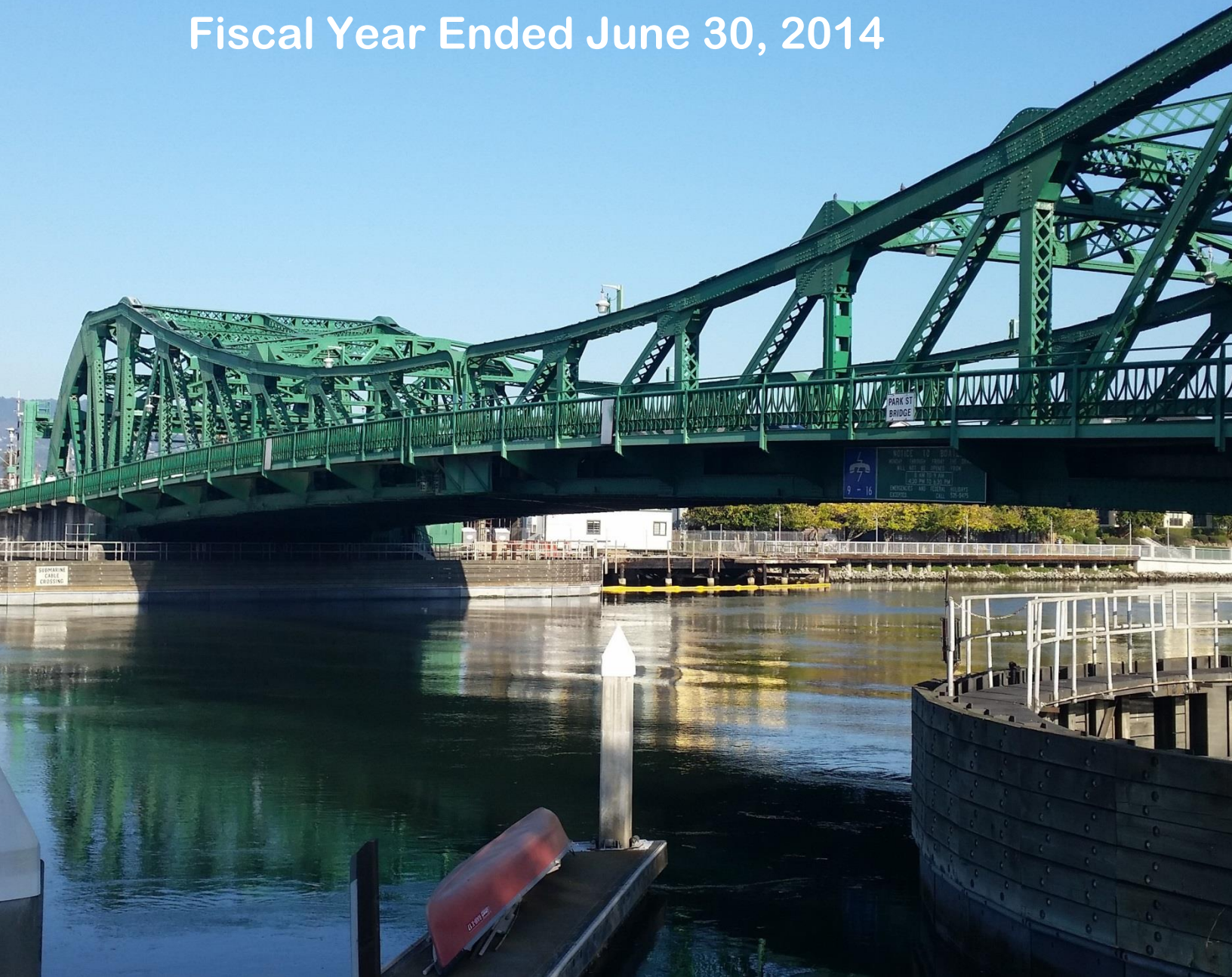




Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



CITY OF ALAMEDA, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY THE
FINANCE DEPARTMENT









City of Alameda, California

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For the Fiscal Year Ended June 30, 2014
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Finance Department
2263 Santa Clara Avenue, Room 220
Alameda, California 94501
(510) 747-4881

December 1, 2014

Honorable Mayor and
Members of the City Council

We are pleased to present the City of Alameda (City) Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2014. The information in this Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes an unqualified opinion on the report by the City's independent certified public accountants. Although we rely on the standards and expertise of these external authorities, the responsibility for the accuracy and fairness of this report rests with the City.

For those readers interested in a more detailed review of the City's financial statements, a narrative section called the Management's Discussion and Analysis (MDA) has been included as part of the Financial Section. The MDA reports on the financial highlights of the City and provides additional analysis on the variances and trends reported as part of the financial statements. The MDA also discloses significant items affecting the financial condition of the City and is designed to be read in conjunction with this letter of transmittal.



City Profile

The City was incorporated in 1854 and is located in Alameda County, a growing region in the eastern portion of the San Francisco Bay Area. The City has a permanent staff of 500 City employees (including Alameda Municipal Power) and serves approximately 76,000 residents in a land area of 10.61 square miles, plus 12.3 square miles of water.

The City operates utilizing the Council-Manager form of government. The Mayor and four Council members are elected at large for staggered four-year terms to govern the City. The City Treasurer and City Auditor are also elected for four-year terms. The City Council is responsible for establishing policies, adopting a biennial budget, appointing commissions and committees, and hiring the City Manager, City Attorney and City Clerk. The City Manager is responsible for implementing the Council's policies, overseeing the day-to-day operations of the City, and appointing the directors of the City's departments.

City departments and areas of responsibility are comprised of the following:

General Government includes staff and activities associated with the City Council, City Manager, City Clerk, City Attorney, Information Technology, and Risk Management.

Administrative Services includes Central Services, Finance and Human Resources.

Community Services includes the City's Library Department and the Park and Recreation Department, which operates the Senior Center and manages the contract for the Golf Complex.

Community Development includes Building, Economic Development, Housing and Planning.

Public Safety includes Police with its Communications, Patrol, Investigations, and Traffic and Parking Enforcement divisions, as well as Fire with its Emergency Services, Prevention Services and Ambulance Transport divisions.

Public Works includes Engineering, Transportation Operations, Street, Storm Drains and Sewer Maintenance.

