Photo: Greg Linhares, City of Oakland

CITY OF OAKLAND
CALIFORNIA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

Photo by Greg Linhares, City of Oakland

CITY OF OAKLAND

CALIFORNIA

SINGLE AUDIT REPORTS

FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY THE FINANCE DEPARTMENT

KIRSTEN LACASSE, INTERIM CONTROLLER

PRINTED ON RECYCLED PAPER

CITY OF OAKLAND

Single Audit Reports
Year Ended June 30, 2015

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CITY OF OAKLAND
SINGLE AUDIT REPORTS

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FINANCIAL SECTION

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, 2015, 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 did not audit the financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), which collectively represent 66.1%, 413.3%, and 7.0%, respectively of the assets and deferred outflows of resources, net position/fund balance, and additions/revenues of the aggregate remaining fund information as of and for the year ended June 30, 2015. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for OMERS and PFRS, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 OMERS and PFRS 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, based on our audit and the reports of other auditors, 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, 2015, 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.

Emphasis of Matter

Changes in Accounting Principles
As discussed in Note (1)E to the financial statements, effective July 1, 2014, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

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 funding progress related to OPEB, the schedules of changes in net pension liability and related ratios of the pension plans, the schedules of plan contributions of the pension plans, and the budgetary comparison schedule for the general fund and the other special revenue fund, as listed in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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, State of California Department of Community Services and Development supplemental schedules of revenue and expenditures, and supplemental schedule of expenditures of Alameda County awards (collectively referred to as supplementary schedules), as required by OMB Circular A-133, the State of California Department of Community Services and Development, and the County of Alameda, respectively, are presented for purposes of additional analysis 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 15, 2015, 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 15, 2015, except for our report on
the supplementary schedules, for which
the date is March 31, 2016

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 fiscal year ended June 30, 2015. 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, 2015, the total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by $86.3 million compared to a positive net position of $1.2 billion at June 30, 2014:

- $1.2 billion represents the City's investment in capital assets, less any related outstanding debt 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.
- $547.3 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 $221.3 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 annual other postemployment benefits cost, and other unfunded long-term liabilities *(unrestricted net position).*The City's total net position decreased by $1.3 billion due to a restatement of $1.5 billion to the beginning net position to record the City's net pension liability and related deferred outflows of resources for pension contributions made during the prior year in accordance with *GASB Statements No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and *Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This resulted in the recognition of a net pension liability in the amount of $1.1 billion, the deferred outflows of resources related to pension contributions made subsequent to the measurement date of June 30, 2014 in the amount of $92.8 million, and the deferred inflows of resources related to differences between projected and actual earnings on pension investments in the amount of $198.4 million as of June 30, 2015. The remaining changes in net position are discussed below.
- $71.9 million increase in net position was derived from governmental activities predominantly from increases in property tax, real estate transfer tax, transient occupancy tax, business license, and program revenues. These increases were off-set by increases in expenses $8.6 million primarily in Public Safety.
- $107.7 million increase is due the transfer of properties and excess tax allocation bonds from Oakland Redevelopment Successor Agency (ORSA) to the City. California Department of Finance (DOF) approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds to the City. The bond transfer was recorded as a special item in Oakland Redevelopment Successor Agency's (ORSA) financial statements. Accordingly, the bond transfer of ORSA to the City was recorded as a special item in the City's governmental funds and governmental activities. The components of the special item recorded in the financial statements are discussed in Note I. part F.15.
- $18.3 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 2.6 percent or $15.9 million to $639.1 million compared to $623.2 million for the prior fiscal year. This increase is primarily attributed to $85.7 million of land purchase and property transferred from ORSA to the City as approved by DOF recorded in the Municipal

Capital Improvement Fund, which was partially offset by decreases of $69.15 million in Other Governmental Funds.

The City undesignated, uncommitted fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Purpose Fund expenditures for fiscal year 2014-15 (See note I.H).

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 required and 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 does not include the fiduciary funds, which comprise of 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 general fund. A budgetary comparison schedule has been provided for the general 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 and purchasing. 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 fund 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 Oakland Municipal Employees Retirement System (OMERS) Fund and the Police and Fire Retirement System (PFRS) Fund are reported as pension trust funds. 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 and schedules of funding progress for pension and other postemployment benefits that show the City's and the Port's progress towards funding its obligation to provide future pension and other postemployment benefits for its active and retired employees.

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. The City's total assets and deferred outflows of resources are less than total liabilities and deferred inflows of resources as of June 30, 2015 by $86.3 million compared to positive net position of $1.2 billion as of June 30, 2014, which represents a decrease in net position of $1.2 billion due to a restatement of $1.4 billion to the beginning net position in accordance with the implementation of GASB Statement 68 and GASB Statement No. 71, as previously mentioned. The City's net position reflects the net investment in capital assets of $1.2 billion for governmental and business-type activities. Of the remaining balance, $140.9 million are subject to external restrictions on how they may be used. The unrestricted net position of $1.4 billion is comprised of a deficit balance of $1.4 billion for governmental activities, and a positive balance of $27.0 million for business-type activities.

Statement of Net Position
June 30, 2015 and 2014
(In Thousands)

	Governmental Activities		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	$ 1,164,999	$ 1,433,877	$ 62,191	$ 58,497	$ 1,227,190	$ 1,492,374
Capital assets	1,310,939	1,180,519	196,663	186,962	1,507,602	1,367,481
Total Assets	2,475,938	2,614,396	258,854	245,459	2,734,792	2,859,855
Deferred outflows of resources:						
Loss on refunding of debts	20,371	15,630	-	-	20,371	15,630
Deferred outflows of resources related to pensions	89,930	-	2,929	-	92,859	-
Total deferred outflows of resources	110,301	15,630	2,929	-	113,230	15,630
Liabilities:						
Long-term liabilities	1,391,585	1,488,226	41,430	43,699	1,433,015	1,531,925
Other liabilities	178,561	159,982	2,996	4,834	181,557	164,816
Net Pension Liability	1,091,745	-	29,079	-	1,120,824	-
Total Liabilities	2,661,891	1,648,208	73,505	48,533	2,735,396	1,696,741
Deferred iutflows of resources:						
Gain on refunding of debts	-	-	553	592	553	592
Deferred inflows of resources related to pensions	193,107	-	5,286		198,393	-
Total deferred inflows of resources	193,107	-	5,839	592	198,946	592
Net Position:						
Net investment in capital assets	1,025,789	876,703	155,257	143,295	1,181,046	1,019,998
Restricted	140,950	433,080	-	-	140,950	433,080
Unrestricted (Deficit)	(1,435,498)	(327,965)	27,182	53,039	(1,408,316)	(274,926)
Total net position	(268,759)	981,818	182,439	196,334	(86,320)	1,178,152

Governmental activities: The City's net position in governmental activities decreased by $1.2 billion.

Total assets decreased by $138.5 million, or 5.30%, to $2.5 billion. The significant changes in assets occurred in the following areas:

- *Capital assets* increased by $130.4 million. The increase was due largely to properties of $85.7 million transferred to the City from ORSA.
- *Current & Other Assets* decreased by $268.9 million mainly due to changes to the net pension asset.

Total liabilities increased by $1.0 billion, or 61.5% to $2.6 billion. The significant changes in liabilities occurred in the following areas:

- *Long-term liabilities* decreased by $96.6 million primarily attributed to $293.3 million debt service payments of government bonds. The decrease is off-set by $128.9 million issuance of General Obligation Bond Series 2015A and $24.8 million issuance in capital leases which includes vehicle lease of $15.7 million and radio lease of $9.2 million.
- *Net pension liability* of $1.1 million was recorded at June 30, 2015. This new liability was recorded due to the implementation of GASB Statement No.68 in the fiscal year 2014-2015.
- *Other liabilities* increased by $18.6 million.

The net position decreased by $1.25 billion to a deficit $268.8 million as of June 30, 2015. The City net position can be divided into three categories: net investment in capital assets, restricted, and unrestricted.

- $1.2 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 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.
- $141 million of the net position represents resources that are subject to restrictions on how they may be used and therefore restricted of which $87.6 million is subject to external restriction.
- $1.4 billion represents a deficit in unrestricted net position that has primarily resulted from the underfunding of the 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:

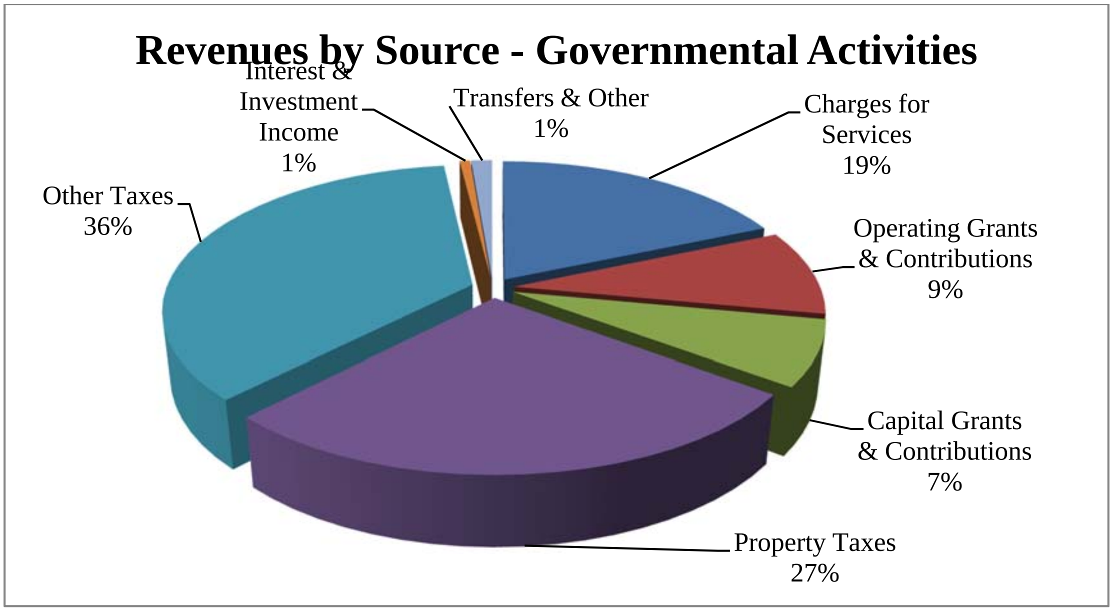
Statement of Activities
For the Years Ended June 30, 2015 and 2014
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 182,293	$ 152,674	$ 57,839	$ 53,449	$ 240,132	$ 206,123
Operating grants and contributions	92,865	119,063	-	-	92,865	119,063
Capital grants and contributions	70,322	42,148	-	-	70,322	42,148
General revenues:						
Property taxes	267,534	240,779	-	-	267,534	240,779
State taxes:						
Sales and use taxes	63,895	58,912	-	-	63,895	58,912
Gas tax	12,030	13,085	-	-	12,030	13,085
Local taxes:						
Business license	66,677	62,905	-	-	66,677	62,905
Utility consumption	50,594	50,422	-	-	50,594	50,422
Real estate transfer	62,665	59,060	-	-	62,665	59,060
Transient occupancy	21,569	18,468	-	-	21,569	18,468
Parking	18,398	16,661	-	-	18,398	16,661
Voter approved special tax	37,443	38,835	-	-	37,443	38,835
Franchise	18,150	16,666	-	-	18,150	16,666
Interest and investment income	6,362	6,653	142	165	6,504	6,818
Other	12,745	19,671	-	-	12,745	19,671
Total revenues	983,542	916,002	57,981	53,614	1,041,523	969,616
Expenses:						
General government	$ 82,493	79,806	-	-	82,493	79,806
Public safety	383,904	379,809	-	-	383,904	379,809
Community Services	121,740	116,961	-	-	121,740	116,961
Community & economic development	75,268	83,657	-	-	75,268	83,657
Public works	105,619	109,177	-	-	105,619	109,177
Interest on long-term debt	68,033	59,026	-	-	68,033	59,026
Sewer	-	-	36,957	37,306	36,957	37,306
Parks and recreation	-	-	681	855	681	855
Total expenses	837,057	828,436	37,638	38,161	874,695	866,597
Change in net position before transfers	146,485	87,566	20,343	15,453	166,828	103,019
Transfers	2,002	2,002	(2,002)	(2,002)	-	-
Special Item - Transfer of excess tax allocation bond	107,696	88,309	-	-	107,696	88,309
Change in net position	256,183	177,877	18,341	13,451	274,524	191,328
Net position at beginning of year	981,818	803,941	196,334	182,883	1,178,152	986,824
Adjustment due to implementation of GASB Statement No. 68	(1,506,760)		(32,236)		(1,538,996)	-
Net position at end of year	$ (268,759)	$ 981,818	$ 182,439	$ 196,334	$ (86,320)	$1,178,152

Governmental activities: Net position for governmental activities, excluding the special item of $107.7 million from ORSA transfer of excess bond proceeds to the City, decreased by $58.9 million during fiscal year 2014-15. Total revenue increased by 7.4 percent and expenses increased by 1.0 percent. During FY 2013-14, revenues increased at a rate of 10.8 percent and expenses increased by 5.6 percent.

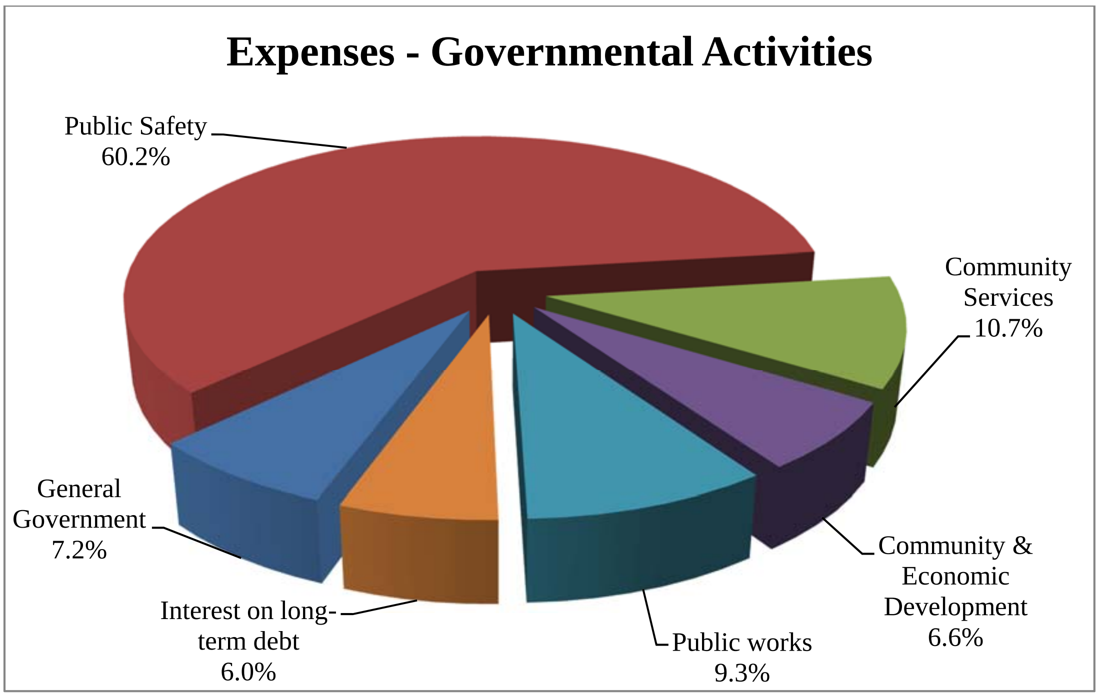
Changes in net position for governmental activities are attributed to the following significant elements:

- Contributing factors resulting to increases in certain revenue categories are as follows: property tax increased by $26.7 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 $3.6 million or 6.1 percent primarily due to higher volume in real estate 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 $3.8 million due to increases in gross receipts from businesses in the City. Transient occupancy taxes increased by $3.1 million or 14.4 percent due to thriving local hotel demand.
- Other factors contributing to revenue increase include: charges for services by $29.6 million or 19.4 percent mainly due to Low and Moderate Income Housing Asset Fund's increase in ROPS reimbursement as a result of California Department of Finance approval of project cost for LMIHF, Port of Oakland reimbursements, and an increase in license and permits fees. Capital grants and contributions increased by $28.2 million or 66.9 percent mainly due to the new Trade Corridor Improvement Fund ("TCIF) for the construction of infrastructure and other site preparation with East and Central Gateway Areas of the former Oakland Army Base.
- Contributing factors resulting to decrease in certain revenue categories are as follows: Operating grants and contributions decreased by $26.2 million or 22 percent Gas tax declined by $.87 million or 6.7 percent due to reduced consumption, higher fuel efficiency and more hybrid/electric vehicles.

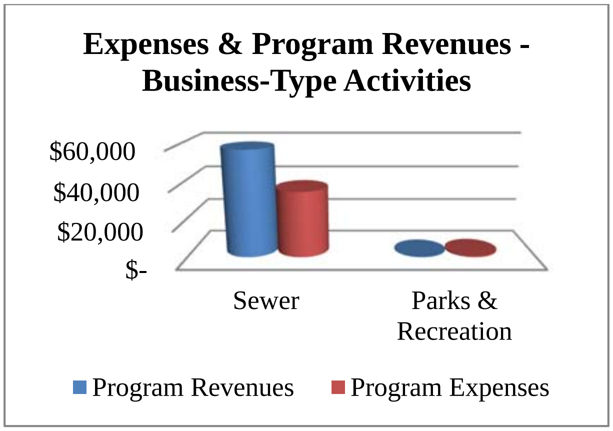


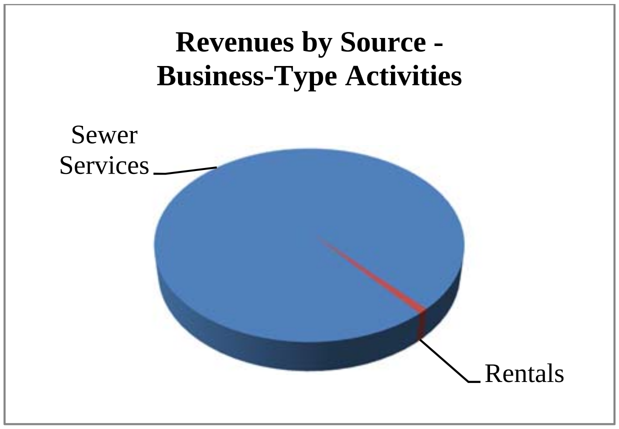
- General government *expenses increased by $2.69 million or 3.4 percent when compared to the previous year primarily due to the City amendment of Ordinance 2.29 which establishes the City organizational structure. In the ordinance, the City created a new division for Oakland Animal Services under the City Administrator which was formerly a division in the Oakland Police Department.*

- *Public safety* expenses increased by $4.8 million or 1.3 percent when compared to the previous year due primarily to increased overtime costs associated with unanticipated protests and targeted crime reduction operations.
- *Community services* expenses increased by $4.8 million or 4.1 percent primarily due to multi-year funding expenditure in the *Measure Y – Violence Prevention and Public Safety Act of 2004* and an increase in Federal and State grants.
- *Community and economic development* expenses decreased by $8.4 million or 10 percent primarily due to the completion of multi-year projects
- *Public works* expenses decreased by $3.6 million or 3.3 percent from the prior year primarily due to the one-time expenditures in FY 2013-14 for LED streetlight project.
- Interest on long-term debt increased by $9.0 million or 15.26 percent primarily due to payment to refund bond escrow agent.



Business-type activities: Business-type activities ended the fiscal year with a positive change in its net position of $18.4 million compared to $13.5 million the previous fiscal year. The increase is due to an increase in sewer activities charge for services of $4.6 million or 8.6 percent.

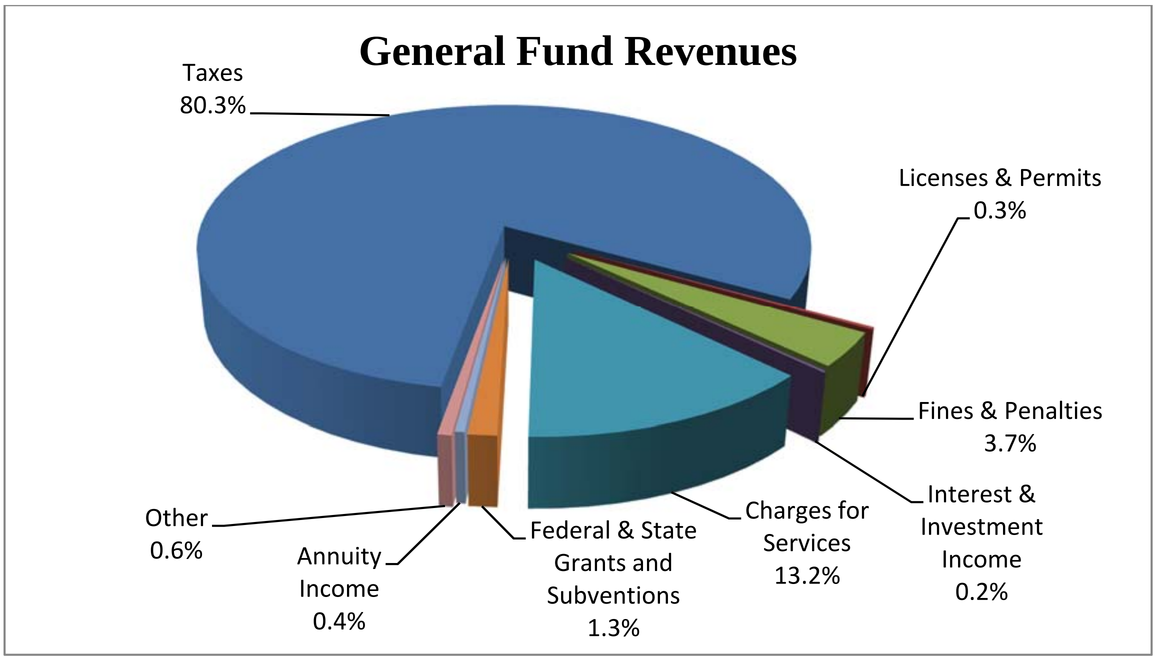




Financial Analysis of the Government's Funds

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, 2015, its unassigned fund balance is $37.4 million or 24.3 percent of the $266.3 million total General Fund balance.



