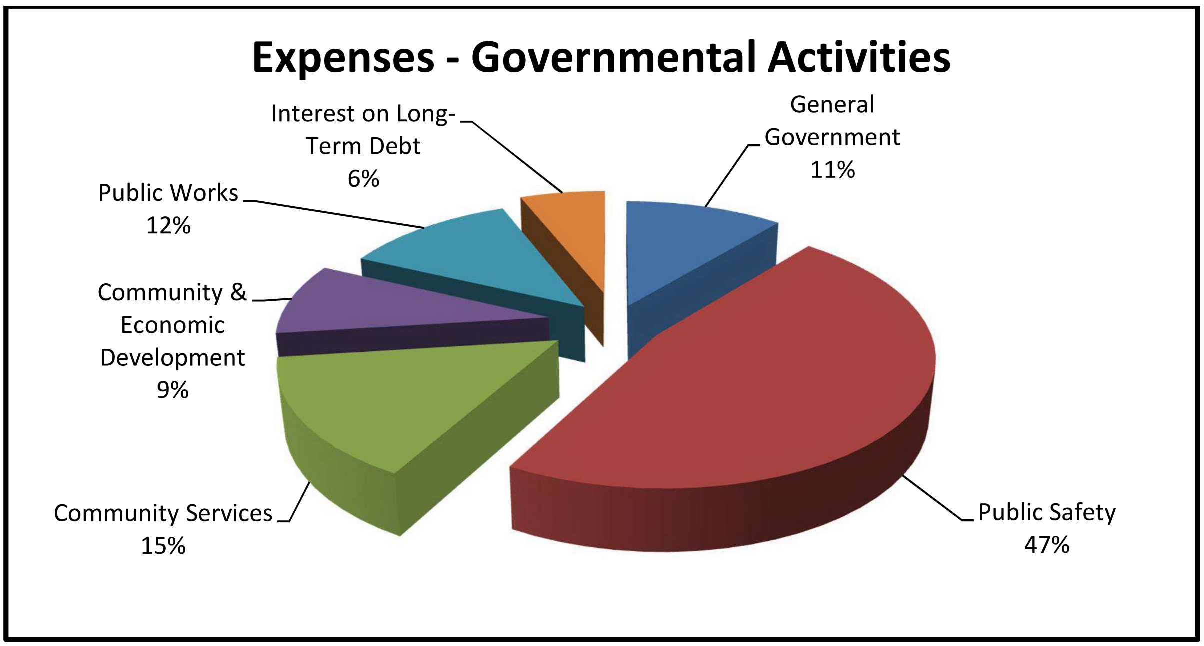
Governmental activities: Net position for governmental activities, increased by $113.3 million during fiscal year 2015-16. Total revenue increased by 5.0 percent and expenses increased by 10.1 percent. During FY 2014-15, revenues increased at a rate of 7.4 percent and expenses increased by 1.0 percent.

Changes in net position for governmental activities are attributed to the following significant elements:

- Contributing factors resulting to increases in certain revenue categories are as follows: property tax increased by $12.2 million due to the restoration of assessed values that Proposition 8 temporarily decreased as a result of the previously declining property values during the recession. Real estate transfer tax increased by $26.9 million or 43.0 percent primarily due to higher volume in real estate sales, increased assessed values, and large one-time commercial sales. Real estate transfer tax is highly volatile and revenues can increase and decrease rapidly with changing market conditions as a result of the sale of high value properties. Business license taxes increased by $8.8 million due to increases in gross receipts from businesses in the City resulting from a 2015 non-compliant rental property audit that licensed an additional 4,900 property owners. Transient occupancy taxes increased by $4.1 million or 19.0 percent due to thriving local hotel demand. Other factors contributing to revenue increase include: parking revenue by $1.8 million or 9.7 percent.
- Contributing factors resulting in a decrease in certain revenue categories are as follows: Capital grants and contributions decreased by $16.3 million from the conclusion of the Trade Corridor Improvement Fund (TCIF) grant for the Oakland Army Base development, gas tax declined by $3.2 million or 26.7 percent due low gas and jet fuel prices, higher fuel efficiency, and more hybrid/electric vehicles.



- *General government* expenses increased by $16.7 million or 20.2 percent when compared to the previous year primarily due to a negotiated compensation increase for all bargaining units in general government.
- *Public safety* expenses increased by $49.0 million or 12.8 percent when compared to the previous year due primarily to increased overtime costs associated with operations (back-filling beats, etc.), targeted crime reduction operations, and negotiated compensation increases.
- *Community services* expenses increased by $13.1 million or 10.7 percent primarily due to multi-year funding expenses, negotiated compensation increases and an increase in Federal and State grants.
- *Community and economic development* expenses increased by $10.1 million or 13.5 percent primarily due to the completion of multi-year projects and negotiated compensation increases.
- *Public works* expenses increased by $9.0 million or 8.5 percent from the prior year primarily due to the negotiated compensation increases and depreciation expenses.
- *Interest on long-term* debt decreased by $13.7 million or 20.1 percent primarily due to the lower interest rate resulting from the General Obligation Refunding Bond (Series 2015), and an overall decrease in outstanding debt..

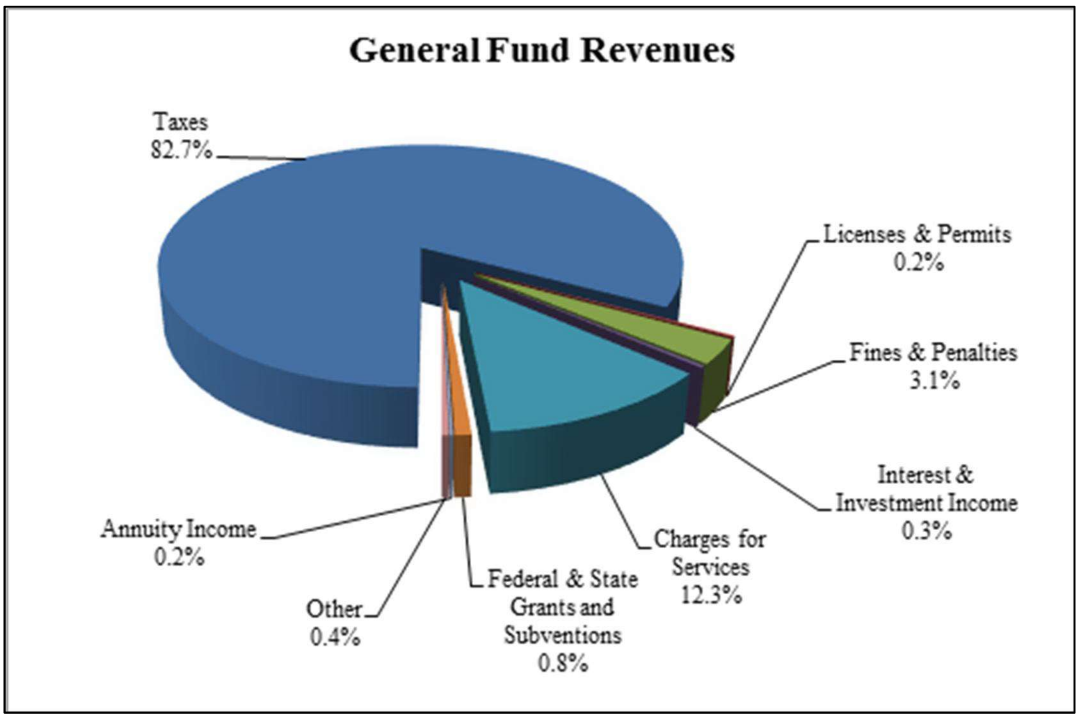


Business-type activities: Business-type activities ended the fiscal year with a positive change in its net position of $17.4 million compared to $18.3 million the previous fiscal year.

Financial Analysis of the Government's Funds

Governmental funds: The focus of City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund: The General Fund is the chief operating fund of the City. At June 30, 2016, its unassigned fund balance is $65.1 million or 21.0 percent of the $310.1 million total General Fund balance.



For the year ended June 30, 2016 and 2015, revenues for the General Fund by revenue source are distributed as follows (in thousands):

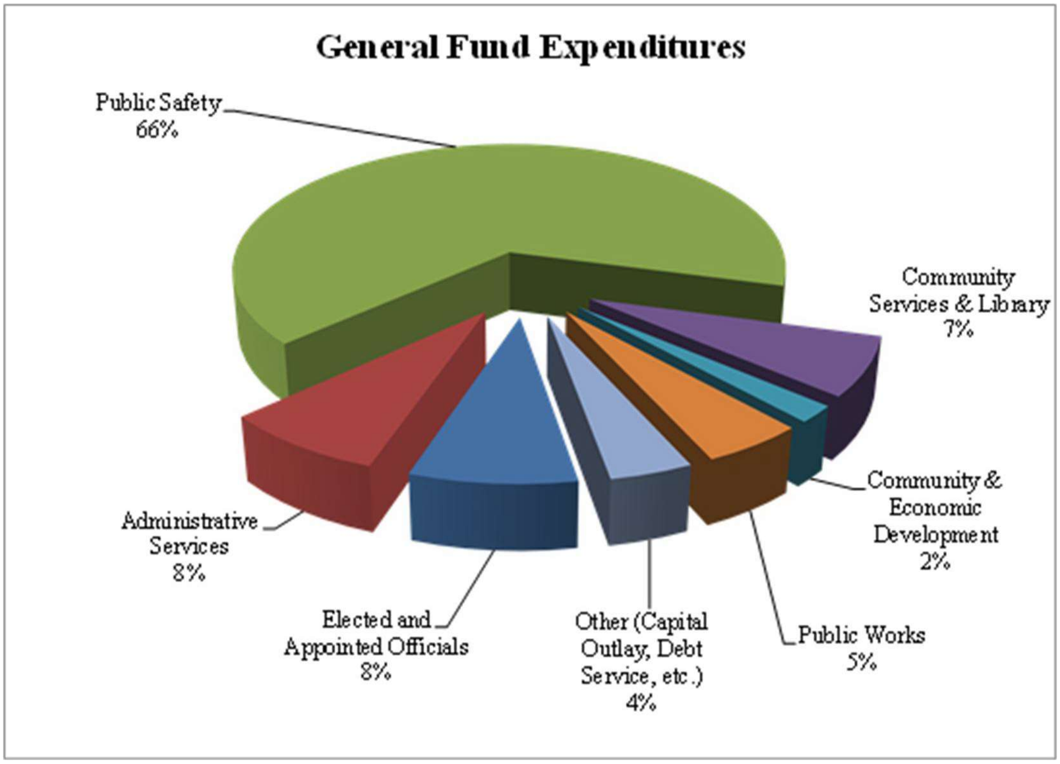
	General Fund		Increase / (Decrease)	
	2016	2015	Amount	%
Revenues:				
Taxes:				
Property taxes	$ 257,707	$ 228,072	$ 29,635	12.99%
State taxes:				
Sales and use taxes	52,192	48,827	3,365	6.89%
Motor vehicles in-lieu tax	166	177	(11)	-6.21%
Local taxes:				
Business license	75,504	66,677	8,827	13.24%
Utility consumption	51,006	50,594	412	0.81%
Real estate transfer	89,594	62,665	26,929	42.97%
Transient occupancy	20,209	16,898	3,311	19.59%
Parking	10,220	9,337	883	9.46%
Franchise	18,321	17,921	400	2.23%
Licenses and permits	1,591	1,573	18	1.14%
Fines and penalties	21,648	23,146	(1,498)	-6.47%
Interest and investment income	1,873	1,088	785	72.15%
Charges for services	85,184	82,461	2,723	3.30%
Federal and state grants and subventions	5,953	8,003	(2,050)	-25.62%
Annuity income	1,096	2,648	(1,552)	-58.61%
Other	2,622	3,899	(1,277)	-32.75%
Total revenues	**$ 694,886**	**$ 623,986**	**$ 70,900**	**11.36%**

General Fund Revenues: Significant changes in revenues are as follows:

- *Property taxes* increased by $29.6 million or 13.0 percent. The increase is mainly due to the restoration of Proposition 8 values to the assessment roll in FY 2014-15. When property values decline, Proposition 8 allows the property to be temporarily assessed at a lower value. Additionally, there was an increase in Redevelopment Property Tax Trust Funds (RPTTF) distribution as a result of the DOF disallowance of requested amounts from the review of the Recognized Obligation Payment Schedule (ROPS) 16-17A.
- *Real estate transfer tax* increased by $26.9 million or 43.0% percent primarily due to higher volume in real estate sales, increases in assessed value, and one-time large commercial property sales.
- *Business license* increased by $8.8 million mainly due to increases in gross receipts from businesses in the City resulting from a 2015 non-compliant rental property audit that licensed an additional 4,900 property owners.
- *Transient occupancy* increased by $3.3 million mainly due to thriving local hotel demand.
- *Annuity income* decreased by $1.6 million mainly due to decreased interest and investment earnings of the New York Life annuity contract investment.

For the years ended June 30, 2016 and 2015, expenditures for the General Fund by function are distributed as follows (in thousands):

	General Fund		Increase/(Decrease)	
	2016	2015	Amount	%
Expenditures:				
Current:				
Elected and Appointed Officials:				
Mayor	$ 2,197	$ 1,980	$ 217	10.96%
Council	4,513	3,761	752	19.99%
City Administrator	15,831	15,668	163	1.04%
City Attorney	15,296	12,123	3,173	26.17%
City Auditor	1,760	1,620	140	8.64%
City Clerk	3,326	3,414	(88)	-2.58%
Public Ethics Commission	587	-	587	N/A
Departments:				
Administrative Services Department				
Human Resource Management	6,655	5,871	784	13.35%
Financial Services	23,879	22,666	1,213	5.35%
Information Technology	11,604	9,104	2,500	27.46%
Race & Equity Department	84	-	84	N/A
Public Safety				
Oakland Police Department	245,628	218,143	27,485	12.60%
Oalkand Fire Department	126,669	113,553	13,116	11.55%
Community Service Department:				
Parks and Recreation	23,199	20,071	3,128	15.58%
Library	11,220	9,141	2,079	22.74%
Human Services Department	6,233	5,935	298	5.02%
Community and Economic Development				
Planning & Building	109	502	(393)	-78.29%
Economic & Workforce Development	8,891	7,775	1,116	14.35%
Housing & Community Development	4,416	2,330	2,086	89.53%
Oakland Public Works	30,539	38,703	(8,164)	-21.09%
Other	12,086	6,581	5,505	83.65%
Capital outlay	2,277	4,323	(2,046)	-47.33%
Debt Service				
Principal repayment	5,432	5,613	(181)	-3.22%
Bond issuance costs	240	200	40	20.00%
Interest charges	522	629	(107)	-17.01%
Total Expenditures	**$ 563,193**	**$ 509,706**	**$ 53,487**	**10.49%**



General Fund Expenditures: Significant changes in expenditures are as follows:

- *Public safety* increased by $40.6 million or 12.2 percent due to the negotiated cost of living adjustment ("COLA") and overtime for sworn employees as a result of targeted crime reduction, unanticipated special enforcement, routine overtime and coverage of vacancies.
- *City elected offices and departments*, excluding public safety and debt service, are reporting a total increase of $13.0 million in expenditures mainly due to negotiated COLA increases for all bargaining units of up to 4 percent for FY 2015-16.

Federal and State Grant Fund: The Federal and State Grant Fund had a deficit fund balance of $8.1 million as of June 30, 2016 that represents an increase in deficit of $1.9 million from the prior fiscal year. The federal/state grant fund deficit will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period and is recorded as deferred inflows of resources for $5.9 million as of June 30, 2016.

Low and Moderate Income Housing Asset Fund ("LMIHF"): Upon the dissolution of the Former Agency, the City retained the housing activities previously funded by the Former Agency and created LMIHF and transferred the assets and affordable housing activities of the low and moderate income fund to the City. The ending fund balance as of June 30, 2015 was $37.8 million and the fund's net loan receivable balance was $193.6 million.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $214.2 million as of June 30, 2016 that represents a decrease of $31.5 million or 12.8 percent from the prior fiscal year. Pursuant to Health and Safety Code (HSC) Section 34179(h), the DOF completed its review of the Oversight Board action on the Bond Spending Plan and on November 6, 2013, it approved the Bond

Spending Plan for Oakland Redevelopment Successor Agency (ORSA). The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. DOF approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City.

The Other Special Revenue Fund accounts for activities of several Special Revenue Funds, which include mainly the following local measures; Measure Z - Violence Prevention and Public Safety Act of 2014; Measure C – Oakland Hotel Tax; Measure Q – Library Services Retention and Enhancement; Measure WW – East Bay Regional Park District local grant program; Measure N – Paramedics Services Act; Oakland Kid's First Fund; Development Service Fund and Other miscellaneous special revenue funds. The ending fund balance as of June 30, 2015 was $56.8 million.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements under the business-type column but in more detail.

The portion of net position invested in capital assets was $171.7 million as of June 30, 2016, compared to $155.3 million for the previous fiscal year. The $16.4 million or 10.6 percent increase is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized $14.4 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the year ended June 30, 2016, the General Fund had a $1.8 million increase in budgeted revenues between the original and final amended operating budget. Actual budgetary basis revenues of $694.1 million were $58.5 million higher than the final amended budget. The variance is due primarily to increases in property tax revenue, business license, real estate transfer tax, and charges for services.

In addition, there was a $54.0 million increase in appropriations between the original and final amended operating budget for the General Fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multiyear projects, capital improvement projects, and other projects authorized by the City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Actual budgetary basis expenditures of $563.2 million were $61.9 million less than the amended budget. Savings were experienced in all expenditure categories mainly due to budget contingency and project and encumbrance carryforwards for multi-year budgets.

Capital Assets

The City's capital assets, net of depreciation, totaled $1.6 billion as of June 30, 2016 compared to $1.5 billion as of June 30, 2015, an increase of $76.6 million or 5.1 percent. Governmental activities additions of $126.0 million in capital assets included construction in progress and furniture, machinery and equipment, which met the City's threshold for capitalization.

These additions were offset by retirements and depreciation, the net effect of which was an increase of $61.9 million net increase of capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $14.7 million, net of retirements and depreciation. See Note (II) D. to the financial statements for more details on capital assets.

Construction Commitments

The City has committed to funding in the amount of $270.1 million for a number of capital improvement projects for fiscal year 2016-17 through fiscal year 2017-18. These projects include building and facilities improvements; parks and open space; sewers and storm drains; streets and sidewalks construction; technology enhancements and traffic improvements. See Note (III) C.1. for more details in construction commitments.

Debt Administration:

General Obligation Bonds and Other Bond Ratings

A credit rating is a value assigned by one or more of the recognized rating agencies that "grade" a jurisdiction's credit, or financial trustworthiness. The three primary rating agencies are Moody's Investors Service (Moody's), Standard & Poor's Rating Services (S&P), and Fitch Ratings (Fitch). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy and outstanding debt. The City continues to maintain strong credit ratings on the City's existing general obligation bonds from all three national rating agencies despite the difficult financial and economic conditions nationally and locally. The City of Oakland's underlying ratings for its bonds as of June 30, 2016 were as follows:

	Ratings		
Type of Bond	**Moody's**	**S&P**	**Fitch**
General Obligation Bonds	Aa2/Stable	AA-/Stable	N/A
Pension Obligation Bonds	Aa3:A1/Stable	A+/Stable	A/Stable
Tax Allocation Bonds	A3[1]:Baa[2]	A+:AA-/Stable	N/A

[1] Ratings as of May 21, 2014, based on Insured Rating

[2] Ratings as of June 24, 2015

General Fund Bonded Debt Limit

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was $1.3 billion. The total amount of debt applicable to the debt limit was $201.8 million. The resulting legal debt margin was $1.1 billion.

Long-Term Obligations

As of June 30, 2016, the City had total long-term obligations of $2.6 billion compared to $2.5 billion outstanding for the prior fiscal year, an increase of 5.43 percent. Of this amount, $201.8 million is general obligation bonds backed by the full faith and credit of the City. The remaining $2.4 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	$ 201,830	$ 206,530	$ -	$ -	$ 201,830	$ 206,530
Lease revenue bonds	91,110	109,955	-	-	91,110	109,955
Pension obligation bonds	313,223	330,433	-	-	313,223	330,433
Special assessment district bonds	5,685	6,020	-	-	5,685	6,020
Accreted interest of appreciation bonds	159,476	165,290	-	-	159,476	165,290
Sewer bonds	-	-	34,665	36,630	34,665	36,630
Unamortized premium and discounts	24,054	25,989	4,458	4,801	28,512	30,790
Total bonds payable	795,378	844,217	39,123	41,431	834,501	885,648
Notes and lease payable	73,909	68,795	-	-	73,909	68,795
Other long-term liabilities	240,388	221,651	-	-	240,388	221,651
Subtotal	1,109,675	1,134,663	39,123	41,431	1,148,798	1,176,094
Net pension liabilities	1,207,032	1,091,745	31,133	29,078	1,238,165	1,120,823
Net OPEB obligations	305,024	256,922	-	-	305,024	256,922
Total long-term obligations	**$ 2,621,731**	**$ 2,483,330**	**$ 70,256**	**$ 70,509**	**$ 2,691,987**	**$ 2,553,839**

The City's overall bonds, notes and lease payables decreased by $46.0 million compared to the prior fiscal year balance. The decrease is primarily attributable to $67.8 million in net debt repayment in governmental funds and $2.3 million in enterprise funds, off-set by $24.1 million issuance in capital leases, which includes IT Systems lease of $17.0 million and radio lease of $7.1 million.

Current Year Long-Term Debt Financing:

- On July 16, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of $7,095,000 to finance the acquisition of professional services in order to improve the microwave network, replace the PWA portable radio fleet, replace the siren system, and deploy a mobile emergency network.
- On October 28, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of $17,000,000 to finance hardware, software and professional services to upgrade/re-implement and remediate the Oracle E-Business Suite applications and related infrastructure, implement a new municipal budgeting system, replace and improve the 9-1-1 public safety systems and operate and maintain current information technology systems.

Additional information on the City's long-term debt obligations can be found in Note (II) H to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts and concessions, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2015-16.

The City's economy continues to grow, which is resulting in a steady growth of General Purpose Fund, a subfund of the General Fund, revenues. While revenues are approaching pre-recession levels, the growth is not enough to restore pre-recession service levels due to rising costs. There is also pressure on the budget to fund long-term deferred maintenance and capital equipment, and long-term unfunded liabilities. The City adopted a balanced budget for fiscal year 2016-17 without layoffs, and continues to invest in public safety, stabilize our workforce, economic growth, job creation and training, education, equipment and technology, and quality of life.

In March 2015, as part of the proposed FY2013-15 Biennial Budget, the City issued a Five-Year Financial Forecast that forecasted revenues and expenditures. The purpose of the Five-Year Financial Forecast is to help the City of Oakland make informed financial and operational decisions by better anticipating long-term future revenues and expenditures. Since that time the City has experienced a continued growth in revenues and boom in the local economy. This economic growth will be reflected in subsequent reports on City revenues and expenditures.

In February of 2017 the City will release a new Five-Year Financial Forecast in preparation for the FY 2017-19 Biennial Budget. This new forecast will address the projected future growth rates of expenditures and revenues, and any other fiscal concerns, based upon information available through December of 2016.

The City of Oakland's unemployment rate increased to 5.8 percent in June 2016 compared to an average unemployment rate of 5.7 percent for June 2015.

The Bay Area's consumer price index for all urban consumers in June 2016 was 266,041 compared to 259,117 in June 2015 and to the U.S. city average consumer price index for all urban consumers at 241.038 (Base period: 1982 – 84 = 100).

Estimated population for January 1, 2016 is 422,856 with an estimated total number of households of 156,724, an average household size of 2.6 persons, and a per capita personal income of $34,587.

PERS pension rates, and health care costs have been factored into the City's mid-cycle budget for Fiscal Year 2016-17.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Finance Department, Controller's Bureau, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093. This report is also available online at http://www.oaklandnet.com.

This page is intentionally left blank.

BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Position
June 30, 2016
(In thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 396,604	$ 44,388	$ 440,992	$ 296,454
Receivables (net of allowance for uncollectibles of $15,894 for City and $1,088 for Port):				
Accrued interest	450	56	506	-
Property taxes	20,341	-	20,341	-
Accounts receivable	52,853	13,715	66,568	30,199
Grants receivable	30,186	-	30,186	-
Due from Port	9,068	-	9,068	-
Due from Oakland Redevelopment Successor Agency (ORSA)	6,024	-	6,024	-
Due from pension trust funds	37	-	37	-
Internal balances	117	(117)	-	-
Due from other governments	10,271	-	10,271	-
Inventories	575	-	575	-
Restricted assets:				
Cash and investments	184,145	736	184,881	72,779
Receivables	-	-	-	3,119
Property held for resale	162,657	-	162,657	-
Notes and loans receivable (net of allowance for uncollectibles of $140,823 for the City)	361,390	-	361,390	-
Prepaid expenses	1,333	73	1,406	3,219
Other	-	-	-	41,479
Capital assets:				
Land and other capital assets not being depreciated	453,655	41,853	495,508	731,133
Facilities, infrastructure, and equipment, net of depreciation	919,143	169,501	1,088,644	1,467,887
TOTAL ASSETS	2,608,849	270,205	2,879,054	2,646,269
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized losses on refunding of debts	18,798	-	18,798	10,286
Deferred outflows of resources related to pensions	95,780	3,368	99,148	16,386
TOTAL DEFERRED OUTFLOWS OF RESOURCES	114,578	3,368	117,946	26,672
LIABILITIES				
Accounts payable and other current liabilities	142,450	843	143,293	26,980
Accrued interest payable	22,661	66	22,727	8,696
Due to other governments	1,061	-	1,061	-
Due to primary government	-	-	-	9,068
Due to Oakland Redevelopment Successor Agency (ORSA)	2,312	-	2,312	-
Unearned revenue	5,456	-	5,456	42,547
Other	13,450	6	13,456	23,300
Non-current liabilities:				
Due within one year	170,672	2,388	173,060	70,675
Due in more than one year	939,003	36,735	975,738	1,150,241
Net pension liability	1,207,032	31,133	1,238,165	177,204
Other postemployment benefits obligation	305,024	-	305,024	10,121
TOTAL LIABILITIES	2,809,121	71,171	2,880,292	1,518,832
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	-	513	513	-
Deferred inflows of resources related to pensions	69,768	2,089	71,857	11,563
TOTAL DEFERRED INFLOWS OF RESOURCES	69,768	2,602	72,370	11,563
NET POSITION				
Net investment in capital assets	1,079,164	171,743	1,250,907	1,097,049
Restricted for:				
Debt service	24,764	-	24,764	-
Housing and community development	266,412	-	266,412	-
Low and moderate income housing redevelopment	233,534	-	233,534	-
Other purposes	30,495	-	30,495	14,840
Unrestricted (deficit)	(1,789,831)	28,057	(1,761,774)	30,657
TOTAL NET POSITION	$ (155,462)	$ 199,800	$ 44,338	$ 1,142,546

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Activities
Year Ended June 30, 2016
(In thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Port of Oakland**
Primary government:								
Governmental activities:								
General government	$ 99,183	$ 49,540	$ 8,116	$ -	$ (41,527)	$ -	$ (41,527)	
Public safety	432,862	21,104	15,468	-	(396,290)	-	(396,290)	
Community services	134,799	7,454	39,028	-	(88,317)	-	(88,317)	
Community and economic development	85,396	58,439	18,008	50,665	41,716	-	41,716	
Public works	114,597	41,772	9,470	3,378	(59,977)	-	(59,977)	
Interest on long-term debt	54,335	-	-	-	(54,335)	-	(54,335)	
TOTAL GOVERNMENTAL ACTIVITIES	921,172	178,309	90,090	54,043	(598,730)	-	(598,730)	
Business-type activities:								
Sewer	39,270	58,703	-	-	-	19,433	19,433	
Parks and recreation	872	711	-	-	-	(161)	(161)	
TOTAL BUSINESS-TYPE ACTIVITIES	40,142	59,414	-	-	-	19,272	19,272	
TOTAL PRIMARY GOVERNMENT	$ 961,314	$ 237,723	$ 90,090	$ 54,043	(598,730)	19,272	(579,458)	
Component unit:								
Port of Oakland	$ 342,517	$ 338,037	$ 1,419	$ 34,849				31,788
General revenues:								
Property taxes					279,764	-	279,764	-
State taxes:								
Sales and use taxes					77,365	-	77,365	-
Gas tax					8,653	-	8,653	-
Motor vehicle in-lieu					166	-	166	-
Local taxes:								
Business license					75,504	-	75,504	-
Utility consumption					51,006	-	51,006	-
Real estate transfer					89,594	-	89,594	-
Transient occupancy					25,671	-	25,671	-
Parking					20,175	-	20,175	-
Voter approved special tax					37,793	-	37,793	-
Franchise					18,609	-	18,609	-
Interest and investment income					4,596	233	4,829	2,149
Gain on long-term lease termination					-	-	-	35,200
Other					20,987	-	20,987	33,651
Transfers					2,144	(2,144)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					712,027	(1,911)	710,116	71,000
Changes in net position					113,297	17,361	130,658	102,788
Net position - beginning					(268,759)	182,439	(86,320)	1,039,758
NET POSITION - ENDING					$ (155,462)	$ 199,800	$ 44,338	$ 1,142,546

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Balance Sheet
Governmental Funds
June 30, 2016
(In thousands)

	General Fund	Federal/ State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total
ASSETS							
Cash and investments	$ 269,455	$ -	$ 6,458	$ 7,301	$ 62,065	$ 43,223	$ 388,502
Receivable (net of allowance for uncollectibles of $14,552)							
Accrued interest and dividends	307	-	-	10	74	50	441
Property taxes	14,311	-	-	-	3,391	2,639	20,341
Accounts receivable	41,283	175	-	160	5,589	5,475	52,682
Grants receivable	-	27,516	-	-	695	1,888	30,099
Due from Port	9,068	-	-	-	-	-	9,068
Due from ORSA	1,426	-	2,307	2,291	-	-	6,024
Due from penstion trust fund	37	-	-	-	-	-	37
Due from other funds	34,748	-	-	-	-	-	34,748
Due from other governments	10,271	-	-	-	-		10,271
Notes and loans receivable (net of allowance for uncollectibles of $140,823)	2,902	132,871	193,612	1,600	30,405	-	361,390
Restricted cash and investments	70,791	475	1,502	78,644	-	13,284	164,696
Property held for resale	-	-	30,677	131,980	-		162,657
Other assets	35	212	-	-	29	100	376
TOTAL ASSETS	$ 454,634	$ 161,249	$ 234,556	$ 221,986	$ 102,248	$ 66,659	$ 1,241,332
LIABILITIES							
Accounts payable and accrued liabilities	$ 113,929	$ 10,916	$ 1,015	$ 2,544	$ 5,866	$ 5,188	$ 139,458
Due to other funds	-	17,491	3	-	-	1,551	19,045
Due to ORSA	2,312	-	-	-	-	-	2,312
Due to other governments	1,020	-	-	-	41	-	1,061
Unearned revenue	5,247	209	-	-	-	-	5,456
Other	2,506	1,965	4	1,469	6,549	950	13,443
TOTAL LIABILITIES	125,014	30,581	1,022	4,013	12,456	7,689	180,775
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	3,410	-	-	-	2,279	2,028	7,717
Unavailable revenue - notes and loans	2,902	132,871	193,612	1,600	30,405	-	361,390
Unavailable revenue - mandated claims	10,258	-	-	-	-	-	10,258
Unavailable revenue - grants and others	2,914	5,890	-	-	292	-	9,096
Unavailable revenue - loans to OSRA	-	-	2,111	2,164	-	-	4,275
TOTAL DEFERRED INFLOWS	19,484	138,761	195,723	3,764	32,976	2,028	392,736
FUND BALANCES							
Restricted	186,804	475	37,811	210,624	-	54,721	490,435
Committed	-	-	-	-	16,495	2,115	18,610
Assigned	58,203	-	-	3,585	40,321	1,429	103,538
Unassigned	65,129	(8,568)	-	-	-	(1,323)	55,238
TOTAL FUND BALANCES (DEFICIT)	310,136	(8,093)	37,811	214,209	56,816	56,942	667,821
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 454,634	$ 161,249	$ 234,556	$ 221,986	$ 102,248	$ 66,659	$ 1,241,332

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position for Governmental Activities
June 30, 2016
(In thousands)

Fund balances - total governmental funds (page 23)		$ 667,821
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Primary government capital assets, net of depreciation	1,372,798	
Less: internal service funds' capital assets, net of depreciation	(45,195)	1,327,603
Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.		950
Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not accrued as a liability in the governmental funds.		
Interest payable on long-term debt of the primary government	(22,661)	
Less: interest payable on long-term debt of the internal service funds	373	(22,288)
Deferred inflows of resources recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the government-wide financial statements.		392,736
Long-term liabilities, including bonds payable and other postemployment benefits obligation, are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Long-term liabilities	(1,109,675)	
Net other post employment benefits obligation	(305,024)	
Less: long-term liabilities for internal service funds	44,531	(1,370,168)
Deferred outflows of resources in governmental activities related to losses on refunding of debt are not financial resources and, therefore, are not reported in the governmental funds.		18,798
Net pension liability and deferred outflows of resources and deferred inflows of resources related to pensions on the government-wide statement of net position are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Net pension liability	(1,171,232)	
Deferred outflows of resources related to pensions	91,953	
Deferred inflows of resources related to pensions	(67,478)	(1,146,757)
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets, deferred outflows, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position.		(24,157)
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)		$ (155,462)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016
(In thousands)

	General Fund	Federal/ State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total
REVENUES							
Taxes:							
Property	$ 257,707	$ -	$ -	$ -	$ 15,660	$ 6,431	$ 279,798
Sales and use	52,192	-	-	-	-	25,173	77,365
Motor vehicle in-lieu	166	-	-	-	-	-	166
Gas	-	-	-	-	-	8,653	8,653
Local taxes:							
Business license	75,504	-	-	-	-	-	75,504
Utility consumption	51,006	-	-	-	-	-	51,006
Real estate transfer	89,594	-	-	-	-	-	89,594
Transient occupancy	20,209	-	-	-	5,462	-	25,671
Parking	10,220	-	-	-	9,955	-	20,175
Voter approved special tax	-	-	-	-	18,473	19,320	37,793
Franchise	18,321	288	-	-	-	-	18,609
Licenses and permits	1,591	-	-	-	27,682	89	29,362
Fines and penalities	21,648	348	-	-	878	1,098	23,972
Interest and investment income	1,873	292	926	246	964	278	4,579
Charges for services	85,184	2,381	6,466	2,621	28,294	634	125,580
Federal and state grants and subventions	5,953	126,580	-	25	3,663	3,898	140,119
Annuity income	1,096	-	-	-	-	-	1,096
Other	2,622	1,785	1,303	77	2,287	3,164	11,238
TOTAL REVENUES	694,886	131,674	8,695	2,969	113,318	68,738	1,020,280
EXPENDITURES							
Current:							
Elected and Appointed Officials:							
Mayor	2,197	125	-	-	-	260	2,582
Council	4,513	-	-	-	-	-	4,513
City Administrator	15,831	298	-	202	780	7	17,118
City Attorney	15,296	59	-	-	1,931	36	17,322
City Auditor	1,760	-	-	-	-	-	1,760
City Clerk	3,326	-	-	-	-	-	3,326
Public Ethics Commission	587	-	-	-	-	-	587
Departments:							
Administrative Service Department:							
Human Resource Management	6,655	-	-	-	-	-	6,655
Financial Services	23,879	271	-	(5)	978	128	25,251
Information Technology	11,604	11	-	-	646	-	12,261
Race and Equity Department	84	-	-	-	-	-	84
Public Safety:							
Oakland Police Department	245,628	8,366	-	-	15,702	898	270,594
Oakland Fire Department	126,669	4,231	-	11	6,041	850	137,802
Community Service Department:							
Parks and Recreation	23,199	180	-	-	368	2,639	26,386
Library	11,220	146	-	-	15,055	304	26,725
Human Services Department	6,233	43,873	72	-	20,104	1,634	71,916
Community and Economic Development:							
Planning and Building	109	281	-	296	24,765	-	25,451
Economic & Workforce Development	8,891	6,444	-	2,561	583	916	19,395
Housing & Community Development	4,416	10,409	7,978	-	4,370	-	27,173
Oakland Public Works	30,539	2,672	-	4,585	5,954	38,406	82,156
Other	12,086	-	-	1,662	4,779	67	18,594
Capital outlay	2,277	60,926	-	21,324	2,204	12,878	99,609
Debt service:							
Principal repayment	5,432	1,090	-	-	-	42,410	48,932
Bond issuance cost	240	-	-	-	-	11	251
Interest charges	522	121	-	-	-	50,946	51,589
TOTAL EXPENDITURES	563,193	139,503	8,050	30,636	104,260	152,390	998,032
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	131,693	(7,829)	645	(27,667)	9,058	(83,652)	22,248
OTHER FINANCING SOURCES (USES)							
Discount on issuance of debt	(78)	-	-	-	-	-	(78)
Proceeds from sale of capital assets	66	-	-	-	-	-	66
Insurance claims and settlements	4,314	-	-	-	-	-	4,314
Transfers in	8,653	5,896	-	-	15,083	79,627	109,259
Transfers out	(100,843)	-	-	(3,840)	-	(2,434)	(107,117)
TOTAL OTHER FINANCING SOURCES (USES)	(87,888)	5,896	-	(3,840)	15,083	77,193	6,444
NET CHANGE IN FUND BALANCES	43,805	(1,933)	645	(31,507)	24,141	(6,459)	28,692
Fund balances (deficit) - beginning	266,331	(6,160)	37,166	245,716	32,675	63,401	639,129
FUND BALANCES (DEFICIT) - ENDING	$ 310,136	$ (8,093)	$ 37,811	$ 214,209	$ 56,816	$ 56,942	$ 667,821

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities
Year Ended June 30, 2016
(In thousands)

Net change in fund balances - total governmental funds (page 25)		$ 28,692
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period.		
Primary government:		
Capital asset acquisition	125,962	
Capital asset retirement	(47)	
Depreciation	(64,055)	
Less: net changes of capital assets within internal service funds	(17,288)	44,572
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred inflows during the current period.		22,841
Some expenses such as claims, workers' compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.		(24,794)
The repayment of the principal of long-term debt consumes the current financing sources of the governmental funds. This is the amount by which principal retirement reduces the liabilities in the statement of net position.		73,621
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Amortization of bond premiums and discounts	1,935	
Amortization of prepaid bond insurance premium on long-term debt	(217)	
Amortization of deferred outflows of refunding loss	(1,573)	
Accreted interest on appreciation bonds	(18,874)	
Changes in accrued interest on bonds and notes payable	(1,677)	
Changes in Coliseum Authority pledged obligation	3,933	
Changes in mandated environmental remediation obligations	599	
Changes in net pension liability	(112,885)	
Changes in deferred outflows of resources related to pensions	5,555	
Changes in deferred inflows of resources related to pensions	119,559	
Changes on postemployment benefits other than pension benefits (OPEB)	(48,102)	
Changes on fair value of the interest swap agreement	1,524	(50,223)
The net income of activities of internal service funds is reported with governmental activities		18,588
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 22)		$ 113,297

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Fund Net Position
Proprietary Funds
June 30, 2016
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 44,388	$ -	$ 44,388	$ 8,102
Interest receivable	56	-	56	9
Accounts receivable (net of allowance for uncollectibles of $1,342 for the enterprise funds)	13,710	5	13,715	171
Grants receivable	-	-	-	87
Inventories	-	-	-	575
Restricted cash and investments	25	711	736	19,449
Prepaid expenses	73	-	73	7
Total current assets	58,252	716	58,968	28,400
Capital assets:				
Land and other assets not being depreciated	40,947	906	41,853	14,651
Facilities, equipment and infrastructure, net of depreciation	167,912	1,589	169,501	30,544
Total capital assets	208,859	2,495	211,354	45,195
TOTAL ASSETS	267,111	3,211	270,322	73,595
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	3,343	25	3,368	3,827
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	843	-	843	2,992
Accrued interest payable	66	-	66	373
Due to other funds	-	117	117	15,586
Other liabilities	6	-	6	7
Bonds, capital leases, notes and other payables	2,388	-	2,388	9,033
Total current liabilities	3,303	117	3,420	27,991
Non-current liabilities:				
Bonds, capital leases, notes and other payables	36,735	-	36,735	35,498
Net pension liability	30,926	207	31,133	35,800
Total non-current liabilities	67,661	207	67,868	71,298
TOTAL LIABILITIES	70,964	324	71,288	99,289
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	2,075	14	2,089	2,290
Unamortized gain on refunding of debt	513	-	513	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,588	14	2,602	2,290
NET POSITION				
Net investment in capital assets	169,248	2,495	171,743	20,113
Unrestricted (deficit)	27,654	403	28,057	(44,270)
TOTAL NET POSITION	$ 196,902	$ 2,898	$ 199,800	$ (24,157)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 711	$ 711	$ -
Sewer services	58,682	-	58,682	-
Charges for services	-	-	-	70,451
Other	21	-	21	139
TOTAL OPERATING REVENUES	58,703	711	59,414	70,590
OPERATING EXPENSES				
Personnel	16,799	115	16,914	19,741
Supplies	818	369	1,187	2,664
Depreciation and amortization	5,707	310	6,017	7,392
Contractual services and supplies	3,047	10	3,057	1,285
Repairs and maintenance	467	-	467	6,567
General and administrative	6,578	46	6,624	6,833
Rental	1,422	21	1,443	1,965
Other	3,138	1	3,139	5,509
TOTAL OPERATING EXPENSES	37,976	872	38,848	51,956
OPERATING INCOME (LOSS)	20,727	(161)	20,566	18,634
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	234	(1)	233	17
Interest expense	(1,294)	-	(1,294)	(885)
Federal and State grants	-	-	-	87
Insurance claims and settlements	-	-	-	459
Other	-	-	-	274
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,060)	(1)	(1,061)	(48)
INCOME/(LOSS) BEFORE TRANSFERS	19,667	(162)	19,505	18,586
Transfers in	-	-	-	550
Transfers out	(2,144)	-	(2,144)	(548)
Change in net position	17,523	(162)	17,361	18,588
Net position - beginning	179,379	3,060	182,439	(42,745)
NET POSITION - ENDING	$ 196,902	$ 2,898	$ 199,800	$ (24,157)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016
(In thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$ 58,790	$ -	$ 58,790	$ 70,535
Cash received from tenants for rents	-	707	707	-
Cash from other sources	21	-	21	139
Cash paid to employees	(18,367)	(128)	(18,495)	(21,414)
Cash paid to suppliers	(17,557)	(447)	(18,004)	(35,125)
NET CASH PROVIDED BY OPERATING ACTIVITIES	22,887	132	23,019	14,135
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	117	117	50
Repayment of interfund loans	-	-	-	(5,615)
Other	-	-	-	733
Transfers in	-	-	-	550
Transfers out	(2,144)	-	(2,144)	(548)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(2,144)	117	(2,027)	(4,830)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(20,154)	(554)	(20,708)	(24,679)
Long-term debt:				
Proceeds from issuance of debt	-	-	-	24,095
Repayment of long-term debt	(1,965)	-	(1,965)	(11,139)
Bond issuance cost	(40)	-	(40)	-
Interest paid on long-term debt	(1,640)	-	(1,640)	(755)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(23,799)	(554)	(24,353)	(12,478)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	178	(1)	177	7
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,878)	(306)	(3,184)	(3,166)
Cash and cash equivalents - beginning	47,291	1,017	48,308	30,717
CASH AND CASH EQUIVALENTS - ENDING	$ 44,413	$ 711	$ 45,124	$ 27,551
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 20,727	$ (161)	$ 20,566	$ 18,634
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	5,707	310	6,017	7,392
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
Receivables	108	(4)	104	84
Inventories	-	-	-	(167)
Other assets	(9)	-	(9)	(7)
Accounts payable and accrued liabilities	(2,078)	-	(2,078)	(10,129)
Other liabilities	-	-	-	1
Net pension liability and related pension deferred items	(1,568)	(13)	(1,581)	(1,673)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 22,887	$ 132	$ 23,019	$ 14,135
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	$ 44,388	$ -	$ 44,388	$ 8,102
Restricted cash and investments	25	711	736	19,449
TOTAL CASH AND CASH EQUIVALENTS	$ 44,413	$ 711	$ 45,124	$ 27,551

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(In thousands)

	Pension Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and investments	$ 2,536	$ 61,477
Receivables:		
Accrued interest and dividends	533	401
Accounts receivable	-	2,711
Investments and others	8,222	-
Due from the City	-	2,311
Prepaid expenses	-	2,125
Restricted:		
Cash and investments:		
Short-term investments	6,897	18,347
U.S. government agency securities	-	3,498
U.S. corporate bonds and mutual funds	63,787	-
Domestic equities and mutual funds	174,113	-
International equities and mutual funds	40,223	-
Alternative investments	73,591	-
Foreign currency contracts, net	29	-
Total restricted cash and investments	358,640	21,845
Securities lending collateral	45,042	-
Loans receivable, net of allowance for uncollectibles of $46,675	-	16,977
Property held for resale	-	2,818
TOTAL ASSETS	414,973	110,665
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding of debt	-	6,396
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	8,320	268
Accrued interest payable	-	7,648
Due to the City	-	6,061
Securities lending liabilities	45,042	-
Other	-	148
Total current liabilities	53,362	14,125
Non-current liabilities:		
Due within one year	-	30,299
Due in more than one year	-	385,424
Total noncurrent liabilities	-	415,723
TOTAL LIABILITIES	53,362	429,848
NET POSITION RESTRICTED FOR:		
Employees' pension benefits	361,611	-
Redevelopment dissolution and other purposes	-	(312,787)
TOTAL NET POSITION	$ 361,611	$ (312,787)

The notes to the basic financial statements are an integral part of this statement.

City of Oakland
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016
(In thousands)

	Pension Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Trust receipts	$ -	$ 69,265
Investment income:		
Net depreciation in fair value of investments	(6,463)	-
Interest	1,948	353
Dividends	4,436	-
Securities lending	181	-
TOTAL INVESTMENT INCOME	102	353
Less investment expenses:		
Investment expenses	(1,521)	-
NET INVESTMENT INCOME	(1,419)	353
Federal and state grants	-	3,019
Other income	3,593	2,826
TOTAL ADDITIONS	2,174	75,463
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	35,664	-
Disability	21,071	-
Death	1,706	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	58,441	-
Administrative expenses	1,308	2,133
Oakland Police Department	-	113
Human Services	-	162
Economic & Workforce Development	-	19,295
Other	68	-
Bond issuance cost	-	681
Interest on debt	-	24,345
TOTAL DEDUCTIONS	59,817	46,729
Change in net position	(57,643)	28,734
Net position - beginning	419,254	(341,521)
NET POSITION - ENDING	$ 361,611	$ (312,787)

The notes to the basic financial statements are an integral part of this statement.

This page is intentionally left blank.

NOTES TO THE BASIC FINANCIAL STATEMENTS

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Primary Government

The City of Oakland, California (the City or Primary Government) was incorporated on May 25, 1852, by the State of California and is organized and exists under and pursuant to the provisions of State law. The Mayor/Council form of government was established in November 1998 through Charter amendment. The legislative authority is vested in the City Council and the executive authority is vested in the Mayor with administrative authority resting with the City Administrator.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units are classified as blended, discretely presented or fiduciary. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are combined with the data of the Primary Government within the governmental activities column in the government-wide financial statements and governmental funds in the fund financial statements.

Fiduciary Component Unit

Oakland Redevelopment Successor Agency (ORSA) - On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26 and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. At the City's meeting on January 10, 2012, the City Council affirmed its decision as part of resolution number 83679 C.M.S. to serve as the ORSA, effective February 1, 2012, and as such is a fiduciary component unit of the City. Also, in the same meeting, the City Council elected as part of resolution number 83680 C.M.S. to retain the housing assets, functions and powers previously performed by the former Redevelopment Agency of the City of Oakland (Former Agency).

The ORSA was created to serve as a custodian for the assets and to wind down the affairs of the Former Agency. The ORSA is a separate public entity from the City, with the Oakland City Council serving as its governing board, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor; two County of Alameda (County) representatives; the County Superintendent of Education; the Chancellor of California Community Colleges; and a representative of the largest special district from the taxing entities.

In general, the ORSA's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). ORSA will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Former Agency until all enforceable obligations of the Former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the ORSA's custodial role, ORSA is reported in a fiduciary fund (private-purpose trust fund) in the City's financial statements.

Blended Component Unit

Oakland Joint Powers Financing Authority (JPFA) - JPFA was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and was composed of the City and the former Agency. The Oakland City Council serves as the governing board for JPFA. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the statement of net position. AB X1 26 as amended by AB 1484 was enacted and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The dissolution law provides that ORSA is a separate legal entity from the City, with ORSA holding all of the transferred assets and obligations of the Former Agency (other than the housing assets). Therefore, ORSA assumed the Former Agency's role as member of the JPFA as of February 1, 2012 pursuant to AB X1 26.

Discretely Presented Component Unit

Port of Oakland (Port) – The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport and the Port of Oakland Marine Terminal Facilities. Although the Port has a significant relationship with the City, it is fiscally independent and does not provide services solely to the City and, therefore, is presented discretely. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (Board of Commissioners) that is appointed by the City Council, upon nomination by the Mayor. The Board of Commissioners appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

Complete financial statements of the individual component unit may be obtained from:

City of Oakland,
Finance Department, Controller's Bureau
150 Frank H. Ogawa Plaza, 6th Floor, Suite 6353
Oakland, CA 94612-2093

B. FINANCIAL STATEMENT PRESENTATION

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided among funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from its discretely presented component unit for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial activities and resources of the general government except those required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business, utility and real estate transfer taxes, interest and investment income, and charges for services.

The ***Federal/State Grant Fund*** accounts for various Federal and State grants and certain state allocations used or expended for a specific purpose, activity or program.