Economic Condition and Outlook

The City has been able to maintain General Fund reserves in excess of the City Council's established level of 20% of expenditures during the past few fiscal years, and to present a balanced budget for the General Fund for FY 14-15. This has been achieved through a combination of structural budget reductions, use of one-time funds, and the use of a small portion of available General Fund reserves. While we see the economy recovering and several General Fund revenue categories have significantly improved, we continue to expect General Fund deficits in the foreseeable future. Factors contributing to those deficits include:



- New Miscellaneous / Safety PERS rates that include the projected effect of the recent changes made by CalPERS to their amortization and smoothing policies, which was to smooth changes to the rate over a five year period instead of a fifteen year period. CalPERS will be implementing these changes over a five year period, beginning in FY 15-16, and are incorporated in the City's five year projections;
- The rising cost of health care albeit at a slower pace than previous years; and
- New agreed upon salary increases for all employees with projected increases of 4.1% in 2014, 4.0% in 2015, 2% in 2016 and 0% for 2017, based upon increases realized in specified tax revenues for the General Fund.

As in years past, staff will be working with the City Council to address anticipated shortfalls as part of the preparation of the City's two year budget for Fiscal Years 15-16 and 16-17.

Accounting System and Budgetary Control

Note 1 in the Basic Financial Statements provides a detailed explanation of the City's significant accounting policies. Internal accounting controls are designed to provide reasonable assurance regarding safeguarding of assets against loss, accuracy and reliability of accounting data, and adherence to prescribed policies. The concept of reasonable assurance recognizes that the cost of a control measure should not exceed benefits likely to be derived and that the evaluation of costs and benefits require estimates and judgments by management.

Every two years, departments work with the City Manager and Finance Department to submit operating budget requests for the next two fiscal years. The City Manager and Assistant City Manager then make

recommendations to the City Council regarding the budget. After public discussion and evaluation of their recommendations, the City Council adopts the budget for the next two fiscal years.

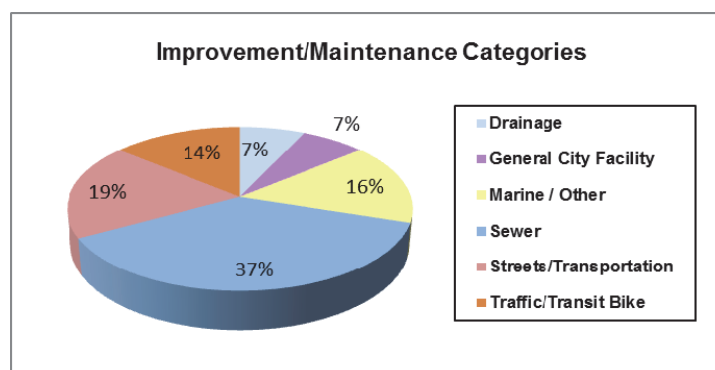
Expenditures are controlled at the fund level for all budgeted departments within the City. At this level, expenditures may not legally exceed appropriations. The City Manager or his designee is authorized to transfer funds between departments within the same fund, and to limit expenditures in response to lower than expected revenues whenever necessary. The budgets are adopted on a basis substantially consistent with GAAP. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the City Council.

Major Initiatives and Projects

As part of the budget preparation process, the City Council articulates goals and objectives for the next two years and evaluates the progress made on the goals established as part of the previous budget. The following represent some of the most significant goals established for Fiscal Years 2013-14 and 2014-15:

- Enforce fiscal sustainability in all City programs and services;
- Facilitate the reuse and redevelopment of former federal lands at Alameda Point;
- Adopt Performance Measures to provide the City Council objective tools to evaluate the services the City provides;
- Develop a plan to address and reduce the City's OPEB liability; and
- Build a new Emergency Operations Center and adjacent Fire Station #3, and plan for Resiliency after a major emergency.

The City's Capital Improvement and Maintenance Budget totals \$23.8 million for FY 2013-2014 and is allocated to the following types of projects:



The largest portion of capital projects is for improvements to the City's sewer system, resulting from recent mandates from the Environmental Protection Agency (EPA).

Honorable Mayor and
Members of the City Council

December 1, 2014

Some of the specific projects underway in Fiscal Year 2013-14 included the following:

- Cyclic Sewer Repair (\$2.3 million)
- Sewer Pump Station Upgrades (\$1.98 million)
- Street Pavement Management Program (\$3.1 million)
- Sidewalk Repair Program (\$525,400)
- Shoreline / Westline Drive Bikeway Design (\$66,000)
- Chuck Corica Golf Course Renovation (\$70,000)
- Emergency Operations/Fire Station 3 Design (\$182,600)
- City-wide Tree Pruning (\$602,000)
- Estuary Park Field Design (\$50,000)
- McKinley Park Building Renovations (\$48,000)

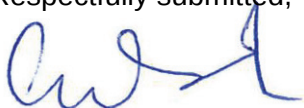
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the 24th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City was required to produce a report that met their high standards for reporting, as well as one that adhered to GAAP and other legal requirements. A Certificate of Achievement is valid for one year only. It is anticipated that the current CAFR will continue to meet the Certificate of Achievement Program's requirements.

The City also received the GFOA's Distinguished Budget Presentation Award for its two-year budget document for FY 2013 and 2014. In order to qualify for the Award, the City's budget document had to meet specific criteria as a policy document, a financial plan and a communications device.

This CAFR was prepared by the City's Finance Department staff. This report is representative of the staff's ongoing commitment to provide excellent service to Alameda residents. Thanks are also extended to the independent auditors of Maze and Associates for their review of this report, and to the City Council, City Manager, City Treasurer and City Auditor for their stewardship and commitment to assist in ensuring the long-term fiscal health of the City.