For the fiscal year ended June 30, 2015 and 2014, revenues for the General Fund by revenue source are distributed as follows (in thousands):

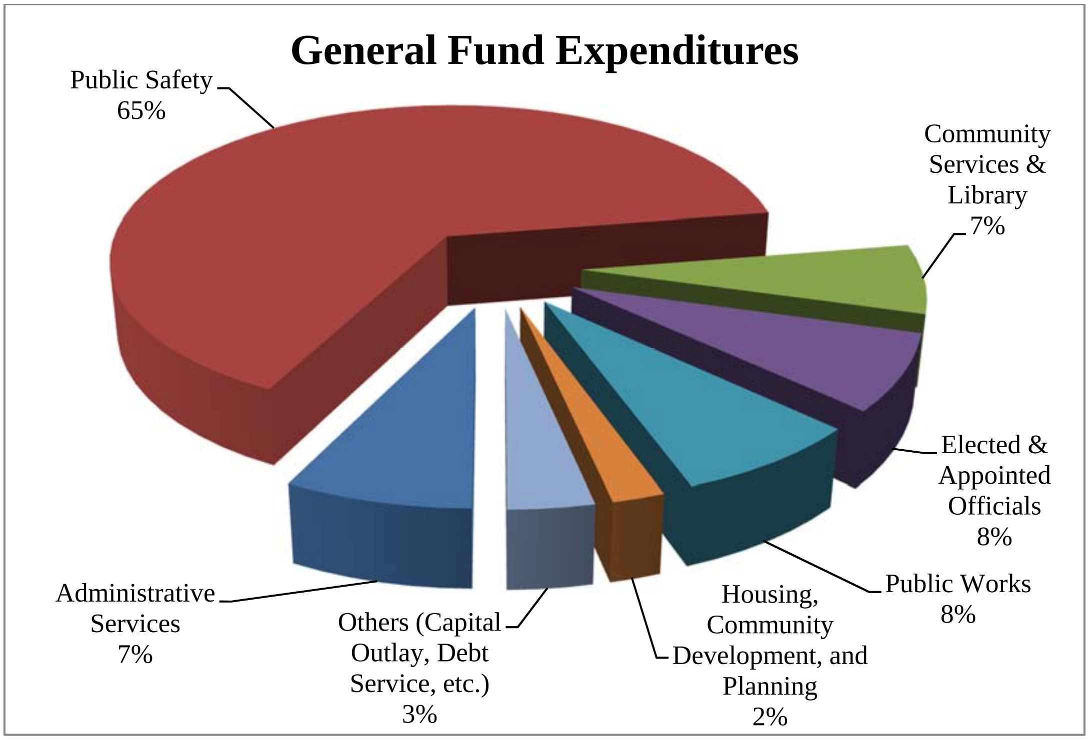
	General Fund		Increase / (Decrease)	
	2015	2014	Amount	%
Revenues:				
Taxes:				
Property taxes	$ 228,072	$ 205,895	$ 22,177	10.8%
State taxes:				
Sales and use taxes	48,827	46,956	1,871	4.0%
Motor vehicles in-lieu ta	177	-	177	100.0%
Local taxes:				
Business license	66,677	62,905	3,772	6.0%
Utility consumption	50,594	50,422	172	0.3%
Real estate transfer	62,665	59,060	3,605	6.1%
Transient occupancy	16,898	14,578	2,320	15.9%
Parking	9,337	8,444	893	10.6%
Franchise	17,921	16,401	1,520	9.3%
Licenses and permits	1,573	1,388	185	13.3%
Fines and penalties	23,146	22,809	337	1.5%
Interest and investment ir	1,088	1,401	(313)	-22.3%
Charges for services	82,461	77,978	4,483	5.7%
Federal & state grants an	8,003	4,911	3,092	63.0%
Annuity income	2,648	2,040	608	29.8%
Other	3,899	-	3,899	100.0%
Total revenues	**$ 623,986**	**$ 575,188**	**$ 48,798**	**8.5%**

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

- *Property taxes* increased by $22.2 million or 10.8 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 California Department of Finance ("DOF") disallowance of requested amounts from the review of the Recognized Obligation Payment Schedule (ROPS) 15-16A.
- *Real estate transfer tax* increased by $3.6 million or 6.1% percent primarily due to higher volume in real estate sales.
- *Business license* increased by $3.7 million mainly due to increases in gross receipts from businesses in the City.
- *Transient occupancy* increased by $2.3 million mainly due to thriving local hotel demand.
- *Annuity income* increased by $608 thousand mainly due to increased interest and investment earnings of the New York Life annuity contract investment.

For the fiscal years ended June 30, 2015 and 2014, expenditures for the General Fund by function are distributed as follows (in thousands):

	General Fund		Increase / (Decrease)	
	2015	**2014**	**Amount**	**%**
Expenditures:				
Current:				
Elected and Appointed Officials:				
Mayor	$ 1,980	$ 1,984	(4)	-0.20%
Council	3,761	3,623	138	3.81%
City Administrator	15,668	11,328	4,340	38.31%
City Attorney	12,123	13,822	(1,699)	-12.29%
City Auditor	1,620	1,650	(30)	-1.82%
City Clerk	3,414	1,777	1,637	92.12%
Departments:				
Administrative Services Department				
Human Resource Management	5,871	4,902	969	19.77%
Information Technology	9,104	8,293	811	9.78%
Financial	22,666	17,781	4,885	27.47%
Public Safety				
Police Services	218,143	200,273	17,870	8.92%
Fire Services	113,553	96,951	16,602	17.12%
Community Service Departments				
Parks and Recreation	20,071	18,372	1,699	9.25%
Human Services	5,935	6,881	(946)	-13.75%
Library	9,141	8,995	146	1.62%
Community and Economic Development				
Planning & Building	502	80	422	527.50%
Economic & Workforce Development	7,775	7,134	641	8.99%
Housing & Community Development	2,330	2,309	21	0.91%
Public Works	38,703	40,539	(1,836)	-4.53%
Others	6,581	10,419	(3,838)	-36.84%
Capital outlay	4,323	2,243	2,080	92.73%
Debt Service				
Principal repayment	5,613	2,923	2,690	92.03%
Bond issuance costs	200	209	(9)	-4.31%
Interest charges	629	537	92	17.13%
Total Expenditures	**$ 509,706**	**$ 463,025**	**46,681**	**10.08%**



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

- *Public safety* increased by $34.5 million or 26.0 percent due to two (2) new full Police academies, three (3) lateral academies, the two (2) percent cost of living adjustment ("COLA") for non-sworn and overtime on sworn employees and the sunset of the 8.85% pay reduction to Fire sworn employees. The increase is partially offset by vacancy savings
- *City elected offices and departments*, excluding public safety and debt service, are reporting a total increased by $9.4 million in expenditures mainly due to negotiated COLA increase of 1 percent for FY 2014-15, the transfer of the Oakland Animal Services division from Public Safety to the City Administrator, and increased contract expenditures for City garages.

Federal and State Grant Fund: The Federal and State Grant Fund had a deficit fund balance of $6.2 million as of June 30, 2015 that represents a decrease of $2.0 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 $2.1 million as of June 30, 2015.

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 $37.17 million and the fund's net loan receivable balance was $182.6 million.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of $245.7 million as of June 30, 2015 that represents an increase of $39.4 million or 19.1 percent from the prior fiscal year. Pursuant to Health and Safety Code (HSC) section 34179(h), California Department of

Finance ("DOF") has completed its review of the Oversight Bond action on 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. Transfer of properties and excess tax allocation bond proceeds approved by California Department of Finance of $72.8 million.

The Other Special Revenue Funds accounts for activities of several Special Revenue Funds, which include mainly the following local measures; Measure Y – Violence Prevention and Public Safety Act of 2004; 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 $32.7 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 $155.3 million as of June 30, 2015, compared to $143.3 million for the previous fiscal year. The $12.0 million or 8.4 percent increase is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized $14.3 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2015, General Fund had a $2.5 million increase in budgeted revenues between the original and final amended operating budget. Actual budgetary basis revenues of $623.6 million were $44.3 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 federal and state grants and subventions.

In addition, there was a $48.7 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 $509.7 million were $45.1 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 $1.5 billion as of June 30, 2015 compared to $1.4 billion as of June 30, 2014, an increase of $140.1 million or 10.2 percent. Governmental activities additions of $189.0 million in capital assets included construction in progress and capitalization of infrastructure, facilities and improvements, 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 $130.4 million in additions of capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $9.7 million, net of retirements and depreciation. See Note (II) part D to the financial statements for more details in capital assets.

Construction Commitments

The City has committed to funding in the amount of $293.2 million to a number of capital improvement projects for fiscal year 2016 through fiscal year 2017. 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 part L.B to note II 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 general obligation bonds as of June 30, 2015 were as follows:

	Ratings	
Type of Bond	**Moody's**	**S & P**
General Obligation Bonds	Aa2/Stable	AA-/Stable
Pension Obligation Bonds	Aa3:A1/Stable	A+/Stable
Tax Allocation Bonds	A3[1]:Baa1[2]	A+:A:A-/Stable

[1] Rating as of May 21, 2014, based on Insured Rating
[2] Rating as of June 24, 2015

On August 13, 2014, S&P affirmed its "AA-" long-term ratings and underlying rating (SPUR) on the City's general obligation bonds (GOBs). In addition, S&P affirmed its "A+" long-term rating and SPUR on pension obligations bonds (POBs) and lease revenue bonds. The outlook for all these bonds is "Stable".

On June 24, 2015, Moody's upgraded the rating on the Successor Agency to the Oakland Redevelopment Agency's tax allocation bonds. The upgrade to Baa1 takes into account the successor agency's large, growing tax base, moderate debt service coverage levels, somewhat elevated taxpayer concentration and average socioeconomic profile of area residents.

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 $1.2 billion. The total amount of debt applicable to the debt limit was $206.5 million. The resulting legal debt margin was $1.03 billion.

Outstanding Debt

As of June 30, 2015, the City had total long-term obligations outstanding of $2.6 billion compared to $2.8 billion outstanding for the prior fiscal year, a decrease of 9.1 percent. Of this amount, $206.5 million is general obligation bonds backed by the full faith and credit of the City. The remaining $2.3 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	$ 206,530	$ 290,449	$ -	$ -	$ 206,530	$ 290,449
Lease revenue bonds	109,955	141,555	-	-	109,955	141,555
Pension obligation bonds	330,433	348,512	-	-	330,433	348,512
City guaranteed special					-	-
assessment district bonds	6,020	6,365	-	-	6,020	6,365
Accreted interest on					-	-
appreciation bonds	165,290	169,923	-	-	165,290	169,923
Sewer-bonds and notes payable	-	-	36,630	38,555	36,630	38,555
Unamortized premium						
and discounts, net	25,989	18,390	4,801	5,144	30,790	23,534
Total Bonds payable	844,217	975,194	41,431	43,699	885,648	1,018,893
Notes & Leases Payable	68,795	56,679	-	-	68,795	56,679
Other long-term liabilities	478,573	456,353	-	-	478,573	456,353
Total oustanding debt	$ 1,391,585	$ 1,488,226	$ 41,431	$ 43,699	$ 1,433,016	$ 1,531,925

The City's overall total long-term obligations decreased by $98.9 million compared to the prior fiscal year restated balance. The decrease is primarily attributable to $293.3 million debt service payments of governmental bonds, $1.9 million debt service payments of the enterprise fund. The decrease is off-set by $128.9 million issuance of General Obligation Bond Series 2015A and $24.8 million issuance in capital leases which includes vehicle lease of $15.7 million and radio lease of $9.2 million.

Current Year Long-Term Debt Financing:

- On November 18, 2014, the City entered into a Master Lease - 2014 Vehicles and Equipment for $15.7 million to finance the acquisition of 269 pieces of equipment and vehicles.
- On March 6, 2015, the City entered into Master Lease - 2015 Telecommunications, Equipment Schedule 1for $9.2 million to finance the acquisition of 1,636 P25 radios, related accessories and professional services.

- On June 2, 2015, the City issued $128.9 million in General Obligation Refunding Bonds, Series 2015A, (1) current refund all of the remaining outstanding City of Oakland General Obligation Refunding Bonds, Series 2005, (2) advance refund all of the remaining outstanding City of Oakland General Obligation Bonds, Series 2006, Measure G, (3) advance refund all of the remaining outstanding City of Oakland General Obligation Bonds, Series 2009B, Measure DD, and (4) to pay for certain costs related to the issuance of the 2015A Bonds

Additional information on the City's long-term debt obligations can be found in Note 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 2014-15.

The City's economy continues to grow, which is resulting in a steady growth of General Purpose 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 2014-15 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 decreased to 5.7 percent in June 2015 compared to an average unemployment rate of 9.0 percent for June 2014.

The Bay Area's consumer price index for all urban consumers in June 2015 was 259,117 compared to 253.317 in June 2014 and to the U.S. city average consumer price index (CPI-U) for all urban consumers at 238,638 (Base period: 1982 – 84 = 100).

Estimated population for January 1, 2015 is 410,603 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 $33,609.

PERS pension rates, and health care costs have been factored into the City's mid-cycle budget for Fiscal Year 2014-15.

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.

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BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND
Statement of Net Position
June 30, 2015
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 293,363	$ 47,444	$ 340,807	$ 198,946
Receivables (net of allowance for uncollectibles of $16,171 for City and $1,128 for Port):				
Accrued interest	284	-	284	-
Property taxes	13,579	-	13,579	-
Accounts receivable	48,562	13,819	62,381	101,969
Grants receivable	45,994	-	45,994	-
Due from Port	8,916	-	8,916	-
Due from Oakland Redevelopment Successor Agency	2,251	-	2,251	-
Due from other fiduciary funds	31	-	31	-
Due from other government	10,363	-	10,363	-
Inventories	408	-	408	-
Restricted assets:				
Cash and investments	232,313	864	233,177	71,210
Receivables	-	-	-	3,084
Property held for resale	162,657	-	162,657	-
Notes and loans receivable (net of allowance for uncollectibles of $14,505 for the City)	345,002	-	345,002	-
Prepaid expenses	1,167	64	1,231	-
Other	109	-	109	44,764
Capital assets:				
Land and other capital assets not being depreciated	377,903	32,676	410,579	716,942
Facilities, infrastructures, and equipments, net of depreciation	933,036	163,987	1,097,023	1,495,469
TOTAL ASSETS	2,475,938	258,854	2,734,792	2,632,384
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debts	20,371	-	20,371	11,745
Deferred outflows of resources related to pensions	89,930	2,929	92,859	15,077
TOTAL DEFERRED OUTFLOWS	110,301	2,929	113,230	26,822
LIABILITIES				
Accounts payable and other current liabilities	134,302	2,921	137,218	42,179
Accrued interest payable	20,855	69	20,929	9,071
Due to other governments	936	-	936	-
Due to primary government	-	-	-	8,916
Due to Oakland Redevelopment Successor Agency	2,312	-	2,312	-
Unearned revenue	5,796	-	5,796	93,905
Other	14,360	6	14,366	32,756
Non-current liabilities:				
Due within one year	176,932	2,308	179,240	62,805
Due in more than one year	1,214,653	39,123	1,253,776	1,174,761
Net pension liability	1,091,745	29,078	1,120,823	165,918
TOTAL LIABILITIES	2,661,891	73,505	2,735,396	1,590,311
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debts	-	553	553	-
Deferred inflows of resources related to pensions	193,107	5,286	198,393	29,137
TOTAL DEFERRED INFLOWS	193,107	5,839	198,946	29,137
NET POSITION				
Net investment in capital assets	1,025,789	155,257	1,181,046	1,053,882
Restricted for:				
Debt service	32,971	-	32,971	-
Low and Moderate income housing redevelopment	221,298	-	221,298	-
Housing and community development	130,502	-	130,502	-
Other purposes	162,515	-	162,515	12,066
Unrestricted (deficit)	(1,841,834)	27,182	(1,814,652)	(26,190)
TOTAL NET POSITION	$ (268,759)	$ 182,439	$ (86,320)	$ 1,039,758

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

CITY OF OAKLAND
Statement of Activities
Year Ended June 30, 2015
(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	$ 82,493	$ 55,148	$ 3,311	$ -	$ (24,034)	$ -	$ (24,034)	
Public safety	383,904	18,329	18,465	-	(347,110)	-	(347,110)	
Community services	121,740	7,375	37,276	-	(77,089)	-	(77,089)	
Community and economic development	75,268	61,022	21,179	69,143	76,076	-	76,076	
Public works	105,619	40,419	12,634	1,179	(51,387)	-	(51,387)	
Interest on long-term debt	68,033	-	-	-	(68,033)	-	(68,033)	
TOTAL GOVERNMENTAL ACTIVITIES	837,057	182,293	92,865	70,322	(491,577)	-	(491,577)	
Business-type activities:								
Sewer	36,957	57,544	-	-	-	20,587	20,587	
Parks and recreation	681	295	-	-	-	(386)	(386)	
TOTAL BUSINESS-TYPE ACTIVITIES	37,638	57,839	-	-	-	20,201	20,201	
TOTAL PRIMARY GOVERNMENT	$ 874,695	$ 240,132	$ 92,865	$ 70,322	$ (491,577)	$ 20,201	$ (471,376)	
Component unit:								
Port of Oakland	$ 335,069	$ 336,587	$ -	$ 73,725				$ 75,243

	Governmental Activities	Business-type Activities	Total	Port of Oakland
General revenues:				
Property taxes	267,534	-	267,534	-
State taxes:				
Sales and use taxes	63,718	-	63,718	-
Gas tax	12,207	-	12,207	-
Local taxes:				
Business license	66,677	-	66,677	-
Utility consumption	50,594	-	50,594	-
Real estate transfer	62,665	-	62,665	-
Transient occupancy	21,569	-	21,569	-
Parking	18,398	-	18,398	-
Voter approved special tax	37,443	-	37,443	-
Franchise	18,150	-	18,150	-
Interest and investment income	6,362	142	6,504	1,783
Other	12,745	-	12,745	30,991
Transfers	2,002	(2,002)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	640,064	(1,860)	638,204	32,774
SPECIAL ITEM:				
Transfer of properties and excess tax allocation bond proceeds	107,696	-	107,696	-
Changes in net position	256,183	18,341	274,524	111,891
Net position, beginning, as previously reported	981,818	196,334	1,178,152	1,110,191
Change in accounting principles	(1,506,760)	(32,236)	(1,538,996)	(182,324)
Net position, beginning of year, as restated	(524,942)	164,098	(360,844)	927,867
NET POSITION, END OF YEAR	$ (268,759)	$ 182,439	$ (86,320)	$ 1,039,758

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

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2015
(In thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 182,127	$ -	$ 5,134	$ 16,913	$ 37,722	$ 45,268	$ 287,164
Receivables (net of allowance for uncollectibles of $14,032)							
Accrued interest	185	-	-	17	36	46	284
Property taxes	6,557	-	-	-	3,597	3,425	13,579
Accounts receivable	36,966	170	-	29	4,032	7,110	48,307
Grants receivable	3,267	42,552	-	79	89	7	45,994
Due from Port	8,916	-	-	-	-	-	8,916
Due from other funds	53,305	-	1,437	127	-	-	54,869
Due from other government	10,363	-	-	-	-	-	10,363
Notes and loans receivable (net of allowance for uncollectibles of $140,505)	874	129,975	182,562	1,077	30,514	-	345,002
Restricted cash and investments	87,562	527	1,500	102,388	-	15,818	207,795
Property held for resale	-	-	30,677	131,980	-	-	162,657
Other	35	31	-	-	29	14	109
TOTAL ASSETS	$ 390,157	$ 173,255	$ 221,310	$ 252,610	$ 76,019	$ 71,688	$ 1,185,039
LIABILITIES							
Accounts payable and accrued liabilities	$ 92,397	$ 16,120	$ 3	$ 4,099	$ 5,610	$ 2,952	$ 121,181
Due to other funds	2,312	29,593	5	-	-	1,838	33,748
Due to other governments	920	-	-	-	16	-	936
Unearned revenue	5,796	-	-	-	-	-	5,796
Other	5,501	1,623	4	1,718	4,488	1,020	14,354
TOTAL LIABILITIES	106,926	47,336	12	5,817	10,114	5,810	176,015
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property tax	2,750	-	-	-	2,526	2,477	7,753
Unavailable revenue - notes and loans	874	129,975	182,562	1,077	30,514	-	345,002
Unavailable revenue - Mandated claims (State)	10,363	-	-	-	-	-	10,363
Unavailable revenue - grants and others	2,913	2,104	133	-	190	-	5,340
Unavailable revenue - loans to OSRA	-	-	1,437	-	-	-	1,437
TOTAL DEFERRED INFLOWS	16,900	132,079	184,132	1,077	33,230	2,477	369,895
FUND BALANCES (DEFICITS)							
Restricted	164,242	527	37,166	234,368	-	61,604	497,907
Committed	-	-	-	-	11,444	2,083	13,527
Assigned	64,680	-	-	11,348	21,231	1,024	98,283
Unassigned	37,409	(6,687)	-	-	-	(1,310)	29,412
TOTAL FUND BALANCES (DEFICITS)	266,331	(6,160)	37,166	245,716	32,675	63,401	639,129
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 390,157	$ 173,255	$ 221,310	$ 252,610	$ 76,019	$ 71,688	$ 1,185,039