The ***Low and Moderate Income Housing Asset Fund (LMIHF)*** is a special revenue fund that was created to administer the housing assets and functions related to the Low and Moderate Income Housing program retained by the City following the dissolution of the Former Agency. Prior to the dissolution of redevelopment agencies, the LMIHF accounted for the Former Agency's affordable housing activities, including the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for low and moderate income housing and related expenditures. Upon dissolution of the Former Agency and the City Council's election to retain the housing activities previously funded by the Former Agency, the City created LMIHF and transferred the assets and affordable housing activities.

The ***Municipal Capital Improvement Fund*** accounts primarily for monies pertaining to capital improvement funds, which includes mainly capital financing projects funds:

- *Oakland Redevelopment Successor Agency* - Unspent bond proceeds transferred to the City. The California Department of Finance approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.
- *Measure DD* – Capital improvement bond financing funds for clean water, safe parks and open space trust for the City.
- *Measure G* – Capital improvement bond financing funds for Oakland Zoo, Museum and Chabot Space and Science Center improvements.
- *Master Lease Agreement Financing* – Capital improvement for vehicles and equipment, and telecommunications.
- *Other miscellaneous capital improvement funds* - The fund comprises other municipal capital improvement funds, which may be used for the lease, acquisition, construction or other improvements of public facilities.

The ***Other Special Revenue Fund*** accounts for activities of several Special Revenue Funds, which include mainly the following local measures and funds:

- *Measure Y – Violence Prevention and Public Safety Act of 2004*. The measure provides for the following services; community and neighborhood policing; violence prevention services with an emphasis on youth and children; fire services and evaluation.
- *Measure C – Oakland Hotel Tax.* This additional transient occupancy tax was approved to fund the following entities; Oakland Convention and Visitors Bureau 50%; Oakland Zoo 12.5%; Oakland Museum of California 12.5%; Chabot Space and Science Center 12.5% and the City Cultural Arts Programs and Festivals 12.5%.
- *Measure Q – Library Services Retention and Enhancement.* In March 2004, the electorate of Oakland approved, by more than a two-thirds majority, the extension of the Library Services and Retention Act, Measure Q (formerly known as Measure O). The act re-authorized and increased a special parcel tax on residential and non-residential parcels for the purpose of raising revenue to retain and enhance library services. The term of the tax is 20 years, commencing July 1, 2004 and ending June 30, 2024.
- *Measure WW – East Bay Regional Park District local grant program*. The funds are for various Oakland parks and open space renovation projects.
- *Measure N – Paramedics Services Act*. The revenue from the measure are to provide for increase, enhance and support paramedic services in the City.
- *Oakland Kids' First Fund.* The charter requires 3.0% of the City's unrestricted general purpose fund revenues for the fund. The funds provide additional funding for programs and services benefiting children and youth.
- *Development Service Fund.* The revenue sources for the development service fund will be the fees and penalties for development and enforcement activities, such as land use, permit, inspection, and abatement services for both direct and indirect costs.
- *Other miscellaneous special revenue funds.* Account for several other restricted monies that are classified as special revenue funds.

The City reports the following major enterprise fund:

The ***Sewer Service Fund*** accounts for the sewer service charges received by the City based on the use of water by East Bay Municipal Utility District customers residing in the City. The proceeds from the sewer charges are used for the construction and maintenance of sanitary sewers and storm drains and the administrative costs of the fund.

Additionally, the City reports the following fund types:

The ***Internal Service Funds*** account for the purchases of automotive and rolling equipment; radio and other communication equipment; the repair and maintenance of City facilities; acquisition, maintenance and provision of reproduction equipment and services; acquisition of inventory provided to various City departments on a cost reimbursement basis; procurement of materials, supplies, and services for City departments; the service and maintenance of City information technology systems.

The ***Pension Trust Fund*** account for the closed benefit plan that cover uniformed employees hired prior to July 1976.

The ***Private Purpose Trust Funds*** include: (a) the Oakland Redevelopment Successor Agency Trust Fund, which accounts for the custodial responsibilities that are assigned to the Oakland Redevelopment

Successor Agency with passage of AB X1 26; (b) the Other Private Purpose Trust Fund, which accounts for assets and liabilities from the Former Agency and for the operations of the Youth Opportunity Program and certain gifts that are not related to the Former Agency projects or parks, recreation and cultural, activities; and (c) the Private Pension Trust Fund, which accounts for the employee deferred compensation plan.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and local taxes, grants, licenses, charges for services, and interest and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are recorded as revenues and receivables to the extent installments are considered available. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred inflows of resources.

Charges between the City and the Port are not eliminated because the elimination of these charges would distort the direct costs and revenues reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise and internal service funds are charges for customer services including: sewers, golf courses, vehicle acquisition and maintenance, radio and telecommunication support charges, charges for facilities maintenance, and reproduction services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

E. New Pronouncements

During the year ended June 30, 2016, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are consistent with the market approach, the cost approach or the income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The City made required disclosures were added to Note (II) A.

The City's adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* and the early adoption of GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, did not have a material impact on the City's financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes new accounting and financial reporting requirements for OPEB plans, as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. GASB Statement No. 74 is effective for the City's year ending June 30, 2017.

- In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB plans, improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the City's year ending June 30, 2018.

- In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

  - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, and the gross dollar amount of taxes abated during the period.

  - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

  Application of this statement is effective for the City's year ending June 30, 2017.

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions. GASB Statement No. 78 is effective for the City's year ending June 30, 2017.

- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB Statement No. 80 is effective for the City's year ending June 30, 2017.

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the City's year ending June 30, 2018.

F. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the ORSA whose funds are held by outside custodians. The City measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, using observable market transactions or available market information. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets.

For purposes of the statement of cash flows, the City considers all highly liquid unrestricted and restricted investments with a maturity of three months or less when purchased to be cash equivalents. The proprietary funds' investments in the City's cash and investment pool are, in substance, demand deposits and are therefore considered to be cash equivalents.

2. Property Taxes

The County of Alameda is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property on January 1. Property taxes are then due in two equal installments—the first on November 1 and the second on February 1 of the following calendar year and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2016.

3. Due From/Due To Other Funds and Internal Balances

During the course of operations, numerous transactions and borrowings occur between individual funds for goods provided or services rendered and funds that have overdrawn their share of pooled cash and interfund loans. In the fund financial statements, these receivables and payables are classified as "due from other funds" and "due to other funds", respectively. In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Net receivables and payables between the governmental activities and business-type activities are classified as internal balances.

4. Interfund Transfers

In the fund financial statements, interfund transfers are recorded as transfers in/out except for certain types of transactions that are described below:

Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

5. Prepaid Bond Insurance, Original Issue Discounts and Premiums, and Refundings

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances is recorded as a component of operating expenses. In the government-wide, proprietary fund, and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized using the straight-line method over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or refunding debt. Amortizations of bond premiums and discounts and gains or losses from refunding of debt are recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Inventories

Inventories, consisting of materials and supplies held for consumption, are stated at cost. Cost is calculated using the average cost method. Inventory items are considered expensed when consumed rather than when purchased.

7. Capital Assets

Capital assets, which include land, museum collections, intangibles, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers and storm drains are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life is not capitalized.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. These items are protected, kept unencumbered, cared for, and preserved by the City. The proceeds from the sale of any pieces of the collection are used to purchase other acquisitions for the collection. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

The City's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Sewer and storm drains	50 years
Infrastructure	5-50 years

The Port's depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Building and improvements	5-50 years
Container cranes	25 years
Infrastructure	10-50 years
Other equipment	5-10 years
Software	20 years

8. Property Held for Resale

Property held for resale was acquired as part of the Former Agency's redevelopment program. These properties are both residential and commercial. Costs of administering the projects are charged to the municipal capital improvement fund as expenditures are incurred. A primary function of the redevelopment process is to prepare land for specific private development. For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use.

During the period it is held by the City, property held for resale may generate rental or operating income. This income is recognized as it is earned in the City's statement of activities and generally is recognized in the City's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The City does not depreciate property held for resale, as it is the intention of the City to only hold the property for a period of time until it can be resold for development.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for *deferred outflows of resourc*es. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to pension contributions subsequent to measurement date and other pension-related deferred outflows. Also, losses on refunding result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Amortization of these balances is recorded as a component of interest expense.

In addition to liabilities, the statement of net position and governmental funds balance sheet will report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources related to unavailable revenues reported under the modified accrual basis of accounting in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, notes and loan receivables, grant receivables/advances from the federal government and State, and other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available. The City also has deferred inflows of resources related to the unamortized gains on refunding of debt and pension-related deferred inflows.

10. Compensated Absences – Accrued Vacation, Sick Leave, and Compensatory Time

The City's policy and its agreements with employee groups permit employees to accumulate earned but unused vested vacation, sick leave and other compensatory time. All earned compensatory time is accrued when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they are due and payable.

11. Retirement Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), and the Miscellaneous and the Public Safety Plans of the California Public Employees' Retirement System (CalPERS) (collectively, the Retirement Plans). For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plans and additions to/deductions from the Retirement Plans' fiduciary net position have been determined on the same basis as they are reported by PFRS and CalPERS. Employer contributions and member contributions made by the employer to the Retirement Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Retirement Plans. Refer to Note (III) A for additional information.

12. Other Postemployment Benefits (OPEB)

The OPEB plan covers the City's police, fire, and other (miscellaneous) employees. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. Retiree health benefits are described in the labor agreements between the City and local unions and in City resolutions. The demographic rates used for the CalPERS were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula. Refer to Note (III) B for additional information.

13. Pollution Remediation Obligations

Under the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the City recorded remediation liabilities related to its pollution remediation activities. See Note (III) C for additional information.

14. Fund Balances

Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. Fund balance for the City's governmental funds consists of the following categories:

- *Restricted Fund Balance:* includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law.
- *Committed Fund Balance:* includes amounts that can only be used for the specific purposes determined by City Council ordinance, which is the City's highest level of decision-making authority. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance*: comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed through City Council budgetary action, which includes of appropriations and revenue sources pertaining to the next fiscal year's budget. The City Council adopted a resolution establishing the City's policy budget, which states that assigned fund balances are intended to be used for specific purposes through City Council budgetary actions. Intent is expressed by (a) the City Council or (b) the City Administrator to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This category includes the City's encumbrances, project carry-forwards, and continuing appropriations.
- *Unassigned Fund Balance:* are amounts technically available for any purpose. It's the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2016, were distributed as follows (in thousands):

	General	Federal/State Grant Fund	LMIHF[1]	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total
Restricted for:							
Capital projects	$ -	$ 475	$ 1,502	$ 78,644	$ -	$ 30,073	$ 110,694
Pension obligations annuity	70,791	-	-	-	-	-	70,791
Pension obligations PFRS	113,020	-	-	-	-	-	113,020
Reserve stabilization fund	2,993	-	-	-	-	-	2,993
Debt service	-	-	-	-	-	24,648	24,648
Property held for resale	-	-	30,677	131,980	-	-	162,657
Housing projects	-	-	5,632	-	-	-	5,632
Total restricted	186,804	475	37,811	210,624	-	54,721	490,435
Committed for:							
Library, Kids First and museum trust	-	-	-	-	16,495	2,115	18,610
Assigned for:							
Capital projects	58,203	-	-	3,585	40,321	1,429	103,538
Unassigned	65,129	(8,568)	-	-	-	(1,323)	55,238
Total	**$ 310,136**	**$ (8,093)**	**$ 37,811**	**$ 214,209**	**$ 56,816**	**$ 56,942**	**$ 667,821**

[1] Low and Moderate Income Housing Asset Fund

15. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and debt-related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* consists of This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandated payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

(II) DETAILED NOTES ON ALL FUNDS

A. CASH, DEPOSIT, AND INVESTMENTS

The City maintains a cash and investment pool consisting of City funds and cash held for PFRS and the Port. The City's funds are invested according to the investment policy adopted by the City Council. The objectives of the policy are legality, safety, liquidity, diversity, and yield. The policy addresses soundness of financial institutions in which the City can deposit funds, types of investment instruments permitted by the California Government Code, duration of the investments, and the percentage of the portfolio that may be invested in:

Investment Type	Maximum Maturity	Maximum Portfolio Exposure	Maximum Issuer Exposure	Credit Requirement
U.S. Treasury Securities	5 years	20%	n/a	n/a
Federal Agencies and Instrumentalities	5 years	None	n/a	n/a
Banker's Acceptances	180 days	40%	5%	A1, P1 or F1 or better
Commercial Paper	270 days	25%	5%	A1, P1 or F1 or better
Asset-backed Commercial Paper	270 days	25%	5%	A1, P1 or F1 or better
Local Government Investment Pools	n/a	20%	n/a	Top ranking
Medium Term Notes	5 years	30%	5%	A3, A- or A- or better
Negotiable Certificates of Deposits	5 years	30%	5%	A, A2 or A or better
Repurchase Agreements	360 days	none	n/a	Collaterial limited to US securities
Reverse Repurchase Agreements	92 days	20%	n/a	Limited to primary dealers
Secured Obligations and Agreements	2 years	20%	5%	AA or better
Certificates of Deposit	360 days	n/a	n/a	n/a
Money Market Mutual Funds	n/a	20%	n/a	Top ranking
State Investment Pool (LAIF)	n/a	none	n/a	n/a
Local City/Agency Bonds	5 years	none	5%	n/a
State of California Obligations and Others	5 years	none	5%	n/a
Other Local Agency Bonds	5 years	none	5%	n/a
Deposits- Private Placement	n/a	30%	10%	n/a
Supranationals	5 years	30%	n/a	AA or better

The City's investment policy stipulates that the collateral to back up repurchase agreements be priced at market value and be held in safekeeping by the City's primary custodian. Additionally, the City Council has adopted certain requirements prohibiting investments in nuclear weapons makers and restricting investments in U.S. Treasury bills and notes due to their use in funding nuclear weapons research and production.

Other deposits and investments are invested pursuant to the governing bond covenants, deferred compensation plans, or retirement systems' investment policies. Under the investment policies, the investment counsel is given the full authority to accomplish the objectives of the bond covenants or retirement systems subject to the discretionary limits set forth in the policies.

As of June 30, 2016, total City cash, deposits, and investments at fair value are as follows (in thousands):

	Primary Government		Fiduciary Funds			Component Unit
	Governmental Activities	Business-type Activities	Pension Trust Fund	Private Purpose Trust Funds	Total	Port
Cash and investments	$ 396,604	$ 44,388	$ 2,536	$ 61,477	$ 505,005	$ 296,454
Restricted cash and investments	184,145	736	358,640	21,845	565,366	72,779
Securities lending collateral	-	-	45,042	-	45,042	-
Total	**$ 580,749**	**$ 45,124**	**$ 406,218**	**$ 83,322**	**$ 1,115,413**	**$ 369,233**
City pooled deposits					$ 21,993	$ -
City restricted deposits					4,192	-
City pooled investments					425,328	308,336
City restricted investments					182,176	-
PFRS restricted investments					403,682	-
ORSA deposits					5,508	
ORSA investments					72,534	-
Port's cash and investments					-	60,897
Total					**$ 1,115,413**	**$ 369,233**

Primary Government

Hierarchy of Inputs: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The City's pooled and restricted investments has the following recurring fair value measurements as of June 30, 2016:

	Level One	Level Two	Level Three	Total
Investments by fair value level:				
U.S government agency securities	$ -	$ 554,367	$ -	$ 554,367
Medium term notes	-	7,090	-	7,090
Negotiable certificates of deposits	-	17,003	-	17,003
State bonds	-	4,047	-	4,047
Commercial paper	-	366	-	366
Annuity contracts	-	-	68,000	68,000
Total investments by fair value level	**$ -**	**$ 582,873**	**$ 68,000**	650,873
Investments measured at net asset value (NAV):				
Money market mutual funds				214,936
Investments not subject to fair value hierarchy:				
Local agency investment fund (LAIF)				50,031
Total investments measured at fair value				**$ 915,840**

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the City may be unable to recover the value of the investments or collateral securities in the possession of an outside party. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the Custody Agreement.

At June 30, 2016, the carrying amount of the City's deposits was $31.7 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. The bank balance of $40.7 million was covered by FDIC insurance or collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

The California Government Code requires that a financial institutions secure its deposits made by state or local government units by pledging securities in undivided collateral pool held by the depository regulated under the state law (unless so waived by the government units). The market value of the pledged government securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150%, respectively, of the deposit amount. The collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

Credit Risk: Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality securities. Under the City investment policy, short-term debt shall be rated at least A-1 by Standard & Poor's (S&P), at the time security is purchased. Long-term debt shall be rated at least A by S&P. Per the California Debt and Management Advisory Commission (CDIAC), it is recommended that the portfolio be monitored, as practical, for subsequent changes in credit rating of existing securities. As of June 30, 2016, approximately 93% of the pooled investments were invested in "AAA", "AA" and "P-1" quality securities.

The following tables show the City's credit risk for the pooled and restricted investment portfolios as of June 30, 2016 (in thousands):

Pooled Investments

		Ratings as of June 30, 2016				
	Fair Value	**AAA**	**AA**	**A**	**P-1**	**Not Rated**
U.S. Government Agency Securities	$ 142,529	$ -	$ 142,529	$ -	$ -	$ -
U.S. Government Agency Securities (Discount)	377,854	-	377,854	-	-	-
Medium Term Notes	7,090	-	5,049	2,041	-	-
Money Market Mutual Funds	137,110	137,110	-	-	-	-
Local Agency Investment Fund (LAIF)	50,031	-	-	-	-	50,031
Negotiable Certificates of Deposit	15,003	-	-	-	15,003	-
State of California, General Obligation Bonds	3,307	-	3,307	-	-	-
State of California, Revenue Bonds	740	-	-	740	-	-
Total pooled investments	**$ 733,664**	**$ 137,110**	**$ 528,739**	**$ 2,781**	**$ 15,003**	**$ 50,031**

Restricted Investments

		Ratings as of June 30, 2016			
	Fair Value	AAA	AA	P-1	Not Rated
U.S. Government Agency Securities	$ 7,002	$ -	$ 7,002	$ -	$ -
U.S. Government Agency Securities (Discount)	26,982	-	26,982	-	-
Money Market Mutual Funds	77,826	77,115	-	-	711
Negotiable Certificates of Deposit (CD's)	2,000	-	-	2,000	-
Commercial Paper (Discount)	366	-	-	366	-
Annuity Contract	68,000	-	-	-	68,000
Total restricted investments	**$ 182,176**	**$ 77,115**	**$ 33,984**	**$ 2,366**	**$ 68,711**

Concentration of Credit Risk: The City has an Investment Policy related to the City's cash and investment pool, which is subject to annual review. Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund, and proceeds of or pledged revenues for any tax and revenue anticipation notes. Per the Investment Policy, investments should conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the policy. Certain other investments are governed by bond covenants, which do not restrict the amount of investment in any one issuer.

Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2016 are as follows (in thousands):

Investment Type / Issuer	Amount	Percent of City's Investment Portfolio
U.S. Government Agency Securities:		
Federal Home Loan Bank	$ 423,190	46.21%
Federal Home Loan Mortgage Corporation (Freddie Mac)	60,065	6.56%
Annuity Contract:		
New York Life Insurance Company	68,000	7.42%

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. The longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates.

As a means for limiting its exposure to changing interest rates, Section 53601 of the State of California Government Code and the City's Investment Policy limit certain investments to short-term maturities such as certificates of deposit and commercial paper, whose maturities are limited 360 days and 270 days, respectively. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants. The City continues to purchase a combination of short- term and long-term investments to minimize such risks.

The City uses the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2016, the City had the following investments and original maturities (in thousands):

Pooled Investments

			Maturity		
Investment Type	**Fair Value**	**Interest Rates (%)**	**12 Months or Less**	**1 - 3 Years**	**3 - 5 Years**
U.S. Government Agency Securities	$ 142,529	0.22 - 1.24	$ 56,358	$ 83,169	$ 3,002
U.S. Government Agency Securities (Discount)	377,854	0.17 - 0.40	377,854	-	-
Medium Term Notes	7,090	0.85 - 1.42	-	7,090	-
Money Market Mutual Funds	137,110	0.43 - 0.48	137,110	-	-
Local Agency Investment Fund (LAIF)	50,031	0.58	50,031	-	-
Negotiable Certificates of Deposit	15,003	0.28 - 0.58	15,003	-	-
State of California, General Obligation Bonds	3,307	0.72	-	3,307	-
State of California, Revenue Bonds	740	0.66	-	740	-
Total pooled investments	**$ 733,664**		**$ 636,356**	**$ 94,306**	**$ 3,002**

Restricted Investments

			Maturity			
Investment Type	**Fair Value**	**Interest Rates (%)**	**12 Months or Less**	**1 - 3 Years**	**3 - 5 Years**	**5 Years or More**
U.S. Government Agency Securities	$ 7,002	0.41 - 0.55	$ 7,002	$ -	$ -	$ -
U.S. Government Agency Securities (Discount)	26,982	0.17 - 0.38	26,982	-		-
Money Market Mutual Funds	77,826	0.00 - 0.43	77,826	-	-	-
Negotiable Certificates of Deposit	2,000	0.27	2,000	-	-	-
Commercial Paper (Discount)	366	0.49	366	-	-	-
Annuity Contracts	68,000	2.50	-	-	-	68,000
Total restricted investments	**$ 182,176**		**$ 114,176**	**$ -**	**$ -**	**$ 68,000**

Other Disclosures: As of June 30, 2016, the City's investment in LAIF is $50.0 million. A total amount invested by all public agencies in LAIF at that date is approximately $22.7 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $75.5 billion, 97.19% is invested in non-derivative financial products and 2.81% in structured notes and asset-backed securities. The Local Investment Advisory Board (Advisory Board) has oversight responsibility for LAIF. The Advisory Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Oakland Police and Fire Retirement System (PFRS)

Deposits in the City's Investment Pool

As of June 30, 2016, cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. These funds are invested according to the investment policy adopted by the City Council. As of June 30, 2016, PFRS' share of the City's investment pool totaled $2.5 million. As of June 30, 2016, PFRS also had cash and cash deposits not held in the City's investment pool totaled $7.1 thousand.

Investments

PFRS' investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income securities, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, Yankee bonds and non-U.S. issued fixed income securities denominated in foreign currencies. PFRS' investment portfolio is managed by external investment managers, except for the bond iShares, which are managed internally. During the year ended June 30, 2016, the number of external investment managers was eleven.

The PFRS investments are also restricted by the City Charter. In November 2006, City voters passed Measure M to amend the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard as defined by the California Constitution.

PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. PFRS' investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the fixed income managers to invest in securities with a minimum rating of B- or higher as long as the portfolio maintains an average credit quality of BBB (investment grade using Standard & Poor's, Moody's, or Fitch ratings).

PFRS' investment policy states that investments in derivative securities known as Collateralized Mortgage Obligations (CMOs) shall be limited to a maximum of 20% of a broker account's fair value with no more than 5% in any one issue. CMOs are mortgage-backed securities that create separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair value of CMOs are considered sensitive to interest rate changes because they have embedded options.

The investment policy allows for each fixed income asset manager to have a maximum of 10% of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25% in each manager's portfolio.

The following was the Board's adopted investment policy as of June 30, 2016:

Asset Class	Target Allocation
Fixed income	20%
Real return	10%
Covered calls	10%
Domestic equity	43%
International equity	12%
Private equity	5%
Total	**100%**

Hierarchy of Inputs: The PFRS has the following recurring fair value measurements as of June 30, 2016 (in thousands):

	Level One	Level Two	Level Three	Total
Investments by fair value level:				
Short-term investments	$ -	$ 1,676	$ -	$ 1,676
Bonds	-	55,706	170	55,876
Domestic equities and mutual funds	117,502	-	-	117,502
International equities and mutual funds	27,991	343	161	28,495
Alternative investments	73,592	-	-	73,592
Total investments by fair value level	**$ 219,085**	**$ 57,725**	**$ 331**	277,141
Investments measured at net asset value (NAV):				
Short-term investments				5,221
Fixed income funds				7,911
Domestic equities and mutual funds				56,611
International equities and mutual funds				11,727
Securities lending collateral				45,042
Total investments measured at NAV				126,512
Total investments measured at fair value				**$ 403,653**

Interest Rate Risk: PFRS' investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for PFRS' fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 5.39 years as of June 30, 2016.