Respectfully submitted,



Elizabeth D. Warmerdam
Assistant City Manager



Mayor Marie Gilmore
Vice Mayor Marilyn Ezzy Ashcraft
Councilmember Lena Tam
Councilmember Stewart G. Chen
Councilmember Tony Daysog

ELECTED OFFICIALS



Kevin Kearney, City Auditor



Kevin Kennedy, City Treasurer

CHARTER OFFICERS

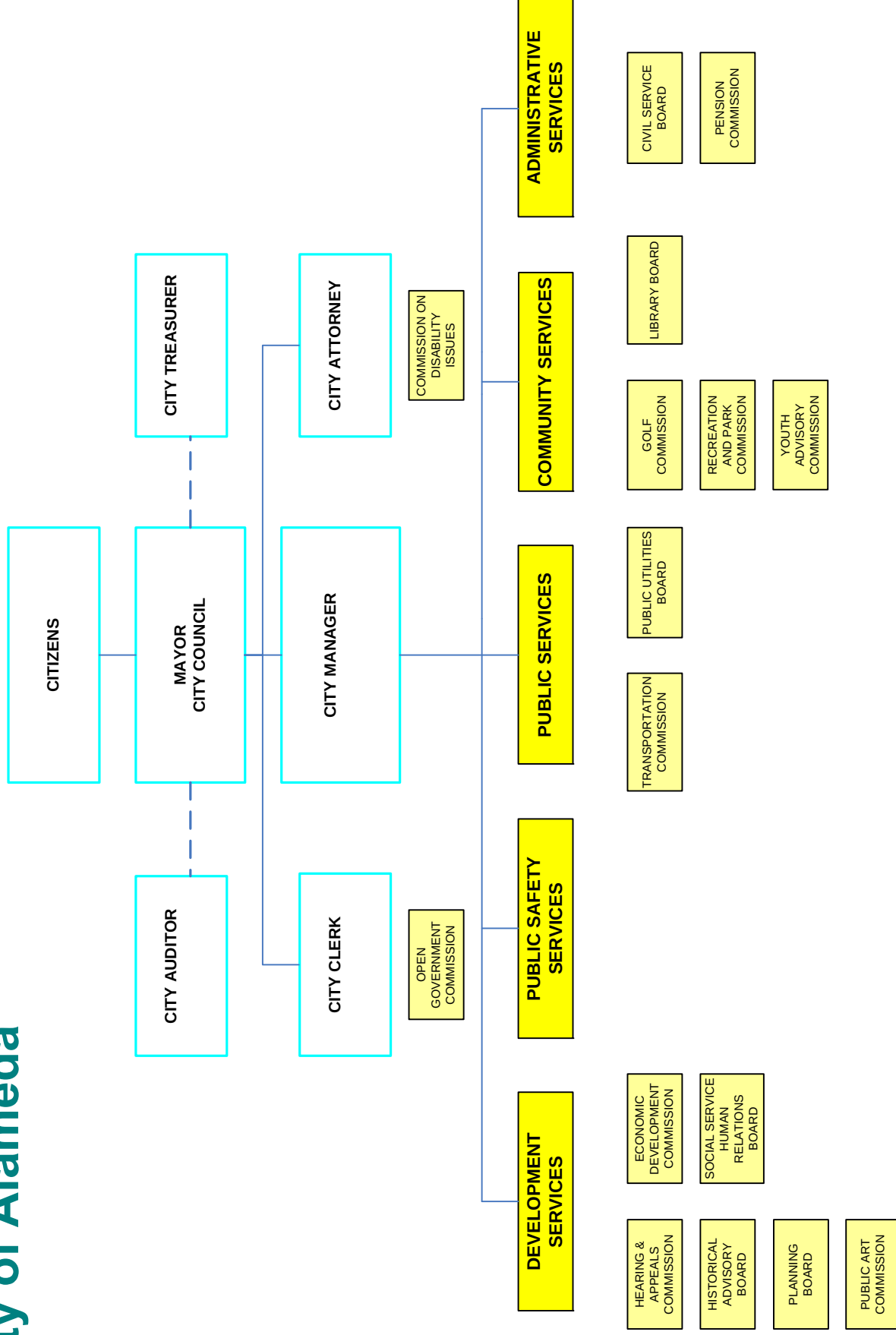
City Manager, John A. Russo
City Attorney, Janet Kern
City Clerk, Lara Weisiger

EXECUTIVE MANAGEMENT TEAM

Assistant City Manager, Elizabeth Warmerdam
Assistant City Manager, Alex Nguyen

Chief of Police, Paul Roller
Chief Operating Officer, Alameda Point, Jennifer Ott
Community Development Director, Debbie Potter
Fire Chief, Mike D'Orazi
General Manager, Alameda Municipal Power, Ronald V. Stassi
Finance Director, Fred Marsh
Library Director, Jane Chisaki
Public Works Director, Bob Haun
Recreation and Park Director, Amy Wooldridge

City of Alameda



The City of Alameda, incorporated April 19, 1854, is a 10.6 square mile island city located in the San Francisco Bay. Alameda has a population of 74,640. The City of Alameda is seven miles east of San Francisco, and less than one mile west of the City of Oakland, directly west of Interstate 880. Alameda is a brief drive north of Oakland International Airport, which borders the City on the southeast.





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Alameda
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO







INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Alameda, California

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Alameda (City), California, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the component unit financial statements of the Alameda Municipal Power, which represents 18% and 75% of the assets and revenues and 32% and 29% of liabilities and expenses of the reporting entity, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these auditors.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 City'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 City'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 report of the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates 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 by us and other auditors. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, 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.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
October 15, 2014

This management overview and analysis of the City's financial activities and performance is being presented for the fiscal year ended June 30, 2014. The information presented herein should be considered in conjunction with that presented in the Transmittal Letter contained within the Introductory Section of this report, and the Basic Financial Statements for the City.

Overview of the City's Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components further described in more detail:

- **Government-Wide Financial Statements** – These include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the City as a whole and about the overall financial condition of the City in a manner similar to a private-sector business.
- **Fund Financial Statements** – These statements provide additional information about the City's major funds, including how services were financed in the short term and fund balances available for financing future projects.
- **Notes to the Financial Statements** – The notes provide additional detail that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents other required supplementary information, including budgetary comparison information on the City's General Fund.