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, 2015
(In Thousands)

Fund balances - total governmental funds (page 25)		$ 639,129
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	$ 1,310,939	
Less: internal service funds' capital assets, net of depreciation	(27,908)	1,283,031
Prepaid insurance premiums on long-term debt are not financial resources and, therefore, are not reported in the governmental funds.		1,167
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	$ (20,855)	
Less: Interest payable on long-term debt of the internal service funds	243	(20,612)
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.		369,895
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.		
Long-term liabilities	$ (1,391,585)	
Less: long-term liabilities for internal service funds	35,107	(1,356,478)
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.		20,371
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	$ (1,061,879)	
Deferred outflows of resources related to pension	86,398	
Deferred inflows of resources related to pension	(187,037)	(1,162,518)
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 and liabilities of internal service funds are included in governmental activities in the statement of net position.		(42,744)
NET POSITION OF GOVERNMENTAL ACTIVITIES (page 23)		$ (268,759)

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, 2015
(In thousands)

	General	Federal/State Grant Fund	Low and Moderate Income Housing Asset Fund	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property	$ 228,072	$ -	$ -	$ -	$ 15,369	$ 24,959	$ 268,400
Sales and use tax	48,827	-	-	-	-	14,891	63,718
Motor vehicle in–lieu tax	177	-	-	-	-	-	177
Gas tax	-	-	-	-	-	12,030	12,030
Local taxes:							
Business license	66,677	-	-	-	-	-	66,677
Utility consumption	50,594	-	-	-	-	-	50,594
Real estate transfer	62,665	-	-	-	-	-	62,665
Transient occupancy	16,898	-	-	-	4,671	-	21,569
Parking	9,337	-	-	-	9,061	-	18,398
Voter approved special tax	-	-	-	-	18,047	19,396	37,443
Franchise	17,921	229	-	-	-	-	18,150
Licenses and permits	1,573	-	-	-	20,824	54	22,451
Fines and penalties	23,146	407	-	-	493	1,566	25,612
Interest and investment income	1,088	601	666	125	466	3,463	6,409
Charges for services	82,461	2,936	22,676	6,095	19,793	269	134,230
Federal and state grants and subventions	8,003	155,652	-	25	2,101	1,264	167,045
Annuity income	2,648	-	-	-	-	-	2,648
Other	3,899	3,235	4,095	104	1,687	2,357	15,377
TOTAL REVENUES	623,986	163,060	27,437	6,349	92,512	80,249	993,593
EXPENDITURES							
Current:							
Elected and Appointed Officials:							
Mayor	1,980	-	-	-	36	123	2,139
Council	3,761	-	-	-	-	-	3,761
City Administrator	15,668	204	-	276	896	18	17,062
City Attorney	12,123	50	-	-	1,148	137	13,458
City Auditor	1,620	-	-	-	-	-	1,620
City Clerk	3,414	-	-	-	-	-	3,414
Departments:							
Administrative Services Department:							
Human Resource Management	5,871	-	-	-	-	-	5,871
Finance	22,666	209	-	176	902	143	24,096
Information Technology	9,104	18	-	-	475	-	9,597
Public Safety:							
Oakland Police Department	218,143	7,314	-	-	16,388	1,154	242,999
Oakland Fire Department	113,553	8,663	-	-	7,719	598	130,533
Community Service Department:							
Parks and Recreation	20,071	480	-	5	440	4,330	25,326
Library	9,141	205	-	-	16,697	172	26,215
Human Services Department	5,935	42,276	98	-	19,222	1,176	68,707
Community and Economic Development:							
Planning & Building	502	154	-	659	22,093	-	23,408
Economic & Workforce Development	7,775	7,263	-	2,844	504	930	19,316
Housing & Community Development	2,330	14,000	2,606	-	4,111	-	23,047
Oakland Public Works	38,703	3,299	-	5,431	4,105	33,503	85,041
Other	6,581	6	-	2,563	4,087	63	13,300
Capital outlay	4,323	81,181	12	27,622	194	10,101	123,433
Debt service:							
Principal repayment	5,613	2,180	-	126	-	121,987	129,906
Bond issuance costs	200	-	-	-	-	629	829
Payment to refund bond escrow agent	-	-	-	-	-	11,213	11,213
Interest charges	629	150	-	15	-	55,943	56,737
TOTAL EXPENDITURES	509,706	167,652	2,716	39,717	99,017	242,220	1,061,028
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	114,280	(4,592)	24,721	(33,368)	(6,505)	(161,971)	(67,435)
OTHER FINANCING SOURCES (USES)							
Issuance of bonds	-	-	-	-	-	128,895	128,895
Premiums (discount) on issuance of bonds	-	-	-	-	-	15,472	15,472
Payment to refund bond escrow agent	-	-	-	-	-	(143,717)	(143,717)
Property sale proceeds	309	-	-	-	-	-	309
Insurance claims and settlements	5,477	-	-	-	-	-	5,477
Transfers in	2,842	2,626	-	-	15,301	92,501	113,270
Transfers out	(110,428)	-	-	-	-	(328)	(110,756)
TOTAL OTHER FINANCING SOURCES (USES)	(101,800)	2,626	-	-	15,301	92,823	8,950
SPECIAL ITEMS							
Transfer of properties and excess tax allocation bond proceeds approved by California Department of Finance	-	-	1,615	72,780	-	-	74,395
NET CHANGE IN FUND BALANCES	12,480	(1,966)	26,336	39,412	8,796	(69,148)	15,910
Fund balances - beginning	253,851	(4,194)	10,830	206,304	23,879	132,549	623,219
FUND BALANCES (DEFICIT) - ENDING	$ 266,331	$ (6,160)	$ 37,166	$ 245,716	$ 32,675	$ 63,401	$ 639,129

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, 2015
(In Thousands)

Net change in fund balances - total governmental funds (page 27)		$ 15,910
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	$ 156,094	
Properties transferred from ORSA	33,301	
Depreciation	(58,975)	
Less: net changes of capital assets within internal service funds	(10,320)	120,100
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 outflows during the current period.		(3,020)
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.		(7,056)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement exceeded bond proceeds in the current period.		
Debt and capital lease principal, accretion and refunding bond escrow payments	$ 303,473	
Issuance of refunding bonds	(128,895)	
Net premium on issuance of refunding bonds	(15,472)	159,106
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	$ 7,873	
Amortization of prepaid bond insurance premium on long-term debt	(503)	
Amortization of deferred outflows of refunding loss	(4,054)	
Accreted interest on appreciation bonds	(17,973)	
Changes in accrued interest on bonds and notes payable	(10,991)	
Changes in Coliseum Authority pledged obligation	3,780	
Changes in mandated environmental remediation obligations	683	
Changes in pension obligations	179,917	
Changes in deferred outflows of resources	15,690	
Changes in deferred inflows of resources	(187,037)	
Changes on postemployment benefits other than pension benefits (OPEB)	(21,827)	
Changes on fair value of the interest swap agreement	2,200	(32,242)
The net income of activities of internal service funds is reported with governmental activities		3,385
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 24)		$ 256,183

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, 2015
(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	$ 47,266	$ 178	$ 47,444	$ 6,199
Accounts receivable (Net of allowance for uncollectibles of $1,342 for the enterprise funds)	13,818	1	13,819	255
Inventories	-	-	-	408
Restricted cash and investments	25	839	864	24,518
Total Current Assets	61,109	1,018	62,127	31,380
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	32,315	361	32,676	2,692
Facilities, equipment and infrastructure, net of depreciation	162,097	1,890	163,987	25,216
Total capital assets	194,412	2,251	196,663	27,908
Prepaid expenses	64	-	64	-
Total Non-current Assets	194,476	2,251	196,727	27,908
TOTAL ASSETS	255,585	3,269	258,854	59,288
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	2,910	19	2,929	3,532
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	2,921	-	2,921	13,121
Accrued interest payable	69	-	69	243
Due to other funds	-	-	-	21,151
Other liabilities	6	-	6	6
Bonds, capital leases, notes and other payable	2,308	-	2,308	8,116
Total Current Liabilities	5,304	-	5,304	42,637
Non-current Liabilities:				
Bonds, notes payable, and capital leases	39,123	-	39,123	23,459
Net pension liability	28,885	193	29,078	33,398
Total Non-current Liabilities	68,008	193	68,201	56,857
TOTAL LIABILITIES	73,312	193	73,505	99,494
DEFERRED INFLOWS OF RESOURCES				
Pension related items	5,251	35	5,286	6,070
Unamortized gain on refunding of debts	553	-	553	-
TOTAL DEFERRED INFLOWS	5,804	35	5,839	6,070
NET POSITION				
Net investment in capital assets	153,006	2,251	155,257	20,851
Unrestricted	26,373	809	27,182	(63,596)
TOTAL NET POSITION	$ 179,379	$ 3,060	$ 182,439	$ (42,745)

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
For the Year Ended June 30, 2015
(In thousands)

	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 295	$ 295	$ -
Sewer services	57,539	-	57,539	-
Charges for services	-	-	-	55,720
Other	5	-	5	24
TOTAL OPERATING REVENUES	57,544	295	57,839	55,744
OPERATING EXPENSES				
Personnel	15,615	100	15,715	18,780
Supplies	973	244	1,217	7,235
Depreciation and amortization	5,475	311	5,786	4,181
Contractual services and supplies	2,504	-	2,504	743
Repairs and maintenance	75	-	75	5,574
General and administrative	4,696	18	4,714	5,560
Rental	1,375	8	1,383	1,914
Other	4,903	-	4,903	8,369
TOTAL OPERATING EXPENSES	35,616	681	36,297	52,356
OPERATING INCOME (LOSS)	21,928	(386)	21,542	3,388
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income (loss)	141	1	142	(47)
Interest expense	(1,334)	-	(1,334)	(374)
Bond issuance cost	(7)	-	(7)	-
Federal and State grants	-	-	-	78
Other	-	-	-	851
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,200)	1	(1,199)	508
INCOME/(LOSS) BEFORE TRANSFERS	20,728	(385)	20,343	3,896
Transfers out	(2,002)	-	(2,002)	(512)
Change in net position	18,726	(385)	18,341	3,384
Net position - Beginning, as previously reported	192,675	3,659	196,334	(9,103)
Change in accounting principles	(32,022)	(214)	(32,236)	(37,026)
Net position - beginning, as restated	160,653	3,445	164,098	(46,129)
NET POSITION - ENDING	$ 179,379	$ 3,060	$ 182,439	$ (42,745)

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015
(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	$ 61,473	$ -	$ 61,473	$ 55,392
Cash received from tenants for rents	-	295	295	-
Cash from other sources	5	-	5	24
Cash paid to employees	(16,411)	(105)	(16,516)	(19,870)
Cash paid to suppliers	(16,162)	(546)	(16,708)	(21,761)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	28,905	(356)	28,549	13,785
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	131
Repayment of interfund loans	-	-	-	(2,280)
Other	-	-	-	929
Transfers out	(2,002)	-	(2,002)	(512)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(2,002)	-	(2,002)	(1,732)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(15,431)	(56)	(15,487)	(14,502)
Long-term debt:				
Proceeds from issuance of debt	-	-	-	24,881
Repayment of long-term debt	(2,268)	-	(2,268)	(3,531)
Bond issuance cost	(7)	-	(7)	-
Interest paid on long-term debt	(1,334)	-	(1,334)	(374)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(19,040)	(56)	(19,096)	6,474
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid)	141	1	142	(47)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,004	(411)	7,593	18,480
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	39,287	1,428	40,715	12,237
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 47,291	$ 1,017	$ 48,308	$ 30,717
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income	$ 21,928	$ (386)	$ 21,542	$ 3,388
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Retirement recoveries	(796)	(5)	(801)	(1,090)
Depreciation and amortization	5,475	311	5,786	4,181
Retirement of capital assets	-	-	-	2
Changes in assets and liabilities:				
Receivables	3,934	1	3,935	(122)
Inventories	-	-	-	(206)
Other assets	(36)	-	(36)	-
Accounts payable and accrued liabilities	(1,600)	(277)	(1,877)	7,633
Other liabilities	-	-	-	(1)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 28,905	$ (356)	$ 28,549	$ 13,785
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	$ 47,266	$ 178	$ 47,444	$ 6,199
Restricted cash and investments	25	839	864	24,518
TOTAL CASH AND CASH EQUIVALENTS	$ 47,291	$ 1,017	$ 48,308	$ 30,717
NON CASH ITEMS:				
Amortization of bond premiums	$ (39)	$ -	$ (39)	$ -

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, 2015
(In thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ASSETS		
Cash and investments	$ 3,182	$ 55,989
Receivables:		
Accrued interest and dividends	626	365
Accounts receivable	-	207
Investments and others	5,487	-
Due from other funds	-	2,312
Prepaid expenses	-	2,258
Restricted:		
Cash and investments:		
Short-term investments	8,970	21,755
U.S. corporate bonds and mutual funds	71,539	8,004
Domestic equities and mutual funds	206,303	-
International equities and mutual funds	48,115	-
Real estate mortgage loans	83,970	-
Total restricted cash and investments	418,897	29,759
Securities lending collateral	55,226	-
Loans receivable, net	-	13,721
Property held for resale	-	2,818
TOTAL ASSETS	483,418	107,429
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunding of debts	-	2,229
LIABILITIES		
Current liabilities:		
Due to other funds	28	2,254
Accounts payable and accrued liabilities	8,910	10,752
Securities lending liabilities	55,226	-
Other	-	297
Non-current liabilities:		
Due within one year	-	27,393
Due in more than one year	-	410,483
TOTAL LIABILITIES	64,164	451,179
NET POSITION RESTRICTED FOR:		
Employees' pension benefits	419,254	-
Redevelopment dissolution and other purposes	-	(341,521)
TOTAL NET POSITION	$ 419,254	$ (341,521)

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, 2015
(In thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Trust receipts	$ -	$ 61,430
Investment income:		
Net appreciation in fair value of investments	9,329	-
Interest	2,427	415
Dividends	5,370	-
Securities lending	192	-
TOTAL INVESTMENT INCOME	17,318	415
Less investment expenses:		
Investment expenses	(1,818)	-
NET INVESTMENT INCOME	15,500	415
Federal and state grants	-	6,028
Other income	104	717
TOTAL ADDITIONS	15,604	68,590
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	35,821	-
Disability	21,575	-
Death	1,804	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	59,200	-
Administrative expenses	1,195	2,330
Oakland Police Department	-	225
Human Services	-	149
Housing & Community Development	-	15,642
Economic & Workforce Development	-	30,881
Other	-	74
Interest on debt	-	24,641
TOTAL DEDUCTIONS	60,395	73,942
SPECIAL ITEMS:		
Purchase of Annuity	(1,639)	-
Transfer to City of Oakland	(2,886)	-
Transfer of properties approved by California Department of Finance	-	(97,453)
Transfer of excess tax allocation bond proceeds approved by California Department of Finance	-	(10,243)
TOTAL SPECIAL ITEMS	(4,525)	(107,696)
Change in net position	(49,316)	(113,048)
Net position - beginning	468,570	(228,473)
NET POSITION - ENDING	$ 419,254	$ (341,521)

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

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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. 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.

Blended Component Units

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 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 Agency.

The ORSA was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of Oakland (Agency). The ORSA is a separate public entity from the City, 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.

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 Redevelopment Agency (other than the housing assets). Therefore, ORSA assumed the former Redevelopment Agency's role as member of the JPFA as of February 1, 2012 per AB X1 26.

Discretely Presented Component Unit

Port of Oakland (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 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 for 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 & open space trust for the City.
- *Measure G* – Capital improvement bond financing funds for Oakland Zoo, Museum and Chabot & Space Center improvements.
- *Master Lease Agreement Financing* – Capital improvement for vehicles and equipment, and telecommunications.
- *Other miscellaneous capital improvement funds* - The fund also comprise of other municipal capital improvement funds which may be used for the lease, acquisition, construction or other improvements of public facilities.

The ***Other Special Revenue Funds*** 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; and procurement of materials, supplies, and services for City departments.

The ***Pension Trust Funds*** account for closed benefit plans that cover uniformed employees hired prior to July 1976 and non-uniformed employees hired prior to September 1970.

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 Oakland Redevelopment Agency and for the operations of the Youth Opportunity Program and certain gifts that are not related to 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, 2015, the City implemented the following Governmental Accounting Standards Board (the "GASB") Statements:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68), which addresses the accounting and financial reporting requirements for pensions. The provisions of GASB Statement No. 68 separate accounting and financial reporting from how pensions are funded and require changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and the pension expense and related deferred outflows/inflows of resources disclosures (See Note 2.L). For the year ended June 30, 2015 the City implemented GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement is intended to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issues related to amounts associated with contributions, if any, made by a state of local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

As of July 1, 2014, the City restated the beginning net position to record the beginning deferred pension contributions and net pension liability as follows (dollars in thousands):

	Governmental Activities	Business-Type Activities	Total	Component Unit Port of Oakland
Net position - beginning, as previously reported	$ 981,818	$ 196,334	$ 1,178,152	$ 1,110,191
Change in accounting principles	(1,506,760)	(32,236)	(1,538,996)	(182,324)
Net Position - beginning, as restated	$ (524,942)	$ 164,098	$ (360,844)	$ 927,867

	Sewer Service	Nonmajor Enterprise Fund Parks and Recreation	Total	Internal Service Funds
Net position - Beginning, as previously reported	$ 192,675	$ 3,659	$ 196,334	$ (9,103)
Change in accounting principles	(32,022)	(214)	(32,236)	(37,026)
Net position - beginning, as restated	$ 160,653	$ 3,445	$ 164,098	$ (46,129)

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. Government combination include merger, acquisition, and a transfer of operations. A disposal of government operations can occur through a transfer to another government or a sale. Application of Statement No. 69 did not have any effect 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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and acquisition value to certain assets and disclosures related to all fair value measurements. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, for OPEB. This statement addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows/inflows of resources, and expenses/expenditures. Application of Statement No. 75 is effective for the City's fiscal year ending June 30, 2018.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

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, and the types of commitments made by tax abatement recipients. 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 fiscal year ending June 30, 2016.

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 Oakland Redevelopment Successor Agency whose funds are held by outside custodians. Investments are generally carried at fair value. The fair value represents the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller. The fair value of investments is obtained by using quotations from independent published sources. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less, and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. Changes in fair value of investments are recognized as a component of interest and investment income. 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.

Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist.

For purposes of the statement of cash flows, the City considers all highly liquid 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, 2015.

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 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 sometimes 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. 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 sometimes 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 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 differences between projected and actual earnings on investment.

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

For purposes of measuring the net pension liability and deferred outflows/inflows of resoruces related to pensions, and pension expense, information about the fiduciary net position of the City of Oakland's Public Employee's Retirement System (CalPERS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. The City has four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS) and the Miscellaneous and the Public Safety Plans of the California Public Employees' Retirement System (PERS) (collectively, the Retirement Plans). 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 2.L for additional information.

12. Other Postemployment Benefits (OPEB)

The OPEB plan covers Police, Fire, and 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 California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula. See section A.3 to note 2L to part III 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 B to part III for additional information.

14. Fund Balances

Under GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the financial statements reporting for 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 appropriation.

- *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, 2015, were distributed as follows (in thousands):

	General Fund	Federal/State Grant Fund	LMIHF[1]	Municipal Capital Improvement	Other Special Revenue	Other Governmental Funds	Total
Restricted for:							
Capital projects	$ -	$ 527	$ 1,500	$ 102,388	$ -	$ 28,510	$ 132,925
Pension obligations Annuity	87,562	-	-	-	-	-	87,562
Pension obligations PFRS	74,655	-	-	-	-	-	74,655
GF Reserve/Stabilization Fund	2,025	-	-	-	-	-	2,025
Debt service	-	-	-	-	-	33,094	33,094
Property held for resale	-	-	30,677	131,980	-	-	162,657
Housing projects	-	-	4,989	-	-	-	4,989
Subtotal	164,242	527	37,166	234,368	-	61,604	497,907
Committed for:							
Library, Kids First and museum trust	-	-	-	-	11,444	2,083	13,527
Assigned for:							
Capital projects	64,680	-	-	11,348	21,231	1,024	98,283
Unassigned	37,409	(6,687)	-	-	-	(1,310)	29,412
Total	**$ 266,331**	**$ (6,160)**	**$ 37,166**	**$ 245,716**	**$ 32,675**	**$ 63,401**	**$ 639,129**

[1] Low and Moderate Income Housing Asset Fund

15. Special Item:

Special items are either 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates), and subject to management control. The transfer of excess bond proceeds and the transfer of properties held for resale to the City as requested by the Oakland Redevelopment Successor Agency Oversight Board and approved by DOF pursuant to Health and Safety Code section 34179 (h) qualify as special items since these actions are considered infrequent and requested by management of the City.