As of June 30, 2016, PFRS had the following fixed income investments by category (in thousands):

Investment Type	Fair Value	Modified Duration (Years)
Short-Term Investment Funds	$ 6,897	n/a
Foreign Currency Exchange Contracts, net	29	n/a
Total short-term investment duration	$ 6,926	
Fixed income investments:		
Government bonds:		
U.S. Treasuries	$ 14,908	8.38
U.S. Government Agency Securities	17,403	4.19
Total government bonds	32,311	
U.S. corporate and other bonds		
Corporate bonds	30,989	4.64
Other government bonds	487	4.79
Total U.S. corporate and other bonds	31,476	
Total long-term investment duration	**$ 63,787**	**5.39**
Securities Lending	**$ 45,042**	**-**

Fair Value Highly Sensitive to Change in Interest Rates: The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. PFRS has invested in collateralized mortgage obligations (CMOs), which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders and shortening the life of the senior bonds. The following table shows PFRS' investments in CMOs as of June 30, 2016 (in thousands):

Securities Name	Weighted Average Coupon Rate	Weighted Average Maturity (Years)	Fair Value	Percent of Total Investment Fair Value
Mortgage-backed securities	3.37%	22.3	$ 20,455	4.07%

Custodial Credit Risk: The City, on behalf of PFRS, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. PFRS does not have any investments that are not registered in the name of PFRS and are either held by the counterparty or the counterparty's trust department or agent, but not in PFRS' name.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following tables provide information as of June 30, 2016 concerning credit risk of fixed income securities (in thousands):

Investment Type	S&P/ Moody's Rating	Fair Value
Short-Term Investment Funds	Not Rated	$ 6,897
Foreign Currency Exchange Contracts, net	Not Rated	29

The following tables provide information as of June 30, 2016 concerning the credit risk of fixed income investments by long-term investment rating (in thousands):

S & P/Moody's Rating	Fair Value	Percent of Total Fair Value
AAA/Aaa	$ 37,457	58.7%
AA /Aa	2,540	4.0%
A/A	6,172	9.7%
BBB/Baa	9,313	14.6%
BB/Ba	241	0.4%
CCC/Caa	7,911	12.4%
Not rated	153	0.2%
Total fixed income investments	**$ 63,787**	**100.0%**

As of June 30, 2016, the securities lending collateral of $45.0 million was not rated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2016, the PFRS did not hold investments in any single issuer that exceeded 5% of PFRS' fiduciary net position.

Rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Foreign Currency Risk: Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Currency hedging is allowed under the PFRS investment policy for defensive purposes only. The investment policy limits currency hedging to a maximum of 25% of the portfolio value.

The following summarizes PFRS' investments denominated in foreign currencies as of June 30, 2016 (in thousands):

Foreign Currency		
Australian Dollar	$	321
Brazilian Real		220
British Pound		4,349
Canadian Dollar		595
Danish Krone		698
Euro		7,801
Hong Kong Dollar		2,983
Indonesian Rupiah		390
Japanese Yen		2,995
Mexican Peso		615
Norwegian Krone		196
Singapore Dollar		219
Swedish Krona		295
Swiss Franc		2,187
Turkish Lira		103
Total foreign currency	**$**	**23,967**

Securities Lending Transactions: PFRS is authorized to enter into securities lending transactions which are short-term collateralized loans of PFRS securities to brokers-dealers with a simultaneous agreement allowing PFRS to invest and receive earnings on the loan collateral for a loan rebate fee. All securities loans can be terminated on demand by either PFRS or the borrower, although the average term of such loans is one week.

The Bank of New York Mellon administers PFRS's securities lending program. The administrator is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of said collateral. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults.

As of June 30, 2016, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with The Bank of New York Mellon requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2016 (in thousands):

Securities Lending
Investments and Collateral Received (At Fair Value)

Securities on loan:		
U.S. government and agencies	$	6,520
U.S. corporate bonds		2,015
U.S. equity		35,779
Non-U.S. fixed income		133
Non-U.S. equity		81
Total securities on loan	**$**	**44,528**
Collateral received:		
Repurchase agreements	$	45,042

Derivative Instruments: PFRS reports its derivative instruments under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Pursuant to the requirements of this statement, PFRS has provided a summary of derivative instrument activities during the reporting periods presented and the related risks.

As of June 30, 2016, the derivative instruments held by PFRS are considered investments and not hedges for accounting purposes. All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights, and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by PFRS's investment managers based on quoted market prices of the underlying investment instruments.

The tables below present the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2016 (in thousands):

Derivative Type/Contract	**Notional Amount**	**Fair Value**	**Net Appreciation (Depreciation) in Fair Value**
Forwards			
Foreign currency exchange contracts	$ -	$ 29	$ 29
Options			
Equity contracts	-	(580)	121
Swaps			
Credit contracts	2,720	26	8
Total	**$ 2,720**	**$ (525)**	**$ 158**

Counterparty Credit Risk – PFRS is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2016, the fair value of forward currency contracts to purchase and sell international currencies were $29.4 thousand and $0.1 thousand, respectively. PFRS's counterparties to these contract held credit ratings of A, as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch).

Custodial Credit Risk - The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2016, all of PFRS's investments in derivative instruments are held in PFRS's name and are not exposed to custodial credit risk.

Interest Rate Risk - The tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2016 (in thousands):

		Maturities	
Derivative Type/Contract	**Fair Value**	**Less than 1 Year**	**1 - 5 years**
Forwards			
Foreign currency exchange contracts	$ 29	$ 29	$ -
Options			
Equity contracts	(580)	(580)	-
Swaps			
Credit contracts	26	-	26
Total	**$ (525)**	**$ (551)**	**$ 26**

Foreign Currency Risk - At June 30, 2016, PFRS is exposed to foreign currency risk on its investments in forwards denominated in foreign currencies as follows (in thousands):

Currency	
Australian Dollar	$ 38

Contingent Features - At June 30, 2016, PFRS held no positions in derivatives containing contingent features.

Oakland Redevelopment Successor Agency

The ORSA's cash and investment consists of the following at June 30, 2016 (in thousands):

Cash and Investments	Amount
Unrestricted cash and investments:	
Demand deposits	$ 5,508
Investments	50,689
Total unrestricted cash and investments	56,197
Restricted cash and investments	21,845
Total cash and investments	**$ 78,042**

Investments: ORSA follows the Investment Policy of the City, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. ORSA also has investments subject to provisions of the bond indentures of the Former Agency's various bond issues. According to the Investment Policy and bond indentures, ORSA is permitted to invest in LAIF, obligations of the U.S. Treasury or U.S. government agencies, time deposits, money market mutual funds invested in U.S. government securities, along with various other permitted investments.

Hierarchy: The hierarchy is based on the valuation inputs used to measure fair value of the assets. At June 30, 2015, the ORSA does not have any of its investments using Level 1 and 3 inputs. The ORSA has the following recurring fair value measurements as of June 30, 2016 (in thousands):

	Significant other observable inputs (Level 2)	Investments measured at the net asset value (NAV)
Unrestricted investments:		
U.S. Government Agency Securities (Discount)	$ 41,989	$ -
Money Market Mutual Funds	-	8,700
Restricted investments:		
U.S. Government Agency Securities (Discount)	3,498	
Money Market Mutual Funds	-	18,347
Total	$ 45,487	$ 27,047

Custodial Credit Risk: As of June 30, 2016, the carrying amount of the ORSA's deposits was $5.5 million. The deposits are insured by the FDIC insurance coverage limit of $0.25 million, and the remaining bank balance of $5.25 million is collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

ORSA invests in individual investments. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the ORSA employs the trust department of a bank or trustee as the custodian of certain ORSA investments, regardless of their form.

Interest Rate Risk: ORSA Investment Policy has mitigated interest rate risk by establishing policies over liquidity.

Credit Risk: ORSA's Investment Policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures.

As of June 30, 2016, ORSA had the following investments, credit risk ratings, and maturities (in thousands):

Type of Investment	Current Yield (%)	Credit Ratings (S&P)	Maturities Less than 1 Year
Unrestricted investments:			
U.S. Government Agency Securities (Discount)	0.17-0.25	AA	$ 41,989
Money Market Mutual Funds	0.10-0.11	AAA	8,700
Total unrestricted investments			**$ 50,689**
Restricted investments:			
U.S. Government Agency Securities (Discount)	0.33	AA	$ 3,498
Money Market Mutual Funds	0.28	AAA	18,347
Total restricted investments			**$ 21,845**

Concentration of Credit Risk: The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2016 (in thousands):

Type of Investment/Issuer	Amount	% of ORSA's Unrestricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank	$ 35,991	71.0%
Freddie Mac	5,998	11.8%

Type of Investment/Issuer	Amount	% of ORSA's Restricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank	$ 3,498	16.0%

Discretely Presented Component Unit – Port of Oakland

The Port's cash, cash equivalents, investments and deposits in escrow consisted of the following at June 30, 2016 (in thousands):

Deposits in escrow	$	2,685
City investment pool		308,336
U.S. Treasury Notes		57,719
Government securities money market mutual funds		493
Total cash and investments	**$**	**369,233**

Deposits in escrow consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

Investments Senior Lien Bonds reserves are on deposit with the Senior Lien Bonds trustee. The investment of funds held by the Senior Lien Bonds trustee is governed by the Senior Trust Indenture and is currently invested in either 1) U.S. Treasury Notes or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Debt.

Under the City of Oakland Charter, all cash receipts from the operations of the Port are deposited in the City Investment Pool. These funds are managed and invested by the City, pursuant to the City's Investment Policy, that the City administers and reviews annually. For this reason, the Port does not maintain its own investment policy and relies on the City Investment Policy to mitigate the risks described below.

*A*t June 30, 2016 the Port had the following investments (in thousands):

					Maturity	
	Fair Value	Fair Value Hierarchy	Credit Ratings per Moody's	Less than 1 Year	1 - 5 years
U.S. Treasury Notes	$ 57,719	Level 1	Aaa	$ 57,719	$ -
Government Securities Money Market Mutual Funds	493	Exempt	Aaa	493	-
City investment pool	308,336	Exempt	Not Rated	308,336	-
Total investments	**$ 366,548**			**$ 366,548**	**$ -**

Investments Authorized by Debt Agreements: The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture dated as of October 1, 2007 (Intermediate Trust Indenture, together with the Senior Trust Indenture, are referred to as the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, obligations of any State in the U.S., prime commercial paper, FDIC insured deposits, certificates of deposit/banker's acceptances, money market mutual funds, long or medium-term corporate debt, repurchase agreements, state-sponsored investment pools, investment contracts, and forward delivery agreements**.**

Interest Rate Risk: Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage interest risk. In order to manage interest rate risk:

- Proceeds from bonds are invested in permitted investments, as stated in the Trust Indentures, with short-term maturities.
- The deposits held by the City Treasury pursuant to the City's Investment Policy and Section 53601 of the State of California Government Code, limits the maximum maturities of certain investments. Also, Section 53601 limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants.

Credit Risk: Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage risk. In order to manage credit risk:

- Provisions of the Trust Indentures prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the Trust Indentures, including agreements or financial institutions that must meet certain ratings, such as certain investments that must be rated in either of the two highest ratings by S&P and Moody's.

- **Concentration of Credit Risk:** The Trust Indentures place no limit on the amount the Port may invest in any one issuer

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party. To protect against custodial credit risk all securities owned by the Port under the terms of the Trust Indentures are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port. The Port had investments held by a third party bank trust department in the amount of $58.2 million at June 30, 2016.

The carrying amount of the Port's deposits in escrow was $2.7 million at June 30, 2016. Of this amount, bank balances and escrow deposits of $250,000 on June 30, 2016 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name and the remaining balance was exposed to custodial credit risk by not being insured or collateralized.

B. INTERFUND TRANSACTIONS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Successor Agency are related to advances and interfund loans made by the City for projects, loans, and services. The receivable amounts of ORSA relate to project advances made by ORSA for the City. The internal service funds' borrowing will be repaid over a reasonable period of time as described in Note (III) D.

Primary Governments

1. Due from/Due to other funds

The composition of interfund balances as of June 30, 2016, with explanations of transactions, is as follows (dollars in thousands):

Receivables	Payable Fund	Amount
General Fund	Federal/State Grant Funds	$ 17,491
	Low and Moderate Income Housing Asset Fund	3
	Other Governmental Funds	1,551
	Parks and Recreation Enterprise Fund	117
	Internal Service Funds	15,586
	Total	**$ 34,748**

In addition, the General Fund has $37,000 as of June 30, 2016 due from the Private Pension Trust Fund to cover its overdraft position.

2. Interfund Transfers:

Transfer Out	Transfer In	Amount	
General Fund	Other Governmental Funds	$ 79,314	(1)
	Federal/State Grant Fund	5,896	(2)
	Other Special Revenue Fund	15,083	(3)
	Internal Service Funds	550	
Municipal Capital Improvement Fund	General Fund	3,528	(4)
	Other Governmental Funds	312	
Other Governmental Funds	General Fund	2,433	(5)
Sewer Service Fund	General Fund	2,144	(6)
Internal Service Funds	General Fund	548	
	Total	**$ 109,808**	

Significant transfers for the year ended June 30, 2016 include the following:

(1) Transfers of $78.0 million, $1.1 million, and $0.01 million for debt service payments, to provide funds for park prioritization study and Lake Merritt maintenance, and to cover the Central Service Overhead cost for Paratransit funds, respectively.
(2) Transfers to provide funds to cover the Central Service Overhead cost for certain federal funds.
(3) Transfers for the Kids' First Children's Program.
(4) Transfers of parking garage revenues to cover operating costs.
(5) Transfers to provide additional funds to cover the City's self-insurance programs.
(6) Transfers for the City's claims and liability payments.

3. Due from the City

As of June 30, 2016, ORSA has a total due from the City in the amount of $2.3 million, which has no change compared to the $2.3 million at June 30, 2015. The ending balance is composed of the Former Agency's assets transferred to the Housing Successor, which include the Former Agency's Central District Project Area Fund loan receivable from the City in the amount of $1.5 million, land sale receivable of $0.3 as well as the Former Agency's Coliseum Project Area Fund loan receivable from the City in the amount of $0.5 million.

4. Due to the City

At June 30, 2016, ORSA has a payable to the City in the amount of $6.0 million, which included the Former Agency's Low and Moderate Housing Fund loan of $1.5 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor, a loan of $2.7 million from the Capital Project Fund to the West Oakland Project for public improvements, and a payable of $1.8 million to the City for support services.

Component Unit- Port of Oakland (Port)

The City has entered into agreements with the Port for various services such as aircraft rescue and firefighting ("ARFF"), Special Services, General Services, and Lake Merritt Trust Services. The City provides these services to the Port.

Special Services include designated police services, personnel, City clerk, legislative programming, and treasury services. General Services includes fire, rescue, police, street maintenance, and similar services. Lake Merritt Trust Services includes items such as recreation services, grounds maintenance, security, and lighting.

Payments to the City for these services are made upon execution of appropriate agreements and/or periodic findings and authorizations from the Board.

1. Special Services and Aircraft Rescue & Fire Fighters (ARFF)

Payments for special services and ARFF are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Third Clause and have priority over certain other expenses of Port revenues. Special services and ARFF totaled $7.1 million and are included in operating expenses. At June 30, 2016, $6.8 million was accrued as a current liability by the Port and as a receivable by the City.

2. General Services and Lake Merritt Trust Services

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2016, the Port accrued approximately $676 thousand of payments for General Services as a current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately $1.6 million to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in fiscal year 2016. Subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust services.

C. NOTES AND LOANS RECEIVABLE, NET OF ALLOWANCE

Primary Government

The composition of the City's notes and loans receivable for governmental activities, net of the allowance for uncollectible accounts, as of June 30, 2016, is as follows (in thousands):

Type of Loan	General Fund	Federal/ State Grant Fund	LMIHF[1]	Municipal Capital Improve-ment	Other Govern-mental Funds	Total
HUD loans	$ -	$ 72,898	$ 296,231	$ 1,600	$ -	$ 370,729
Economic development loans and other	2,938	94,963	-	-	33,583	131,484
Less: allowance for uncollectable accounts	(36)	(34,990)	(102,619)	-	(3,178)	(140,823)
Total notes and loans receivables, net	**$ 2,902**	**$ 132,871**	**$ 193,612**	**$ 1,600**	**$ 30,405**	**$ 361,390**

[1] Low and Moderate Income Housing Asset Fund

As of June 30, 2016, the City has a total of $361.4 million net notes and loans receivable, which is not expected to be received in the next twelve months. All of the City's notes and loans receivables are offset with deferred inflows of resources in the governmental funds as the collection of those notes and loans did not occur within the City's availability period.

Prior to effective date of the Redevelopment Dissolution Law, California Community Redevelopment Law required that at least 20% of the incremental tax revenues generated from certain redevelopment project areas be used to increase, improve, and preserve the affordable housing stock for families and individuals with very low, low, and moderate incomes. In response to this former requirement, the City established its 20% Housing Program and an additional 5% of the former tax increment to offer financial assistance to qualified developers, families, and individuals by providing loans at "below market" rates. Upon dissolution of the Former Agency, the City assumed the housing activity function of the Former Agency. All loans receivable relating to the Low and Moderate Income Housing Program have been transferred from the Former Agency to the LMIHF, which was established as of February 1, 2012 pursuant to City Council Resolution No. 83680 C.M.S. As of June 30, 2016, loans receivable relating to the LMIHF program totaled approximately $193.6 million, net of allowance for uncollectible accounts.

Oakland Redevelopment Successor Agency (ORSA)

Composition of loans receivable as of June 30, 2016 is as follows (in thousands):

Type of Loan	Amount
Housing developments project	$ 1,576
Economic development	62,076
Gross notes and loans receivable	63,652
Less: allowance for uncollectible	(46,675)
Total notes and loans receivables, net	**$ 16,977**

D. CAPITAL ASSETS AND LEASES

Primary Government

1. Summary Schedule

The following is a summary of governmental activities capital assets activity for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 87,060	$ -	$ -	$ 16	$ 87,076
Intangibles (easements)	2,607	-	-	-	2,607
Museum collections	793	-	-	-	793
Construction in progress	287,443	118,596	-	(42,860)	363,179
Total capital assets, not being depreciated	377,903	118,596	-	(42,844)	453,655
Capital assets, being depreciated:					
Facilities and improvements	821,739	-	216	7,142	828,665
Furniture, machinery, and equipment	214,545	7,366	4,124	7,145	224,932
Infrastructure	770,707	-	-	28,557	799,264
Total capital assets, being depreciated	1,806,991	7,366	4,340	42,844	1,852,861
Less accumulated depreciation:					
Facilities and improvements	399,004	24,599	216	-	423,387
Furniture, machinery, and equipment	171,024	13,401	4,076	-	180,349
Infrastructure	303,927	26,055	-	-	329,982
Total accumulated depreciation	873,955	64,055	4,292	-	933,718
Total capital assets, being depreciated, net	933,036	(56,689)	48	42,844	919,143
Governmental Activities - capital assets, net	**$ 1,310,939**	**$ 61,907**	**$ 48**	**$ -**	**$ 1,372,798**

The following is a summary of business-type activities capital assets activity for the fiscal year ended June 30, 2016:

	Balance June 30,	Additions	Transfers	Balance June 30,
Business-Type Activities:				
Sewer Service Fund:				
Capital assets, not being depreciated:				
Land	$ 4	$ -	$ -	$ 4
Construction in progress	32,311	18,331	(9,699)	40,943
Total capital assets, not being depreciated	32,315	18,331	(9,699)	40,947
Capital assets, being depreciated:				
Facilities and improvements	311	-	-	311
Furniture, machinery and equipment	5,353	1,823	-	7,176
Sewer and storm drains	265,886	-	9,699	275,585
Total capital assets, being depreciated	271,550	1,823	9,699	283,072
Less accumulated depreciation:				
Facilities and improvements	259	21	-	280
Furniture, machinery and equipment	3,074	1,114	-	4,188
Sewer and storm drains	106,120	4,572	-	110,692
Total accumulated depreciation	109,453	5,707	-	115,160
Total capital assets, being depreciated, net	162,097	(3,884)	9,699	167,912
Sewer Service Fund, capital assets, net	**$ 194,412**	**$ 14,447**	**$ -**	**$ 208,859**
Parks and Recreation Fund:				
Capital assets, not being depreciated:				
Land	$ 361	$ -	$ -	$ 361
Construction in progress	-	545	-	545
Total capital assets, not being depreciated	361	545	-	906
Capital assets, being depreciated:				
Facilities and improvements	4,433	-	-	4,433
Furniture, machinery and equipment	459	9	-	468
Infrastructure	85	-	-	85
Total capital assets, being depreciated	4,977	9	-	4,986
Less accumulated depreciation:				
Facilities and improvements	2,647	280	-	2,927
Furniture, machinery and equipment	398	24	-	422
Infrastructure	42	6	-	48
Total accumulated depreciation	3,087	310	-	3,397
Total capital assets, being depreciated, net	1,890	(301)	-	1,589
Parks and Recreation Fund, capital assets, net	**$ 2,251**	**$ 244**	**$ -**	**$ 2,495**
Business-Type Activities - capital assets, net	**$ 196,663**	**$ 14,691**	**$ -**	**$ 211,354**

2. Depreciation

Depreciation expense was charged to various governmental and business-type activities of the City for the fiscal year ended June 30, 2016 is as follows:

Governmental Activities:		
General Government	$	5,953
Public Safety		4,421
Community Services:		
Parks & Recreation		5,201
Library		2,435
Human Services		573
Community and Economic Development:		
Planning & Building		2,532
Economic & Workforce Development		6,669
Housing & Community Development		6
Public Works		28,873
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets		7,392
Total	**$**	**64,055**
Business-Type Activities:		
Sewer	$	5,707
Parks and Recreation		310
Total	**$**	**6,017**

Component Unit – Port of Oakland

1. Summary Schedule

A summary of changes in capital assets for the year ended June 30, 2016, is as follows (in thousands):

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	$ 523,339	$ -	$ -	$ 35	$ 523,374
Intangibles (noise easements and air rights)	25,852	-	-	-	25,852
Construction in progress	167,751	90,264	(698)	(75,410)	181,907
Total capital assets, not being depreciated	716,942	90,264	(698)	(75,375)	731,133
Capital assets, being depreciated:					
Building and improvements	852,565	-	(629)	118	852,054
Container cranes	148,697	-	-	-	148,697
Systems and structures	1,871,579	-	(44)	72,416	1,943,951
Intangibles (software)	13,676	-	-	62	13,738
Other equipment	93,464	2,031	(379)	2,779	97,895
Total capital assets, being depreciated	2,979,981	2,031	(1,052)	75,375	3,056,335
Less accumulated depreciation:					
Building and improvements	548,285	23,147	53	-	571,379
Container cranes	93,997	4,823	-	-	98,820
Systems and structures	775,369	68,868	(53)	-	844,290
Intangibles (software)	5,470	1,367	-	-	6,837
Other equipment	61,391	5,870	139	-	67,122
Total accumulated depreciation	1,484,512	104,075	139	-	1,588,448
Total capital assets, being depreciated, net	1,495,469	102,044	(913)	75,375	1,467,887
Port - capital assets, net	**$ 2,212,411**	**$ (11,780)**	**$ (1,611)**	**$ -**	**$ 2,199,020**

2. Capital Assets Under Operating Leases as Lessor

The capital assets leased to others at June 30, 2016, consist of the following (in thousands):

Land	$ 330,158
Container cranes	148,697
Buildings and improvements	188,134
Infrastructure	988,456
	1,655,445
Less accumulated depreciation	(678,561)
Net capital assets, on lease	**$ 976,884**

3. Operating Leases as Lessor

A major portion of the Port's capital assets are held for lease. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the Port's leases are classified as operating leases.

Certain maritime facilities are leased under agreements, which provide the tenants with preferential, but nonexclusive, use of the facilities. Certain leases provide for rentals based on gross revenues of the leased premises or, in the case of marine terminal facilities, on annual usage of the facilities. The leases generally provide for minimum rentals with percentage rent contingent on business sales or activity. Certain maritime facilities are leased under agreements that provide the tenants with preferential, but nonexclusive, use of the facilities.

A summary of revenues from long-term leases for the year ended June 30, 2016, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$	166,759
Contingent rentals in excess of minimums		15,054
Total	**$**	**181,813**

The Port and Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC), a private company, entered into a long-term concession and lease agreement on January 1, 2010 for the operation of berths 20-24 for 50 years. A $60.0 million upfront fee was paid to the Port in fiscal year 2010, which is being amortized over the life of the lease. In February 2016, Outer Harbor Terminal, LLC filed for Chapter 11 bankruptcy protection and subsequently announced their intent to cease operations at the Port. The Port terminated its long-term concession and lease agreement with Outer Harbor Terminal, LLC at the end of March 2016. These events resulted in the immediate recognition of the unamortized balance of the upfront fee, approximately $47.0 million.

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

Year		Rental Revenues
2017	$	140,312
2018		114,258
2019		86,820
2020		85,470
2021		85,806
2022 - 2026		195,026
2027 - 2031		114,463
2032 - 2036		98,283
2037 - 2041		28,864
2042 - 2046		13,174
2047 - 2051		10,558
Thereafter		34,760
Total	**$**	**1,007,794**

The Port turned over the operation of its Marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received, which is a component of unearned revenue, for years ending June 30 are as follows (in thousands):

Year	Rental Revenues
2017	$ 426
2018	438
2019	452
2020	465
2021	479
2022 - 2026	2,620
2027 - 2031	3,037
2032 - 2036	3,521
2037 - 2041	4,082
2042 - 2046	4,732
2047 - 2051	5,486
Thereafter	3,485
Total	**$ 29,223**

E. PROPERTY HELD FOR RESALE

Primary Government

On August 21, 2013, the State Controller's Office issued the asset transfer review pursuant to Health and Safety Code Section 34167.5 and reversed the March 3, 2011 agreement entered between the City and the Former Agency for the purchase and sale agreement of various Former Agency properties to the City. As a result, during the year ended June 30, 2015, the ORSA Trust Fund transferred property held for resale totaling $85.7 million to the City. At June 30, 2016, the City has a total of $162.7 million of property held for resale.