Financial Highlights

- The City had net position at June 30, 2014 of \$402 million. Of this amount, \$23 million (5.7%) is unrestricted and represents assets available for future uses, including projected future equipment replacement needs. The balance (94.3%) relates to the City's investment in its fixed assets or is legally restricted for specific activities and projects.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$95 million. Of the total fund balance, \$66 million (70%) is either restricted, committed or assigned, indicating it is not available for new expenditures as it has been legally committed to or otherwise set aside for future uses. The remaining \$29 million (30%) constitutes the fund balance accounted for in the City's General Fund, available for future programs, projects, and services, subject to action by the City Council.
- The City Council has established a policy for uncommitted reserves at a minimum of 20% of General Fund expenditures for costs associated with economic and other uncertainties. At June 30, 2014, the unassigned fund balance (i.e. available funds) is \$29 million which represents 40% of General Fund expenditures.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. They provide information about the activities of the City as a whole, and present a longer-term perspective of the City's finances. The Statement of Net Position presents information on all City assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position serve as a useful indicator of whether the financial position of the City is improving.

The Statement of Activities presents information showing the manner in which 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 actually occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, uncollected taxes and unused vacation or other compensated leave).



In the government-wide financial statements, the City's activities are reported in three categories:

Governmental Activities – includes most of the City's services such as public safety, public works, planning and building, community services, housing and general government support. Property taxes, sales and use taxes, state subventions and fees for service finance most of these activities.

Business-type Activities – includes the sewer system, where fees for service principally finance the activity.

Discretely Presented Component Units – Alameda Municipal Power is a legally separate reporting entity, but is important because the City is financially accountable for this entity.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control of resources that have been segregated for specific activities or objectives. The City uses fund accounting to show compliance with finance-related legal requirements. For governmental activities, these statements indicate how these services were financed in the short-term, as well as what remains for future spending. All funds of the City of Alameda can be divided into 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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. This information may be useful in evaluating a government's ability to meet its near-term financial 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are classified as major funds:

- General Fund
- FISC Lease Revenue
- Base Reuse
- Housing Special Revenue
- Parking Special Revenue
- City Hall and Library Bonds Debt Service
- Capital Improvement Projects



In this reporting period, the City Hall and Library Bonds Debt Service Fund has also been included as a Major Governmental Fund. During this fiscal year, the existing bonds were refunded leading to a designation as a major fund.

Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements included elsewhere in this report.

The City adopts an annual appropriated budget of revenues and expenditures for all funds. Budgetary comparison statements have been provided as required supplementary information to demonstrate compliance with the budget.

Proprietary funds. The City's one proprietary fund is its Sewer fund. It is used to account for activities financed and operated in a manner similar to a private enterprise. Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the City's own programs. The accounting used for these funds is similar to that used for governmental funds. These funds are reported in a separate statement of fiduciary net position.

Government Activities Financial Analysis

Net position may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$336.1 million at the close of FY13-14, an increase of \$9.1 million or 2.8% from FY12-13. Information on net position is presented in the summary table on the following page:

Summary of Net Position
June 30, 2014 and 2013
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current / Other Assets	\$139	\$122	\$31	\$31	\$170	\$153
Capital Assets	291	294	53	49	344	343
Total Assets and Deferred Outflow of Resources	\$430	\$416	\$84	\$80	\$514	\$496
Long-term Liabilities	\$74	\$69	\$16	\$17	\$90	\$86
Other Liabilities	20	19	2	2	22	21
Total Liabilities and Deferred Inflow of Resources	\$94	\$88	\$18	\$19	\$112	\$107
Net Position:						
Net Investment in Capital Assets	\$249	\$234	\$36	\$32	\$285	\$266
Restricted	64	65	30	30	94	95
Unrestricted	23	28			23	28
Total Net Position	\$336	\$327	\$66	\$62	\$402	\$389

The largest portion of the City's net position (70%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to the community. Net position invested in capital assets, net of debt, increased by \$14 million during the year due to acquisition of new assets not funded by debt. Long-Term Liabilities also increased by \$4 million due to an increase in the City's Net OPEB obligation.

The amount of net position invested in capital assets, net of related debt, is reported as a distinct component of net position because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, because the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position, that portion of the City's net position (23%) subject to restrictions on how they may be used, decreased \$1 million this year. Unrestricted net position, the portion of the City's net position which should be available for use, has remained the same from year to year. There was a \$1 million increase in other liabilities. A summary of Changes in Net position is presented on the following page:

City of Alameda, California
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Summary of Changes in Net Position
June 30, 2014 and 2013
(dollars in thousands)

	Governmental Activities		Business-Type		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$34,257	\$31,782	\$9,734	\$8,967	\$43,991	\$40,749
Operating Grants & Contributions	6,417	7,435			6,417	7,435
Capital Grants and Contributions	3,189	3,504			3,189	3,504
General Revenues						
Property Taxes	38,089	32,836			38,089	32,836
Special Assessments	-	1,843			-	1,843
Sales Taxes	6,260	5,932			6,260	5,932
Utility Users Tax	8,500	9,096			8,500	9,096
Other Taxes	17,820	15,319			17,820	15,319
Use of Money and Properties	5,068	4,039	338	33	5,406	4,072
Other	4,428	1,531		5	4,428	1,536
Total Revenues	124,028	113,317	10,072	9,005	134,100	122,322
Expenses						
General Government	15,041	13,570			15,041	13,570
Police	30,848	30,432			30,848	30,432
Fire	27,866	27,375			27,866	27,375
Public Works	14,344	12,665			14,344	12,665
Community Development	15,947	20,805			15,947	20,805
Community Services	6,995	8,296			6,995	8,296
Housing	2,005	1,222			2,005	1,222
Interest on Long-Term Debt	2,308	1,409			2,308	1,409
Sewer Services			5,339	5,126	5,339	5,126
Total Expenses	115,354	115,774	5,339	5,126	120,693	120,900
Change in Net Assets Before Transfers	8,675	(2,457)	4,733	3,879	13,407	1,422
Transfers, Net	418	269	(418)	(269)	-	-
Change, Net	9,093	(2,188)	4,315	3,610	13,408	1,422
Beginning Net Assets, as restated	326,968	329,156	61,684	58,074	388,652	387,230
Ending Net Position	\$336,061	\$326,968	\$65,999	\$61,684	\$402,060	\$388,652

Revenues increased approximately \$11 million or 9.5%. The primary contributors were increases in Charges for Services (\$3 million), Property Taxes (\$5 million), and Other Revenues (\$3 million). Total Expenses decreased slightly despite increases in General Government and Public Works which were offset by a similar decrease in Community Services. A summary of Expense and Revenues by Program for Governmental Activities is shown on the following page:

Expense and Program Revenue - Governmental Activities

Fiscal Year 2013-2014

(dollars in thousands)

	Expense	Revenue	Net Difference
General Government	\$15,041	\$9,821	(\$5,220)
Police	30,848	2,201	(28,647)
Fire	27,866	3,393	(24,473)
Public Works	14,344	12,444	(1,900)
Community Development	15,947	11,141	(4,806)
Community Services	6,995	3,487	(3,508)
Housing	2,005	1,374	(631)
Interest on Long-Term Debt	2,308	-	(2,308)
	\$115,354	\$43,861	(\$71,493)

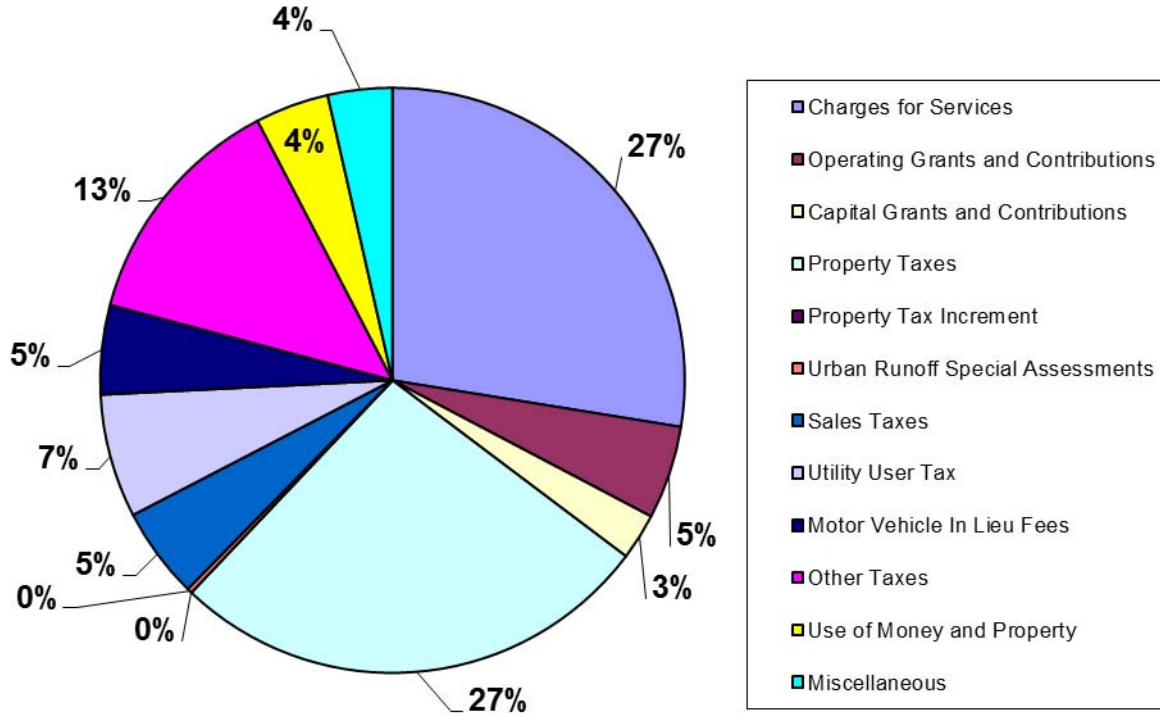
Revenues by Source - Governmental Activities

(dollars in thousands)

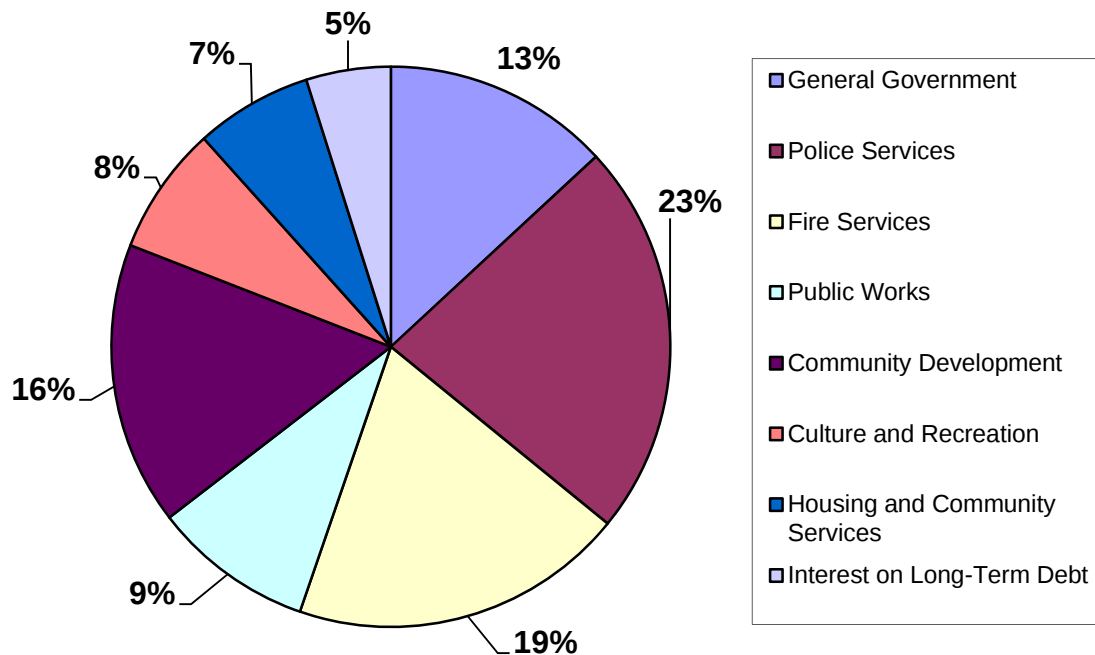
	2014	2013	Difference
Charges for Services	\$34,257	\$31,782	\$2,475
Operating Grants and Contributions	6,417	7,435	(1,018)
Capital Grants and Contributions	3,189	3,504	(315)
Property Taxes	38,089	32,836	5,253
Urban Runoff Special Assessments	-	1,843	(1,843)
Sales Taxes	6,260	5,932	328
Utility User Tax	8,500	9,096	(596)
Motor Vehicle In Lieu Fees	6,128	5,898	230
Other Taxes	11,692	9,421	2,271
Use of Money and Property	5,068	4,039	1,029
Miscellaneous	4,428	1,531	2,897
	\$124,028	\$113,317	\$10,711



Revenues by Source - Governmental Activities



Expenses by Function - Governmental Activities



Business-type Activities Financial Analysis

Sewer Fund - Net position of the Sewer Fund at June 30, 2014, was \$66 million, including a net position invested in capital assets, net of related debt, of \$36 million. The remaining \$29 million is available to fund operations and future sewer related improvement and maintenance projects. The Sewer fund generated income of \$10 million and incurred \$6 million of expenditures, for a net increase in assets of \$4 million.