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012. Under this legislation, the California Department of Finance (DOF) and the California State Controller's Office (SCO) have varying degrees of responsibility and oversight. The ultimate outcome of issues raised by State authorities, such as the rejection of using ORSA assets to pay obligations or the return of asset transfers to the ORSA.

Pursuant to Health and Safety Code (HSC) section 34179(h), DOF has completed its review of the Oversight Bond action on Bond Spending Plan and on November 6, 2013, it approved the Bond Spending Plan for 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. As required by HSC section 34191.4(c) (2) (A), ORSA has listed excess bond proceeds on the January through June 2015 ROPS in the total amount of $50.6 million which has been approved by DOF. DOF approved the bond expenditure agreement between ORSA and the City to transfer excess tax allocation bond proceeds and properties held for resale to the City. The special item gain was recorded in the government-wide financial statements for (1) the excess bond transfer in the amount of $10.2 million and (2) the transfer of properties in the amount of $97.5 million, for a total increase to net position of $107.7 million. The transfer of properties held for resale from the ORSA Trust Fund in the amount of $97.5 million was recorded as additions to the City's capital assets in the amount of $33.1 million and as increases to property held for resale in the amount of $64.4 million.

On February 9, 2015, the OMERS Board purchased an annuity with Pacific Life Insurance Company for approximately $1.6 million. All future payments to retirees and beneficiaries will be made by the annuity provider, and all excess funds of appropriately $2.9 million were transferred to the City and placed into a pension reserve within the General Fund.

16. 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 that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
  - 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 OMERS, 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:

- United States Treasury securities (subject to restrictions by the Nuclear Free Ordinance);
- federal agency issues;
- bankers' acceptances;
- commercial paper;
- medium term corporate notes and deposit notes;
- negotiable certificates of deposit;
- certificates of deposit;
- State of California Local Agency Investment Fund;
- money market mutual funds;
- local city/agency bonds;
- State of California bonds;
- secured obligations and agreements;
- repurchase agreements; and
- reverse repurchase agreements.

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, 2015, total City cash, deposits, and investments at fair value are as follows (in thousands):

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Port
Cash and investments	$ 293,363	$ 47,444	$ 59,171	$ 399,978	$ 198,946
Restricted cash and investments	232,313	864	448,656	681,833	71,210
Securities lending collateral	-	-	55,226	55,226	-
TOTAL	$ 525,676	$ 48,308	$ 563,053	$ 1,137,037	$ 270,156
Deposits				$ 24,091	$ 626
Investments				1,112,946	269,530
TOTAL				$ 1,137,037	$ 270,156

Primary Government

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, 2015, the carrying amount of the City's deposits was $24.1 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. The full bank balance of $55.2 million was 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 and Poor's (S&P), at the time security is purchased. Long-term debt shall be rated at least A by Standard and Poor's (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, 2015, approximately 87% of the pooled investments were invested in "AAA" and "AA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2015 (in thousands):

<u>Pooled Investments</u>

		Ratings as of June 30, 2015					
	Fair Value	**AAA**	**AA**	**A+**	**AA-**	**A1**	**Not Rated**
U.S. Government Agency Securities	$ 175,776	$ -	$ 175,776	$ -	$ -	$ -	$ -
U.S. Government Agency Securities (Discount)	215,916	-	215,916	-	-	-	-
Medium Term Notes	3,996	-	-	2,008	1,987	-	-
Money Market Mutual Funds	83,110	83,110	-	-	-	-	-
Local Agency Investment Fund (LAIF)	49,999	-	-	-	-	-	49,999
Negotiable Certificates of Deposit	11,000	-	-	-	-	11,000	-
State of California, General Obligation Bonds	4,394	-	-	-	4,394	-	-
State of California, Revenue Bonds	766	-	-	766	-	-	-
Total Pooled Investments	**$ 544,957**	**$ 83,110**	**$391,692**	**$ 2,774**	**$ 6,381**	**$ 11,000**	**$ 49,999**

<u>Restricted Investments</u>

		Ratings as of June 30, 2015			
	Fair Value	**AAA**	**AA**	**A1**	**Not Rated**
U.S. Government Agency Securities	$ 39,255	$ -	$ 39,255	$ -	$ -
U.S. Government Agency Securities (Discount)	41,997	-	41,997	-	-
Money Market Mutual Funds	71,910	71,071	-	-	839
Negotiable Certificates of Deposit (CD's)	2,000	-	-	2,000	-
Commercial Papers (Discount)	366	-	-	366	-
Annuity Contract	75,000	-	-	-	75,000
Total Restricted Investments	**$230,528**	**$71,071**	**$81,253**	**$ 2,366**	**$75,839**

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, 2015 are as follows (in thousands):

Investment Type / Issuer	**Amount**	**Percent of City's Investment**
U.S. Government Agency Securities:		
Federal Farm Credit Bank	$ 80,187	10.3%
Federal National Mortgage Association (Fannie Mae)	60,075	7.8%
Federal Home Loan Bank	176,641	22.8%
Federal Home Loan Mortgage Corporation (Freddie Mac)	156,042	20.1%
Annuity Contract:		
New York Life Insurance Company	75,000	10.0%

The following table shows the diversification of the City's portfolio (in thousands):

<u>Pooled Investments</u>

Investment Type	**Fair Value**	**Percent (%) of Portfolio**
U.S. Government Agency Securities	$ 175,776	32.3%
U.S. Government Agency Securities (Discount)	215,916	39.6%
Medium Term Notes	3,996	0.7%
Money Market Mutual Funds	83,110	15.3%
Local Agency Investment Fund (LAIF)	49,999	9.2%
Negotiable Certificates of Deposit	11,000	2.0%
State of California, General Obligation Bonds	4,394	0.8%
State of California, Revenue Bonds	766	0.1%
Total Pooled Investments	**$ 544,957**	**100.0%**

Restricted Investments

Investment Type	Fair Value	Percent (%) of Portfolio
U.S. Government Agency Securities	$ 39,255	17.0%
U.S. Government Agency Securities (Discount)	41,997	18.2%
Money Market Mutual Funds	71,910	31.2%
Commercial Papers (Discount)	366	0.2%
Negotiable Certificates of Deposit	2,000	0.9%
Annuity Contract	75,000	32.5%
Total Restriced Investments	**$ 230,528**	**100.0%**

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, 2015, 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	$ 175,776	0.12 - 1.61	$ 23,408	$ 133,821	$ 18,547
U.S. Government Agency Securities (Discount)	215,916	0.02 - 0.22	215,916	-	-
Medium Term Notes	3,996	1.38 - 2.08	-	1,987	2,008
Money Market Mutual Funds *	83,110	0.07 - 0.10	83,110	-	-
Local Agency Investment Fund (LAIF) *	49,999	0.30	49,999	-	-
Negotiable Certificates of Deposit	11,000	0.13 - 0.27	11,000	-	-
State of California, General Obligation Bonds	4,394	0.55 - 1.11	1,003	-	3,391
State of California, Revenue Bonds	766	0.91	-	766	-
Total Pooled Investments	**$ 544,957**		**$ 384,436**	**$136,574**	**$ 23,946**

* weighted average maturity used

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	$ 39,255	0.10 - 1.05	$ 27,250	$ 12,006	$ -	$ -
U.S. Government Agency Securities (Discount)	41,997	0.02 - .10	41,997	-	-	-
Money Market Mutual Funds *	71,910	0.01 - 0.08	71,910	-	-	-
Commercial Papers (Discount)	366	0.15	366	-	-	-
Negotiable Certificates of Deposit	2,000	0.27	2,000	-	-	-
Annuity Contracts	75,000	2.20	-	-	-	75,000
Total Restricted Investments	**$ 230,528**		**$ 143,523**	**$ 12,006**	**$ -**	**$ 75,000**

* weighted average maturity used

Foreign Currency Risk: This is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. The City only invests in U.S. dollar denominated obligations. This successfully eliminates all risk of principal erosion due to fluctuations in the values of foreign currencies.

Other Disclosures: As of June 30, 2015, 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 $21.5 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately $69.6 billion, 97.9% is invested in non-derivative financial products and 2.08% in structured notes and asset-backed securities. As of June 30, 2015, LAIF has an average life-month end of 239 days. 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 Redevelopment Successor Agency (ORSA)

The ORSA's cash and investment consists of the following at June 30, 2015:

Cash and Investments	**Amount**
Cash & Investments (unrestricted)	$ 51,013
Restricted cash & investments	29,759
Total Cash & Investments	**$ 80,772**

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 the State of California Local Agency Investment Fund (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.

As of June 30, 2015, ORSA invested a total amount of $50.0 million in U.S. government agency securities, which is comprised of $42.0 million from its unrestricted accounts and $8.0 million from the Tax Allocation and Housing Set-Aside Bonds. The remaining balance is invested in money market mutual funds, unrestricted and restricted of $7.5 million and $21.8 million respectively.

Custodial Credit Risk: for deposits is the risk that, in the event of the failure of a depository financial institution, ORSA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, ORSA will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

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

As of June 30, 2015, the carrying amount of the ORSA's deposits was $1.5 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $0.5 million, and the remaining bank balance of $1.0 million are 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: is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA Investment Policy has mitigated interest rate risk by establishing policies over liquidity. As of June 30, 2015, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

Type of Investment	Fair Value	Current Yield (%)	Maturities Less than 1 Year
U.S. Government Agency Securities (Discount)	$ 41,998	.020-.040	$ 41,998
Money Market Mutual Funds	7,500	0.10-0.11	7,500
Sub-total	49,498		$ 49,498
Deposits	1,515		
Total	$ 51,013		

Restricted Cash and Investments

Type of Investment	Fair Value	Current Yield (%)	Maturities Less than 1 Year	1 - 3 Years
U.S. Government Agency Securities	$ 8,004	0.052	$ -	$ 8,004
Money Market Mutual Funds	21,755	0.02-0.04	21,755	-
Total	$ 29,759		$ 21,755	$ 8,004

Credit Risk: is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. 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.

Pooled Cash and Investments

Type of Investment	Fair Value	S&P Ratings as of June 30, 2015 Aaa/AAA	Aaa/AA
U.S. Government Agency Securities (Discount)	$ 41,998	$ -	$ 41,998
Money Market Mutual Funds	7,500	7,500	-
Total	$ 49,498	$ 7,500	$ 41,998

Restricted Cash and Investments

Type of Investment	Fair Value	S&P Ratings as of June 30, 2015 Aaa/AAA	Aaa/AA
U.S. Government Agency Securities	$ 8,004	$ -	$ 8,004
Money Market Mutual Funds	21,755	21,755	-
Total	$ 29,759	$ 21,755	$ 8,004

Concentration of Credit Risk: is the risk that the failure of any one issuer would place an undue financial burden on ORSA. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves.

The following table shows the diversification of ORSA's portfolio as of June 30, 2015 (in thousands):

	Pooled Cash and Investments		Restricted Cash and Investments	
Type of Investment	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
U.S. Government Agency Securities	$ -	0.0%	$ 8,004	26.9%
U.S. Government Agency Securities (Discount)	41,998	84.8%	-	0.0%
Money Market Mutual Funds	7,500	15.2%	21,755	73.1%
Total	$ 49,498	100.0%	$ 29,759	100.0%

The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2015 (in thousands):

Type of Investment/Issuer	Amount	% of Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank Discount	$ 20,999	25.5%
Freddie Mac Discount	11,999	15.1%
Fannie Mae Discount	8,999	11.4%
Federal Farm Credit Bank	8,004	10.1%

Restricted Cash and Investments with Fiscal Agents Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds. As of June 30, 2015, the amounts held by the trustees fell by $29 million to $29.8 million. All restricted investments held by trustees as of June 30, 2015 were invested in U.S. Government Agency Securities and money market mutual funds, and were in compliance with the bond indentures.

<u>Oakland Municipal Employees' Retirement System (OMERS)</u>

Termination of OMERS Plan and Annuity Purchase

On May 22, 2014, the OMERS Board passed Resolution No. 4839 C.M.S. confirming support of an amendment of Article XX of the City Charter for the purpose of terminating the OMERS Board and authorizing the City to purchase a group annuity from a Board-approved insurance carrier for the payment of future benefits. On July 15, 2014, the City of Oakland Council (Council) approved Resolution No. 85098, to place a Charter Amendment on the November 4, 2014 ballot that would grant Council the ability to terminate the Plan and purchase annuities. On November 4, 2014, City of Oakland voters passed Oakland Measure EE, which grants the City of Oakland Council the authority to terminate OMERS by purchasing a group annuity contract to guarantee pension payments to the remaining OMERS' retirees and beneficiaries.

On January 6, 2015, City of Oakland Council passed corresponding ordinances that (1) amends OMERS Ordinance 713 and (2) terminate the OMERS Plan effective upon the successful purchase of the annuities, and disbursements of all funds. On February 6, 2015, OMERS Board purchased an annuity with Pacific Life Insurance Company for approximately $1.6 million. OMERS was terminated effective March 31, 2015 and Pacific Life Insurance Company commenced payment of all future benefit payments to the remaining OMERS' retirees and beneficiaries. All excess funds of approximately $2.9 million were transferred to the City of Oakland on April 1, 2015 and placed into a trust fund for any additional OMERS' expenditures or unanticipated shortfalls.

Deposits in the City's Investment Pool

Cash and deposits consisted of cash in treasury held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of March 31, 2015 and June 30, 2014, OMERS' share of the City's investment pool totaled $125 and $26 thousand, respectively. As of June 30, 2015, OMERS' share of the City's investment pool totaled $74 thousand.

<u>Oakland Police and Fire Retirement System (PFRS)</u>

Deposits in the City's Investment Pool

As of June 30, 2015, 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. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2015, PFRS' share of the City's investment pool totaled $3.0 million. As of June 30, 2015, PFRS also had cash and cash deposits not held in the City's investment pool totaled $60.0 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, 2015, the number of external investment managers was twelve.

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, 2015:

Asset Class	Target Allocation
Fixed Income	20%
Real Return	10%
Covered Calls	10%
Domestic Equity	43%
International Equity	12%
Private Equity	5%
Total	100%

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 5.19 years as of June 30, 2015. As of June 30, 2015, PFRS had the following fixed income investments by category (in thousands):

Short-Term Investment Duration:

Investment Type	**Fair Value**	**Modified Duration (Year)**
Short-Term Investment Funds	$8,970	n/a

Long-Term Investment Duration:

Investment Type		**Fair Value**	**Modified Duration (Year)**
Government Bonds:			
U.S. Treasuries	$	13,339	8.41
U.S. Government Agency Securities		18,743	5.20
Total Government Bonds		32,082	
U.S. Corporate and Other Bonds			
Corporate Bonds		38,785	4.09
Other Government Bonds		671	4.16
Total U.S. Corporate and Other Bonds		39,456	
Total Fixed Income Investments	$	71,538	5.19
Securities Lending Collateral	$	55,226	-

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, 2015 concerning credit risk of fixed income securities (in thousands):

Investment Type	**S&P / Moody's / Fitch Rating**	**Fair Value**
Short-Term Investment Funds	Not Rated	$8,970

The following tables provide information as of June 30, 2015 concerning credit risk of fixed income and long-term investment rating (in thousands):

S&P/Moody's Rating	**Fair Value**	**Percent of Total Fair Value**
AAA/Aaa	$36,382	50.9%
AA/Aa	2,887	4.0%
A/A	9,734	13.6%
BBB/Baa	11,359	15.9%
BB/Ba	253	0.4%
B/B	10,414	14.6%
Not Rated	509	0.7%
Total Fixed Income Investments	$71,538	100.0%

As of June 30, 2015, the securities lending collateral of $55.2 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, 2015, no investment in any single issuer exceeded 5% of PFRS' net position.

Rate of return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, there will be an inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. As the City holds cash and certificates of deposit on behalf of PFRS, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name. For all other PFRS deposits, the collateral must be held by the pledging financial institution's trust department and is considered held in PFRS' name.

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.

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, 2015 (in thousands):

Austrialian Dollar	$	579
Brazilian Real		251
Canadian Dollar		490
Danish Krone		889
Euro		8,015
Hong Kong Dollar		3,581
Indonesian Rupiah		435
Japanese Yen		3,862
Mexican Peso		626
Norwegian Kroner		320
Singapore Dollar		531
Swedish Krona		362
Swiss Franc		3,416
Turkish Lira		122
United Kingdom Pound		6,214
Total	$	29,693

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 the 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. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults. PFRS does not match the maturities of investments made with cash collateral with the securities on loan.

As of June 30, 2015, 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, 2015 (in thousands):

Securities on loan:		
U.S. Government and Agencies	$	11,375
U.S. Corporate Bonds		2,866
U.S. Equity		39,308
Non-U.S. Fixed Income		102
Non-U.S. Equity		430
Total Securities on Loan	$	54,081
Investment cash Collateral Received:		
Repurchase Agreements		55,226
Total Investment cash Collateral Received:	$	55,226

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, 2015 (in thousands):

Securities Name	Weighted Average Coupon Rate	Weighted Average Maturity (Years)	Fair Value	Percent of Total Investment Fair Value
Commercial Mortgage Pass-Through	3.52%	10.38	$ 2,892	0.69%

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 (in thousands):

U.S. Treasury Notes	$	57,867
Government Securities Money Market Mutual Funds		272
City Investment Pool		208,098
Deposits in Escrow		3,919
	$	270,156

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, 2015 the Port had the following investments (in thousands):

			Maturity	
	Fair Value	Credit Rating per Moody's	Less than 1 Year	1-5 Years
U.S. Treasury Notes	$ 57,867	Aaa	$ -	$ 57,867
Government Securities Money Market Mutual Funds	272	Aaa	272	-
City Investment Pool	208,098	Not rated	208,098	-
Total Investments	$ 266,237		$ 208,370	$ 57,867

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: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. 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: This risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligation. 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.
- The deposits with the City Treasury are invested in short-term debt that is rated at least A-1 by S&P, P-1 by Moody's or F-1 by Fitch Ratings. Long-term debt shall be rated at least A by S&P, A2 by Moody's, and A by Fitch Ratings.

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

Port revenues are deposited in the City Treasury. These and all City funds are pooled and invested in the City Investment Pool. The City has adopted an investment policy that provides for the following:

- The maximum maturity for any one investment may not exceed 5 years.
- No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer except:
    - Obligations of the United States government;
    - United States government sponsored enterprises;
    - Insured certificates of deposit;
    - Local government investment pools; and
    - Money market investment funds.
- Permitted investments include U.S. treasury securities, federal agency and instrumentalities, banker's acceptances, commercial paper, asset-backed commercial paper, local government investment pools, medium-term notes, negotiable certificates of deposit, repurchase agreements, certificates of deposit, money market mutual funds, state investment pool (local Agency Investment Fund), local City/agency bonds and State of California obligations, and other local agency bonds. At the end of FY 2014-15 the City expanded its definition of permitted investments to include dollar-denominated obligations issued by surpranational organizations.
- All investments are to be secured through third party custody and safekeeping procedures. All securities purchased from dealers and brokers are held in safekeeping by the City's custodial bank, which establishes ownership by the City.
- Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the City Investment Pool is presented in the notes of the City's basic financial statements. Requests for financial information should be addressed to the

Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 5330, Oakland, California 94612-2093.

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 $58,139,000 at June 30, 2015.
- All securities the Port has invested with the City are 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 custody agreements. The Port had $208,098,000 invested in the City Investment Pool at June 30, 2015.

The carrying amount of the Port's deposits in escrow was $3,919,000 at June 30, 2015. Of this amount, bank balances and escrow deposits of $250,000 on June 30, 2015 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name and the remaining balance of $3,419,000 as of June 30, 2015, 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 part C to Note L (II). The composition of interfund balances and transfers as of June 30, 2015, is as follows (in thousands):

Primary Governments

1. Due from/Due to other funds

The composition of interfund balances as of June 30, 2015, with explanations of transactions, is as follows (dollars in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Fund	$ 1,838
	Federal/State Grant Fund	29,593
	Low and Moderate Income Housing Asset Fund	5
	Internal Service Funds	21,151
	OMERS	28
	Private Pension Trust Fund	3
	ORSA Trust Fund	687
	Total	53,305
Low and Moderate Income Housing Asset Fund	ORSA Trust Fund	1,437
Municipal Capital Improvement Fund	ORSA Trust Fund	127
	Total	1,564
ORSA Trust Fund	General Fund	2,312
	Grand Total	$ 57,181

2. Interfund Transfers:

Transfer Out	Transfer In	Amount	
General Fund	Other Governmental Fund	$ 92,501	(1)
	Federal/State Grant Fund	2,626	(2)
	Other Special Revenue	15,301	(3)
Other Governmental Funds	General Fund	328	(4)
Sewer Service Fund	General Fund	2,002	(4)
Internal Service Funds	General Fund	512	(4)
Total		**$ 113,270**	

(1) Transfers of $92.5 and $0.01 million for debt service payments and to cover the Central Service Overhead cost for Paratransit funds.
(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 for the City's claims and liability payments.