Oakland Redevelopment Successor Agency (ORSA)

As of June 30, 2016, ORSA has a total $2.8 million for properties booked at the lower of cost or estimated conveyance value. On May 29, 2014, pursuant to HSC Section 34191.4, the California Department of Finance approved the ORSA's Long-Range Property Management Plan addressing the disposition and use of Former Agency properties and authorizing the disposition of properties pursuant to the plan.

F. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2016, for the City are as follows (in thousands):

Primary Government – Governmental Activities

Accounts payable and accrued liabilities for the governmental activities at June 30, 2016, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities:			
Governmental Funds:			
General Fund	$ 19,420	$ 94,509	$ 113,929
Federal/State Grant Fund	10,916	-	10,916
Low and Moderate Income Housing Asset Fund	1,015	-	1,015
Municipal Capital Improvement Fund	2,544	-	2,544
Other special revenue funds	5,866	-	5,866
Other governmental funds	5,188	-	5,188
Total governmental funds	44,949	94,509	139,458
Internal service funds	2,987	5	2,992
Total governmental activities	$ 47,936	$ 94,514	$ 142,450

Accounts payable and accrued liabilities for the pension trust fund at June 30, 2016, are as follows (in thousands):

Pension Trust Fund	
Accounts payable	$ 42
Member benefits payable	4,834
Investments payable	3,109
Accrued investment management fees	335
Total pension trust fund	$ 8,320

G. TAX AND REVENUE ANTICIPATION NOTES PAYABLE

During the year ended June 30, 2016, the City issued tax and revenue anticipation notes in the amount of $158.2 million in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an interest rate of 2.00% to yield at 0.29% at maturity for the Series A and an interest rate of 1.00% to yield at 0.42% at maturity for the Series B. Principal and interest was paid on June 30, 2016.

H. LONG-TERM AND OTHER OBLIGATIONS

Primary Government

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term obligations of the City as of June 30, 2016 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds payable:			
General obligation bonds	2039	3.50 - 5.00%	$ 201,830
Lease revenue bonds	2027	4.00 - 5.25%	91,110
Pension obligation bonds	2026	2.37 - 6.89%	313,223
Accreted interest on appreciation bonds	2023	n/a	159,476
City guaranteed special assessment district bonds	2039	3.00 - 6.70%	5,685
Unamortized premiums and discounts, net			24,054
Total bonds payable			**$ 795,378**
Notes payable and capital leases:			
Notes payable	2017	1.33 - 3.93%	$ 2,060
Capital leases	2025	1.17 - 5.46%	71,849
Total notees payable and capital leases			**$ 73,909**

Business-Type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds payable:			
Sewer revenue bonds	2029	2.00 - 5.00%	$ 34,665
Unamortized bond premium			4,458
Total bonds payable			**$ 39,123**

2. Interest Rate Swap

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2

Objective of the Interest Rate Swap: On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the $187.5 million Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2 (the "1998 Lease Revenue Bonds"). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of $15.0 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offered Rates ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of $6.0 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). $143.0 million was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond.

The amortization schedule is as follows as of June 30, 2016:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2016	$ 39,300,000	5.6775%	0.3023%	5.3752%
2017	32,500,000	5.6775%	0.3023%	5.3752%
2018	25,800,000	5.6775%	0.3023%	5.3752%
2019	19,300,000	5.6775%	0.3023%	5.3752%
2020	12,800,000	5.6775%	0.3023%	5.3752%
2021	6,400,000	5.6775%	0.3023%	5.3752%

[1] The 1-month LIBOR rate is 0.4657% as of June 30, 2016. Rates are projections, the LIBOR rate fluctuates daily.

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2016 of $39.3 million. The notional amount of the swap declines through 2021. Under the Swap, the City pays the Counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the Counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value: The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the Swap. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap. The fair value hierarchy of the interest rate swap is Level 2. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $6.0 million as of June 30, 2016.

Credit Risk: The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa2 by Moody's , and AA- by S& P as of June 30, 2016. To mitigate the potential for credit risk, if the Counterparty's credit quality falls below A3 by Moody's or A- by S&P, the Swap provides the Counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Termination Risk: An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the Counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the Counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's or "A-" by S&P.

The Counterparty may terminate the Swap if the City fails to perform under the terms of the contract. The Counterparty also may terminate the Swap if the City's ratings fall below "Baa3" by Moody's or "BBB-" by S&P. If at the time of termination, the Swap has a negative fair value, the City would be liable to the Counterparty for a payment equal to the Swap's fair value.

3. Summary of Changes in Long-term Obligations

Primary Government

The changes in long-term obligations for the year ended June 30, 2016, are as follows (in thousands):

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds (A)	$ 206,530	$ -	$ 4,700	$ 201,830	$ 11,675
Lease revenue bonds (B)	109,955	-	18,845	91,110	19,775
Pension obligation bonds (C)	330,433	-	17,210	313,223	16,369
Accreted interest on appreciation bonds (B) and (C)	165,290	18,874	24,688	159,476	26,774
City guaranteed special assessment district bonds (C)	6,020	-	335	5,685	350
Unamortized premium and discounts	25,989	-	1,935	24,054	1,604
Total bonds payable	844,217	18,874	67,713	795,378	76,547
Notes payable and capital leases:					
Notes payable (B) and (D)	3,150	-	1,090	2,060	2,060
Capital leases (B) and (D)	65,645	24,095	17,891	71,849	15,462
Total notes payable and capital leases	68,795	24,095	18,981	73,909	17,522
Other long-term liabilities:					
Accrued vacation and sick leave (E)	39,697	63,691	56,337	47,051	35,862
Pledge obligation for Coliseum Authority debt (B)	49,445	-	3,933	45,512	4,128
Estimated environmental cost (B)	1,472	-	599	873	500
Self -insurance liability - workers' compensation (B)	86,726	34,654	21,425	99,955	19,330
Self -insurance liability - general liability (B)	36,768	25,127	20,917	40,978	16,783
Interest rate swap agreement	7,543	-	1,524	6,019	-
Total other long-term liabilities	221,651	123,472	104,735	240,388	76,603
Total governmental activities	**$ 1,134,663**	**$ 166,441**	**$ 191,429**	**$ 1,109,675**	**$ 170,672**
Business-type activities:					
Sewer fund - bonds payable	$ 36,630	$ -	$ 1,965	$ 34,665	$ 2,045
Unamortized bond premium	4,801	-	343	4,458	343
Total business-type activities	**$ 41,431**	**$ -**	**$ 2,308**	**$ 39,123**	**$ 2,388**

Debt service payments are made from the following sources:

(A) Property tax recorded in the debt service funds
(B) Revenues recorded in the general fund
(C) Property tax voter approved debt
(D) Revenues recorded in the special revenue funds
(E) Compensated absences are financed by governmental funds (General Fund, Federal/State Grant Fund, LMIHF, Municipal Capital Improvement Fund, and Other Governmental Funds) and proprietary funds (Sewer Service Fund) have funded the compensated absences through contributions to the General Fund.

Internal service funds predominantly serve governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2016, $44.5 million of bonds, notes payable, and capital leases related to the internal service funds are included in the above amounts.

4. Annual Requirements to Maturity

Primary Government

The annual repayment schedules for governmental activities' long-term debt as of June 30, 2016, are as follows (in thousands):

Governmental Activities [1]

Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Special Assessment District Bonds Principal	Special Assessment District Bonds Interest
2017	$ 11,675	$ 9,716	19,775	$ 4,382	$ 350	$ 249
2018	12,195	9,219	5,660	3,398	365	237
2019	12,830	8,610	5,935	3,125	370	225
2020	13,490	7,968	6,230	2,831	400	211
2021	13,035	7,294	6,545	2,512	395	197
2022-2026	49,960	27,252	38,125	7,166	1,745	776
2027-2031	44,385	16,499	8,840	221	560	550
2032-2036	32,365	6,113	-	-	735	357
2037-2040	11,895	964	-	-	765	99
Total	**$ 201,830**	**$ 93,635**	**$ 91,110**	**$ 23,635**	**$ 5,685**	**$ 2,901**

Year Ending June 30	Notes Payable Principal	Notes Payable Interest	Capital Leases Principal	Capital Leases Interest
2017	$ 2,060	$ 53	$ 15,462	$ 1,614
2018	-	-	15,775	1,282
2019	-	-	13,710	950
2020	-	-	10,529	647
2021	-	-	6,669	418
2022-2025	-	-	9,704	535
Total	**$ 2,060**	**$ 53**	**$ 71,849**	**$ 5,446**

Year Ending June 30	Pension Obligation Bonds Principal	Pension Obligation Bonds Accreted Interest	Pension Obligation Bonds Interest	Total Principal	Total Accreted Interest	Total Interest
2017	$ 16,369	$ 26,774	37,182	$ 65,691	$ 26,774	$ 53,196
2018	25,274	28,807	39,162	59,269	28,807	53,298
2019	24,708	30,841	41,001	57,553	30,841	53,911
2020	24,316	32,801	42,710	54,965	32,801	54,367
2021	23,992	34,778	44,390	50,636	34,778	54,811
2022-2026	198,564	74,655	104,433	298,098	74,655	140,162
2027-2031	-	-	-	53,785	-	17,270
2032-2036	-	-	-	33,100	-	6,470
2037-2040	-	-	-	12,660	-	1,063
Subtotal	313,223	228,656	308,878	685,757	228,656	434,548
Less: unaccreted interest	-	(69,180)	-	-	(69,180)	-
Total	**$ 313,223**	**$ 159,476**	**$ 308,878**	**$ 685,757**	**$ 159,476**	**$ 434,548**

The annual repayment schedules for business-type activities' long-term debt as of June 30, 2016, are as follows (in thousands):

Business-Type Activities

Year Ending	Sewer Revenue Bonds	
June 30	Principal	Interest
2017	$ 2,045	$ 1,601
2018	2,125	1,519
2019	2,235	1,413
2020	2,275	1,368
2021	2,370	1,277
2022-2026	13,680	4,555
2027-2031	9,935	1,100
Total	**$ 34,665**	**$ 12,833**

The City pledged future net revenues to repay its sewer revenue bonds. The total principal and interest remaining to be paid on the bonds is $47.5 million. The principal and interest payments made in 2016 were $3.6 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2016 were $26.4 million.

5. New Debt Issuance

Master Lease - Radio Lease 2015, Equipment Schedule No. 2

On July 16, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of $7,095,000. This financing provides funding to purchase equipment and professional services in order to improve the microwave network, replace the PWA portable radio fleet, replace the siren system, and deploy a mobile emergency network. The equipment group upgrades the current mission-critical public safety communication systems and related infrastructure. The final maturity is August, 2020 and has an interest rate of 1.48%.

Master Lease - IT Systems Lease 2015, Equipment Schedule No. 1

On October 28, 2015, the City entered into a Master Lease-Purchase Agreement in the principal amount of $17,000,000. This financing provides funding for hardware, software and professional services to upgrade/re-implement and remediate the Oracle E-Business Suite applications and related infrastructure, implement a new municipal budgeting system, replace and improve the 9-1-1 public safety systems and operate and maintain current information technology systems. The equipment group modernizes and maintains mission-critical information technology systems and related infrastructure. The final maturity is August 1, 2021 and has an interest rate of 2.81%.

Oakland Redevelopment Successor Agency (ORSA)

1. Summary Schedule of Long-Term Debt

The following is a summary of ORSA's long-term debt as of June 30, 2016 (in thousands):

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Bonds payable:				
Tax Allocation Bonds	2041	4.00 - 8.50%	$	273,060
Subordinated Housing Set-Aside Bonds	2042	5.38 - 9.25%		45,225
ORSA Subordinated Tax Allocation Refunding Bonds	2037	1.33 - 5.00%		89,185
Unamortized premiums and discounts, net				8,253
Total bonds payable			**$**	**415,723**

2. Revenues Pledged for the Repayment of Debt Service

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, Series 2010T and Refunding Bond Series 2013 are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each of the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2016, the total principal and interest remaining on these TABs was estimated at $394.0 million and the property tax revenues are pledged until the year 2041, the final maturity date of the bonds. The Former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

Historically, upon receipt of property tax increment, the Former Agency calculated the 80 percent and 20 percent and the voluntary 5 percent amount of tax increment and would then transfer the 20 percent and 5 percent portion to the Low and Moderate Income Housing Fund, as required by the California HSC and the Former Agency board resolution. The previous requirement to bifurcate the tax increment into 80 percent and 20 percent portions was eliminated in AB X1 26. However, in order to maintain compliance with bond indentures secured by the 80 percent and 20 percent tax increment, the ORSA plans to request the funds through the ROPS from the Trust Fund pursuant to HSC Section 34183(a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Housing Set-Aside Bonds

The Housing set-aside bonds, which are comprised of Series 2006A, Series 2006A-T and Series 2011A-T are issued to finance affordable housing projects and are secured by a pledge and lien upon the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for the low and moderate income housing fund.

As of June 30, 2016, the total principal and interest remaining on the Housing set-aside bonds was estimated at $102.3 million and the property tax revenues are pledged until the year 2042, the final maturity date of the bonds. The former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the ORSA plans to request the funds through the ROPS from the Trust Fund pursuant to HSC Section 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Subordinated Tax Allocation Refunding Bonds

The 2015 Bonds are limited obligations of the ORSA and payable from and secured by pledged tax revenues. Pledged tax revenues are tax increment revenues that were eligible for allocation to the Former Agency and are allocated to the ORSA, excluding (i) tax revenues required to pay debt service on the existing bonds, (ii) certain amounts required to be paid under the Uptown Ground Lease and the 17th Street Garage Disposition and Development Agreement, and (iii) amounts required to be paid to taxing entities pursuant to the Dissolution Act, unless such payments are subordinated.

3. Summary of Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2016, are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts due within one year
Tax allocation bonds	$ 317,575	$ -	$ 44,515	$ 273,060	$ 23,171
Housing set-aside bonds	112,615	-	67,390	45,225	5,505
Subordinated tax allocation refunding bonds	-	89,185	-	89,185	440
Unamortized premium and discounts:					
Issuance premiums	9,801	2,498	2,067	10,232	1,319
Issuance discounts	(2,115)	-	(136)	(1,979)	(136)
Total ORSA	**$ 437,876**	**$ 91,683**	**$ 113,836**	**$ 415,723**	**$ 30,299**

On August 11, 2015, the ORSA issued Subordinated Tax Allocation Refunding Bonds, 2015-TE (tax-exempt) and Series 2015-T (taxable) (the "Series 2015 Bonds") in the aggregate principal amount of $89.2 million and original issue premium of $2.5 million. The Series 2015 Bonds have interest rates ranging from 1.329% to 5.0% and principal maturing from September 2016 through September 2036. The proceeds of the Series 2015 Bonds will be used to pay the costs associated with the issuance of the Series 2015 Bonds, purchase the 2015 Reserve Policy for deposit in the Reserve Account to satisfy the Reserve Requirement for the 2015 Series Bonds, purchase the 2015 Insurance Policy to guarantee payment of principal and interest on the 2015 Bonds, and refund all or a portion of the outstanding bonds as follows:

Description of Refunded Bonds	Amount Refunded
Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A	$ 2,195
Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T	59,955
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE	13,780
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE	4,745
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE	4,945
Total refunded bonds	$ 85,620

In September 2015, a portion of the proceeds of the 2015 Series Bonds were deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent for the subordinated housing set aside revenue refunding bonds, and Wells Fargo Bank, National Association, as escrow agent for the tax allocation bonds. The funds deposited and held with the escrow agents are sufficient, together with investment earnings thereon, to pay principal and interest on the refunded bonds to be redeemed on September 1, 2016. The amounts deposited were invested in direct noncallable obligations of, or unconditionally guaranteed by, the United States of America (Federal Securities) and/or senior debt obligations of the Federal Home Loan Bank system. Upon such deposit, all obligations of the ORSA with respect to the advance refunded bonds were legally defeased except for the ORSA's obligation to pay the principal and interest on the advance refunded bonds from such funds deposited with the escrow agents. Accordingly, the liability for the refunded bonds has been removed from the statement of fiduciary net position.

The refunding resulted in the recognition of accounting loss of $6.1 million for the year ended June 30, 2016. The ORSA in effect reduced its aggregate debt service payments by $10.3 million and obtained a net present value savings of $8.0 million or 7.7% of the refunded bonds.

4. Annual Requirements to Maturity

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and other long-term debt outstanding as of June 30, 2016, including mandatory sinking fund payments, are as follows (in thousands):

Oakland Redevelopment Successor Agency

Year Ending	Tax Allocation Bonds		Housing Set-Aside Bonds		Subordinate Refunding Tax Allocation Bonds	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 23,171	$ 14,712	$ 5,505	$ 3,637	$ 440	$ 3,752
2018	23,521	13,366	1,935	3,389	4,340	3,710
2019	25,384	11,973	2,075	3,239	4,425	3,622
2020	26,557	10,479	2,235	3,077	4,515	3,509
2021	28,027	8,871	2,400	2,897	4,645	3,373
2022-2026	53,906	31,129	7,310	12,073	15,980	14,717
2027-2031	40,694	20,516	1,030	10,583	12,285	12,079
2032-2036	40,957	8,489	35	10,507	20,045	7,909
2037-2041	10,843	1,369	17,325	7,469	22,510	337
2042	-	-	5,375	249	-	249
Total	**$ 273,060**	**$ 120,904**	**$ 45,225**	**$ 57,120**	**$ 89,185**	**$ 53,257**

Component Unit- Port of Oakland (Port)

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of the Port as of June 30, 2016 (in thousands):

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates		Amount
Bonds, notes, and loans payable				
Senior and intermediate lien bonds	2033	2.25 - 5.125%	$	1,028,550
Notes and loans	2030	0.05 - 4.50%		89,269
Unamortized bond discounts and premiums, net				44,367
Total bonds, notes, and loans payable			**$**	**1,162,186**

2. Revenues Pledged for the Repayment of Debt Service

The Port’s long-term debt and final maturity consists primarily of tax-exempt bonds, short-term commercial paper notes and a loan from the California Department of Boating and Waterways. All of the Port’s outstanding bonds, loans and commercial paper notes have been issued to finance or refinance capital improvements to the Port’s aviation, maritime, and commercial real estate infrastructure. The majority of the Port’s outstanding bonds are revenue bonds, which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service. In fiscal year 2016 pledged revenues amounted to $340.1 million.

Pledged Revenues do not include cash received from passenger facility charge (PFCs) or customer facility charge (CFCs) unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. Currently, the Port has no bonds for which PFCs or CFCs are pledged.

The Port did not capitalize any interest cost in fiscal year 2016.

Senior Lien Bonds

2011 Series O, 2012 Series P, and 2012 Series Q (collectively, the Senior Lien Bonds) are issued under the Senior Trust Indenture and are paid from Pledged Revenues first. As long as any Senior Lien Bonds remain outstanding, the Port has covenanted to collect rates, tolls, fees, rentals and charges so that Pledged Revenues in each fiscal year will be sufficient to pay all of the following amounts: (i) the sum of principal and interest on the outstanding Senior Lien Bonds; (ii) all other payments required for compliance with terms of the Senior Trust Indenture including, but not limited to, required deposits to any Reserve Fund; (iii) all other payments necessary to meet ongoing legal obligations to be paid from Pledged Revenues; and (iv) operation and maintenance expenses of the Port. In addition, payment of principal and interest on the Senior Lien Bonds when due is secured by a reserve fund held by the trustee and invested in U.S. Treasury Notes.

The Port has also covenanted in the Senior Trust Indenture that Net Pledged Revenue (Revenues less the Operation and Maintenance Expenses) will be equal to at least 125% of actual debt service for the Senior Lien Bonds (Senior Lien Debt Service Coverage Ratio).

California Department of Boating and Waterways (DBW) Loan

The DBW Loan is subordinate to the Senior Lien Bonds but superior to the Intermediate Lien Bonds and the Port's Commercial Paper Notes with respect to the Pledged Revenues. The Port turned over the operation of its marina, financed, in part, with DBW Loans, to a private company through a fifty-year capital lease in May 2004. As of June 30, 2016, only one DBW Loan remained outstanding with a balance of $4.7 million.

Intermediate Lien Bonds

The 2007 Series A, Series B and Series C Bonds (collectively, the Intermediate Lien Bonds) issued under the Intermediate Trust Indenture are next in payment priority. The Intermediate Lien Bonds are paid from the Intermediate Lien Pledged Revenues. The Intermediate Lien Pledged Revenues are the Pledged Revenues after payment first, of all amounts payable for any Senior Lien Bonds and second, any debt service requirements payable on the DBW Loan. Payment of principal and interest on the Intermediate Lien Bonds when due is secured by a debt service reserve surety policy, as well as being insured by municipal bond insurance policies.

The Port covenanted in the Intermediate Trust Indenture that Net Pledged Revenues will be equal to at least 110% of the actual debt service becoming due and payable on the combined Intermediate Lien Bonds, Senior Lien Bonds, and DBW Loan (Intermediate Lien Debt Service Coverage Ratio).

Commercial Paper Notes

Commercial Paper Notes (CP Notes) have the lowest payment priority. The Board authorized a $150.0 million Commercial Paper program in 1998 and a further $150.0 million was authorized in 1999. The maximum maturity of the CP Notes is 270 days and the maximum interest rate is 12%. The Port has classified the CP Notes as long-term debt as the Port intends and has the ability to reissue CP Notes until the expiration of the two irrevocable Letters of Credit (LOC), discussed below. Interest income paid to the holders of the CP Notes may fall under one of three tax treatments: tax-exempt Alternative Minimum Tax (AMT), tax-exempt non-AMT and taxable.

On May 2, 2016, the Port amended its LOC with JPMorgan Chase Bank National Association (JPMorgan), reducing its maximum stated amount of $108.9 million (principal of $100.0 million and interest of $8.9 million) to $54.4 million (principal of $50.0 million and interest of $4.4 million). The expiration date of the LOC was also extended one year, from June 30, 2016 to June 30, 2017. On June 13, 2016, the Port substituted its then-outstanding Wells Fargo Bank National Association LOC, with a new LOC supported by Bank of America National Association (BANA). The maximum stated amount of this LOC is $163.3 million (principal of $150.0 million and interest of $13.3 million) and expires on June 30, 2019. As of June 30, 2016, the Port has capacity based on available credit to issue an aggregate principal amount of CP Notes up to $200.0 million.

As of June 30, 2016, the outstanding balance of CP Notes issued under the BANA LOC is $38.2 million, while the outstanding balance of CP Notes issued under the JPMorgan LOC is $46.4 million.

The Port covenants in the LOC and Reimbursement Agreements with BANA and JPMorgan that the Intermediate Lien Debt Service Coverage Ratio will equal to at least 110%.

3. Summary of Changes in Long-Term Obligations

The changes in the Port's long-term obligations for the year ended June 30, 2016, are as follows (in thousands):

Component Unit - Port of Oakland

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts due within one year
Bonds and notes payable:					
Senior and intermediate lien bonds	$ 1,075,075	$ -	$ 46,525	$ 1,028,550	$ 48,985
Notes and loans payable	79,312	38,176	28,219	89,269	254
Unamortized premium and discounts, net	50,390	(52)	5,971	44,367	5,583
Total bonds and notes payable	1,204,777	38,124	80,715	1,162,186	54,822
Other long-term liabilities:					
Accrued vacation, sick leave, and compensatory time	6,594	1,589	1,672	6,511	5,586
Environmental remediation	11,700	13,604	10,242	15,062	3,023
Self -insurance liability - workers' compensation	12,661	876	1,288	12,249	1,290
Other long-term liabilities	1,834	23,236	162	24,908	5,954
Total other long-term liabilities	32,789	39,305	13,364	58,730	15,853
Total component unit	**$ 1,237,566**	**$ 77,429**	**$ 94,079**	**$ 1,220,916**	**$ 70,675**

4. Annual Requirements to Maturity

The Port's required annual debt service payment for the outstanding long-term debt, not including Commercial Paper Notes, as of June 30, 2016, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2017	$ 77,429 (1)	$ 55,841	$ 133,270
2018	81,405	51,814	133,219
2019	85,597	46,798	132,395
2020	54,752	42,331	97,083
2021	56,415	40,032	96,447
2022-2026	332,684	154,664	487,348
2027-2031	357,522	66,769	424,291
2032-2033	72,015	5,179	77,194
Total	**$ 1,117,819**	**$ 463,428**	**$ 1,581,247**

(1) Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal years 2017-2020 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

The Port's required debt service payments on its Senior Lien Bonds and Intermediate Lien Bonds are due each May 1 and November 1 through May 1, 2033. The California Department of Boating and Waterways loan is due each August 1 through August 1, 2029. Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt.

City-Wide Long-Term Debt

1. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City, ORSA, and the Port. The City believes it is in compliance with all significant limitations and restrictions for which noncompliance would adversely affect its ability to pay debt service. During the course of the fiscal year, the City identified several noncompliant issues with the continuing disclosure requirements and these have been remedied.

2. Legal Debt Limit and Legal Debt Margin

As of June 30, 2016, the City's debt limit (3.75% of valuation subject to taxation) was $1.3 billion. The total amount of debt applicable to the debt limit was $201.8 million. The resulting legal debt margin was $1.1 billion.