Business-type Activity Fiscal Year 2013-2014 (dollars in thousands)

	Revenue	Expense	Net
Sewer	\$10,072	\$5,757	\$4,315

Revenues by Source Business-type Activities (dollars in thousands)

	2014	2013	Difference
Charges for Services	\$9,734	\$8,967	\$767
Unrestricted Investment Earnings/Rents	338	33	305
Miscellaneous Revenues		6	(6)
	<u>\$10,072</u>	<u>\$9,006</u>	<u>\$1,066</u>

Financial Analysis of the Government's Funds

As previously noted, the City of Alameda uses fund accounting methodology to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Alameda'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 of Alameda's financing requirements. In particular, *unassigned fund balance* serves as a useful measure of a government's net resources available for expenditures at the end of the fiscal year.



As of June 30, 2014, the City of Alameda's governmental funds reported combined ending fund balances of \$95 million, an increase of \$14 million (17%) from the prior fiscal year. Approximately \$29 million or 31% of the combined ending fund balance constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remaining balance is either *restricted*, *committed* or *assigned* to indicate that it is *not* available for new spending because it has been

committed to: liquidate contracts and purchase orders from the prior fiscal period; pay debt service; or fund future uses.

The General Fund is the chief operating fund of the City. At June 30, 2014, unassigned fund balance (cash reserve) of the General Fund was \$29 million; the total fund balance, including restricted, committed and assigned resources, was \$31 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41% of total General Fund expenditures and transfers. The fund balance of the City of Alameda's General Fund increased by approximately \$8 million from the prior fiscal year (33%) due to property tax revenues, other local taxes, and charges for current services received by the City.

The FISC Lease Revenue Special Revenue Fund had a fund balance of \$3 million at June 30, 2014, as a result of repayment of the \$3 million advance from the Sewer Enterprise. Fund balance increased by \$3 million during the year due to the repayment of the advance.

The Base Reuse Special Revenue Fund had a restricted fund balance of \$4 million at June 30, 2014. Fund balance increased by \$1 million primarily due to a decrease in operating expenditures.

The Parking Fund had a restricted fund balance of \$0.4 million at June 30, 2014, to be used for future parking projects within the City. The Housing Special Revenue Fund had a committed fund balance of \$1 million at June 30, 2014. Fund balance decreased \$1 million primarily due to one-time expenditures incurred for affordable housing projects.

The City Hall and Library Bonds Debt Service Fund is included in this analysis as a result of the inflows and outflows in Fiscal Year 2013-14. Two issues were refinanced during the fiscal year resulting in proceeds and premium from the issuance of debt totaling \$19 million. Revenues from property taxes and interest on investments as well as transfers in totaled \$3 million. Expenditures for principal and interest were \$20 million. The restricted fund balance as of June 30, 2014 was \$1 million.

The Capital Improvement Projects Fund has a total fund balance of \$6 million as of June 30, 2014, all committed for current and future capital projects. The fund incurred \$10 million for capital projects during FY13-14, including the following:

- Street Resurfacing
- South Shore Lagoon Dredging
- Harbor Bay Lagoon Gate Repair
- Resurface Tennis Courts
- Fire Station 3 Replacement Phase 2
- Sidewalk Maintenance Program
- Storm Drain Upgrades
- Sewer Infrastructure Improvements
- Replace LED Lights in Pavement



Proprietary Funds. The City of Alameda's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. During Fiscal Year 2013-14, there was one proprietary fund, the Sewer Fund. Its restricted net position at June 30, 2014 was \$30 million.

Internal Service Funds. The Worker's Compensation Insurance Fund net asset deficit reflects future claims liabilities maturing in five to ten years. Other Internal Service Funds have net positions to offset this deficit.

Unrestricted net positions (deficits) at June 30, 2014 are as follows by fund:

(dollars in thousands)

Internal Service Fund	Unrestricted Net Assets
Equipment Replacement	\$3,680
Central Services	85
Fleet Maintenance	176
Technology Services	1,307
Facilities Maintenance	1,946
Worker's Compensation Insurance	(2,785)
Risk Management Insurance	722
Unemployment Insurance	368
OPEB / Vacation	3,541
	\$9,040



Capital Assets and Long Term Debt

Capital Assets

The City of Alameda's investment in capital assets for its governmental and business-type activities, as of June 30, 2014, totals \$343 million (net of accumulated depreciation), a small decrease from the prior year. Investment in capital assets includes land, buildings and systems improvements, machinery and equipment, sewer lines, park facilities and streets. Additional information about the City's capital assets can be found in Note 5 of this report.



Long-term Debt

At June 30, 2014, the City had \$61 million in outstanding debt, including \$12 million in Certificates of Participation, and \$32 million in Revenue and General Obligation Bonds, leases and loans. The Sewer Fund had \$17 million in loans and Revenue Bonds outstanding.

The summary schedule below shows outstanding debt as of June 30, 2014.

Outstanding Debt (dollars in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Certificates of Participation	\$12,258	\$10,700		\$2,160	\$12,258	\$12,860
Revenue Bonds	11,400	11,700	\$14,566	14,715	25,966	26,415
General Obligation Bonds	9,097	8,925			9,097	8,925
HUD Section 108 Loan	6,191	6,355			6,191	6,355
Other Long Term Obligations	4,773	5,086	2,441	796	7,214	5,882
Total	\$43,719	\$42,766	\$17,007	\$17,671	\$60,726	\$60,437

Additional information on the City of Alameda's long-term debt can be found in Note 6 of this report.