3. Due to the City

As of June 30, 2015, 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, 2014. The ending balance is composed of the former Agency's assets transferred to 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 from ORSA

At June 30, 2015, ORSA has a payable to the City in the amount of $2.2 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 and a payable of $0.7 million to the City for support services.

Component Unit- Port of Oakland (Port)

The City has entered into agreements with the Port for provisions of 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 $7.0 million and are included in Operating Expenses. At June 30, 2015, $6.7 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, 2015, the Port accrued approximately $841 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 $1.4 million to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in 2014. Subject to adequate documentation from the City, and 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.

3. Golf Course Lease with the Port

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of the public golf course by the City. The lease commenced in 2003 when the Port delivered a completed 164.90 acres golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site. The golf course is leased to a third party and the minimum annual rental is $270,000 payable in twelve installments of $22,500 per month, which is then split 50/50 between the Port and the City.

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, 2015, is as follows (in thousands):

Type of Loan	General Fund	Federal/State Grant Fund	LMIHF *	Municipal Capital Improvements	Other Governmental Funds	Total
Pass-through Loans	$ -	$ 1,300	$ -	$ -	$ -	$ 1,300
HUD Loans	-	103,992	285,549	1,077	-	390,618
Economic Development Loans and Others	874	59,041	-	-	33,673	93,588
Less Allowance for Uncollectible Accounts	-	(34,358)	(102,987)	-	(3,159)	(140,504)
Total Notes and Loans Receivables, net	$ 874	$ 129,975	$ 182,562	$ 1,077	$ 30,514	$ 345,002

* Low and Moderate Income Housing Asset Fund

As of June 30, 2015, the City has a total of $345 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, 2015, loans receivable relating to the LMIHF program totaled approximately $182.5 million, net of allowance for uncollectible accounts.

Oakland Redevelopment Successor Agency (ORSA)

Composition of loans receivable as of June 30, 2015 is as follows (in thousands):

Type of Loan	Amount
Housing developments project loans	$ 1,462
Economic development loans	58,934
Gross notes & loans receivable	60,396
Allowance for uncollectible	(46,675)
Total Notes and Loans Receivable, Net	**$ 13,721**

CAPITAL ASSETS AND LEASES
Primary Government

1. Summary Schedule

The following is a summary of capital assets activity for the fiscal year ended June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 86,389	$ 485	$ -	$ 186	$ 87,060
Intangibles (easements)	2,607	-	-	-	2,607
Museum collections	793	-	-	-	793
Construction in progress	224,797	139,363	-	(76,717)	287,443
Total capital asset, not being depreciated	314,586	139,848	-	(76,531)	377,903
Capital assets, being depreciated:					
Facilities and improvements	782,234	32,898	-	6,607	821,739
Furniture, machinery, and equipment	198,500	16,638	(3,033)	2,440	214,545
Infrastructure	703,212	11	-	67,484	770,707
Total capital asset, being depreciated	1,683,946	49,547	(3,033)	76,531	1,806,991
Less accumulated depreciation:					
Facilities and improvements	375,037	23,967	-	-	399,004
Furniture, machinery, and equipment	163,613	10,444	(3,033)	-	171,024
Infrastructure	279,363	24,564	-	-	303,927
Total accumulated depreciation	818,013	58,975	(3,033)	-	873,955
Total capital asset, being depreciated, net	865,933	(9,428)	-	76,531	933,036
Governmental activities **Capital assets, net**	$ 1,180,519	$ 130,420	$ -	$ -	$ 1,310,939

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Business-Type Activities:					
Sewer Service Fund:					
Capital assets, not being depreciated:					
Land	$ 4	$ -	$ -	$ -	$ 4
Construction in progress	36,983	14,891	-	(19,563)	32,311
Total capital assets, not being depreciated	36,987	14,891	-	(19,563)	32,315
Capital assets, being depreciated:					
Facilities and improvements	311	-	-	-	311
Furniture, machinery and equipment	4,813	540	-	-	5,353
Sewer and storm drains	246,323	-	-	19,563	265,886
Total capital assets, being depreciated	251,447	540	-	19,563	271,550
Less accumulated depreciation for:					
Facilities and improvements	237	22	-	-	259
Furniture, machinery and equipment	2,247	827	-	-	3,074
Sewer and storm drains	101,494	4,626	-	-	106,120
Total accumulated depreciation	103,978	5,475	-	-	109,453
Total capital assets, being depreciated, net	147,469	(4,935)	-	19,563	162,097
Sewer Service Fund **Capital assets, net**	$ 184,456	$ 9,956	$ -	$ -	$ 194,412
Parks and Recreation Fund:					
Capital assets, not being depreciated:					
Land	$ 218	$ -	$ -	$ 143	$ 361
Construction in progress	87	56	-	(143)	-
Total capital assets, not being depreciated	305	56	-	-	361
Capital assets, being depreciated:					
Facilities and improvements	4,433	-	-	-	4,433
Furniture, machinery and equipment	459	-	-	-	459
Infrastructure	85	-	-	-	85
Total capital assets, being depreciated	4,977	-	-	-	4,977
Less accumulated depreciation:					
Facilities and improvements	2,366	281	-	-	2,647
Furniture, machinery and equipment	373	25	-	-	398
Infrastructure	37	5	-	-	42
Total accumulated depreciation	2,776	311	-	-	3,087
Total capital assets, being depreciated, net	2,201	(311)	-	-	1,890
Parks and Recreation Fund: Capital assets, net	$ 2,506	$ (255)	$ -	$ -	$ 2,251
Business-Type Activities **Capital assets, net**	$ 186,962	$ 9,701	$ -	$ -	$ 196,663

2. Depreciation

Depreciation expense was charged to various governmental and business-type activities of the City for the fiscal year ended June 30, 2015 is as follows

Governmental Activities:	
General Government	$ 9,973
Public Safety	4,772
Community Service Department:	
Parks & Recreation	5,558
Library	2,996
Human Services	588
Community and Economic Development:	
Planning & Building	2,538
Economic & Workforce Development	977
Housing & Community Development	40
Public Works	27,352
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	4,181
Total Depreciation Expense - Governmental Activities	$ 58,975
Business-Type Activities:	
Sewer	$ 5,475
Parks and Recreation	311
Total Depreciation Expense - Business-Type Activities	$ 5,786

Component Unit – Port of Oakland

1. Summary Schedule

A summary of changes in capital assets for the year ended June 30, 2015, is as follows (in thousands):

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets, not being depreciated:					
Land	$ 523,283	$ -	$ -	$ 56	$ 523,339
Intangibles (noise easements and air rights)	25,852	-	-	-	25,852
Construction in progress	200,709	117,003	-	(149,961)	167,751
Total capital assets, not being depreciated	749,844	117,003	-	(149,905)	716,942
Capital assets, being depreciated:					
Building and improvements	851,650	-	-	915	852,565
Container cranes	153,417	-	(4,720)	-	148,697
Infrastructure	1,730,806	-	-	140,773	1,871,579
Intangibles (software)	13,391	-	-	285	13,676
Other equipment	86,039	452	(959)	7,932	93,464
Total capital assets, being depreciated	2,835,303	452	(5,679)	149,905	2,979,981
Less accumulated depreciation:					
Building and improvements	(523,071)	(25,214)	-	-	(548,285)
Container cranes	(93,894)	(4,823)	4,720	-	(93,997)
Systems and structures	(710,351)	(65,018)	-	-	(775,369)
Intangibles (software)	(4,102)	(1,368)	-	-	(5,470)
Other equipment	(56,955)	(5,336)	900	-	(61,391)
Total accumulated depreciation	(1,388,373)	(101,759)	5,620	-	(1,484,512)
Total capital assets, being depreciated, net	1,446,930	(101,307)	(59)	149,905	1,495,469
CAPITAL ASSETS, NET	$ 2,196,774	$ 15,696	$ (59)	$ -	$ 2,212,411

2. Capital Leases as Lessor

The capital assets leased to others at June 30, 2015, consist of the following (in thousands):

Land	$ 413,820
Container cranes	148,697
Buildings and improvements	206,336
Infrastructure	1,095,378
	1,864,231
Less accumulated depreciation	(706,439)
Net capital assets, on lease	$ 1,157,792

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, and certain preferential assignments provide for both minimum and maximum rentals.

A summary of revenues from long-term leases for the year ended June 30, 2015, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments...	$	172,471
Contingent rentals in excess of minimums..		17,006
Total...	$	189,477

The Port and 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. At June 30, 2015, the unamortized net upfront fee is approximately $47.8 million and the amounts are reported as unearned revenue in the statement of net position. The amounts classified as short-term and long-term unearned revenue were $1.1 million and $46.7 million respectively.

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
2016	$	173,949
2017		164,582
2018		139,524
2019		112,273
2020		110,676
2021-2025		400,094
2026 - 2030		290,110
2031 - 2035		292,869
2036 - 2040		264,934
2041 - 2045		260,782
2046 - 2050		284,912
Thereafter		642,528
Total	$	3,137,233

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**
2016	$ 173,949
2017	164,582
2018	139,524
2019	112,273
2020	110,676
2021-2025	400,094
2026 - 2030	290,110
2031 - 2035	292,869
2036 - 2040	264,934
2041 - 2045	260,782
2046 - 2050	284,912
Thereafter	642,528
Total	$ 3,137,233

D. PROPERTY HELD FOR RESALE

Primary Government

A summary of changes in Property Held for Resale is as follows (in thousands):

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Property held for resale	$ 76,966	$ 85,691	$ -	$ 162,657

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 Redevelopment Agency for the purchase and sale agreement of various former Agency properties to the City. As of June 30, 2015, the property held for resale had increased by $85.7 million due to property transferred to the City from the ORSA Trust Fund and land purchases.

Oakland Redevelopment Successor Agency (ORSA)

As of June 30, 2015, 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 ORSA Long-Range Property Management Plan (LRPMP) addressing the disposition and use of former Agency properties and authorizing the disposition of properties pursuant to the plan. During the year ended June 30, 2015, ORSA transferred $97.5 million of properties held for resale to the City pursuant to the Long-Range Property Management Plan (LRPMP).

The table below shows a summary of the changes in the Property Held for Resale during the year ended June 30, 2015:

	July 1, 2014	Additions	Deductions	June 30, 2015
Property held for resale	$ 100,271	$ -	$ 97,453	$ 2,818

E. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2015, for the City are as follows (in thousands):

Primary Government

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2015, are as follows (in thousands):

	Accounts Payable	Accrued Payroll/ Employee Benefits	Total
Governmental Activities			
Governmental Funds			
General Fund	$ 21,084	$ 71,313	$ 92,397
Federal State Grant Fund	16,120	-	16,120
Low and Moderate Income Housing Asset Fund	3	-	3
Municipal Capital Improvement Fund	4,099	-	4,099
Other Special Revenue Fund	5,610	-	5,610
Other Governmental Funds	2,952	-	2,952
Total Governmental Funds	49,868	71,313	121,181
Internal Service Funds	13,116	5	13,121
Total Governmental Activities	$ 62,984	$ 71,318	$ 134,302

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2015, are as follows (in thousands):

Pension Trust Funds:	
Accounts payable	$ 453
Investments payable	3,690
Member benefits payable	4,767
Total	$ 8,910
Private Purpose Trust Fund:	
Oakland Redevelopment Successor Agency Trust	$ 10,742
Other Private Purpose Trust Fund	10
Total	$ 10,752

F. TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an interest rate of 1.00% to yield at 0.11% at maturity. Principal and interest paid on June 30, 2015 is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2014 - 2015 Tax & Revenue Anticipation Notes	$ -	$ 55,000	$ (55,000)	$ -

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, 2015 (in thousands):

Governmental Activities			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Bonds Payable:			
General obligation bonds (A)	2039	3.50% - 6.25%	$ 206,530
Lease revenue bonds (B)	2027	3.00% - 5.50%	109,955
Pension obligation bonds (C)	2026	2.37% - 6.89%	330,433
Accreted interest (B) and (C)			165,290
City guaranteed special assessment district bonds (C)	2040	2.00% - 6.70%	6,020
Plus (less) Deferred Amounts:			
Bond issuance premiums			25,989
Total			**844,217**
Notes Payable and Capital Leases:			
Notes payable (B) and (D)	2017	1.00% - 8.27%	3,150
Capital leases (B) and (D)	2025	1.17% - 5.46%	65,645
Total			**68,795**
Other Long-Term Liabilities:			
Accrued vacation and sick leave (E)			39,697
Self-insurance liability - workers compensation (B)			86,726
Self-insurance liability - general liability (B)			36,768
Estimated environmental cost (B)			1,472
Pledge obligation for Coliseum Authority debt (B)			49,445
Net OPEB obligation (B)			256,922
Interest rate swap agreement (B)			7,543
Total			**478,573**
Total Governmental Activities			**$ 1,391,585**

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) that are responsible for the charges.

Business-Type Activities			
Type of Obligations	Final Maturity Year	Remaining Interest Rates	Amount
Sewer Fund Bonds	2029	2.00- 5.00%	$36,630
Unamortized Bond Premium			4,801
Total Business-Type Activities			$41,431

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, 2015:

Calculation period (July 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR[1]	Net Rate
2015	$ 46,400,000	5.6775%	0.1212%	5.4910%
2016	39,300,000	5.6775%	0.1212%	5.4910%
2017	32,500,000	5.6775%	0.1212%	5.4910%
2018	25,800,000	5.6775%	0.1212%	5.4910%
2019	19,300,000	5.6775%	0.1212%	5.4910%
2020	12,800,000	5.6775%	0.1212%	5.4910%
2021	6,400,000	5.6775%	0.1212%	5.4910%

[1] Rate is as of 1-month LIBOR on June 30, 2015. Rates are projections, LIBOR rate fluctuates daily.

Terms: The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2015 of $46.4 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: Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $7.5 million as of June 30, 2015. 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.

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 Investors Service, and AAA by Standard and Poor's as of June 30, 2015. To mitigate the potential for credit risk, if the counterparty's credit quality falls below A3 by Moody's Investors Service or A- by Standard and Poor's, the swap agreement 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 Investors Service or "A-" by Standard and Poor's.

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 Investors Service or "BBB-" by Standard and Poor's. 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, 2015, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2014	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2015	Amounts due within one year
Bonds Payable:					
General obligation bonds	$ 290,449	$ 128,895	$ 212,814	$ 206,530	$ 4,700
Lease revenue bonds	141,555	-	31,600	109,955	18,845
Pension obligation bonds	348,512	-	18,079	330,433	17,210
City guaranteed special assessment district bonds	6,365	-	345	6,020	335
Accreted interest on appreciation bonds	169,923	17,973	22,606	165,290	24,688
Unamortized premium and discounts, net	18,390	15,472	7,873	25,989	1,935
TOTAL BONDS PAYABLE	975,194	162,340	293,317	844,217	67,713
Notes Payable and Capital Leases:					
Notes payable	5,330	-	2,180	3,150	1,090
Capital Leases	51,349	24,881	10,585	65,645	14,868
TOTAL NOTES & LEASES	56,679	24,881	12,765	68,795	15,958
Other Long-Term Liabilities:					
Accrued vacation and sick leave	40,310	52,065	52,678	39,697	29,856
Pledge obligation for Coliseum Authority debt	53,225	-	3,780	49,445	3,933
Estimated environmental cost	2,155	-	683	1,472	600
Self -insurance worker's compensation	83,484	35,384	32,142	86,726	24,798
Estimated claims payable	32,341	21,457	17,030	36,768	13,449
OPEB obligation	235,095	41,585	19,758	256,922	20,625
Interest rate swap agreement	9,743	-	2,200	7,543	-
TOTAL OTHER LONG-TERM LIABILITIES	456,353	150,491	128,271	478,573	93,261
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS	$ 1,488,226	$ 337,712	$ 434,353	$ 1,391,585	$ 176,932

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, 2015, $31.6 million of bonds, notes payable, and capital leases related to the internal service funds are included in the above amounts. Compensated absences obligations are financed and recorded in the appropriate governmental and proprietary funds when due.

Business-Type Activities

	Balance at June 30, 2014	obligations, interest accretion and net increased	maturities, retirements and net decreased	Balance at June 30, 2015	Amounts due within one year
Sewer fund - Bonds	$ 38,555	$ -	$ 1,925	$ 36,630	$ 1,965
Unamortized bond premium	5,144	-	343	4,801	343
Total	**$ 43,699**	**$ -**	**$ 2,268**	**$ 41,431**	**$ 2,308**

4. Annual Requirements to Maturity

Primary Government

The annual repayment schedules for all long-term debt as of June 30, 2015, are as follows (in thousands):

	Governmental Activities					
Year Ending	**General Obligation Bonds**		**Lease Revenue Bonds**		**Special Assessment District Bonds**	
June 30	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2016…………	$ 4,700	$ 7,584	$ 18,845	$ 5,290	$ 335	$ 260
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
2021-2025…..	55,350	30,020	36,265	9,025	2,045	845
2026-2030…..	42,260	18,612	17,245	873	530	582
2031-2035…..	37,300	7,857	-	-	695	401
2036-2040…..	16,730	1,633	-	-	930	152
Total	$ 206,530	$ 101,218	$ 109,955	$ 28,925	$ 6,020	$ 3,162

Year Ending	**Notes Payable**		**Capital Leases**	
June 30	**Principal**	**Interest**	**Principal**	**Interest**
2016………..	1,090	121	14,868	1,474
2017………..	2,060	53	11,973	1,124
2018………..	-	-	11,710	877
2019………..	-	-	9,549	641
2020………..	-	-	6,269	437
2021-2025…	-	-	11,276	824
Total	$ 3,150	$ 174	$ 65,645	$ 5,377

Year Ending	**Pension Obligation Bonds**			**Total**		
June 30	**Principal**	**Interest Accretion**	**Interest**	**Principal**	**Interest Accretion**	**Interest**
2016……………………….	$ 17,210	$ 24,689	$ 35,036	$ 57,048	$ 24,689	$ 49,764
2017……………………….	16,369	26,775	37,182	62,202	26,775	52,706
2018……………………….	25,274	28,807	39,162	55,204	28,807	52,894
2019……………………….	24,708	30,841	41,001	53,391	30,841	53,601
2020……………………….	24,316	32,801	42,710	50,705	32,801	54,158
2021-2025………………..	168,951	109,431	147,569	273,887	109,431	188,282
2026-2030………………..	53,605	-	1,253	113,640	-	21,320
2031-2035………………..	-	-	-	37,995	-	8,257
2036-2040………………..	-	-	-	17,660	-	1,785
Total	330,433	253,344	343,913	721,733	253,344	482,768
Less: unaccredted interest	-	(88,054)	-	-	(88,054)	
	$ 330,433	$ 165,290	$ 343,913	$ 721,733	$ 165,290	$ 482,768

Business-Type Activities		
Year Ending	Sewer Revenue Bonds	
June 30	Principal	Interest
2016.................................	$ 1,965	$ 1,680
2017.................................	2,045	1,601
2018.................................	2,125	1,519
2019.................................	2,235	1,413
2020.................................	2,275	1,368
2021-2025........................	13,050	5,186
2026-2030........................	12,935	1,656
Total	$ 36,630	$ 14,423

5. New Debt Issuance

General Obligation Refunding Bonds, Series 2015A

On June 2, 2015, the City of Oakland issued $128.9 million aggregate principal amount of City of Oakland General Obligation Refunding Bonds, Series 2015A (the "2015A Bonds") to (1) current refund all of the remaining outstanding City of Oakland General Obligation Refunding Bonds, Series 2005 (the "2005 Bonds"), (2) advance refund all of the remaining outstanding City of Oakland General Obligation Bonds, Series 2006, Measure G, (3) advance refund all of the remaining outstanding City of Oakland General Obligation Bonds, Series 2009B, Measure DD, and (4) to pay for certain costs related to the issuance of the 2015A Bonds. Additionally, the proceeds of the 2015 A Bonds used to refund the 2005 Bonds were in turn used to effect the refunding of all of the remaining outstanding Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005. The 2015A Bonds were issued with interest rates ranging from 2.00% to 5.00% producing yields ranging from 0.21% to 4.12%. The final maturity of the 2015A Bonds is June 2, 2039.

Oakland–Alameda County Coliseum Authority Lease Revenue Bonds (Oakland Coliseum Arena Project), 2015 Refunding Series A

On April 29, 2015, the Oakland–Alameda County Coliseum Authority (the "Authority') issued $79.7 million aggregate principal amount of Lease Revenue Bonds (Oakland Coliseum Arena Project), 2015 Refunding Series A (the "2015A Bonds"). The 2015A Bonds were issued to refund all of the Authority's outstanding Lease Revenue Bonds (Oakland Coliseum Arena Project), 1996 Variable Rate Lease Revenue Bonds, Series A-1 and 1996 Variable Rate Lease Revenue Bonds, Series A-2. The principal amount directly attributed to the City is $39.9 million which is one half of the outstanding par.

The 2015A Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments payable by the County and the City pursuant to a Master Lease, dated as of June 1, 1996. The base rental payments, divided equally between the County and the City, are calculated to be sufficient to pay principal of and interest on the 2015A Bonds (maximum annual amount of $19.0 million).