3. Prior Years' Debt Defeasance

In prior years, the City defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and is therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2016, the principal amount of defeased debt outstanding is $57.2 million.

4. Authorized and Unissued Debt

The City has $62.3 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

5. Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded.

The conduit debt issued and outstanding at June 30, 2016 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2016
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	$ 19,800	07/01/33	$ 13,655

I. GENERAL FUND BALANCE RESERVE POLICY

The City Council approved the original City Reserve Policy on March 22, 1994. Creation of the policy was to help pay any unanticipated expenditures and pay for claims arising from the City's insurance program. In May 2010, the City adopted a revised reserve policy equal to seven and one-half percent (7.5%) for unassigned fund balance of the General Purpose Fund (GPF) appropriation for each fiscal year. The GPF accounts for the City's operating budget that pays for basic programs and services as well as elected offices and municipal business functions. The GPF is reported within the General Fund.

On December 9, 2014, the City Council revised the reserve policy criteria for the definition and use of excess Real Estate Transfer Tax (RETT) revenue, and use of one-time revenues (Ordinance No. 13279). The policy defines excess Real Estate Transfer Tax as any amounts of projected RETT revenues whose value exceeds 14% of the corresponding General Purpose Fund Tax Revenues (inclusive of RETT). The excess RETT shall be used in the following manner:

- At least 25% shall be allocated to the Vital Services Stabilization Fund. Until the value in such fund is projected to equal to 15% of General Purpose Fund revenues over the coming fiscal year.
- At least 25% shall be used to fund accelerated debt retirement and unfunded long-term obligations: including negative funds balances, to fund the Police and Fire Retirement System (PFRS) liability, to fund other unfunded retirement and pension liabilities, unfunded paid leave liabilities, to fund Other Postemployment Retirement Benefits (OPEB).
- The remainder shall be used to fund one-time expenses; augment the General Purpose Fund Emergency Reserve, and to augment the Capital Improvements Reserve Fund.

Use of the "excess" RETT revenue for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution. The policy also requires the City to conform to the following regarding the use of one-time discretionary revenues:

- Fiscal prudence and conservancy requires that one time revenues not be used for recurring expenses. Therefore, upon receipt of one time revenues, such revenues shall be used in the following manner, unless legally restricted to other purposes: to fund one time expenditures, to fund accelerated debt retirement and unfunded long-term obligations: including negative funds balances, to fund the Police and Fire Retirement System (PFRS) liability, to fund other unfunded retirement and pension liabilities, unfunded paid leave liabilities, to fund Other Postemployment Retirement Benefits (OPEB);or shall remain as fund balance in the appropriate fund.

Use of the "one time revenues" for purposes other than those established above may only be allowed by a super majority vote (6 out of 8) of the City Council through a separate resolution. Additionally, the policy includes the requirement that the City maintain a Vital Services Stabilization Fund. In years when the city projects that total General Purpose Fund revenues for the upcoming fiscal year will be less than the current year's revenues, or anytime service reductions (such as layoffs or furloughs) are contemplated due to adverse financial conditions, use of this fund must be considered so as to maintain existing service levels as much as possible, and to minimize associated impacts; and the adopted budget may appropriate funds from the Vital Services Stabilization Fund to preserve City operations; however, the budget may not appropriate more than sixty percent of the reserve balance in any year.

As of June 30, 2016, the City has $116.7 million in the GPF fund balance. Of this amount, $58.2 million is set aside to meet the mandated 7.5% required reserve, and is reported in the assigned fund balance of the General Fund.

J. ESTIMATED LIABILITY FOR SELF-INSURANCE

Primary Government

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employee's injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

The City is self-insured for its general liability, malpractice liability, public official's errors and omissions, products and completed operations, employment practices liability, and auto liability up to $3,000,000 retention level and up to $750,000 retention level for workers' compensation and has excess insurance with the California State Association of Counties – Excess Insurance Authority as described in the Insurance Coverage section.

1. Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $10,000 deductible to be paid by the City. Vehicles are insured at full replacement value after a $20,000 deductible. Equipment valued at more than $250,000 is insured at full replacement after a $100,000 deductible.

2. Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $100.0 million in claims liabilities as of June 30, 2016, approximately $19.3 million is estimated to be due within one year.

Changes in self-insurance workers' compensation for the years ended June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Self -insurance liability - workers' compensation, beginning of year	$ 86,726	$ 83,484
Current year claims and changes in estimates	34,654	35,384
Claims payments	(21,425)	(32,142)
Self -insurance liability - workers' compensation, end of year	$ 99,955	$ 86,726

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

3. **General Liability**

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2016, the amount of liability determined to be probable of occurrence is approximately $41.0 million. Of this amount, claims and litigation approximating $16.8 million are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the ORSA are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the ORSA's in-house counsel and the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the City and the ORSA. The City has not accumulated or segregated assets or set aside fund balances for the payment of estimated claims and judgments.

Changes in general claims liabilities for the years ended June 30, 2016 and 2015 are as follows (in thousands):

	2016	2015
Self -insurance liability - general liability, beginning of year	$ 36,768	$ 32,341
Current year claims and changes in estimates	25,127	21,457
Claims payments	(20,917)	(17,030)
Self -insurance liability - general liability, end of year	$ 40,978	$ 36,768

The estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

4. **Insurance Coverage**

On July 15, 2002, the City entered into a contract with the California State Association of Counties Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Effective July 1, 2015, the self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Limits	Deductible Per Occurrence
General Liability	Up to $3.0 million	$3.0 to $25.0 million
Automobile Liability	Up to $3.0 million	$3.0 to $25.0 million
Public Officials Errors and Omissions	Up to $3.0 million	$3.0 to $25.0 million
Products and Completed Operations	Up to $3.0 million	$3.0 to $25.0 million
Employment Practices Liability	Up to $3.0 million	$3.0 to $25.0 million
Workers' Compensation	Up to $750,000	$750,000 to $100.0 million

Component Unit – Port of Oakland

1. Workers' Compensation

The Port is self-insured for other workers' compensation of the Port's employees. The workers' compensation liability of $12.2 million at June 30, 2016 is based upon an actuarial study performed as of June 30, 2016 that assumed a probability level of 80% and a discount rate of 0.0%. Changes in liability, which is included as part of non-current liabilities, follows (in thousands):

	2016	2015
Self -insurance liability - workers' compensation, beginning of year	$ 12,661	$ 11,182
Current year claims and changes in estimates	876	2,792
Claims payments	(1,288)	(1,313)
Self -insurance liability - workers' compensation, end of year	$ 12,249	$ 12,661

2. General Liability - Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, automobile liability, airport liability, umbrella liability, environmental liability, fidelity, fiduciary liability, and public officials liability. Port deductibles for the various insured programs range from $10,000 to $1,000,000 each claim. The Port is self-insured for other general liability and liability/litigation-type claims, and most first party exposures. During fiscal year 2016, the Port carried excess insurance over $1,000,000 for the self-insured general liability and workers compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

3. Capital Improvement Projects

The Port maintains an Owner Controlled Insurance Program (OCIP) and Professional Liability Insurance Program (PLIP) for contractors and consultants working on Port Capital Improvement Projects (CIP).

OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently $250,000 for each general liability and workers' compensation claim.

The PLIP provides professional liability insurance for consultants working on Port CIP projects. Subject to this program, the consultants separately are responsible for paying the deductible/self-insured retentions, which are $50,000 for consultants with annual revenues under $20,000,000 and $1,000,000 for consultants with annual revenues over $20,000,000. The Port's deductible/self-insured retention is $1,000,000. There is no actuarial forecast for this coverage.

4. Outer Harbor Terminal Closure

In February 2016. Outer Harbor Terminal, LLC (formerly Ports America Outer Harbor Terminal, LLC) ("OHT") filed for Chapter 11 bankruptcy protection. At that time, OHT held a 50-year lease with the Port to operate Berths 20-24, a month-to-month lease to operate Berth 25/26 (including crane maintenance), and a separate lease to operate and maintain cranes at Berths 20-24. On February 20, 2016, the Port reached a settlement agreement with OHT by which the Port would let OHT out of its lease obligations. This agreement was subsequently approved by the bankruptcy court. This event returned property to the Port that was in need of significant repairs and deferred maintenance of which the Port estimates will cost approximately $22.3 million to complete over the next three years. In fiscal year 2016, the Port recognized a gain on the lease termination composed of the following (in thousands):

Unamortized "Upfront Fee" from Berth 20-24 Lease	$	46,977
Security deposit and lease termination fee		10,560
Lease terminal loss contingency		(22,337)
Total	**$**	**35,200**

K. JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Oakland (Alameda) in a joint exercise of powers agreement forming the Oakland-Alameda County Coliseum Authority (Coliseum Authority), which was formed on July 1, 1995 to assist the City and the County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (Financing Corporation) is reported as a blended component unit of the Coliseum Authority. The eight-member Board of Commissioners of the Coliseum Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Financing Corporation consists of the City Manager and the County Administrator.

Stadium Bonds – Background

In August 1995, the Coliseum Authority issued $9.2 million in Fixed Rate Refunding Lease Revenue Bonds and $188.5 million in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Coliseum Authority, the City, the County, the Financing Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which then managed the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders to the City.

On May 31, 2012, the Coliseum Authority issued $122.8 million in Refunding Bonds Series 2012 A with coupons of 2 to 5 percent to refund and defease all outstanding variable rate 2000 Series C Refunding Bonds. The bonds were priced at a premium, bringing total proceeds to $138.1 million. These funds coupled with $13 million in the 2000 Series C reserve fund generated available funds of $151.1 million which was used to refund the 2000 C Refunding Bonds of $137.4 million, fund a reserve fund of $12.8 million and to pay underwriter's discount and issuance cost of $0.9 million. The all-in-interest cost of the 2012A refunding bonds was 3.04 percent. There was an economic loss of $23 million (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Coliseum Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Coliseum Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds that generated a premium of $15.3 million.

The Stadium Bonds are limited obligations of the Coliseum Authority payable solely from certain revenues of the Coliseum Authority, including revenues from the Stadium and Arena Complex and base rental payments from the City and the County. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of the club dues, concession, and parking payments. The Coliseum Authority has pledged the base rental payments and most other revenues received under the Master Lease from the lessees, the City, and the County to the trustee to pay debt service on the bonds. In the event that football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The City and the County each have covenanted to appropriate $11 million annually to cover such shortfall in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the County could have to pay up to $22 million annually in the event of default by the City. Base rental payments are projected to cover one hundred percent of the debt service requirements over the life of the bonds. The obligation of the City and the County to make such payments is reduced to the extent the Coliseum Authority receives revenues generated at the complex to pay debt service and for operations and maintenance. The Stadium Bonds are not general obligations of either the City or the County.

Arena Bonds – Background

On August 2, 1996, the Coliseum Authority issued $70 million Series A-1 and $70 million Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Coliseum Authority, the City, the County, and Coliseum Inc. in connection with the retention of the Golden State Warriors (the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) among the Warriors and the City, the County, Coliseum Inc., and the Coliseum Authority.

On April 14, 2015, the Authority issued $79,735,000 in Refunding Bonds Series 2015 with coupons of .8 to 3.793 percent to refund and defease all outstanding variable rate 1996 Series A-1 and A-2 Bonds. The bonds were sold at par, bringing total proceeds to $79,735,000. These funds coupled with $3,319,013 in the 1996 Series A reserve fund generated available funds of $83,054,013, which was used to refund the 1996 Series A Refunding Bonds of $79,735,000, to fund a reserve fund of $2,168,103, to pay underwriter's discount and issuance cost of $659,928 and $490,983 was returned to the Authority's general fund. The all-in true interest cost of the 2015A refunding bonds was 3.33 percent. There was an economic loss of $13,479,519 (difference between the present value of the old and the new debt service payments) due to the low variable interest rates on the old bonds and the higher fixed rates on the new bonds. The Authority was unable to maintain the bonds at a variable rate because it was not able to renew the letters of credit as required due to the tightening of the credit markets since 2008. However, the Authority was able to take advantage of the fixed rate market with historically low interest rates and issued fixed rate bonds.

Under the Warriors Agreements, the Arena Bonds are limited obligations of the Coliseum Authority, payable solely from revenues received by the Coliseum Authority on behalf of the City and the County. Revenues consist of base rental payments from the City and County, certain payments from the Warriors of up to $7.4 million annually from premium seating revenues, the sale of personal seat licenses by the Coliseum Authority, concessionaire payments and Arena naming rights. If necessary to prevent default, additional premium revenues up to $10 million may be pledged to service Arena debt. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and the County are obligated to make up the shortfall in the base rental payments from their respective general funds. The County and the City each have covenanted to appropriate up to $9.5 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the County could have to pay up to $19 million annually in the event of default by the City.

Debt Compliance

Long-term debt outstanding as of June 30, 2016 is as follows (in thousands):

Type of Indebtedness	Maturity	Interest Rate	Authorized and Issued	Outstanding as of June 30, 2016
Stadium Bonds:				
2012 Refunding Series A	February 1, 2025	2.0% - 5.0%		
Lease revenue bonds			$ 122,815	$ 91,025
Arena Bonds:				
2015 Refunding Series A	February 1, 2025	1.0% - 4.0%		
Lease revenue bonds			79,735	74,335
Total			$ 202,550	$ 165,360

Debt payments during the year ended June 30, 2016 were as follows (in thousands):

	Stadium	Arena	Total
Principal	$ 7,865	$ 5,400	$ 13,265
Interest	4,949	1,674	6,623
Total	$ 12,814	$ 7,074	$ 19,888

The following is a summary of long-term debt transactions for the year ended June 30, 2016 (in thousands):

Outstanding lease revenue bonds, beginning of year	$ 178,625
Principal repayments	(13,265)
Outstanding lease revenue bonds, end of year	$ 165,360

Annual debt service requirements to maturity for the lease revenue bonds, including interest payments, are as follows (in thousands):

Year	Stadium Bonds		Arena Bonds		Total	
Ending June 30,	Principal	Interest [1]	Principal	Interest [2]	Principal	Interest
2017	$ 8,255	$ 4,551	$ 5,800	$ 2,168	$ 14,055	$ 6,719
2018	8,670	4,139	6,200	2,096	14,870	6,235
2019	9,100	3,705	6,600	1,991	15,700	5,696
2020	9,555	3,250	7,000	1,837	16,555	5,087
2021	10,035	2,772	7,600	1,650	17,635	4,422
2022-2026	45,410	5,814	41,135	4,201	86,545	10,015
Total	$ 91,025	$ 24,231	$ 74,335	$ 13,943	$ 165,360	$ 38,174

Management of Coliseum Authority

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture (OCJV) to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with OCJV and reinstated its Operating Agreement with Coliseum Inc. Coliseum Inc. subcontracted all of the operations of the Coliseum Complex to OCJV. The Operating Agreement between the Coliseum Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Coliseum Authority entered into a Termination Agreement whereby, in return for certain consideration, the Coliseum Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006. The Authority's management agreement with OCJV expired in June 2012. In July 2012, AEG Management Oakland, LLC took over management of the Coliseum Complex after signing a five year agreement.

Under the joint exercise of power agreement, which formed the Coliseum Authority, the City is responsible for funding up to 50 percent of the Coliseum Authority's operating costs and debt service requirements; to the extent such funding is necessary. During the year ended June 30, 2016, the City made contributions of $11.0 million to fund its share of operating deficits and debt service payments of the Coliseum Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium Bonds, such that the City and County will have to contribute to base rental payments. Of the $22.0 million obligated, for the year ending June 30 2017, it is estimated that the City will have to contribute $11.02 million, which is appropriated in the debt service fund. There are many uncertainties in the estimation of revenues for the Coliseum Authority beyond one year into the future; therefore, the City has established a contingent liability to fund the Coliseum Authority deficit in the statement of net position in an amount equal to its contingent share (50 percent) of the outstanding Stadium Bonds, in the amount of $45.5 million. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

Complete financial statements for the Coliseum Authority can be obtained from the County Auditor-Controller's Office at 1221 Oak Street, Room 249, Oakland, CA 94612.

(III) OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

1. General Information About the Pension Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), the California Public Employees' Retirement System (CalPERS) Safety Plan, and the CalPERS Miscellaneous Plan. PFRS is a closed single employer pension plan that covered employees hired prior to July 1976. Public safety employees hired subsequent to PFRS' closure date and certain employees hired before the closure date who elected to change plans are covered by CalPERS. PFRS issues a publicly available financial report that includes financial statements and required supplementary information for the PFRS Plan. PFRS' standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612 or can access the financial statements via the City's website, www.oaklandnet.com.

The CalPERS Safety and Miscellaneous Plans are agent multi-employer pension plans. CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

2. Benefits

PFRS – PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who completed at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, were eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees received reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter).

CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final average compensation period of 36 months. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2016, are summarized as follows:

Tier Pension Plans	CalPERS Miscellaneous Plan	CalPERS Safety Plan
Tier One (Classic Member)	Receive 2.7% at age 55. Final compensation is based on the twelve (12) highest paid consecutive months.	Receive 3% at age 50. Pension benefits are based on the one year of highest salary.
Tier Two (New Hires as of June 9, 2012)	Receive 2.5% at age 55. Final compensation is based on the highest average annual compensation of the three consecutive years.	Receive 3% at age 55. Pension benefits are based on the final average salary of 3 years under the Government Code 20037.
Tier Three: AB 340 (January 1, 2013)	Receive 2% at 62. Pension benefits are based on the final average salary of the three years subject to established cap.	Basic: 2% at age 57. Option 1: 2.5% at age 57. Option 2: 2.7% at age 57. Pension benefits are based on the final average salary of 3 years subject to established cap.

Covered Employees **-** As of June 30, 2016, the following employees were covered by the benefit terms of each pension plan:

	PFRS Plan	CalPERS Miscellaneous Plan	CalPERS Safety Plan
Inactive employees or beneficiaries currently receiving benefits	929	3,324	1,061
Inactive employees entitled to but not yet receiving benefits	-	1,616	375
Active employees	-	2,558	1,145
Total	**929**	**7,498**	**2,581**

3. Contributions

For the years ended June 30, 2016 and 2015, the City's actuarial determined contributions were as follows (in thousands):

	2016	2015 *
PFRS Plan	$ -	$ -
CalPERS Miscellaneous Plan	65,399	63,531
CalPERS Safety Plan	46,264	44,366
Total	**$ 111,663**	**$ 107,897**

* In fiscal year 2015, the contributions for the CalPERS plans were based on an estimate. The City made a $0.06 million and $0.25 million adjustment to align the estimated employer contributions with the actual employer contributions per the 2015 Agent-Multiple Employer CalPERS reports for the Miscellaneous Plan and the Safety Plan, respectively.

PFRS – The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits.

On July 30, 2012, the City issued additional Pension Obligation Bonds (Series 2012) and contributed $210.0 million to PFRS. As a result of a funding agreement entered into between the PFRS Board and the City, no additional contributions are required until July 1, 2017. See Note (II) H for additional information on pension obligation bonds.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the plans is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

4. Net Pension Liability

The table below shows how the net pension liability as of June 30, 2016, is distributed.

Governmental Activities	$	1,207,032
Business-type Activities		31,133
Component Unit - Port of Oakland		177,204
Total	**$**	**1,415,369**

As of June 30, 2016, the City's net pension liability is comprised of the following:

PFRS Plan	$	216,335
CalPERS Miscellaneous Plan		691,564
CalPERS Safety Plan		507,470
Total	**$**	**1,415,369**

The City's net pension liability is measured for each plan as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures.

The changes in the net pension liability for the PFRS Plan are as follows:

	Increase (Decrease) Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Increase (Decrease) Net Pension Liability
Balance at June 30, 2014 (valuation date)	$ 640,323	$ 463,807	$ 176,516
Changes for the year:			
Interest on the total pension liability	41,263	-	41,263
Changes in assumptions	34,219	-	34,219
Differences between expected and actual experience	(21,209)	-	(21,209)
Net investment income	-	15,439	(15,439)
Administrative expenses	-	(985)	985
Benefit payments, including refunds of employee contributions	(59,008)	(59,008)	-
Net changes	(4,735)	(44,554)	39,819
Balance at June 30, 2015 (measurement date)	**$ 635,588**	**$ 419,253**	**$ 216,335**

The changes in the net pension liability for each CalPERS plan are as follows:

	CalPERS Miscellaneous Plan Increase (Decrease)			CalPERS Safety Plan Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014 (valuation date)	$ 2,348,971	$ 1,704,213	$ 644,758	$ 1,634,999	$ 1,170,937	$ 464,062
Changes for the year:						
Service cost	37,347	-	37,347	32,899	-	32,899
Interest on the total pension liability	172,693	-	172,693	121,444	-	121,444
Changes in assumptions	(39,092)	-	(39,092)	(31,738)	-	(31,738)
Differences between expected and actual experience	(7,769)	-	(7,769)	4,892	-	4,892
Contributions from the employer	-	63,531	(63,531)	-	44,366	(44,366)
Contributions from employees	-	16,904	(16,904)	-	15,027	(15,027)
Plan to plan movement	-	24	(24)	-	(24)	24
Net investment income	-	37,833	(37,833)	-	26,057	(26,057)
Administrative expenses	-	(1,919)	1,919	-	(1,337)	1,337
Benefit payments, including refunds of employee contributions	(126,730)	(126,730)	-	(74,198)	(74,198)	-
Net changes	36,449	(10,357)	46,806	53,299	9,891	43,408
Balance at June 30, 2015 (measurement date)	**$2,385,420**	**$1,693,856**	**$ 691,564**	**$ 1,688,298**	**$1,180,828**	**$ 507,470**

5. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City and the Port recognized pension expense of $78.4 million. At June 30, 2016, the City deferred outflows of resources and deferred inflows of resources related to pension items are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 111,663	$ -
Change in assumptions	-	(23,362)
Differences between expected and actual experiences	3,871	(22,057)
Net differences between projected and actual earnings on plan investments	-	(38,001)
Total	**$ 115,534**	**$ (83,420)**

At June 30, 2016, the City reported $111.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	
2017	$ (45,588)
2018	(43,401)
2019	(23,721)
2020	33,161
Total	**$ (79,549)**

6. Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2015 is provided below, including any assumptions that differ from those used in the July 1, 2014 actuarial valuation.

	PFRS Plan	CalPERS Miscellaeous and Safety Plans
Valuation date	July 1, 2015	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Actuarial cost method:		
Discount rate	6.54%	7.65%
Investment rate of return	6.44%	7.65%, net of pension plan investment expenses, including inflation
Inflation rate	2.75% to 2.85%	2.75%
Payroll growth	n/a	3.00%
Post retirement benefit increases	3.25%	Purchasing power allowance floor on purchasing power applies, 2.75% thereafter

For the PFRS Plan, the mortality rates for healthy and disabled lives were based on the CalPERS Healthy Table from the 2006-2011 Experience Study, and the CalPERS Industrial Disability Mortality Table from the 2006-2011 Experience Study, respectively. Mortality improvement tables are based on Scale MP-2014 using a base year of 2009. Actuarial assumptions used in the PFRS July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Change in Assumptions - GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rates

PFRS – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major class included in the PFRS's target asset allocation as of June 30, 2015 measurement date are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.65%
Domestic Equity	6.90%
International Equity	7.20%
Real Return	5.20%
Covered Calls	6.21%
Private Equity	8.80%
Cash	2.00%

The discount rate used to measure the total pension liability was 6.54 percent. The projection of cash flows used to determine the discount rate assumed that the City would contribute to the PFRS Plan based on its July 1, 2012 funding agreement with the PFRS. This agreement suspends City contributions until the fiscal year beginning July 1, 2017, after which they will resume, based upon the recommendation of the actuary, with a Charter requirement that the PFRS Plan's liabilities be fully funded by July 1, 2026. A cash flow projection showed that the projected fiduciary net position would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***CalPERS* -** The discount rate used to measure each of the CalPERS Miscellaneous Plan and the Safety Plan total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each of the City's retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease at 5.54%	Measurement Date at 6.54%	1% Increase at 7.54%
PFRS Plan	$ 278,663	$ 216,335	$ 163,584

	1% Decrease at 6.65%	Measurement Date at 7.65%	1% Increase at 8.65%
CalPERS Miscellaneous Plan	$ 984,156	$ 691,564	$ 447,699
CalPERS Safety Plan	750,850	507,470	309,492

B. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Primary Government

1. Plan Description

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment. City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and local unions and in City resolutions. The demographic rates used for the CalPERS plans were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula.

In 2014, the City began to partially pre-fund the annual required contribution (ARC) to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code (IRC) Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB costs.

The City's single-employer defined benefit retiree health plan (Retiree Health Plan) allows eligible retirees and their dependents to receive employer-paid medical insurance benefits through CalPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Retiree Health Plan also includes dental and vision benefits and reimbursement of Medicare part B monthly insurance premium. The Retiree Health Plan does not issue a separate financial report.

2. Funding Policy

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored CalPERS health benefit plan on a pay-as-you-go basis. The City paid $20.5 million for retirees under this program for the year ended June 30, 2016.