Economic Outlook

At the time these financial statements were prepared and audited, the City was aware of the following items that could significantly impact its financial health in the future:

- During Calendar Year 2012, the City entered into new employment agreements with most of its bargaining groups, which included changes for amounts paid for pension and health benefits and other special pays. The projected costs/savings from each of these new agreements have been incorporated into the City's budget for Fiscal Years 2014-15.

- The City offers post-employment health benefits to its retirees, as described in Note 10. The type and value of this benefit is a bargained benefit. Miscellaneous employees receive the minimum payment required by the Public Employees Medical Coverage Health Agreement (PEMCHA); and sworn public safety employees receive the employer paid premium of the PEMCHA provided health insurance and dental insurance for retirees and spouses. The City had a third party prepare an updated actuarial study in 2013 of these benefits and their future costs, which projects the City's liability to be about \$91 million, based on a 4.0% return and a 30 year period. If the City experiences returns lower than 4.0%, this liability could rise in the future.



- The conveyance of Alameda Point from the Navy to the City will have a positive impact on future economic development in the City. While plans are underway for development, the timing of the development process cannot be determined at this point.
- New Miscellaneous / Safety PERS rates have been adopted by CalPERS, which include the projected effect of the recent changes made by CalPERS in their amortization and smoothing policies, which was to smooth changes to the rate over a five year period instead of a fifteen year period. CalPERS will be implementing these changes over a five year period, beginning in FY 15-16, and staff will be incorporating these new rates as part of its future budgets.

Request for Information

This Comprehensive Annual Financial Report (CAFR) is designed to provide a general overview of the City of Alameda's finances. For the convenience of the public, a copy of this report is posted on the City's website (<http://alamedaca.gov/finance>). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Alameda, Attention: Finance Department, 2263 Santa Clara Avenue, Room 220, Alameda, California 94501.



**City of Alameda, California
Statement of Net Position
and Statement of Activities**

The Statement of Net Position reports the difference between the City's total assets, deferred outflow of resources, the City's total liabilities, and deferred inflow of resources, including all the City's capital assets and all its long-term obligations. The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City. This column is followed by an individual column, which displays the City's discretely presented component unit.

The City's Governmental Activities include the activities of its General Fund, its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds primarily, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities, Business-type Activities, or discretely presented component unit columns, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City, the blended component unit: The Alameda Public Financing Authority, which is a legally separate but component unit of the City because it is controlled by the City, which is financially accountable for the activities of the entity. The balances and the activities of the discretely presented component unit of Alameda Municipal Power are included in these statements as separate columns.





City of Alameda
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Alameda Municipal Power
ASSETS				
Cash and cash equivalents (Note 2)	\$103,649,454	\$23,284,160	\$126,933,614	\$40,487,329
Restricted cash and investments (Note 2)	10,528,221	7,066,947	17,595,168	4,544,429
Accounts receivable	8,303,271	440,824	8,744,095	7,947,948
Interest receivable	265,700		265,700	14,723
Loans receivable (Note 4)	16,538,959		16,538,959	
Materials, parts and supplies				2,986,231
Prepays and deposits	71,266		71,266	1,199,988
Share of certain NCPA projects and reserve (Note 12)				19,985,316
Capital assets (Note 5):				
Non-depreciable	16,161,688	11,186,866	27,348,554	199,540
Depreciable, net of accumulated depreciation	274,323,647	41,546,899	315,870,546	38,051,599
Total Assets	429,842,206	83,525,696	513,367,902	115,417,103
LIABILITIES				
Accounts payable	3,508,706	138,207	3,646,913	2,098,976
Accrued payroll	2,175,493	3,391	2,178,884	
Interest payable	639,179	218,206	857,385	763,594
Unearned revenue	2,387,698		2,387,698	
Refundable deposits	1,721,790	84,429	1,806,219	1,150,766
Due to other agencies	31,242		31,242	
Claims payable (Note 11B):				
Due within one year	4,180,305		4,180,305	170,000
Due in more than one year	5,712,016		5,712,016	878,945
Compensated absences (Note 1H):				
Due within one year	2,738,863	74,698	2,813,561	649,379
Due in more than one year				18,305
Net pension obligation (Note 9D)	564,000		564,000	
Net OPEB obligation, due in more than one year (Note 10)	26,643,453		26,643,453	
Long-term debt (Note 6):				
Due within one year	2,366,681	681,761	3,048,442	3,358,581
Due in more than one year	41,352,209	16,325,618	57,677,827	26,719,952
Purchased power balancing account (Note 1J)				16,873,054
Total Liabilities	94,021,635	17,526,310	111,547,945	52,681,552
NET POSITION:				
Net investment in capital assets	248,737,052	36,408,147	285,145,199	30,357,606
Restricted for (Note 8):				
Capital projects	25,957,214		25,957,214	
Debt service	975,961		975,961	
Redevelopment and housing	8,100,078		8,100,078	
Public safety	1,161,930		1,161,930	
Planning and building	460,172		460,172	
Recycling	4,503,064		4,503,064	
Culture and recreation	4,088,080		4,088,080	
Maintenance Assessment Districts	4,592,639		4,592,639	
Transportation	10,298,227		10,298,227	
Tidelands properties	2,843,830		2,843,830	
Other special purpose projects	1,167,361		1,167,361	
NCPA projects and reserve				4,544,429
Sewer operations and projects		29,591,239	29,591,239	
Total Restricted Net Position	64,148,556	29,591,239	93,739,795	4,544,429
Unrestricted	22,934,963		22,934,963	27,833,516
Total Net Position	\$335,820,571	\$65,999,386	\$401,819,957	\$62,735,551

See accompanying notes to financial statements.