Master Lease - 2014 Vehicles and Equipment

On November 18, 2014, the City entered into a Master Lease-Purchase Agreement with Banc of America Public Capital Corp in the principal amount of $15.7 million to finance the acquisition of 269 pieces of equipment and vehicles. The financing was done on a tax-exempt basis with a final maturity of January 15, 2025; the interest rates on the financing range from 1.174% to 2.177%.

Master Lease – 2015 Telecommunications, Equipment Schedule 1

On March 6, 2015, the City entered into a Master Lease-Purchase Agreement with Banc of America Public Capital Corp in the principal amount of $9.2 million to finance the acquisition of 1,636 P25 radios, related accessories and professional services. The financing was done on a tax-exempt basis with a final maturity of March 1, 2020; the interest rate on the financing is 1.34%.

Oakland Redevelopment Successor Agency (ORSA)

1. Summary Schedule of Long-Term Debt

The following is a summary of long-term debt of ORSA as of June 30, 2015 (in thousands):

OAKLAND REDEVELOMENT SUCCESSOR AGENCY

Type of Obligation	Original Issued Amount	Issued Year	Maturity Fiscal Year	Interest Rate Range	June 30, 2015 Principal Balance
Tax Allocation Bonds:					
Central District Redevelopment Project					
Subordinated Tax Allocation Bonds, Series 2006T	$ 33,135	2006	2022	5.25% - 5.41%	$ 12,385
Subordinated Tax Allocation Bond Series 2009T	38,755	2009	2021	5.30% - 8.50%	32,250
Subordinated Tax Allocation Refunding Bonds, 2013	102,960	2013	2023	3% - 5%	97,560
Coliseum Area Redevelopment Project					
Tax Allocation Bonds, Series 2006B-TE	28,770	2006	2037	4.00% - 5.00%	24,615
Tax Allocation Bonds, Series 2006B-T	73,820	2006	2036	5.26% - 5.54%	63,095
Central City East Redevelopment Project					
Tax Allocation Bonds, Series 2006A-TE	13,780	2006	2037	5.00%	13,780
Tax Allocation Bonds, Series 2006A-T	62,520	2006	2035	5.26% - 5.54%	51,795
Broadway/MacArthur/San Pablo Redevelopment Project					
Tax Allocation Bonds, Series 2006C-TE	4,945	2006	2037	5.00%	4,945
Tax Allocation Bonds, Series 2006C-T	12,325	2006	2033	5.28% - 5.59%	9,910
Tax Allocation Bonds, Series 2010T	7,390	2010	2041	7.20% - 7.40%	7,240
Subtotal	378,400				317,575
Subordinated Housing Set-Aside Bonds:					
Revenue Refunding Bonds Series 2006A	2,195	2006	2019	5.00%	2,195
Revenue Bonds Series 2006A-T	82,645	2006	2037	5.03% - 5.93%	67,180
Revenue Bonds, Series 2011A-T	46,980	2011	2042	3.25% - 9.25%	43,240
Subtotal	131,820				112,615
Total Long-term Debt	$ 510,220				$ 430,190

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, 2015, the total principal and interest remaining on these TABs was estimated at $476.8 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 is 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, 2015, the total principal and interest remaining on the Housing set-aside bonds was estimated at $214.7 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.

3. Summary of Changes in Long-Term Obligations

The Changes in long-term obligations for the year ended June 30, 2015, are as follows (in thousands):

Oakland Redevelopment Successor Agency

	Balance at June 30, 2014	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2015	Amounts due within one year
Tax Allocation Bonds	$ 332,185	$ -	$ 14,610	$ 317,575	$ 21,044
Housing Set-Aside Bonds	117,605	-	4,990	112,615	5,240
Plus (less) Deferred Amounts:					
Issuance premiums	11,045	-	1,244	9,801	1,245
Issuance discounts	(2,251)	-	(136)	(2,115)	(136)
Total	$ 458,584	$ -	$ 20,708	$ 437,876	$ 27,393

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, 2015, including mandatory sinking fund payments, are as follows (in thousands):

Oakland Redevelopment Successor Agency

Year Ending	Tax Allocation Bonds		Housing Set-Aside Bonds		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 21,044	$ 17,121	$ 5,240	$ 7,535	$ 26,284	$ 24,656
2017	23,295	15,878	5,505	7,226	28,800	23,104
2018	23,650	14,526	5,840	6,876	29,490	21,402
2019	25,520	13,127	6,205	6,506	31,725	19,633
2020	26,700	11,627	6,580	6,111	33,280	17,738
2021-2025	75,830	40,270	27,020	24,221	102,850	64,491
2026-2030	39,636	28,101	12,420	18,594	52,056	46,695
2031-2035	51,680	15,662	14,190	14,752	65,870	30,414
2036-2040	28,770	2,855	19,320	9,260	48,090	12,115
2041-2042	1,450	54	10,295	973	11,745	1,027
Total	$ 317,575	$ 159,221	$ 112,615	$ 102,054	$ 430,190	$ 261,275

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, 2015 (in thousands):

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Senior and intermediate loan bonds	2033	2.25 - 5.13 %	$ 1,075,075
Notes and loans	2030	0.05 - 4.50 %	79,312
Less Deferred Amounts:			
Unamortized bond discounts and premiums, net			50,390
Total bonds, notes, and loans payable			1,204,777
Self-insurance liability - workers' compensation			12,661
Accrued vacation, sick leave and compensatory time			6,594
Environmental remediation			11,700
Other long-term liabilities			1,834
Total other long-term obligation			32,789
TOTAL COMPONENT UNIT LONG-TERM OBLIGATIONS, NET			$ 1,237,566

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 2015 pledged revenues amounted to $338,328,000.

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 2015.

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.

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, 2015, only one DBW Loan remained outstanding with a balance of $4,914,000.

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 $150,000,000 Commercial Paper program in 1998 and a further $150,000,000 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 July 1, 2013, the Port renewed both of its then-outstanding LOCs with Wells Fargo Bank National Association (Wells) and JP Morgan Chase Bank National Association (JP Morgan). Each LOC now has a maximum stated amount of $108,876,713 (principal of $100,000,000 and interest of $8,876,713) and a termination date of June 30, 2016. As of June 30, 2015, the outstanding balance of CP Notes issued under the Wells LOC is $0, while the outstanding balance of CP Notes issued under the JP Morgan LOC is $74,398,000.

The Port covenants in the LOC and Reimbursement Agreements with Wells 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 long-term obligations for the year ended June 30, 2015, are as follows (in thousands):

	Balance at July 1, 2014	Additional obligations, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2015	Amounts due within one year
Senior and intermediate lien bonds	$ 1,118,890	$ -	$ 43,815	$ 1,075,075	$ 46,000
Notes and loans	82,538	59,398	62,624	79,312	240
Plus unamortized bond discount and premium, net	56,837	(22)	6,425	50,390	6,017
Total	1,258,265	59,376	112,864	1,204,777	52,257
Accrued vacation, sick leave, and compensatory time	7,072	4,902	5,380	6,594	5,596
Environmental remediation	13,473	6,488	8,261	11,700	3,452
Self-insurance liability workers compensation	11,182	2,792	1,313	12,661	1,500
Other long-term liabilities	1,307	630	103	1,834	-
TOTAL	33,034	14,812	15,057	32,789	10,548
Total Component Unit Long-Term Obligation	$ 1,291,299	$ 74,188	$ 127,921	$ 1,237,566	$ 62,805

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, 2015, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2016	$ 67,493 [(1)]	$ 57,499	$ 124,992
2017	70,489	53,860	124,349
2018	74,465	49,564	124,029
2019	68,027	45,149	113,176
2020	54,752	42,357	97,109
2021-2025	315,397	170,629	486,026
2026-2030	371,084	84,678	455,762
2031-2033	132,680	11,624	144,304
TOTAL	$ 1,154,387	$ 515,360	$ 1,669,747

[(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 year 2016-2019 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, 2015, the City's debt limit (3.75% of valuation subject to taxation) was $1.2 billion. The total amount of debt applicable to the debt limit was $206.5 million. The resulting legal debt margin was $1.0 billion.

3. Prior Years' Debt Defeasance

In prior years, the City has 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, 2015, principal amount of defeased debt outstanding is $75.8 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, 2015 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2015
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	$ 19,800	07/01/33	$ 14,125

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 Post- Employment 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 Post- Employment 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 of Oakland 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, 2015, the City has $110.1 million in the GPF fund balance. Of this amount, $39.6 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 $86.7 million in claims liabilities as of June 30, 2015, approximately $24.8 million is estimated to be due within one year.

Changes in self-insurance workers' compensation for the years ended June 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
Beginning of year	$ 83,484	$ 80,596
Claims and changes in estimates	35,384	24,651
Claims payments	(32,142)	(21,763)
End of year	$ 86,726	$ 83,484

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, 2015, the amount of liability determined to be probable of occurrence is approximately $36.8 million. Of this amount, claims and litigation approximating $13.4 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, 2015 and 2014 are as follows (in thousands):

	2015	2014
Beginning of year	$ 32,341	$ 28,554
Claims and changes in estimates	21,457	28,165
Claims payments	(17,030)	(24,378)
End of year	$ 36,768	$ 32,341

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, 2014, 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 workers' compensation liability of $12.7 million at June 30, 2015 is based upon an actuarial study performed as of June 30, 2015 that assumed a probability level of 80% and a discount rate of 0.0%. Changes in liability, which is included as part of environmental and other, follows (in thousands):

	2015		2014	
Beginning of year	$	11,182	$	9,630
Claims and changes in estimates		2,792		3,025
Claims payments		(1,313)		(1,473)
End of year	$	12,661	$	11,182

2. General Liability - Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, automobiles 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, workers' compensation of the Port's employees and most first party exposures. During fiscal year 2015, 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.

K. JOINT VENTURE

Oakland-Alameda County Coliseum

The County is a participant with the City of Oakland (City) 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 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, 2015 is as follows (in thousands):

Type of Indebtedness	Maturity	Interest Rate	Authorized and Issued	Outstanding as of June 30, 2015
STADIUM BONDS				
2012 Refunding Series A Lease Revenue Bonds	February 1, 2025	2%-5%	$ 122,815	$ 98,890
ARENA BONDS				
2015 Refunding Series A Lease Revenue Bonds	February 1, 2026	1%-4%	79,735	79,735
			$ 202,550	$ 178,625

Debt payments during the fiscal year ended June 30, 2015 were as follows (in thousands):

	Stadium	Arena	Total
Principal	$ 7,560	$ 5,150	$ 12,710
Redemption	-	79,735	79,735
Interest	5,247	152	5,399
Total	$ 12,807	$ 85,037	$ 97,844

The following is a summary of long-term debt transactions for the year ended June 30, 2015 (in thousands):

Outstanding lease revenue bonds, July 1, 2014	$ 191,335
Lease Refunding revenue bonds in fiscal year 2015	79,735
Principal repayments	(92,445)
Outstanding lease revenue bonds, June 30, 2015	178,625
Amount due within one year	(13,265)
Amount due beyond one year	$ 165,360

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

For the Period	Stadium Bonds		Arena Bonds		Total	
Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 7,865	$ 4,945	$ 5,400	$ 7,071	$ 13,265	$ 12,016
2017	8,255	4,551	5,800	7,968	14,055	12,519
2018	8,670	4,139	6,200	8,296	14,870	12,435
2019	9,100	3,705	6,600	8,591	15,700	12,296
2020	9,555	3,250	7,000	8,838	16,555	12,088
2021-2025	55,445	8,587	43,850	49,515	99,295	58,102
2026			4,885	5,070	4,885	5,070
Total	$ 98,890	$ 29,177	$ 79,735	$ 95,349	$ 178,625	$ 124,526

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, 2015, the City made contributions of $9.89 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 fiscal year ending, June 30 2015, 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 $49.445 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.

L. Other Information

A. Defined Benefit Retirement Plans

General Information about the Pension Plans

The City has four defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and the California Public Employees' Retirement System (PERS) Public Safety Retirement Plan and Miscellaneous Retirement Plans. PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to these two plans' closure dates and certain employees hired before the closure date who elected to change plans are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to contractual arrangements or legal requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the retirement plans.

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multiple employer
Reporting entity	City	City	State
Most recent actuarial study	July 1, 2013	July 1, 2014	June 30, 2013

A.1. City Sponsored Defined Benefit Pension Plans

1. Police and Fire Retirement System (PFRS)

PFRS provides death, disability, and service retirement benefits to uniformed employees and their beneficiaries. Members who complete 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, are 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 will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). PFRS' standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the year ended June 30, 2015, there were no employee contributions. During the year ended June 30, 2014 the contribution rate was 5.47%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

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 part H to note II for additional information on pension obligation bonds.

Covered Employees- As of June 30, 2015, PFRS membership is 961, which includes 668 retirees and 293 beneficiaries.

Net Pension Liability - The City's net pension liability for PFRS is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures.

Actuarial Assumptions - A summary of significant assumptions and other inputs used to measure the total pension liability is are as follows:

Description	**Method/Assumption**
Valuation Date	July 1, 2014
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.54%
Inflation Rate, U.S.	2.75%
Inflation Rate, Bay Area	2.85%
Long-term Postretirement Benefit Increases	3.25%
Investment Rate of Return	6.54%

Mortality rates for healthy and disabled lives were based on the PERS 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 July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2014.

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 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%. The projection of cash flows used to determine the discount rate assumed that the City would contribute to the Plan based on its July 1, 2012 funding agreement with the System. 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 City Charter requirement that the 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.

Changes in the Net Pension Liability- A schedule of changes in the Net Pension Liability for the ending June 30, 2014, is presented below for the PFRS pension plan (in thousands).

		PFRS Increase (Decrease)
Balances at June 30, 2013	$	199,802
Changes for the year:		
Interest on total pension liability		42,333
Administrative expenses		776
Member contributions		(4)
Net investment income		(66,392)
Net changes		(23,287)
Balances at June 30, 2014	$	176,515

Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following table presented the net pension liability of the City for PFRS, calculated using the current discount rate for each plan, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage-point lower or one percentage-point higher. The net pension liabilities are presented in thousands:

		PFRS
Discount rate 1% lower		5.75%
Net Pension Liability	$	233,509
Current discount rate		**6.75%**
Net Pension Liability		**176,515**
Discount rate 1% higher		7.75%
Net Pension Liability	$	127,429

2. Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-year' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The standalone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, CA 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to PERS as of July 1, 2004. OMERS did not receive any employee or employer contributions during the year.

On November 4, 2014, City of Oakland voters passed Oakland Measure EE, which grants the City of Oakland Council the authority to terminate OMERS by purchasing a group annuity contract to guarantee pension payments to the remaining OMERS' retirees and beneficiaries. This measure is effective January 2015.

On January 6, 2015, City of Oakland Council passed corresponding ordinances that (1) amends OMERS Ordinance 713 and (2) terminate the OMERS Plan effective upon the successful purchase of annuities and disbursements of all funds. On February 6, 2015, the OMERS Board purchased an annuity with Pacific Life Insurance Company. OMERS was terminated effective March 31, 2015 and Pacific Life Insurance Company commenced payment of all future benefit payments to the remaining OMERS' retirees and beneficiaries. All excess funds were transferred to the City of Oakland and placed into a trust fund for any additional OMERS' expenditures or unanticipated shortfalls.

A.2. California Public Employees Retirement Systems (PERS)

Plan Description - The City of Oakland contributes to two agent multiple-employer public employee defined benefit pension plans for safety and miscellaneous members, administered by the California Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

Benefits Provided - PERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. Separate reports for the City's plans are not available. The following table summarizes the pension, disability and death benefits for the members:

	Miscellaneous Plan		Safety Plan: Fire Fighters, Fire Chief Association, Police Officers, Police Management	
Hire Date	Prior to July 17, 2010	On or After July 17, 2010	Prior to June 8, 2012	On or After June 8, 2012
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% at 50	2.70% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	57
Monthly benefits, as a percentage of eligible compensation	2.70%	2.0% - 2.418%	3.00%	2.70%
Required employee contribution rates	7.999%	7.999%	9.029%	9.029%
Required employer contribution rates	25.536%	25.536%	34.716%	34.716%

Covered Employees - As of June 30, 2015, the following employees were covered by the benefit terms of each Plan:

	Miscellaneous Plan	Safety Plan
Inactive employees or beneficiaries currently receiving benefits	3,201	922
Inactive employees entitled to but not yet receiving benefits	1,555	366
Active employees	2,446	1,034
Total	7,202	2,322

Contributions Requirements - 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 are determined annually on an actuarial basis as of June 30 by PERS. 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.

For the year ended June 30, 2014, the amount contributed to the PERS plans' were as follows (in thousands):

	Miscellaneous Plan		Safety Plan	
	2015	2014	2015	2014
Contributions - employee (paid by employer)	$ 11,860	$ 17,431	$ 13,715	$ 14,598
Contributions - employer	63,475	52,556	42,949	37,007
Total	$ 75,335	$ 69,987	$ 56,665	$ 51,605

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports; which is available at the following link:
https://www.calpers.ca.gov/docs/forms-publications/gasb-68-fiduciary-net-position.pdf.

Net Pension Liability - The City's net pension liability for each plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the plans is measured as of June 30, 2014, using annual actuarial valuations as of June 30, 2013, rolled forward to June 30, 2014, using standards update procedures.

Assumptions and Other Inputs Used to Measure the Total Pension Liability - A summary of significant assumptions and other inputs used to measure the total pension liability is shown below.

	Miscellaneous Plan	Safety Plan
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.30% to 14.20% depends on age, service, and type of employment	3.30% to 14.20% depends on age, service, and type of employment
Investment Rate of Return	7.50%	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under GASB 68 section.

The long-term expected rate of return on pension plan investments, 7.50 percent, 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. 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.

According to GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Consequently, an investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate would result in a slightly higher total pension liability and net pension liability. The difference in calculation between a 7.50 percent rate and a 7.65 percent rate was not material to the City's financial statements.

PERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require PERS Board action and proper stakeholder outreach. For these reasons, PERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017/18 fiscal year. PERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

The table below reflects the assumed asset allocation of the pension plan portfolio and the long-term expected real rate of return by asset class. These rates of return are net of administrative expenses.

	Miscellaneous Plan			Safety Plan		
Asset Class	New Strategic Allocation	Real Return Years 1 - 10	Real Return Years 11+	New Strategic Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	47.0%	5.25%	5.71%	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)	2.0	(0.55)	(1.05)

Changes in the Net Pension Liability- A schedule of changes in the Net Pension Liability for the ending June 30, 2014, is presented below for each City's pension plan (in thousands).

	Miscellaneous Plan Increase (Decrease)	Safety Plan Increase (Decrease)
Balances at June 30, 2013	$ 767,340	$ 541,159
Changes for the year:		
Service cost	37,135	34,590
Interest on total pension liability	166,822	115,261
Member contributions	(17,431)	(14,598)
Employer contributions	(52,556)	(37,007)
Net investment income	(256,552)	(175,344)
Net changes	(122,582)	(77,097)
Balances at June 30, 2014	$ 644,758	$ 464,062

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following table presented the net pension liability of the City for each plan, calculated using the current discount rate for each plan, as well as what the net pension liability would be if it were calculated using the discount rate that is one percentage-point lower or one percentage-point higher. Net pension liabilities are presented in thousands:

	Miscellaneous	Safety
Discount rate 1% lower	6.50%	6.50%
Net Pension Liability	$ 928,804	$ 695,991
Current discount rate	**7.50%**	**7.50%**
Net Pension Liability	**644,758**	**$ 464,062**
Discount rate 1% higher	8.50%	8.50%
Net Pension Liability	$ 408,742	$ 274,508

Pension Expense

For the year ended June 30, 2015, the City recognized pension expense of $47.1 million for miscellaneous plan and $40.2 million for safety plan; a total expense of $87.3 million.

Deferred Outflows of Resources and Deferred Inflows of Resources

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

	Governmental Activities	Business-Type Activities	Port	Total
Deferred outflows of resources				
Pension contributions subsequent to measurement date	$ 89,930	$ 2,929	$ 15,077	$ 107,936
Deferred inflow of resources				
Net difference between projected and actual earnings on plan investments	(193,108)	(5,285)	(29,137)	(227,530)
Total	$ (103,178)	$ (2,356)	$ (14,060)	$ (119,594)

$107.9 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Year Ended June 30,	
2016	$ (56,883)
2017	(56,883)
2018	(56,883)
2019	(56,883)
Total	$ (227,530)

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

A.3. Postemployment Benefits Other Than pension Benefits (OPEB)

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 California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% at 50 formula and miscellaneous employees retirement benefits under a 2.7% at 55 formula.

As of June 30, 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 PERS. 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 other postemployment benefit (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 PERS. 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 PERS health benefit plan on a pay-as-you-go basis. The City paid $19.8 million for retirees under this program for the year ended June 30, 2015.

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 fiscal year ended June 30, 2014 were as follows (in thousands):

Annual Required Contribution (ARC)	$39,418
Interest on net OPEB obligation	13,142
Adjustment to ARC	(10,975)
Annual OPEB cost	41,585
Employer Congtribution	(19,758)
Increase in net OPEB obligations	21,827
Net OPEB obligations, beginnning of year	235,095
Net OPEB obligations, end of year	$256,922

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):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 46,291	38.1%	$ 215,252
2014	40,476	51.0%	235,095
2015	41,585	47.5%	256,922

4. OPEB Funded Status and Funding Progress

As summarized in the table below, as of July 1, 2013, the most recent actuarial valuation date, the City's Retiree Health Plan was zero 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 and as June 30, 2014, it has begun to partially pre-fund the annual required contribution (ARC) to CERBT. As of June 30, 2015, the City has $2.2 million set aside for future liabilities.