3. Annual OPEB Cost and Net OPEB Obligation

The City's annual postemployment benefit cost and net OPEB obligation for the Retiree Health Plan as of and for the year ended June 30, 2016 were as follows (in thousands):

Annual Required Contribution (ARC)	$	74,094
Interest on net OPEB obligation		10,277
Adjustment to ARC		(15,787)
Annual OPEB cost		68,584
Employer contribution		(20,482)
Increase in net OPEB obligation		48,102
Net OPEB obligation, beginning of year		256,922
Net OPEB obligation, end of year	**$**	**305,024**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the year for the City's single employer Retiree Health Plan were as follows (in thousands):

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 40,476	51.0%	$ 235,095
2015	41,585	47.5%	256,922
2016	68,584	29.9%	305,024

OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2015, the most recent actuarial valuation date, the City's Retiree Health Plan was 0.3 percent funded on an actuarial basis. Changes to the UAAL for the OPEB Plan was primarily the result of the actuarial value of assets being zero. The City is on a pay-as-you-go funding progress.

The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2015 (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2015	$ 862,892	$ 2,902	$ 859,990	0.3%	$ 360,858	238.3%

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Basic Financial Statements, presents information about whether the actuarial value of plan assets increased or decreased in relation to the actuarial accrued liability for benefits.

4. Actuarial Methods and Assumptions for OPEB Plan

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. *The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost and the annual required contribution for the year ended June 30, 2016 and the funded status as of July 1, 2015 are as follows:*

Description	**Method/Assumption**
Valuation Date	July 1, 2015 [1]
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll, Open Period
Average Remaining Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Blended Discount Rate [1]	4.00%
Investment Rate of Return	7.28%
Expected Return on City Assets	3.80%
Projected Salary Increases	2.5% per year growth
Ultimate Rate of Medical Inflation	4.50%
Years to Ultimate Rate of Medical Inflation	20 years
Inflation	2.50%
Demographic Rate	Retirement benefit at 3% @ 50 formula for Safety employees and at 2.7% @ 55 formula for Miscellaneous employees.

[1] The City began to partially pre-fund the ARC in June 2014 by participating in CERBT sponsored by CalPERS, and therefore the discount rate is a blend of the expected return on assets for the CERBT assets and the expected return on the City's general assets.

Changes in Actuarial Assumptions from the City's prior valuation dated July 1, 2013 include:

- *Discount rate* – The discount rate was lowered from 5.59% to 4.0%, reflecting the actual amount of payments made to the CERBT in addition to benefits paid.
- *Implicit subsidy* – The true cost of coverage for retirees age 55 to 64 is greater than the cost of the same coverage for the typical group of active employees. Employers who also treat the cost as being the same often are providing implicit subsidies for retirees. The cost difference, implicit subsidy, is equal to the "true" cost of providing retiree medical coverage minus the average active/retiree cost (i.e. the premium charged). Until recently, an implicit subsidy was assumed to not exist for community rated plans. However, Actuarial Standard of Practice (ASOP) No. 6 modified this assumption, making it necessary to value an implied subsidy cost for these plans effective for actuarial valuations on or after March 31, 2015. Since the City participates in the Public Employees' Medical and Hospital Care Act (PEMHCA) plans, which are considered community rated plans, the City has not needed to value an implied subsidy cost until this actuarial valuation.
- *Demographic assumptions* **-** The rates of retirement, withdrawal, disability retirement, and mortality assumptions are used for participants in CalPERS, and are based on the most recent CalPERS Experience Study completed January 2014 and approved by the CalPERS Board in February 2014.

Component Unit – Port of Oakland

1. Plan Description

The Port contributes to the CERBT, an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and OPEB costs.

The Port's Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. Additionally, through the Port's Retiree Health Plan, employees hired before October 1, 2009 [before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW)] are eligible to receive dental and vision benefits.

Prior to 2011, eligible retirees must have attained the age of fifty or over at the time of retirement, have five or more years of CalPERS service, and must be eligible to receive CalPERS retirement benefits. On July 21, 2011, the Port adopted resolutions that established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW). The vesting schedule does not apply to employees that are granted a disability retirement.

Under the adopted vesting schedule, the Port shall pay a percentage of retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least 5 of which are with the City/Port.

The Port will pay a percentage of employer contributions for the Retiree based upon the following:

Years of Credited Service (at least 5 of which are with the City/Port)	Percentage of Employer Contributions
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20	100%

2. Funding Policy

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port pays a portion of retiree benefit expenses on a pay-as–you-go basis to third parties, outside of the CERBT fund, and funds the remaining annual required contribution (ARC) to the CERBT fund.

As of June 30, 2016, there were approximately 505 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During the year ended June 30, 2016, the Port contributed $6.4 million to the CERBT and made payments of $7.4 million on behalf of eligible retirees to third parties outside of the CERBT fund.

3. Annual OPEB Cost and Net OPEB Obligation

The Port's annual OPEB cost is equal to (a) ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45, plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over a "closed" period of 30 years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the CERBT, and changes in the Port's net OPEB obligation to the Plan as of June 30, 2016 (in thousands):

Annual Required Contribution (ARC)	$	13,725
Interest on net OPEB obligation		717
Adjustment to ARC		(789)
Annual OPEB cost		13,653
Employer Contribution		(13,781)
Increase in net OPEB obligation		(128)
Net OPEB obligation, beginning of year		10,249
Net OPEB obligation, end of year	**$**	**10,121**

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years are as follows (in thousands):

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 12,789	100.3%	$ 10,414
2013	12,780	101.3%	10,249
2014	13,653	100.9%	10,121

4. Funded Status and Funding Progress

The table below indicates the funded status of the Plan as of June 30, 2015, the most recent actuarial valuation date (in thousands):

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2015	$ 157,351	$ 47,870	$ 109,481	30.4%	$ 50,093	219%

5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used for determining the benefit obligations of the Port is the Projected Unit Credit Cost Method. Under the principles of this method, the actuarial present value of the projected benefits is the value of benefits expected to be paid for active and retired employees. The AAL is the present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The ARC for fiscal year 2016 was based on an actuarial valuation of the Port's plan as of June 30, 2015, which amortized the Port's UAAL over a "closed" period of 30 years beginning June 30, 2013. There are 28 years remaining as of June 30, 2015.

Actuarial assumptions used for the valuation of the Port's plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual health care cost trends, which is based on the "Getzen" model published by the Society of Actuaries. The June 30, 2015 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 8.25%, and a general inflation rate of 2.5% was used.

The schedules presented as Required Supplementary Information following the notes to basic the financial statements, presents multiyear trend information. The Schedule of Funding Progress – Port of Oakland Postemployment Benefits presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

C. COMMITMENTS AND CONTINGENCIES

1. Construction Commitments

As of June 30, 2016, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

	General Fund	Federal/State Grant Fund	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Building, facilities and infrastructure	$ 1,882	$ 3,271	$ 13,282	$ 309	$ 217	$ 1,732	$ 20,693
Parks and open space	-	1,006	5,474	1,700	2	-	8,182
Sewers and storm drains	-	277	138	-	-	-	415
Streets and sidewalks	1,202	92,629	30,057	974	21,241	-	146,103
Technology enhancements	3,283	-	7,254	3,359	-	15,008	28,904
Traffic improvements	194	9,820	446	368	5,950	-	16,778
Total	**$ 6,561**	**$ 107,003**	**$ 56,651**	**$ 6,710**	**$ 27,410**	**$ 16,740**	**$ 221,075**

	Sewer Fund	Nonmajor Parks and Recreation	Total Business-Type Activities
Parks and open space	$ -	$ 550	$ 550
Sewers and storm drains	48,990	-	48,990
Total	**$ 48,990**	**$ 550**	**$ 49,540**

2. Other Commitments and Contingencies

ORSA Encumbrances

As of June 30, 2016, the ORSA had encumbered $877.5 million for contracted obligations, per the Recognized Obligations Payment Schedule covering the period July 1, 2016 through June 30, 2017, which was approved by the California Department of Finance on May 19, 2016.

Component Unit – Port of Oakland

As of June 30, 2016, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$ 47,524
Maritime	6,432
Total	**$ 53,956**

The most significant projects for which the Port has contractual commitments for construction is the Airport Terminal 1 retrofit and renovation program of $43.8 million.

1. Power Purchases

The Port purchases electrical power for resale and self-consumption and currently has three power purchase agreements with East Bay Municipal Utility ("EBMUD"), the Western Area Power Administration ("WAPA") and SunEdison, LLC ("SunEdison") with expiration dates greater than four years.

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
EBMUD	2022	Take and Pay - (Pay contract price only if energy is received)	8,000 MWH	Approximately $584,000 with no annual escalator through 2017; approximate $464,000 with no annual escalator from 2017-2022.
WAPA	2024	Take or Pay - (Pay contract price without regard to energy received)	17,000 MWH	Approximately $800,000 (Changes annually depending on revenue requirement for power generation projects).
SunEdison	2027	Take and Pay - (Pay contract price only if energy is received)	1,200 MWH	Approximately $200,000 with annual escalator.

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2016, multiple forward power purchase contracts totaling approximately $4.8 million with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2019.

2. Environmental Remediation

The entitlements for the Airport Development Program ("ADP") subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under: the California Environmental Quality Act; permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission; and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.

A summary of the Port's environmental remediation liability accounts, net of the estimated recoveries, included in long-term obligations on the statement of net position at June 30, 2016, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 1,678	$ -
Identified as responsible to clean up pollution	10,916	193
Begins or legally obligates to clean up or post-clean up activities	2,468	50
Total by obligating event	**$ 15,062**	**$ 243**

The environmental remediation liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Obligating events include without limitations: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; and 2) the Port has commenced, or has legally obligated itself to commence, clean-up activities or monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

Methods and Assumptions

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port’s outside legal counsel.

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and post-remediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

3. Recoveries

The environmental liabilities balances listed on the prior page have been reduced by estimated future recoveries. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB Statement No. 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

D. DEFICIT FUND BALANCES/NET POSITION

As of June 30, 2016, the following funds reported deficits in fund balance/net position (in thousands):

Special Revenue Funds:		
Federal/State Grant Fund	$	(8,093)
Landscape and Lighting Assessment District		(297)
Debt Service Fund:		
JPFA Fund		(3)
Internal Service Funds:		
Facilities		(26,203)
Reproduction		(2,579)
Central Stores		(4,692)
Purchasing		(1,399)

The deficit in the Federal/State Grant Fund will be cleared by grant reimbursement submitted to granting agencies, but revenue has not been received within the City's availability period. The deficit in the Landscape and Lighting Assessment District they collected from special assessments. The City's facilities, reproduction, central stores, and purchasing fund deficits are expected to be funded through increased user charges in future years. During the 2011-13 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds' net position deficit by 2019.

At June 30, 2016, ORSA has a negative net position of $317.9 million. Under the former California Redevelopment Law, the Former Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, ORSA's revenues can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

E. SUBSEQUENT EVENT

Debt Issuance – Port

On August 16, 2016, the Port issued $11.0 million of Series A (AMT) commercial paper notes, in order to reimburse prior capital expenditures, which included expenditures for the Port's Runway Safety Area project and for the Terminal 1 retrofit and renovation project. This transaction is part of a larger plan to finance PFC-eligible Airport projects by utilizing debt when the rate of project expenditures exceed the rate of PFC collections. In its fiscal year 2017 Capital Budget, the Port has estimated that a total of $68.7 million will be issued for this purpose over the 5-year Capital Improvement Program period.

This page is intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios – Police and Fire Retirement System
Last Three Fiscal Years*
(In Thousands)

Fiscal year	**2016-17**	**2015-16**	**2014-15**
Measurement period	2015-16	2014-15	2013-14
Total pension liability			
Service cost	$ -	$ -	$ -
Interest on the total pension liability	42,480	41,263	42,333
Changes of assumptions	43,480	34,219	-
Differences between expected and actual experience	6,978	(21,209)	-
Benefit payments, including refunds of employee contributions	(58,441)	(59,008)	(57,409)
Net change in total pension liability	34,497	(4,735)	(15,076)
Total pension liability, beginning	635,588	640,323	655,399
Total pension liability, ending	**$ 670,085**	**$ 635,588**	**$ 640,323**
Plan fiduciary net position			
Contributions, employer	$ -	$ -	$ -
Contributions, employee	-	-	4
Net investment income	(1,419)	15,439	66,392
Administrative expenses	(1,376)	(985)	(776)
Claims and settlements	3,593	-	-
Benefit payments, including refunds of employee contributions	(58,441)	(59,008)	(57,409)
Net change in plan fiduciary net position	(57,643)	(44,554)	8,211
Plan fiduciary net position, beginning	419,253	463,807	455,596
Plan fiduciary net position, ending	**$ 361,610**	**$ 419,253**	**$ 463,807**
Plan net pension liability	**$ 308,475**	**$ 216,335**	**$ 176,516**
Plan fiduciary net position as a percentage of the total pension liability	**54.0%**	**66.0%**	**72.4%**
Covered payroll	**$ -**	**$ -**	**$ -**
Plan net pension liability as a percentage of covered payroll	**n/a**	**n/a**	**n/a**

Note to schedule:

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
CalPERS Miscellaneous Plan
Last Two Fiscal Years*
(In Thousands)

Fiscal year	**2015-16**	**2014-15**
Measurement period	2014-15	2013-14
Total pension liability		
Service cost	$ 37,347	$ 37,135
Interest on the total pension liability	172,693	166,822
Changes of assumptions	(39,092)	-
Differences between expected and actual experience	(7,769)	-
Benefit payments, including refunds of employee contributions	(126,730)	(121,423)
Net change in total pension liability	36,449	82,534
Total pension liability, beginning	2,348,971	2,266,437
Total pension liability, ending	**$ 2,385,420**	**$ 2,348,971**
Plan fiduciary net position		
Contributions, employer	$ 63,531	$ 52,556
Contributions, employee	16,904	17,431
Plan ot plan resource movement	24	-
Net investment income	37,833	256,552
Administrative expenses	(1,919)	-
Benefit payments, including refunds of employee contributions	(126,730)	(121,423)
Net change in plan fiduciary net position	(10,357)	205,116
Plan fiduciary net position, beginning	1,704,213	1,499,097
Plan fiduciary net position, ending	**$ 1,693,856**	**$ 1,704,213**
Plan net pension liability	**$ 691,564**	**$ 644,758**
Plan fiduciary net position as a percentage of the total pension liability	**71.0%**	**72.6%**
Covered payroll	**$ 200,562**	**$ 188,886**
Plan net pension liability as a percentage of covered payroll	**344.8%**	**341.3%**

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only two years of information is shown.

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
CalPERS Safety Plan
Last Two Fiscal Years*
(In Thousands)

Fiscal year	**2015-16**	**2014-15**
Measurement period	2014-15	2013-14
Total pension liability		
Service cost	$ 32,899	$ 34,590
Interest on the total pension liability	121,444	115,261
Changes of assumptions	(31,738)	-
Differences between expected and actual experience	4,892	-
Benefit payments, including refunds of employee contributions	(74,198)	(68,751)
Net change in total pension liability	53,299	81,100
Total pension liability, beginning	1,634,999	1,553,899
Total pension liability, ending	**$ 1,688,298**	**$ 1,634,999**
Plan fiduciary net position		
Contributions, employer	$ 44,366	$ 37,007
Contributions, employee	15,027	14,598
Plan to plan resource movement	(24)	-
Net investment income	26,057	175,344
Administrative expenses	(1,337)	-
Benefit payments, including refunds of employee contributions	(74,198)	(68,751)
Net change in plan fiduciary net position	9,891	158,198
Plan fiduciary net position, beginning	1,170,937	1,012,739
Plan fiduciary net position, ending	**$ 1,180,828**	**$ 1,170,937**
Plan net pension liability	**$ 507,470**	**$ 464,062**
Plan fiduciary net position as a percentage of the total pension liability	**69.9%**	**71.6%**
Covered payroll	**$ 119,980**	**$ 120,396**
Plan net pension liability as a percentage of covered payroll	**423.0%**	**385.4%**

Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only two years of information is shown.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedule of Employer Pension Contributions –
Police and Fire Retirement System
Last Three Fiscal Years*
(In Thousands)

Oakland Police and Fire Retirement System

Fiscal year ended June 30	2016 *	2015	2014
Actuarially determined contributions (ADC)	$ -	$ -	$ 20,300
Contributions in relation to the ADC	-	-	-
Contribution deficiency (excess)	**$ -**	**$ -**	**$ 20,300**
Covered payroll	$ -	$ -	$ -
Contributions as a percentage of covered payroll	n/a	n/a	n/a

* Although an actuarial valuation was performed as of June 30, 2013, 2014 and 2015, no ADC was determined for 2014, 2015, and 2016, based on the City's funding policy. In July 2012, the City contributed $210 million in pension obligation bonds proceeds to the plan.

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

Actuarial valuation date	July 1, 2012
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Recognizes 20% difference between market value and expected actuarial value each year, with a corridor of 10% around market value.
Amortization method	Level dollar closed (23 years remaining as of 7/1/2013)
Inflation	3.25% to 3.375%
Discount rate	6.75%
Projected benefit increases	Following expiration of current MOUs (6/30/15 for Police, 10/31/17 for Fire):
Police	2% per year, 3% per year for 3 year, then 3.975% (Bay Area inflation plus 0.60% productivity increase) per year.
Fire	3% per year for 3 year, then 3.975% (Bay Area inflation plus 0.60% productivity increase) per year.
Mortality (healthy)	RP-2000 Combined Healthy Table (for males, rates multiplied by 97% and ages set back 1 year), projected to improve with Scale AA using a 2006 base year.
Mortality (disabled)	CalPERS Industrial Disability Mortality Table (from 1997 - 2007 experience study) projected to improve with Scale AA using 2010 base year.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Schedule of Employer Pension Contributions – CalPERS Plans
Last Three Fiscal Years*
(In Thousands)

Miscellaneous Plan

Fiscal year ended June 30	2016	2015**	2014
Actuarially determined contributions (ADC)	$ 65,399	$ 59,468	$ 52,556
Contributions in relation to the ADC	(65,399)	(63,531)	(52,556)
Contribution deficiency (excess)	**$ -**	**$ (4,063)**	**$ -**
Covered payroll	$ 200,132	$ 200,562	$ 188,886
Contributions as a percentage of covered payroll	32.68%	31.68%	27.82%

Safety Plan

Fiscal year ended June 30	2016	2015**	2014
Actuarially determined contributions	$ 46,264	$ 43,747	$ 37,007
Contributions in relation to the ADC	(46,264)	(44,366)	(37,007)
Contribution deficiency (excess)	**$ -**	**$ (619)**	**$ -**
Covered payroll	$ 125,299	$ 119,980	$ 120,396
Contributions as a percentage of covered payroll	36.92%	36.98%	30.74%

The actuarial methods and assumptions used to set the actuarially determined contributions were as follows:

ADC for fiscal year	June 30, 2016
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and services
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

** In fiscal year ended June 30, 2015, the contributions in relation to the actuarially determined contributions were based on estimates. The City made a $0.06 million and a $0.25 million adjustment to align the estimated employer contributions with the actual employer contributions per the 2015 agent-multiple employer CalPERS reports for the CalPERS Miscellaneous Plan and the Safety Plan, respectively.

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Schedules of Funding Progress – Other Postemployment Benefits
Year Ended June 30, 2016
(In Thousands)

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to covered payroll. The required contributions were determined as part of the actuarial valuation using the entry age normal actuarial cost method.

City Other Postemployment Benefits

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b) *	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2012	$ 553,530	$ -	$ 553,530	0.0%	$ 304,373	181.9%
7/1/2013	463,851	-	463,851	0.0%	322,170	144.0%
7/1/2015	862,892	2,902	859,990	0.3%	360,858	238.3%

* The City began to partially pre-fund the annual required contribution in the year ended June 30, 2014 by participating in California Employers' Retiree Benefit Trust sponsored by CalPERS.

Port Other Postemployment Benefits

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
6/30/2011	$ 128,906	$ 19,145	$ 109,761	14.9%	$ 44,627	246.0%
6/30/2013	136,616	30,715	105,901	22.5%	47,823	221.4%
6/30/2015	157,351	47,870	109,481	30.4%	50,093	218.6%

CITY OF OAKLAND
Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 235,850	$ 235,850	$ 257,707	$ 21,857
Sales and use	52,518	55,426	52,192	(3,234)
Motor vehicle in-lieu	-	-	166	166
Local taxes:				
Business license	70,048	70,048	75,504	5,456
Utility consumption	50,000	50,000	51,006	1,006
Real estate transfer	61,176	61,176	89,594	28,418
Transient occupancy	16,900	16,900	20,209	3,309
Parking	10,211	10,211	10,220	9
Franchise	15,635	15,635	18,321	2,686
Licenses and permits	2,345	2,344	1,591	(753)
Fines and penalities	24,443	24,677	21,648	(3,029)
Interest and investment income	715	715	1,097	382
Charges for services	79,395	80,164	85,184	5,020
Federal and state grants and subventions	4,214	2,094	5,953	3,859
Annuity income	8,857	8,857	1,096	(7,761)
Other	1,519	1,521	2,622	1,101
TOTAL REVENUES	633,826	635,618	694,110	58,492
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	2,535	2,542	2,197	345
Council	4,436	4,706	4,513	193
City Administrator	17,665	19,376	15,831	3,545
City Attorney	12,337	16,605	15,296	1,309
City Auditor	1,904	1,907	1,760	147
City Clerk	3,425	4,025	3,326	699
Public Ethics Commission	-	11,116	587	10,529
Departments:				
Administrative Service Department:				
Human Resource Management	6,452	7,506	6,655	851
Financial Services	26,119	28,195	23,879	4,316
Information Technology	10,507	13,358	11,604	1,754
Race and Equity Department	304	11,420	84	11,336
Public Safety:				
Oakland Police Department	217,872	237,932	245,628	(7,696)
Oakland Fire Department	124,714	127,423	126,669	754
Community Service Department:				
Parks and Recreation	22,361	23,968	23,199	769
Library	11,129	11,420	11,220	200
Human Services Department	6,526	8,065	6,233	1,832
Community and Economic Development:				
Planning and Building	299	1,020	109	911
Economic & Workforce Development	9,267	10,061	8,891	1,170
Housing & Community Development	6,684	9,900	4,416	5,484
Oakland Public Works	34,422	39,849	30,539	9,310
Other	44,179	21,267	12,086	9,181
Capital outlay	1,373	7,329	2,277	5,052
Debt service:				
Principal repayment	6,095	5,573	5,432	141
Bond issuance cost	-	-	240	(240)
Interest charges	522	522	522	-
TOTAL EXPENDITURES	571,127	625,085	563,193	61,892
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,699	10,533	130,917	(3,400)
OTHER FINANCING SOURCES (USES)				
Premiums (discount) on issuance of debt	-	-	(78)	(78)
Proceeds from sale of capital assets	4,452	4,452	66	(4,386)
Insurance claims and settlements	-	-	4,314	4,314
Transfers in	72,257	77,492	8,653	(68,839)
Transfers out	(143,931)	(165,134)	(100,843)	64,291
TOTAL OTHER FINANCING SOURCES (USES)	(67,222)	(83,190)	(87,888)	(4,698)
NET CHANGE IN FUND BALANCE	(4,523)	(72,657)	43,029	(8,098)
Fund balance (deficit) - beginning	269,689	269,689	269,689	-
FUND BALANCE (DEFICIT) - ENDING	$ 265,166	$ 197,032	$ 312,718	$ (8,098)

CITY OF OAKLAND

Required Supplementary Information (unaudited)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2016
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 15,978	$ 15,978	$ 15,660	$ (318)
Local taxes:				
Transient occupancy	4,728	4,877	5,462	585
Parking	8,680	8,680	9,955	1,275
Voter approved special tax	19,115	19,115	18,473	(642)
Licenses and permits	15,418	15,418	27,682	12,264
Fines and penalities	1,116	1,116	878	(238)
Interest and investment income	10	412	964	552
Charges for services	21,643	21,646	28,294	6,648
Federal and state grants and subventions	1,449	1,904	3,663	1,759
Other	959	3,134	2,287	(847)
TOTAL REVENUES	89,096	92,280	113,318	21,038
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	83	100	-	100
City Administrator	1,444	2,995	780	2,215
City Attorney	1,843	1,926	1,931	(5)
Departments:				
Administrative Service Department:				
Financial Services	645	764	978	(214)
Information Technology	692	607	646	(39)
Public Safety:				
Oakland Police Department	14,938	15,532	15,702	(170)
Oakland Fire Department	7,097	8,317	6,041	2,276
Community Service Department:				
Parks and Recreation	-	440	368	72
Library	16,527	17,505	15,055	2,450
Human Services Department	23,236	30,571	20,104	10,467
Community and Economic Development:				
Planning and Building	26,520	33,674	24,765	8,909
Economic & Workforce Development	576	1,184	583	601
Housing & Community Development	1,848	5,428	4,370	1,058
Oakland Public Works	5,775	8,305	5,954	2,351
Other	4,152	4,301	4,779	(478)
Capital outlay	603	6,899	2,204	4,695
TOTAL EXPENDITURES	105,979	138,548	104,260	34,288
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,883)	(46,268)	9,058	(13,250)
OTHER FINANCING SOURCES (USES)				
Transfers in	17,638	18,348	15,083	(3,265)
Transfers out	(755)	(902)	-	902
TOTAL OTHER FINANCING SOURCES (USES)	16,883	17,446	15,083	(2,363)
NET CHANGE IN FUND BALANCE	-	(28,822)	24,141	(15,613)
Fund balance (deficit) - beginning	32,675	32,675	32,675	-
FUND BALANCE (DEFICIT) - ENDING	$ 32,675	$ 3,853	$ 56,816	$ (15,613)

(1) BUDGETARY DATA

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2015, the City Council approved the City's two-year budget for fiscal years 2016 and 2017. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2015-16 budget. Certain projects are appropriated on a multiyear rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds and supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as accounting principles generally accepted in the United States of America (GAAP) except for certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multiyear basis. The amounts of the projects and programs budgeted on a multiyear basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

- Federal/State Grant Fund
- Low and Moderate Income Housing Asset Fund
- Municipal Capital Improvement Fund

While the City adopts budgets for all funds, the budgets to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multiyear basis.

