



**CITY OF OAKLAND - MEASURE DD FUND**

Financial Statements

As of June 30, 2006 and for the Period August 6, 2003 through June 30, 2006

(With Independent Auditors' Report Thereon)

**WILLIAMS, ADLEY & COMPANY, LLP**

Certified Public Accountants  
and  
Management Consultants



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**June 30, 2006**

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**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Members of the  
City Council of the City of Oakland

We have audited the accompanying financial statements of the City of Oakland's (the City) Measure DD Fund as of June 30, 2006 and for the period August 6, 2003 through June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements present only the City's Measure DD Fund, and do not purport to, and do not, present fairly the financial position of the City of Oakland, as of June 30, 2006 and the changes in its financial position for the period August 6, 2003 through June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City's Measure DD Fund as of June 30, 2006 and the changes in financial position thereof for the period from August 6, 2003 through June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

*Williams, Adley & Company, LLP*

January 12, 2007

CITY OF OAKLAND - MEASURE DD FUND

Balance Sheet

June 30, 2006

	<u>Governmental Fund Type</u>
	<u>Capital Projects Fund</u>
Assets	
Investments with fiscal agent	\$ 59,170,275
Interest receivable	356,482
Total assets	<u>\$ 59,526,757</u>
Liabilities	
Accounts payable	\$ 1,507,148
Due to City of Oakland	2,733,110
Total liabilities	<u>4,240,258</u>
Fund balance	
Reserved for encumbrances	33,092
Unreserved, designated	50,411,042
Unreserved	4,842,365
Total fund balance	<u>55,286,499</u>
Total liabilities and fund balance	<u>\$ 59,526,757</u>

See accompanying notes to financial statements.

**CITY OF OAKLAND - MEASURE DD FUND**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the period August 6, 2003 through June 30, 2006**

		<u>Governmental Fund Type</u>
		<u>Capital Projects Fund</u>
Revenues:		
Investment income	\$	4,671,701
Total revenues		<u>4,671,701</u>
Expenditures:		
Salaries and wages		1,940,505
Fringe benefits		1,352,232
Overhead		939,775
Contract services		10,749,591
Services and supplies		17,958
Travel and education		3,341
Bond issuance costs		760,000
Capital acquisition		4,681,332
Cultural arts expenditures		123,396
Miscellaneous services		327,072
Total expenditures		<u>20,895,202</u>
Deficiency of revenues over expenditures		(16,223,501)
Other financing sources (uses):		
Series 2003A bonds issued		71,450,000
Premium on issuance of bonds		586,927
Transfers out		<u>(526,927)</u>
Total other financing sources (uses)		71,510,000
Net change in fund balances		55,286,499
Fund balances, beginning of year		-
Fund balances, end of year	\$	<u><u>55,286,499</u></u>

See accompanying notes to financial statements.

**CITY OF OAKLAND – MEASURE DD FUND**  
**Notes to Financial Statements**  
**June 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***General***

City of Oakland voters approved Measure DD during the November 2002 election. This measure authorized the City of Oakland (the City) to issue \$198,250,000 in bonds creating an Oakland Trust for Clean Water and Safe Parks. On August 6, 2003, the City issued \$71,450,000 of General Obligation Bonds, Series 2003A, Measure DD (Series 2003A Bonds). The projects financed by the bond proceeds are reported in the City's Measure DD fund.

The Measure DD fund is accounted for as a capital projects fund of the City. Programs funded by Measure DD include projects to (1) improve Lake Merritt, the Lake Merritt channel, the estuary and inland creeks in Oakland; (2) improve, renovate and construct youth and public recreational facilities; (3) rehabilitate and acquire parks, open space and other recreational, safety and maintenance facilities; and (4) provide safe public access to Lake Merritt, the Lake Merritt channel and the estuary.

The financial statements of the Measure DD Fund present only the financial activities of the Measure DD Fund and are not intended to fairly present the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

***Measurement Focus and Basis of Accounting***

The accompanying 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 available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred and is expected to be liquidated with expendable available resources.