The specific funded status for the OPEB plan is summarized in the table below, as of July 1, 2013 (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)
7/1/2013	$ 463,851	$ -	$ 463,851	0.0%	$ 322,170	144%

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. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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.

5. Actuarial Methods and Assumptions for OPEB Plan

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 fiscal year ended June 30, 2015 and the funded status as of July 1, 2013 are as follows:

Description	**Method/Assumption**
Valuation Date	July 1, 2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 years open as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market
Actuarial Assumptions:	
Discount Rate [1]	5.59%
Projected Salary Increases	2.5% per year growth
Inflation	3.00%
Demographic Rate	Retirement benefit at 3% at 50 formula for Safety employees and at 2.7% at 55 formula for Miscellaneous employees.

Health Care Cost Trends Rate	7.25% for fiscal year 2014, graded down to 5.00% for fiscal year 2025 and beyond. For post-Medicare benefits the trend rate for health claims is 6.00% for fiscal year 2014 grading down to 5.00% for 2025 and beyond. The trend for fiscal year 2013 is based on the actual known premium rate changes. The trend rate is determined by the Plan sponsor based on historical data and anticipated experience under the Plan.

[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.

Component Unit – Port of Oakland

1. Plan Description

The Port contributes 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 Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefits (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 PERS 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, 2015, there were approximately 541 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2015, the Port contributed $5.8 million to the CERBT and made payments of $7.1 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 an open 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, 2015 (in thousands):

Annual Required Contribution (ARC)	$	12,844
Interest on net OPEB obligation		729
Adjustment to ARC		(793)
Annual OPEB cost		12,780
Employer Contribution		(12,945)
Decrease in net OPEB obligation		(165)
Net OPEB obligation, beginning of year		10,414
Net OPEB obligation, end of year	$	10,249

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):

Fiscal Year Ended June 30,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 10,984	100.5%	$ 10,453
2014	12,789	100.3%	10,414
2015	12,780	101.3%	10,249

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)
7/1/2013	$ 463,851	0	$ 463,851	0.0%	$ 322,170	144%

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 2015 was based on an actuarial valuation of the Port's plan as of June 30, 2013, which amortized the Port's UAAL over a "closed" period of 30 years.

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, 2013 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 7.25%, 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.

B. COMMITMENTS AND CONTINGENCIES

1. Construction Commitments

The City has committed to funding in the amount of $293.2 million to a number of capital improvement projects for fiscal year 2016 through fiscal year 2017. As of June 30, 2015, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	$	19,655
Parks and open space		14,461
Sewers and storm drains		43,124
Streets and sidewalks		181,259
Technology enhancements		13,992
Traffic improvements		20,729
Total	$	293,221

2. Other Commitments and Contingencies

Long-Range Property Management Plan ("LRPMP")

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012, and replaced with successor agencies. Under this legislation, the Oakland Oversight Board, the California Department of Finance ("DOF") and the California State Controller's Office have varying degrees of responsibility and oversight over the dissolution process and successor agency activities. Health and Safety Code section 34179.7 provides that DOF will issue a finding of completion to a successor agency that makes required payments of available cash assets for distribution to taxing entities. On May 29, 2013, the Oakland Redevelopment Successor Agency ("ORSA"), after making its required payments, received its Finding of Completion from DOF.

On May 29, 2014, pursuant to Health and Safety Code ("HSC") section 34191.4, the California Department of Finance approved ORSA Long-Range Property Management Plan ("LRPMP") addressing the disposition and use of the former Agency properties and authorizing the disposition of properties pursuant to the plan.

Wood Street Affordable Housing Project Environmental Remediation

The Wood Street Affordable Housing Project analytical results show concentrations of arsenic, lead, total petroleum hydrocarbons as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of June 30, 2015, environmental remediation clean- up activities has not been completed yet. The ORSA has set-aside $300 thousand in escrow to cover the remaining environmental obligations.

Oakland Army Base Environmental Remediation

Land held for the Oakland Army Base project may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, the former redevelopment agency and the Port are responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. The former Agency has received a federal grant of $13.0 million to pay for the above-mentioned environmental remediation costs including a $3.5 million insurance premium. As of June 30, 2011, the former Agency has spent approximately $13.0 million on this project. $10.9 million has been reimbursed by the U.S. Department of the Army (Army). In FY 2013-14, the City received the $2.1 million from the Army.

The next $11.0 million of environmental remediation costs are to be shared equally by the City and the Port. As of June 30, 2015, the City has recorded its remaining share of $917 thousand in estimated environmental cost under long-term liabilities. The next $9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30.0 million in additional environmental remediation-related costs. The City and the Port have agreed to share equally in any environmental remediation-related costs above $21.0 million that are not covered by insurance.

As part of the City and the former Agency properties purchase and sale agreement of March 3, 2011, the Oakland Army Base operations and remediation liabilities have been transferred to the City.

In August 2013, the State Controller's Office, pursuant to Health and Safety Code section 34167.5, deemed the Oakland Army Base properties allowable and recommended for the City to transfer the Oakland Army Base assets. The City management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

Component Unit – Port of Oakland

As of June 30, 2015, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	$	74,059
Maritime		29,077
Other		78
Total	$	103,214

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area of $10.2 million, Airport Terminal Renovation projects of $61.8 million, and Phase 1 of the new rail terminal project on Port-owned OAB property of $27.0 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	2017	Take and Pay - (Pay contract price only if energy is received)	8,000 MWH	Approx. $584,000 with no annual escalator
WAPA	2024	Take or Pay - (Pay contract price without regard to energy received)	17,000 MWH	Approx. $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	Approx. $200,000 with annual escalator

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2015, approximately $5.0 million of power purchases contracts with Powerex Corporation and Shell Energy North America through December 31, 2018.

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, 2015, is as follows (in thousands):

Obligating Event	Liability	Estimated Recovery
Pollution poses an imminent danger to the public or environment	$ 449	$ 4
Identified as responsible to clean up pollution	8,286	1,633
Begins or legally obligates to clean up or post-clean up activities	2,965	191
Total by Obligating Event	$ 11,700	$ 1,828

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.

C. DEFICIT FUND BALANCES/NET POSITION AND EXPENDITURES OVER BUDGET

As of June 30, 2015, the following funds reported deficits in fund balance/net position (in thousands):

Special Revenue:	
Federal/State grant fund	$6,160
Landscape and Lighting Assessment District	290
Internal Service Funds:	
Facilities	(34,601)
Equipment	(5,221)
Reproduction	(2,676)
Central Stores	(4,526)
Purchasing	(1,351)

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, equipment, 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.

D. SUBSEQUENT EVENTS

1. Tax and Revenue Anticipation Notes

On June 10, 2015, the City issued the 2015-16 Tax and Revenue Anticipation Notes (the "Notes") Series A in the principal amount of $49,245,000, and Series B in the principal amount of $108,975,000 with final maturity for both Series on June 30, 2016. The Series A Notes were successfully sold on a competitive basis and were priced with an interest rate of 2.00% to yield 0.29% at maturity. Series A Notes were issued to finance General Fund expenditures, including, but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City. The Series B Notes were successfully sold on a competitive basis and were priced with an interest rate of 1.00% to yield 0.42% at maturity. The City intends to prepay its CalPERS pension payments for Fiscal Year 2015-16 with the proceeds of the Series B Notes. It is expected that the Notes will be available for delivery through the facilities of Depository Trust Company on or about July 1, 2015.

2. 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 July, 2020 and has an interest rate of 1.48%.

3. 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/reimplement 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%.

4. Passage of Senate Bill 107 (the Bill)

In September 2015, the State passed the Bill which contains additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill includes specific language to ORSA that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the Redevelopment Property Tax Trust Fund that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill declares that the Central District Subordinated Tax Allocations Refunding Series 2013 and Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T are finally and conclusively approved as enforceable obligations. The Bill required that remaining principal amount of the any of the loan that were previously unpaid after September 2015 shall be recalculated from the date of original of the loan on the basis at a simple interest rate of 3%.

5. Refunding of Subordinated Tax Allocation Refunding Bonds

In August 11, 2015, the ORSA issued Subordinated Tax Allocation Refunding Bonds, Series 2015-TE and Series 2015-T (the “Series 2015 Bonds”) in an aggregate principal amount of $89.2 million to refund outstanding Series 2006A Bonds, Series 2006A-T Bonds, Series 2006A-TE Bonds, Series 2006B-TE Bonds, and Series 2006C-TE Bonds. The Series 2015 Bonds were issued with interest rates ranging from 1.329% to 5.00% and will mature in September 2036. Issuance of the Bonds generated approximately $8.0 million or 7.7% in net present value of savings, which is approximately $10.3 million in debt service savings through 2037.

6. Defeased Bond Payment

On September 1, 2015, ORSA made a $33.2 million principal payment on ORSA’s Subordinated Tax Allocation Bonds, Series 2003 and 2005 defeased bonds. The remaining outstanding balance of defeased bond after the payment was $8.6 million.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS

OPEB

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 (OPEB)

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)
7/1/2010	$ 520,882,498	$ -	$ 520,882,498	0.0%	$ 310,154,816	167.9%
7/1/2012	553,530,074	-	553,530,074	0.0%	304,373,447	181.9%
7/1/2013	463,850,944 *	-	463,850,944	0.0%	322,169,792	144.0%

* 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 of Oakland PostEmployment Benefits (OPEB)

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)
1/1/2011	$ 131,327,000	$ 13,373,000	$ 117,954,000	10.2%	$ 45,248,000	261%
6/30/2011	128,906,000	19,145,000	109,761,000	14.9%	44,627,000	246%
6/30/2013	136,616,000	30,715,000	105,901,000	22.5%	47,823,000	221%

DEFINED BENEFIT PENSION PLAN
PERS
Schedule of Changes in Net Pension Liability and Related Ratios
(in thousands)

	2015 Safety	2015 Miscellaneous
Total Pension Liability		
Service cost	$ 34,590	$ 37,135
Interest on pension liability	115,261	166,822
Benfit payments, including refunds of employee contributions	(68,751)	(121,423)
Net change in total pension liability	81,100	82,534
Total pension liability - beginning	1,553,899	2,266,437
Total pension liability - ending	$ 1,634,999	$ 2,348,972
Plan fiduciary net position		
Contributions - Employer	$ 37,007	$ 52,556
Contributions - Employee	14,598	17,431
Net investment income	175,344	256,552
Benefit payments, including refunds of employee contributions	(68,751)	(121,423)
Net change in plan fiduciary net position	158,198	205,116
Plan fiduciary net position - beginning	1,012,740	1,499,097
Plan fiduciary net position - ending	$ 1,170,937	$ 1,704,213
Plan net position liability - ending	$ 464,062	$ 644,758
Plan fiduciary net positions as a percentage of the total pension liability	71.6%	72.6%
Covered-employee payroll	$ 120,396	$ 188,886
Plan net position liability as a percentage of covered-employee payroll	385.4%	341.3%

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: There were no changes in assumptions.

*Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only one year of information is shown. The measurement date for GASB Statement No. 68 purposes is June 30, 2014.

DEFINED BENEFIT PENSION PLAN
PERS
Schedule of Plan Contributions
(in thousands)

	Miscellaneous		Safety	
	2015	2014	2015	2014
Actuarially Determined Contribution	$ 63,475	$ 52,556	$ 44,120	$ 37,007
Contributions in Relation to the Actuarially Determined Contribution	(63,475)	(52,556)	(44,120)	(37,007)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 148,585	$ 188,886	$ 139,685	$ 120,396
Contributions as a Percentage of Covered-Employee Payroll	30.07%	43.65%	34.6%	30.7%

Notes to Schedule:

The significant actuarial methods and assumptions used to compute the actuarially determined annual required contributions and the funded status are as follows:

Valuation Date	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Percentage of Payroll, closed
Remaining amortization period	21 years
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment rate of return	7.50%, net of pension plan investment and administrative expenses; including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of Retirement 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 2015 was the first year of implementation of GASB Statement No. 68, therefore only one year of information is shown above.

Oakland Police and Fire Retirement System

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios *(in thousands)*

	2015	2014
Total Pension Liability		
Interest (includes interest on service cost)	$ 41,263	$ 42,333
Differences between expected and actual experience	(21,209)	-
Changes of assumptions	34,219	-
Benfit payments, including refunds of employee contributions	(59,008)	(57,409)
Net change in total pension liability	(4,734)	(15,076)
Total pension liability - beginning	640,323	655,399
Total pension liability - ending	$ 635,589	$ 640,323
Plan fiduciary net position		
Contributions - Member	$ -	$ 4
Net investment income	15,439	66,392
Benefit payments, including refunds of employee contributions	(59,008)	(57,409)
Administrative expense	(985)	(776)
Net change in plan fiduciary net position	(44,554)	8,212
Plan fiduciary net position - beginning	463,808	455,596
Plan fiduciary net position - ending	$ 419,254	$ 463,808
Plan net position liability - ending	$ 216,335	$ 176,515
Plan fiduciary net positions as a percentage of the total pension liability	66.0%	72.4%
Covered-employee payroll	$ -	$ -
Plan net position liability as a percentage pf covered-employee payroll	N/A	N/A

Note: This is a 10-year schedule. Information for additional years will be presented when available.

Oakland Police and Fire Retirement System
Schedule of Employer Contributions
(*in thousands*)

	2015*	2014
Actuarially Determined Contribution	N/A	$ 20,300
Contributions in Relation to the Actuarially Determined Contribution	-	-
Contribution Deficiency (Excess)	N/A	$ 20,300
Covered-Employee Payroll	$ -	$ -
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A

* Although an actuarial valuation was performed as of June 30, 2013 and June 30, 2014, no Actuarially Determined Contribution was determined for 2015, based on the City's funding policy.

In July 2012 the City of Oakland contributed $210 million in Pension Obligation Bond (POBs) proceeds to the Plan.

Notes to Schedule

Valuation Date	July 1, 2012
Timing	Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the Plan year.

Key Methods and Assumptions Used to Determine Contributions:

Actuarial Cost Method	Entry Age Normal		
Asset Valuation Method	Recognizes 20% differences 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)		
Discount Rate	6.75%	**U.S. Inflation**	3.25%
Bay Area Inflation	3.375%		
Projected Benefit Increases	Following expiration of current MOUs (June 30, 2015 for Police, October 31, 2017 for Fire):		
	Police - 2% per year, 3% per year for 3 year, then 3.975% (Bay Area inflation plus 0.60% productively increase) per year.	Fire - 3% per year for 3 years, 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 (Disability)	CalPERS Industrial Disability Mortality Table (from 1997 - 2007 experience study) projected to improve with Scale AA using 2010 base year.		

CITY OF OAKLAND
Required Supplementary Information (unaudited)
For the Year Ended June 30, 2015

Budgetary Comparison Schedule - General Fund

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 206,508	$ 206,508	$ 228,072	$ 21,564
Sales and use tax	47,433	47,433	48,827	1,394
Motor vehicle in-lieu tax	-	-	177	177
Local taxes:				
Business license	60,616	60,616	66,677	6,061
Utility consumption	50,000	50,000	50,594	594
Real estate transfer	53,000	53,000	62,665	9,665
Transient occupancy	14,883	14,883	16,898	2,015
Parking	8,178	8,178	9,337	1,159
Franchise	15,535	15,535	17,921	2,386
Licenses and permits	1,945	1,944	1,573	(371)
Fines and penalties	23,860	23,862	23,146	(716)
Interest and investment income	715	715	695	(20)
Charges for services	79,408	81,225	82,461	1,236
Federal and state grants and subventions	4,234	4,767	8,003	3,236
Annuity income	9,624	9,624	2,648	(6,976)
Other	914	1,048	3,899	2,851
TOTAL REVENUES	576,853	579,338	623,593	44,255
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	1,980	2,004	1,980	24
Council	3,848	3,966	3,761	205
City Administrator	14,984	21,534	15,668	5,866
City Attorney	11,799	17,049	12,123	4,926
City Auditor	1,561	1,571	1,620	(49)
City Clerk	1,963	3,734	3,414	320
Administrative Service Department:				
Human Resource Management	5,712	6,764	5,871	893
Financial Services	24,416	28,044	22,666	5,378
Information Technology	10,454	12,520	9,104	3,416
Public Safety Department:				
Police	210,574	214,981	218,143	(3,162)
Fire	116,567	118,034	113,553	4,481
Community Service Department:				
Parks and Recreation	19,144	18,652	20,071	(1,419)
Library	9,264	9,266	9,141	125
Health and Human Services	5,701	6,853	5,935	918
Housing and Community Development Department:				
Planning and Building	518	1,023	502	521
Economic and Workforce Development	8,258	9,171	7,775	1,396
Housing & Community Development	1,783	7,490	2,330	5,160
Public Works	38,462	42,934	38,703	4,231
Other	11,611	12,022	6,581	5,441
Capital outlay	2,208	10,480	4,323	6,157
Debt service:				
Principal repayment	4,727	6,158	5,613	545
Bond issuance costs	-	-	200	(200)
Interest charges	519	519	629	(110)
TOTAL EXPENDITURES	506,053	554,769	509,706	45,063
EXCESS OF REVENUES OVER EXPENDITURES	70,800	24,569	113,887	89,318
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	4,000	4,000	309	(3,691)
Insurance claims and settlements	-	1,682	5,477	3,795
Transfers in	69,659	84,546	2,842	(81,704)
Transfers out	(143,075)	(152,147)	(110,428)	41,719
TOTAL OTHER FINANCING SOURCES AND USES	(69,416)	(61,919)	(101,800)	(39,881)
NET CHANGE IN FUND BALANCE	1,384	(37,350)	12,480	49,437
Fund balances - beginning	257,209	257,209	257,209	-
FUND BALANCES - ENDING	$ 258,593	$ 219,859	$ 269,689	$ 49,437

Budgetary Comparison Schedule – Other Special Revenue Fund

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 15,059	$ 15,059	$ 15,369	$ 310
Local taxes:				
Voter approved special tax	17,667	17,667	18,047	380
Parking	3,633	3,633	4,671	1,038
Transient occupancy	3,991	4,671	9,061	4,390
Licenses and permits	13,551	13,551	20,824	7,273
Fines and penalties	1,015	1,015	493	(522)
Interest and investment income	10	166	466	300
Charges for services	17,942	17,942	19,793	1,851
Federal and state grants and subventions	1,443	1,681	2,101	420
Other	319	1,217	1,687	470
TOTAL REVENUES	74,630	76,602	92,512	15,910
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	66	82	36	46
City Administrator	1,341	2,371	896	1,475
City Attorney	1,345	1,308	1,148	160
Agencies/Departments:				
Finance	545	565	902	(337)
Information Technology	591	510	475	35
Police Department	14,568	14,048	16,388	(2,340)
Fire	8,917	9,512	7,719	1,793
Community Service Department:				
Parks and Recreation	-	507	440	67
Library	17,425	17,829	16,697	1,132
Human Services Department	19,369	26,887	19,222	7,665
Community and Economic Devolopment:				
Planning and Building Department	22,771	28,050	22,093	5,957
Economic & Workforce Development	499	905	504	401
Housing & Community Development	1,605	4,974	4,111	863
Public Works	4,151	6,032	4,105	1,927
Other	6,009	3,914	4,087	(173)
Capital outlay	432	7,049	194	6,855
TOTAL EXPENDITURES	99,634	124,543	99,017	25,526
EXCESS (DEFICIENCY) OF REVENUES	(25,004)	(47,941)	(6,505)	41,436
OVER (UNDER) EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers in	26,374	27,512	15,301	(12,211)
Transfers out	(715)	(736)	-	736
TOTAL OTHER FINANCING SOURCES (USES)	25,659	26,776	15,301	(11,475)
NET CHANGE IN FUND BALANCES	655	(21,165)	8,796	29,961
Fund balance - beginning	23,879	23,879	23,879	-
FUND BALANCES - ENDING	$ 24,534	$ 2,714	$ 32,675	$ 29,961

(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 2014, the City Council approved the FY 2014-15 Mid-Cycle Adjusted Budget which adopted changes to the FY 2013-15 biennial budget. The final budgetary data presented in the required supplementary information reflects approved changes to the adopted 2014-15 mid-cycle 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 Grants 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, 2015, was $0.

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	$ 12,480
Amortization of debt service deposit agreement	-
Net change in fund balance - Budgetary basis	$ 12,480

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2015, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2015 - GAAP basis	$ 266,331
Unamortized debt service deposit agreement	3,358
Fund balance as of June 30, 2015 - Budgetary basis	$ 269,689

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 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, 2015, 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 15, 2015. Our report includes a reference to other auditors who audited the financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), as described in our report on the City's financial statements. The financial statements of OMERS and PFRS were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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 15, 2015

Certified Public Accountants

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

Independent Auditor's Report on Compliance for
Each Major Federal Program and on Internal Control Over Compliance

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, 2015. 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 $44,802,569 federal awards which are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2015. Our audit, described below, did not include the operations of the Port because we were engaged to perform a separate audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133).