(2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with GAAP. The "Budgetary Comparison Schedule – General Fund" has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between actual amounts on a budgetary basis and a GAAP basis is due to timing.

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2016, was $0.8 million.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	General Fund
Net change in fund balance - GAAP basis	$ 43,805
Amortization of debt service deposit agreement	(776)
Net change in fund balance - Budgetary basis	$ 43,029

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2016, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2016 - GAAP basis	$ 310,136
Unamortized debt service deposit agreement	2,582
Fund balance as of June 30, 2016 - Budgetary basis	$ 312,718

FEDERAL AWARDS PROGRAMS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and Members
of the City Council
City of Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2016. The financial statements of the Oakland Police and Fire Retirement System were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Oakland, California
December 16, 2016

MGO Certified Public Accountants

Century City
Los Angeles
Newport Beach
Oakland
Sacramento
San Diego
San Francisco
Walnut Creek
Woodland Hills

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Members
of the City Council
City of Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the City of Oakland's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Port of Oakland (Port), which expended $22,676,047 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended June 30, 2016. Our audit, described below, did not include the operations of the Port because the Port engaged us to perform a separate audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on the Senior Community Service Employment Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA number 17.235 Senior Community Service Employment Program as described in finding number 2016-002 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on the Senior Community Service Employment Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Senior Community Service Employment Program for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matter

The City's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Oakland, California
March 23, 2017

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State of California, Department of Education				
Child and Adult Care Food Program	10.558	04008-CACFP-01-GM-CS	$ 491,915	$ -
Summer Food Service Program for Children	10.559	E116-01	468,824	317,231
TOTAL U.S. DEPARTMENT OF AGRICULTURE			960,739	317,231
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-06-0013	8,574,932	2,604,000
Emergency Solutions Grant Program	14.231	E-13-MC-06-0013	6,330	-
Emergency Solutions Grant Program	14.231	E-14-MC-06-0013	39,729	3,208
Emergency Solutions Grant Program	14.231	E-15-MC-06-0013	493,880	445,109
Emergency Solutions Grant Program	14.231	S10-MC-06-0013	184,008	184,008
Subtotal Emergency Solutions Grant Program			723,947	632,325
Home Investment Partnerships Program	14.239	M13-MC060208	1,132,965	83,958
Home Investment Partnerships Program	14.239	M14-MC060208	1,094,848	-
Home Investment Partnerships Program	14.239	M15-MC060208	685,340	-
Subtotal Home Investment Partnerships Program			2,913,153	83,958
Housing Opportunities for Persons with AIDS	14.241	CA-H11-F001	13,109	13,109
Housing Opportunities for Persons with AIDS	14.241	CA-H12-F001	943,803	943,803
Housing Opportunities for Persons with AIDS	14.241	CA-H13-F001	1,020,233	1,020,233
Housing Opportunities for Persons with AIDS	14.241	CA-H14-F001	1,791,569	1,742,794
Housing Opportunities for Persons with AIDS	14.241	CA-H15-F001	303,453	237,526
Subtotal Housing Opportunities for Persons with AIDS			4,072,167	3,957,465
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	E-95-EZ-06-0001	499,931	161,704
Continuum of Care Program	14.267	CA0103L9T021306	83,253	83,253
Continuum of Care Program	14.267	CA0106L9T021306	27,480	27,477
Continuum of Care Program	14.267	CA0093L9T021306	334	334
Continuum of Care Program	14.267	CA0103L9T021407	207,596	196,596
Continuum of Care Program	14.267	CA0096L9T021407	1,134,970	1,076,168
Continuum of Care Program	14.267	CA1270L9T021300	252,418	217,620
Continuum of Care Program	14.267	CA0106L9T021407	688,000	641,505
Continuum of Care Program	14.267	CA0093L9T021407	216,132	207,961
Continuum of Care Program	14.267	CA0096L9T021508	759,693	754,236
Continuum of Care Program	14.267	CA0093L9T021508	18,641	18,641
Subtotal Continuum of Care Program			3,388,517	3,223,791
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			20,172,647	10,663,243
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Community-Based Violence Prevention Program	16.123	2015-MU-MU-K001	135,315	-
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2010-PB-FX-K011	250,342	98,571
Public Safety Partnership and Community Policing Grants	16.710	2011ULWX0002	1,685,643	-
Public Safety Partnership and Community Policing Grants	16.710	2013ULWX0010	1,850,486	-
Public Safety Partnership and Community Policing Grants	16.710	2014ULWX0028	2,049,441	-
Public Safety Partnership and Community Policing Grants	16.710	2015ULWX0006	411,729	-
Subtotal Public Safety Partnership and Community Policing Grants			5,997,299	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2016

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE (Continued)				
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ14-10-7503	$ 16,337	$ -
Forensic Casework DNA Backlog Reduction Program	16.743	2013-DN-BX-0123	167,862	-
Forensic Casework DNA Backlog Reduction Program	16.743	2014-DN-BX-0014	231,987	-
Forensic Casework DNA Backlog Reduction Program	16.743	2015-DN-BX-0106	53,547	-
Subtotal Forensic Casework DNA Backlog Reduction Program			453,396	-
Passed Through Alameda County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0685	34,582	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0128	943	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0275	252,779	-
Subtotal Edward Byrne Memorial Justice Assistance Grant Program			288,304	-
TOTAL U.S. DEPARTMENT OF JUSTICE			7,140,993	98,571
U.S. DEPARTMENT OF LABOR				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	SCSEP-233	910,619	-
Passed through State of California, Employment Development Department				
WIA/WIOA Cluster				
WIA Adult Program	17.258	K594777	253,936	227,455
WIA Adult Program	17.258	K698378	1,549,066	1,051,755
Subtotal WIA Adult Program			1,803,002	1,279,210
WIA Youth Activities	17.259	K594777	598,772	400,975
WIA Youth Activities	17.259	K698378	944,362	693,975
Subtotal WIA Youth Program			1,543,134	1,094,950
WIA/WIOA Dislocated Worker Formula Grants	17.278	K491034.	583,786	583,786
WIA/WIOA Dislocated Worker Formula Grants	17.278	K594777	220,726	200,044
WIA/WIOA Dislocated Worker Formula Grants	17.278	K698378	1,041,213	717,799
Subtotal WIA/WIOA Dislocated Worker Formula Grants			1,845,725	1,501,629
Subtotal WIA/WIOA Cluster			5,191,861	3,875,789
TOTAL U.S. DEPARTMENT OF LABOR			6,102,480	3,875,789
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State of California, Department of Transportation				
Highway Planning and Construction	20.205	SR2SL-5012(102)	24	-
Highway Planning and Construction	20.205	STPLZ-5012(037)	1,432,758	-
Highway Planning and Construction	20.205	STPL-5012(028)	108,046	-
Highway Planning and Construction	20.205	STPLZ-5012(124)	121,257	-
Highway Planning and Construction	20.205	BMP-5012(121)	26,399	-
Highway Planning and Construction	20.205	HSIPL-5012(118)	3,943	-
Highway Planning and Construction	20.205	HSIPL-5012(119)	2,158	-
Highway Planning and Construction	20.205	HSIPL-5012(126)	40,706	-
Highway Planning and Construction	20.205	HSIPL-5012(129)	87,663	-
Highway Planning and Construction	20.205	STPLZ-5012(123)	23,603	-
Highway Planning and Construction	20.205	CML-5012(128)	21,228	-
Highway Planning and Construction	20.205	CML-5012(127)	15,808	-
Subtotal Highway Planning and Construction			1,883,593	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,883,593	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2016

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF ENERGY				
Direct Program				
Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000870	$ 5,126	$ -
TOTAL U.S. DEPARTMENT OF ENERGY			5,126	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Head Start	93.600	09CH9006/44	2,150,275	506,268
Head Start	93.600	09CH9006/44-02	16,766,281	4,023,865
Subtotal Head Start			18,916,556	4,530,133
Passed through State of California, Department of Community Services and Development				
Community Services Block Grant	93.569	15F-2002	837,495	492,973
Community Services Block Grant	93.569	16F-5002	497,037	306,164
Subtotal Community Services Block Grant			1,334,532	799,137
Passed through State of California, Department of Aging				
Medical Assistance Program	93.778	MS-1213-01	1,228	-
Medical Assistance Program	93.778	MS-1314-01	12,140	-
Medical Assistance Program	93.778	MS-1516-01	1,375,772	-
Medical Assistance Program	93.778	MS-1617-01	2,415	-
Subtotal Medical Assistance Program			1,391,555	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			21,642,643	5,329,270
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs				
Foster Grandparent/Senior Companion Cluster				
Foster Grandparent Program	94.011	15SFPCA006	29,484	-
Senior Companion Program	94.016	15SCPCA010	307,429	-
Subtotal Foster Grandparent/Senior Companion Cluster			336,913	-
TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			336,913	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2014-CA-K00043	602,476	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2015-CA-K00036	588,673	-
National Urban Search and Rescue (US&R) Response System	97.025	PDMC-PJ-09-CA-206-004	112,594	-
Subtotal National Urban Search and Rescue			1,303,743	-
Port Security Grant Program	97.056	EMW-2013-PU-00509	81,523	-
Port Security Grant Program	97.056	EMW-2014-PU-00321	500,038	-
Port Security Grant Program	97.056	EMW-2015-00078-OES	49,595	-
Subtotal Port Security Grant Program			631,156	-
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2012-FH-00338	661,699	-
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2014-FH-00782	659,925	-
Subtotal Staffing for Adequate Fire and Emergency Response			1,321,624	-

See notes to the schedule of expenditures of federal awards.

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2016

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY (Continued)				
Passed through Alameda County Sheriff Office				
Homeland Security Grant Program	97.067	ALCO-2012	$ 62,043	$ -
Homeland Security Grant Program	97.067	ALCO-2014	100,000	-
Passed through City and County of San Francisco				
Homeland Security Grant Program	97.067	2013 SUASI	33,944	-
Homeland Security Grant Program	97.067	2014-SS-00093-PA	516,210	-
Homeland Security Grant Program	97.067	2014-SS-00093-PB	75,174	-
Homeland Security Grant Program	97.067	2014-SS-00093-PD	262,561	-
Homeland Security Grant Program	97.067	2015-SS-00078-PA	260,907	-
Homeland Security Grant Program	97.067	2015-SS-00078-PB	16,292	-
Homeland Security Grant Program	97.067	2015-SS-00078-PF	18,535	-
Subtotal Homeland Security Grant Program			1,345,666	-
Passed through County of Alameda				
Metropolitan Medical Response System	97.071	233-03-0095	86,296	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			4,688,485	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 62,933,619	$ 20,284,104

See notes to the schedule of expenditures of federal awards.

Note 1 – General

The accompanying schedule of expenditures of federal awards (SEFA) presents the expenditures of all federal award programs of the City of Oakland, California (City) for the year ended June 30, 2016. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the SEFA.

The City's reporting entity is described in Note I.A. to the City's basic financial statements. The City's basic financial statements include the operations of the Port of Oakland (Port), which expended $22,676,047 of federal awards during the year ended June 30, 2016. The Port's federal expenditures are not included in the SEFA because such expenditures are audited and reported on separately.

Note 2 – Basis of Accounting

The accompanying SEFA is presented using the modified accrual basis of accounting for grants as described in Note I.C. to the City's basic financial statements. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 Section 200.414 Indirect (F&A) costs.

Note 3 – Relationship to the Financial Statements

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the Federal/State Grant special revenue fund.

Note 4 – California Department of Aging Awards

The terms and conditions of local agency contracts with the California Department of Aging (CDA) require local agencies to display state-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. For state grants not involving federal funding, the amounts are to be displayed separately. The City did not receive any state grants from the CDA for the year ended June 30, 2016.

CITY OF OAKLAND

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:

• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for the eligibility requirement of the Senior Community Service Employment Program (CFDA No. 17.235), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?	Yes

Identification of major programs:

Program Title	CFDA Number
• Community Development Block Grants/Entitlement Grants	14.218
• Continuum of Care Program	14.267
• Public Safety Partnership and Community Policing Grants	16.710
• Senior Community Service Employment Program	17.235
• WIA/WIOA Cluster	17.258 17.259 17.278
• Staffing for Adequate Fire and Emergency Response (SAFER)	97.083

Dollar threshold used to distinguish between Type A and Type B programs:	$1,888,009
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2016-001 Significant Deficiency Over Financial Reporting Accounting for Non-Routine Transactions and Incomplete Trial Balance

Observation:
The Oakland Redevelopment Successor Agency (ORSA)'s financial records should be maintained in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board.

In fiscal year 2016, the ORSA refunded three of its outstanding bonds: 2006A Subordinated Housing Set Aside Revenue Refunding Bonds; the 2006A-TE Central City East Redevelopment Project Tax Allocation Bonds; and the 2006C-TE Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds. The ORSA also partially refunded two of its outstanding bonds: 2006A-T Subordinated Housing Set Aside Revenue Bonds and the 2006B-TE Coliseum Area Redevelopment Project Tax Allocation Bonds. These are non-routine transactions of the ORSA. Due to the current financial system upgrade project and other changes in the allocation of personnel, the ORSA did not have adequate time to familiarize themselves with the accounting and financial reporting requirements associated with these types of transactions, which resulted in audit adjustments reducing ORSA's net position in the amount of $1.4 million. In addition, the ORSA provided a trial balance for the year-end audit that did not include the ORSA's closing journal entries related to the unearned revenue and notes and loans receivable accounts. These errors were subsequently corrected during the audit.

Recommendation:
Management has the responsibility to ensure the entity's financial statements are presented fairly in accordance with GAAP. With the recent financial system upgrades and other changes in the allocation of personnel, we recommend that the ORSA dedicate adequate resources to properly prepare the ORSA's financial records in accordance with GAAP and to provide appropriate financial reporting training to its personnel.

Views of Responsible Officials:
Please refer to the City's Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

2016-002 Eligibility
Material Noncompliance and Material Weakness in Internal Controls

Federal Program Title:	Senior Community Service Employment Program
Federal Catalog Number:	17.235
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	Senior Service America, Inc.
Federal Award Number and Year:	Not available

Criteria:
The Code of Federal Regulations (CFR) Title 20, Part 641, Subpart E *Services to Participants* specifies the eligibility requirements for Senior Community Service Employment Program (SCSEP) participants. Anyone who is at least 55 years old, unemployed, and who is a member of a family with an income that is not more than 125 percent of the family income levels prepared by the Department of Health and Human Services and approved by the Office of Management and Budget (Federal poverty guidelines) is eligible to participate in the SCSEP. Eligibility is initially determined at the time of the participants' application and at least once every 12 months thereafter.

In addition, CFR Title 2, Section 200.303 *Internal Controls* requires a non-federal entity receiving federal awards to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:
The SCSEP had eighty-five program participants during the fiscal year. We selected a statistically valid sample of fourteen participants and noted two participants whose eligibility files were missing. As a result, we were unable to verify eligibility for those two participants. Management detected the situation during the year and performed a review of all participant files. Management identified a total of five missing participant files, and had followed the notification procedures in the sponsor agreement.

Cause:
The missing files may be due to oversight.

Effect:
Eligibility for the participants whose files are missing cannot be substantiated.

Section III – Federal Award Findings and Questioned Costs

2016-002 Eligibility (continued)

Questioned Costs:
For the fiscal year ended June 30, 2016, participant wages totaled $812,504. Wages to the five participants with missing eligibility files totaled $28,724.

Recommendation:
The City closed its SCSEP program prior to the annual eligibility re-determination in Marhc, as directed by the grantor, Senior Service America Inc. (SSAI). The City is no longer able to perform eligibility on active and closed cases. Management should strengthen its policies and procedures over record filing and retention to ensure proper controls exist for the safekeeping of participant files and to prevent unauthorized access.

Views of Responsible Officials:
In March 2016, all participant eligibility was established for the period of March 2016 to March 2017. The City closed its SCSEP program on January 31, 2017. All active participants were transferred to a new SCSEP provider on February 1 2017, prior to this fiscal year's annual March recertification process. The new SCSEP provider must obtain documentary evidence to support the participant's eligibility for March 2017 forward.

It should be noted that two of the five missing files (one of which was selected in this sample) were cases terminated from SCSEP during the annual March eligibility recertification process. It is likely these participants were established as ineligible due to the timing of the closure of these files, which was March 2016. It appears that the eligibility process is adequately controlled; however, file access needs additional controls. There are policies and procedures in place for safe keeping of files; however, they proved to be ineffective.

For details on the controls that were put in place upon discovery of the missing files, please refer to the City's corrective action plan.

SUPPLEMENTARY SCHEDULES

CITY OF OAKLAND
Supplemental Schedule of Revenue and Expenditures

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 15F-2002, Project No. G464010/20
For the Period January 1, 2015 to June 30, 2016

	Jan. 1, 2015 through June 30, 2015	July 1, 2015 through June 30, 2016	Total Actual	Total Reported [1]	Total Budget
Revenue					
Grant Amount	$ 432,650	$ 837,495	$ 1,270,145	$ 1,270,145	$1,270,145
Expenditures					
Personnel Costs					
Salaries and Wages	$ 73,997	$ 123,569	$ 197,566	$ 197,566	$ 249,786
Fringe Benefits	69,194	127,660	196,854	196,854	255,478
Subtotal Personnel Costs	143,191	251,229	394,420	394,420	505,264
Non-Personnel Costs					
Operating Expenses	294	20,596	20,890	20,890	30,044
Travel	4,411	541	4,952	4,952	5,000
Sub-Contractors/Consultants	263,181	557,262	820,443	820,443	692,551
Other Costs	21,573	7,867	29,440	29,440	37,286
Subtotal Non-Personnel Costs	289,459	586,266	875,725	875,725	764,881
Total Expenditures	$ 432,650	$ 837,495	$ 1,270,145	$ 1,270,145	$1,270,145

[1] The reported column represents expenditures reported to the State of California Department of Community Services and Development since the inception of the grant.

CITY OF OAKLAND
Supplemental Schedule of Revenue and Expenditures

State of California Department of Community Services and Development (CSD)
Community Services Block Grant (CSBG) – CFDA No. 93.569
Contract No. 16F-5002, Project No. G484910/20
For the Period January 1, 2016 to June 30, 2016

	Actual	Total Reported [1]	Total Budget
Revenue			
Grant Amount	$ 497,037	$ 497,037	$ 1,347,798
Expenditures			
Personnel Costs			
Salaries and Wages	$ 83,647	$ 84,108	$ 220,452
Fringe Benefits	86,461	86,000	244,040
Subtotal Personnel Costs	170,108	170,108	464,492
Non-Personnel Costs			
Operating Expense	1,124	1,124	25,044
Travel	7,156	7,156	10,000
Sub-Contractors/Consultants	306,164	306,164	813,493
Other Costs	12,485	12,485	34,769
Subtotal Non-Personnel Costs	326,929	326,929	883,306
Total Expenditures	$ 497,037	$ 497,037	$ 1,347,798

[1] The reported column represents expenditures reported to the State of California Department of Community Services and Development since the inception of the grant.

CITY OF OAKLAND
Supplemental Schedule of Expenditures of Alameda County Awards
Year Ended June 30, 2016

Alameda County Award/Program Title	Contract Number	Exhibit/PO Number	Expenditures
Department of Adult and Aging Services			
Information and Assistance (Outreach)	13349	SOCSA-900163	$ 48,118
Total Department of Adult and Aging Services			48,118
Housing and Community Development Department			
Henry J. Robinson Multi-Service Center	C-12902	3911	113,331
Henry J. Robinson Multi-Service Center	C-8380	2013005884	4,050
Total Housing and Community Development Department			117,381
Department of Workforce and Benefits Administration			
Henry J. Robinson Multi-Service Center	9396	SOCSA-900163	294,694
Total Department of Workforce and Benefits Administration			294,694
Total Alameda County Awards			$ 460,193

This page is intentionally left blank.

AUDIT FINDINGS FOLLOW-UP

CITY OF OAKLAND

CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator (510) 238-3301
Sabrina B. Landreth FAX (510) 238-2223
City Administrator

In relation to the City of Oakland's (City) annual financial statement audit and the single audit for the year ended June 30, 2016, the City hereby submits a summary schedule of prior audit findings and a corrective action plan, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 511 *Audit findings follow-up*.

Summary Schedule of Prior Audit Findings

Reference Number:	**Federal Award Finding 2015-001**
CFDA number(s)/ Program Name(s):	14.218 – Community Development Block Grants/Entitlement Grants
Audit Finding:	During our audit of CDBG program administered by the Department of Housing and Community Development, we selected 6 of the 25 subrecipients for the program and noted that the City did not perform monitoring for 1 subrecipient during the year.
Year in which Finding Initially Occurred:	Fiscal year 2014-15.
Status of Corrective Action:	Corrective action has been implemented.

Reference Number:	**Federal Award Finding 2015-002**
CFDA number(s)/ Program Name(s):	97.083 – Staffing for Adequate Fire and Emergency Response
Audit Finding:	The City improperly claimed $286,334 of indirect costs that are not included in the grant budget for reimbursement.
Year in which Finding Initially Occurred:	Fiscal year 2014-15.
Status of Corrective Action:	Corrective action has been implemented.

Reference Number:	**Federal Award Finding 2015-003**
CFDA number(s)/ Program Name(s):	14.218 – Community Development Block Grants/Entitlement Grants
Audit Finding:	As a prime grantee of federal awards under the Community Development Block Grants/Entitlement Grants (CDBG Program), the City is required to comply with FFATA reporting requirements. The City's Department of Housing and Community Development (HCD) did not submit the required reports for subawards with obligation dates of September 15, 2014 until November 5, 2015. As such, the City did not submit the reports by within the prescribed timeline.
Year in which Finding Initially Occurred:	Fiscal year 2011-12.
Status of Corrective Action:	Corrective action has been implemented.

Corrective Action Plan

The findings listed herein are discussed and numbered consistently with the findings in the Schedule of Findings and Questioned Costs.

Section II – Financial Statement Findings

2016-001 Significant Deficiency Over Financial Reporting
Accounting for Non-Routine Transactions and Incomplete Trial Balance

City's Corrective Action Plan:
Management acknowledges that its decision to redeploy staff to the City's financial system upgrade caused certain oversights in timely classification of revenues and costs resulting from the bond refunding as insufficient staff were assigned to these tasks. Management is actively working on maintaining a sound internal control system over ORSA's financial reporting. This will include, but not be limited to, ensuring appropriate level of management reviews, improving communication and transparency over the annual audit, and providing training to staff. It is management's expectation that the weaknesses will be corrected for future audits.

Contact person responsible for corrective action: Kirsten LaCasse, Controller

Anticipated completion date: Fiscal year ending June 30, 2017

CITY OF OAKLAND

LIONEL J. WILSON BUILDING ● 150 FRANK H. OGAWA PLAZA, SUITE 4353 ● OAKLAND, CALIFORNIA 94612-2092

Department of Human Services
ASSETS Senior Employement Opportunties Program

(510) 238-3535
FAX (510) 238-7724
TDD (510) 238-3254

In relation to the City of Oakland's (City) single audit for the year ended June 30, 2016, the City hereby submits a corrective action plan for finding number 2016-002 for the Senior Community Service Employment Program (SCSEP).

Corrective Action Plan

The findings listed herein are discussed and numbered consistently with the findings in the Schedule of Findings and Questioned Costs.

Section III – Federal Award Findings and Questioned Costs

2016-002 Eligibility

City's Corrective Action Plan:
Management acknowledges that it policies and procedures for file access for the ASSETS Senior Employment Opportunities Program were inadequate in reducing all risks associated with data breaches of personally identifiable information and missing files. To strengthen its policy, only authorized City staff is granted access to the file cabinets. All ASSETS' SCSEP participant staff must get approval by authorized City staff and sign out a file cabinet key with the ASSETS Outreach Developer. The Outreach Developer monitors file cabinet key access via a sign out log. In addition to this new file cabinet access monitoring system, anyone checking out a file must sign it out on a tracking card located in the file cabinet drawer as established in the prior policy. `Any and all staff, whether City or SCSEP participant, found to be in possession of a file without authorization or not having signed the appropriate file logs, will face disciplinary action. SCSEP participant staff in violation of this policy will immediately be put on approved leave of absence and transitioned to a new host agency upon successful completion of an interview.

Contact person responsible for corrective action:	Dan Ashbrook, Senior Services Supervisor/Project Director
Anticipated completion date:	Completed July 2016