***Pooled Cash and Investments***

Income on pooled assets is allocated to the individual fund based on the fund's average daily balance in relation to total pooled assets. Relevant information about the separate portion of the investment pool related to Measure DD Funds is not available. Investments are generally carried at fair value. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2006, basic financial statements. That report may be obtained by writing to the Financial Services Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

**CITY OF OAKLAND – MEASURE DD FUND**  
**Notes to Financial Statements**  
**June 30, 2006**

***Investments with Fiscal Agents***

Investments with fiscal agents represent the proceeds from debt that are restricted for the payment of debt or for use in approved projects and are held by agreement with fiscal agents. Funds are invested according to the investment policy adopted by the City Council. Investments are generally carried at fair value.

***Derivatives***

The City's investment policy permits investments in certain derivatives. There were no derivatives included in the investment pool as of June 30, 2006.

***Fund Balances***

Reservations of fund balances indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use. Encumbrances outstanding at fiscal year end are reported as reservation of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported balances. Accordingly, actual results could differ from those estimates.

**2. INVESTMENTS**

Investments for the Measure DD Fund are invested in accordance with the investment policy of the City, which is government by provisions of the California Government Code and the City's Municipal Code.

As of June 30, 2006, the Measure DD fund had the following investments:

	<u>12 Months or</u>		<u>Total Fair</u>	
	<u>Less</u>	<u>1-3 Years</u>	<u>Value</u>	<u>Credit Rating</u>
Money Market Funds	\$ 342,042	-	342,042	Aaa
Investment Agreement	-	58,828,233	58,828,233	Aa
Total	<u>\$ 342,042</u>	<u>58,828,233</u>	<u>59,170,275</u>	



**CITY OF OAKLAND – MEASURE DD FUND**  
**Notes to Financial Statements**  
**June 30, 2006**

The investments are exposed to the following risks:

***Interest Rate Risk***

This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the City's policy that the maximum maturity for any one investment shall not exceed five (5) years unless authority for such investment is expressly granted in advance by the City Council.

***Credit Risk***

Credit risk is the risk that the issuer/counterparty to an investment will be unable to fulfill its obligations. State law restricts the types of investments that can be purchased and the most effective method for minimizing the risk of default by an issuer is to invest in high-quality obligations. The credit ratings of the investments were provided by Moody's Investor Service.

***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, a government will 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.

***Concentration of Credit Risk***

This risk represents the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

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 revenue anticipation notes. Information regarding the characteristics of the City's investments can be found in the City's June 30, 2006, basic financial statements. That report may be obtained by writing to the Financial Services Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

**CITY OF OAKLAND – MEASURE DD FUND**  
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**June 30, 2006**

**3. DUE TO CITY OF OAKLAND AND TRANSFERS**

***Due to City of Oakland***

Payroll costs and related benefits, and internal charges are paid by the City. The amounts due to the City as of June 30, 2006, represent amounts advanced on behalf of the Measure DD Fund for such costs.

***Transfers Out***

The Measure DD Fund transferred funds to the debt service fund for Measure DD in accordance with the official statement for the Series 2003A Bonds.

**4. CULTURAL ARTS EXPENDITURES**

Cultural Arts expenditures include all expenditures for decorative artwork that relate to the Measure DD projects.

**5. FUND BALANCE DESIGNATIONS**

The following fund balance designations represent that portion of unreserved fund balance that is not available for appropriation based on management's plans for future use of the funds.

Lake Merritt projects	\$	19,525,292
Oakland waterfront projects		12,870,380
Lake Merritt channel projects		3,180,249
Youth and public recreation facilities projects		8,495,188
Creeks and waterways restoration projects		3,595,688
Public art projects		757,273
Administration		1,986,972
Total	\$	<u>50,411,042</u>

**6. COMMITMENTS AND CONTINGENCIES**

The City of Oakland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for its general liability; workers' compensation, malpractice liability, general, and auto liability and has excess reinsurance with the California State Association of Counties.