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133. Those standards and OMB Circular A-133 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 Staffing for Adequate Fire and Emergency Response Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding CFDA No. 97.083, Staffing for Adequate Fire and Emergency Response program as described in finding number 2015-002 for Allowable Costs/Cost Principles. 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 Staffing for Adequate Fire and Emergency Response 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 Staffing for Adequate Fire and Emergency Response program for the year ended June 30, 2015.

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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-003 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Oakland, California
March 31, 2016

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CITY OF OAKLAND
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pased 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	$ 506,543	$ -
Summer Food Service Program for Children	10.559	E116-01	280,328	140,871
TOTAL U.S. DEPARTMENT OF AGRICULTURE			786,871	140,871
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-06-0013	9,893,917	2,155,778
Emergency Solutions Grant Program	14.231	E-12-MC-06-0013	14,524	3,360
Emergency Solutions Grant Program	14.231	E-13-MC-06-0013	57,058	37,218
Emergency Solutions Grant Program	14.231	E-14-MC-06-0013	562,089	554,944
Subtotal Emergency Solutions Grant Program			633,671	595,522
Home Investment Partnerships Program	14.239	M13-MC-06-0208	1,328,746	90,308
Home Investment Partnerships Program	14.239	M14-MC-06-0208	3,990,286	-
Subtotal Home Investment Partnerships Program			5,319,032	90,308
Housing Opportunities for Persons with AIDS	14.241	CA-H10-F001	161,770	161,770
Housing Opportunities for Persons with AIDS	14.241	CA-H11-F001	639,367	639,367
Housing Opportunities for Persons with AIDS	14.241	CA-H12-F001	1,323,399	1,277,499
Housing Opportunities for Persons with AIDS	14.241	CA-H13-F001	1,033,926	1,020,703
Housing Opportunities for Persons with AIDS	14.241	CA-H14-F001	34,193	18,438
Subtotal Housing Opportunities for Persons with AIDS			3,192,655	3,117,777
Community Development Block Grants/Brownfields				
Economic Development Initiative	14.246	E-95-EZ-06-0001	505,649	236,712
Continuum of Care Program	14.267	CA0103L9T021205	67,235	64,761
Continuum of Care Program	14.267	CA0096L9T021205	3,238	-
Continuum of Care Program	14.267	CA0106L9T021205	19,079	13,157
Continuum of Care Program	14.267	CA0103L9T021306	181,403	172,861
Continuum of Care Program	14.267	CA0096L9T021306	1,263,318	1,204,276
Continuum of Care Program	14.267	CA0106L9T021306	685,138	639,123
Continuum of Care Program	14.267	CA0093L9T021306	192,029	184,058
Continuum of Care Program	14.267	CA0096L9T021407	729,885	727,414
Continuum of Care Program	14.267	CA0093L9T021407	73,769	73,769
Subtotal Continuum of Care Program			3,215,094	3,079,419
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			22,760,018	9,275,516

See notes to the schedule of expenditures of federal awards

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2015

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				
Direct Programs				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2010-PB-FX-K011	$ 86,565	$ -
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	2010-CZ-BX-0066	274,906	139,261
Subtotal Juvenile Justice and Delinquency Prevention - Allocation to States			361,471	139,261
Federal Surplus Property Transfer Program	16.578	CA0010900	251,254	-
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0332	224,679	-
Public Safety Partnership and Community Policing Grants	16.710	2011ULWX0002	1,716,968	-
Public Safety Partnership and Community Policing Grants	16.710	2013ULWX0010	1,093,681	-
Public Safety Partnership and Community Policing Grants	16.710	2014ULWX0028	778,120	-
Subtotal Public Safety Partnership and Community Policing Grants			3,813,448	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ14-10-7503	13,267	-
Forensic Casework DNA Backlog Reduction Program	16.743	2011-MU-BX-K572	177,608	-
Forensic Casework DNA Backlog Reduction Program	16.743	2012-DN-BX-0054	118,621	-
Forensic Casework DNA Backlog Reduction Program	16.743	2013-DN-BX-0123	215,252	-
Forensic Casework DNA Backlog Reduction Program	16.743	2014-DN-BX-0014	110,152	-
Subtotal Forensic Casework DNA Backlog Reduction Program			621,633	-
Passed Through County of Alameda				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0275	254,487	-
TOTAL U.S. DEPARTMENT OF JUSTICE			5,315,560	139,261
U.S. DEPARTMENT OF LABOR				
Passed through Senior Service America, Inc.				
Senior Community Service Employment Program	17.235	SCSEP-233	973,639	-
Passed through State of California, Employment Development Department				
WIA Cluster				
WIA Adult Program	17.258	K491034	717,268	318,037
WIA Adult Program	17.258	K594777	1,291,240	979,456
Subtotal WIA Adult Program			2,008,508	1,297,493
WIA Youth Activities	17.259	K491034	635,797	305,155
WIA Youth Activities	17.259	K594777	1,061,126	944,503
Subtotal WIA Youth Program			1,696,923	1,249,658
WIA/WIOA Dislocated Worker Formula Grants	17.278	K491034	563,359	522,984
WIA/WIOA Dislocated Worker Formula Grants	17.278	K594777	1,438,149	1,229,950
Subtotal WIA/WIOA Dislocated Worker Formula Grants			2,001,508	1,752,934
Subtotal WIA Cluster			5,706,939	4,300,085
TOTAL U.S. DEPARTMENT OF LABOR			6,680,578	4,300,085

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 TRANSPORTATION				
Passed through State of California, Department of Transportation				
Highway Planning and Construction	20.205	SR2SL-5012(102)	$ 9,469	$ -
Highway Planning and Construction	20.205	STPLZ-5012(037)	843,931	-
Highway Planning and Construction	20.205	STPLZ-5012(090)	34,602	-
Highway Planning and Construction	20.205	STPLZ-5012(093)	11,769	-
Highway Planning and Construction	20.205	STPL-5012(094)	6,517	-
Highway Planning and Construction	20.205	STPLZ-5012(124)	13,127	-
Highway Planning and Construction	20.205	STPL-5012(027)	119	-
Highway Planning and Construction	20.205	CML-5012(106)	21,639	-
Highway Planning and Construction	20.205	HSIPL-5012(117)	138,252	-
Highway Planning and Construction	20.205	HSIPL-5012(118)	58,394	-
Highway Planning and Construction	20.205	HSIPL-5012(119)	15,590	-
Highway Planning and Construction	20.205	HSIPL-5012(126)	33,996	-
Highway Planning and Construction	20.205	HSIPL-5012(129)	16,533	-
Highway Planning and Construction	20.205	BMP-5012(121)	351,279	-
Highway Planning and Construction	20.205	STPLZ-5012(028)	83,710	-
Highway Planning and Construction	20.205	STPLZ-5012(103)	95,501	-
Subtotal Highway Planning and Construction			1,734,428	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			1,734,428	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program				
Head Start				
Head Start	93.600	09CH9006/42	3,777	-
Head Start	93.600	09CH9006/43	2,083,019	1,138,538
Head Start	93.600	09CH9006/44	16,800,295	4,411,302
Subtotal Head Start			18,887,091	5,549,840
Passed through State of California, Department of Community Services and Development				
Community Services Block Grant	93.569	14F-3002	749,491	431,610
Community Services Block Grant	93.569	15F-3002	432,650	223,656
Subtotal Community Services Block Grant			1,182,141	655,266
Passed through State of California, Department of Aging				
Medical Assistance Program	93.778	MS-1415-01	1,345,274	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			21,414,506	6,205,106

CITY OF OAKLAND
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2015

Federal Grantor/Passed through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs				
Foster Grandparents/Senior Companion Cluster				
Foster Grandparent Program	94.011	09SFPCA010	$ 29,484	$ -
Senior Companion Program	94.016	09SCPCA010	288,493	-
Subtotal Foster Grandparents/Senior Companion Cluster			317,977	-
TOTAL U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			317,977	-
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2013-CA-K00009	602,376	-
National Urban Search and Rescue (US&R) Response System	97.025	EMW-2014-CA-K00043	655,655	-
Subtotal National Urban Search and Rescue (US&R) Response System			1,258,031	-
Assistance to Firefighter Grant	97.044	2003-313OES#001-000	5,626	-
Assistance to Firefighter Grant	97.044	EMW-2013-FO-06976	215,768	-
Subtotal Assistance To Firefighter Grant			221,394	-
Port Security Grant Program	97.056	2010-PU-T0-K050	766,893	-
Port Security Grant Program	97.056	EMW-2013-PU-00509	63,156	-
Port Security Grant Program	97.056	2014-CBRNE	340,108	-
Subtotal Port Security Grant Program		.	1,170,157	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2012-FH-00338	5,063,749	-
Passed through County of Alameda Sheriff's Office				
Homeland Security Grant Program	97.067	ALCO-2012	126,955	-
Homeland Security Grant Program	97.067	ALCO-2014	25,200	-
Passed through City and County of San Francisco				
Homeland Security Grant Program	97.067	2013 SUASI	479,968	-
Homeland Security Grant Program	97.067	2014-SS-00093-PA	244,612	-
Homeland Security Grant Program	97.067	2014-SS-00093-PD	81	-
Subtotal Homeland Security Grant Program			876,816	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			8,590,147	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 67,600,085	$ 20,060,839

CITY OF OAKLAND
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

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, 2015. 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 defined 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 $44,802,569 of federal awards during the year ended June 30, 2015. 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.

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.

CITY OF OAKLAND

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
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?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for the allowable costs/cost principles requirement of the Staffing for Adequate Fire and Emergency Response (CFDA No. 97.083) program, which was qualified.
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

Program Title	CFDA Number
• Community Development Block Grants (CDBG)/Entitlement Grants	14.218
• Public Safety Partnership and Community Policing Grants	16.710
• Head Start	93.600
• Community Services Block Grant	93.569
• Medical Assistance Program	93.778
• National Urban Search and Rescue (US&R) Response System	97.025
• Staffing for Adequate Fire and Emergency Response	97.083

Dollar threshold used to distinguish between Type A and Type B programs:	$2,028,003
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

No findings were reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2015-001 Subrecipient Monitoring

Federal Program Title:	Community Development Block Grants (CDBG)/Entitlement Grants
Federal Catalog Number(s):	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A – direct award.
Federal Award Number(s):	B-14-MC-06-0013

Criteria:
Pursuant to Code of Federal Regulations, Title 24, sections 85.40(a) and 570.501(b), grant recipients must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. The use of designated public agencies, subrecipients, or contractors does not relieve the grant recipient of this responsibility. The grant recipient is also responsible for determining the adequacy of performance under subrecipient agreements and procurement contracts, and for taking appropriate action when performance problems arise.

For those subrecipients that are required to obtain single audit reports in accordance with OMB Circular A-133, the City, as the pass-through entity, is also required to ensure that the audits are performed, and must follow-up on the resolution of all reported findings and questioned costs.

Condition:
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 perfom monitoring for 1 subreceipient during the year.

Cause:
Management attributes the lack of monitoring for subreceipients to be an oversight from the former Program Manager.

Effect:
The City did not comply with the requirement to monitor subrecipients to ensure their compliance with federal grant requirements. Key monitoring requirements include obtaining and reviewing the subrecipient's single audit report and verifying the subrecipient is not suspended or debarred from receiving federal funds.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2015-001 (continued)

Questioned Costs:
Federal funds passed through to the subrecipient in question totaled $192,427 for fiscal year 2014-15.

Recommendation:
We recommend that the City revisit its evaluation process of whether outside agencies receiving federal funds from the City are subrecipients or contractors. While the City is ultimately responsible for monitoring the outside agencies' compliance with applicable requirements, different requirements apply to subrecipients and contractors.

Management Response and Corrective Action:
Staff agrees with the recommendation and will revisit its evaluation process of whether outside agencies receiving federal funds from the City are subrecipients or contractors to ensure the City meets its responsibility for monitoring the outside agencies' compliance with applicable requirements.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2015-002 Allowable Costs/Cost Principles

Federal Program Title:	Staffing for Adequate Fire and Emergency Response
Federal Catalog Number(s):	97.083
Federal Agency:	U.S. Department of Homeland Security
Pass-Through Entity:	N/A – direct award.
Federal Award Number(s):	EMW-2012-FH-00338

Criteria:
The grant agreement EMW-2012-FH-00338 outlines the total amount awarded for the period between March 9, 2013 to September 8, 2015 and lists the estimated budget for object classes for this grant of personnel and fringe benefits only.

Condition:
During our review of the reconciliation of program expenditures to the SEFA, we noted that 43 transactions amounting to $286,334 related to indirect costs that were not included in the grant budget. As stated in the grant award, the grantee may not change or make any material adjustments from the approved scope of work outlined in the referenced sections of the application wihout prior written approval, via an amendment request, from the grantor.

Cause:
The improper inclusion of indirect costs was due to oversight. The City submitted quarterly draw down requests based on the total expenditures in the general ledger, which included indirect costs.

Effect:
The City improperly included indirect costs for reimbursement, and is thus not in compliance with the grant awards to only have personnel and fringe benefit disbursements.

Questioned Costs:
Questioned costs of $286,334 have been removed from the SEFA. However, the City had received payment from the U.S. Department of Homeland Security for the improperly claimed amount.

Recommendation:
We recommend that the City take measures to ensure that terms of the grant awards are more carefully monitored. The City should also notify and seek instructions from the U.S. Department of Homeland Security about the overpayment.

Management Response and Corrective Action:
The cause for the inclusion of the unallowable cost was an error. Program staff acknowledges that in Article 1 of the agreement, any deviation from the detail of award by object class requires approval from FEMA and there are no amounts allowed for indirect costs. The City is in the process of reimplementing Oracle (Release 12), which will now have the functionality of the Grants Module to facilitate this tracking and ensure unallowable costs are not included. The implementation is projected to be completed in October 2016.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2015-003 Federal Funding Accountability and Transparency Act Reporting

Federal Program Title:	Community Development Block Grants/Entitlement Grants
Federal Catalog Number(s):	14.218
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Entity:	N/A – direct award.
Federal Award Number(s):	B-14-MC-06-0013

Criteria:
The Federal Funding Accountability and Transparency Act (FFATA), which was signed on September 26, 2006, requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website www.USASpending.gov. The FFATA Subaward Reporting System (FSRS) is the reporting tool federal prime grantees use to capture and report subaward and executive compensation data regarding their first-tier subawards to meet the FFATA reporting requirements.

Prime grantees are required to report each first-tier subaward or subaward amendment that results in an obligation of $25,000 or more in federal funds by the end of the month following the month in which the subcontract award or modification occurs.

Condition:
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 within the prescribed timeline.

Cause:
This has been a repeat finding since fiscal year 2011-12. HCD's corrective action was to establish a more solid procedure to ensure future FFATA report submissions completed within the prescribed timeframe. However, the corrective action was not implemented.

Effect:
The City is not in compliance with the FFATA reporting requirement.

Questioned Costs:
None noted. The FFATA report captures subaward information and does not affect program expenditures.

Recommendation:
We recommend that the City establish more solid procedures to ensure that future FFATA report submissions are made within the prescribed timeframe.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2015-003 (continued)

Management Response and Corrective Action:
We concur. Staff is in the process of hiring a Communty Development Program Coordinator, a job announcement for the Community Development Block Grant (CDBG) Manager will be released. The Communty Development Program Coordinator will work to keep up with the various HUD, FSRS, FFATA, contracting, reporting and other deadlines inherit with the management of CDBG.

Reference Number:	**Federal Award Finding 2014-001**
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 did not submit the required reports for subawards with obligation dates of September 2, 2013 until November of 2014. As such, the City did not submit the reports by within the prescribed timeline.
Status of Corrective Action:	Corrective action has not been implemented. See current year at 2015-003.

Reference Number:	**Federal Award Finding 2014-002**
CFDA number(s)/ Program Name(s):	16.710 – Public Safety Partnership and Community Policing Grants
Audit Finding:	The City entered into a memorandum of understanding (MOU) with the Oakland Unified School District (OUSD) to support the Oakland Secondary School Safety Project. During Phase II of the Project, which took place in fiscal year 2014, OUSD was responsible for procuring and monitoring a contractor to perform the work for the project. The City's role with respect to Phase II was that of a fiscal agent. The City would directly pay the contractor for costs incurred upon receipt of the contractor's invoices approved by OUSD. The MOU expired on August 31, 2010. Although the City continued to monitor OUSD and the costs incurred under the MOU, the City's payments to the contractor during fiscal year 2013-14 were effectively made under an expired MOU.
Status of Corrective Action:	Corrective action has been implemented. On July 31, 2015, the City provided the U.S. Department of Justice an official response to finding 2014-002. The corrective action included updating the Oakland Police Department internal contracts tracker on a monthly basis, or as changes occur. Reviewing and updating the grant checklist for all active grant awards on a quarterly basis. Completing the Grants Financial Management Online training by August 31, 2015 and creating a detailed Grants Managmenet Handbook for key personnel.

Reference Number:	**Federal Award Finding 2014-003**
CFDA number(s)/ Program Name(s):	14.218 – Community Development Block Grants/Entitlement Grants
Audit Finding:	The City incurred expenditures under two grant awards for the Community Development Block Grants/Entitlement Grants (CDBG) program, which is administered by the Department of Housing and Community Development. Expenditures in the amount of $57,566 related to award number B-11-MN-06-0005 were incurred after the grant expiration date of March 9, 2014. The questioned amount consists of $37,296 in personnel and operations and maintenance (O&M) costs and $20,270 in contract service expenditures.
Status of Corrective Action:	Corrective action has been implemented. Staff will also continue to work with the Budget Office to establish a way to assign unique project numbers in Oracle to funded activities each year.

Reference Number:	**Federal Award Finding 2014-004**
CFDA number(s)/ Program Name(s):	14.218 – Community Development Block Grants/Entitlement Grants
Audit Finding:	During our audit of the Community Development Block Grant/Entitlement Grants (CDBG) program administered by the Department of Housing and Community Development, we selected 5 of 22 subrecipients for the program and noted that the City did not perform monitoring for 1 subrecipient during the year. The subrecipient in question was a public agency that administered the Minor Home Repair Program on the City's behalf. Services included property inspections, specification and authorization of repairs, selection of contractors, and inspection of completed repairs.
Status of Corrective Action:	Corrective action has been implemented. The City follows the U.S. Department of Housing and Urban Development's "Basically CDBG for Entitlements" guide (chatper 2, sections 2.2.4 and 2.2.9) for classifications of subrecipients and contractors.

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SUPPLEMENTARY SCHEDULES

CITY OF OAKLAND
Supplemental Schedule of Revenue and Expenditures

STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY SERVICE AND DEVELOPMENT (CSD)
COMMUNITY SERVICE BLOCK GRANT (CSBG)-CFDA NO. 93.569
CONRACT NO. 14F-3002, PROJECT NO.
For the Period January 1, 2014 to June 30, 2015

	Jan. 1, 2014 through June 30, 2014	July 1, 2014 through June 30, 2015	Total Actual	Total Reported [1]	Total Budget
Revenue					
Grant Amount	$ 518,015	$ 740,840	$ 1,258,854	$ 1,258,854	$1,258,856
Expenditures					
Personnel Costs					
Salaries and Wages	$ 123,689	$ 125,533	$ 249,222	$ 251,962	$ 252,402
Fringe Benefits	112,150	109,663	221,813	219,907	216,751
Subtotal Personnel Costs	235,839	235,196	471,035	471,869	469,153
Non-Personnel Costs					
Operating Expenses	1,262	6,354	7,616	22,304	23,069
Travel	2,921	14,792	21,857	9,835	10,000
Sub-Contractors	273,267	439,120	712,386	735,111	737,090
Other Costs	4,726	50,029	45,960	19,735	19,544
Subtotal Non-Personnel Costs	282,176	510,295	787,819	786,985	789,703
Total Expenditures	$ 518,015	$ 745,491	$ 1,258,854	$ 1,258,854	$1,258,856

[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 SERVICE AND DEVELOPMENT (CSD)
COMMUNITY SERVICE BLOCK GRANT (CSBG)-CFDA NO. 93.569
CONTRACT NO. 15F-2002, PROJECT NO. G464010/21
For the Period January 1, 2015 to June 30, 2015

	Actual	Total Reported [1]	Total Budget
Revenue			
Grant Amount	$ 432,650	$ 432,650	$ 1,270,145
Expenditures			
Personnel Costs			
Salaries and Wages	$ 73,997	$ 73,997	$ 249,786
Fringe Benefits	69,194	69,193	255,478
Subtotal Personnel Costs	143,191	143,190	505,264
Non-Personnel Costs			
Operating Expense	294	12,445	30,044
Travel	4,411	3,410	5,000
Sub-Contractors/Consultants	263,181	263,180	692,551
Other Costs	21,573	10,422	37,286
Subtotal Non-Personnel Costs	289,459	289,457	764,881
Total Expenditures	$ 432,650	$ 432,647	$ 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.

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF ALAMEDA COUNTY AWARDS
For the year ended June 30, 2015

Alameda County Award/Program Title	Contract Number	Exhibit/PO Number	Expenditures
Department of Adult and Aging Services			
Information and Assistance (Outreach)	12337	SOCSA-900163	$ 49,288
Total Department of Adult and Aging Services			49,288
Department of Workforce and Benefits Administration			
Henry J. Robinson Multi-Service Center	9396	SOCSA-900163	310,257
Total Department of Workforce and Benefits Administration			310,257
Total Alameda County Awards			$ 359,545