City of Alameda
Statement of Activities
For the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$15,040,701	\$9,820,809		
Police	30,848,485	1,772,066	\$385,731	\$43,034
Fire	27,866,089	2,242,200	1,053,963	97,298
Public works	14,583,876	6,915,488	2,641,290	2,887,603
Community development	15,947,090	10,267,249	874,070	
Community services	6,995,080	3,238,812	87,904	161,029
Housing	2,004,958		1,373,548	
Interest on long-term debt	2,307,691			
Total Governmental Activities	115,593,970	34,256,624	6,416,506	3,188,964
Business-type Activities:				
Sewer services	5,339,491	9,734,164		
Total Business-type Activities	5,339,491	9,734,164		
Total Primary Government	\$120,933,461	\$43,990,788	\$6,416,506	\$3,188,964
Component Unit:				
Alameda Municipal Power	\$50,466,129	\$59,774,933		
Total Component Units	\$50,466,129	\$59,774,933		
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Utility users tax				
Transfer tax				
Franchise tax				
Transient occupancy tax				
Property tax in-lieu				
Other taxes				
Use of money and properties				
Miscellaneous				
Decrease in value of certain NCPA projects and reserves				
Legal Settlement				
Transfers (Note 3C)				
Total general revenues and transfers				
Change in Net Position				
Beginning Net Position				
Ending Net Position				

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Alameda Municipal Power
(\$5,219,892)		(\$5,219,892)	
(28,647,654)		(28,647,654)	
(24,472,628)		(24,472,628)	
(2,139,495)		(2,139,495)	
(4,805,771)		(4,805,771)	
(3,507,335)		(3,507,335)	
(631,410)		(631,410)	
(2,307,691)		(2,307,691)	
(71,731,876)		(71,731,876)	
	\$4,394,673	4,394,673	
	4,394,673	4,394,673	
(71,731,876)	4,394,673	(67,337,203)	
			\$9,308,804
			9,308,804
38,088,577		38,088,577	
6,260,057		6,260,057	
8,500,351		8,500,351	
6,730,655		6,730,655	
3,919,351		3,919,351	
1,612,283		1,612,283	
1,382,336		1,382,336	
4,175,348		4,175,348	
5,068,924	337,908	5,406,832	86,293
4,428,117	301	4,428,418	
			(789,918)
			1,548,129
417,997	(417,997)		
80,583,996	(79,788)	80,504,208	844,504
8,852,120	4,314,885	13,167,005	10,153,308
326,968,451	61,684,501	388,652,952	52,582,243
\$335,820,571	\$65,999,386	\$401,819,957	\$62,735,551



The funds described below were determined to be Major Funds of the City of Alameda in FY13-14. Individual non-major funds may be found in the Supplemental Information section.

General Fund

The General Fund accounts for all general revenues of the City not specifically levied or collected by other City funds, and related expenditures. The General Fund also accounts for all financial resources of the City which are not accounted for in another fund.

FISC Lease Revenue Special Revenue Fund

This fund accounts for revenue from the Fleet Industrial Supply Center (FISC) lease and related capital improvement expenditures.

Base Reuse Special Revenue Fund

This fund accounts for the revenues from leasing activities revenues and grants. Expenditures are made for base reuse activities.

Housing Special Revenue Fund

This fund accounts for funds to be used for affordable housing programs in the City.

Parking Special Revenue Fund

This fund accounts for revenues from the Civic Center garage and City parking lots. Expenditures support parking and transportation related projects.

City Hall and Library Bonds Debt Service Fund

This fund accounts for the repayment of two bonds that were issued to fund various improvements and the construction of a new library.

Capital Improvement Projects Fund

This fund accounts for monies for major capital improvement projects not provided for in a separate and specific capital project fund.



City of Alameda
Governmental Funds
Balance Sheet
June 30, 2014

	<u>General</u>	<u>FISC Lease Revenue Special Revenue</u>	<u>Base Reuse Special Revenue</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$28,721,539	\$2,703,317	\$4,353,735
Restricted cash and investments (Note 2)	6,000		
Accounts receivable	5,599,790	157,266	246,806
Interest receivable	265,700		
Prepays and deposits	61,871		
Due from other funds (Note 3A)	411,661		
Loans receivable (Note 4)	2,200,000		
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$37,266,561</u>	<u>\$2,860,583</u>	<u>\$4,600,541</u>
LIABILITIES			
Accounts payable	\$1,014,225	\$32,640	\$361,610
Accrued payroll	2,124,364	649	3,387
Accrued interest			
Due to other funds (Note 3A)			
Due to other agencies	13,670		
Unearned revenue	2,340,283		
Refundable deposits	438,803	96,905	667,978
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>5,931,345</u>	<u>130,194</u>	<u>1,032,975</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - miscellaneous receivables	1,515		
Unavailable revenue - grants			
Unavailable revenue - loans receivable			
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>1,515</u>	<u> </u>	<u> </u>
FUND BALANCES (Note 8):			
Nonspendable	2,261,871		
Restricted		2,730,389	3,567,566
Committed			
Unassigned	29,071,830		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>31,333,701</u>	<u>2,730,389</u>	<u>3,567,566</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$37,266,561</u>	<u>\$2,860,583</u>	<u>\$4,600,541</u>

See accompanying notes to financial statements.

<u>Housing Special Revenue</u>	<u>Parking Special Revenue</u>	<u>City Hall and Library Bonds Debt Service</u>	<u>Capital Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$1,182,786	\$356,133	\$684,098	\$4,929,113	\$41,858,246	\$84,788,967
		536,088	1,517,363	7,887,978	9,947,429
22,194	42,000	50,558	232,698	1,849,294	8,200,606
					265,700
				9,395	71,266
					411,661
11,300,572	3,038,387				16,538,959
<u>\$12,505,552</u>	<u>\$3,436,520</u>	<u>\$1,270,744</u>	<u>\$6,679,174</u>	<u>\$51,604,913</u>	<u>\$120,224,588</u>
\$119,196			\$488,151	\$996,503	\$3,012,325
27			6,383	40,683	2,175,493
3,325		\$338,017		1,006	342,348
				411,661	411,661
			2,855	14,717	31,242
				47,406	2,387,689
	\$33,113		38,246	422,687	1,697,732
122,548	33,113	338,017	535,635	1,934,663	10,058,490
				61,561	63,076
			13,974	267,832	281,806
11,300,572	3,038,387				14,338,959
11,300,572	3,038,387		13,974	329,393	14,683,841
				9,395	2,271,266
	365,020	932,727		15,753,456	23,349,158
1,082,432			6,129,565	33,578,006	40,790,003
					29,071,830
1,082,432	365,020	932,727	6,129,565	49,340,857	95,482,257
<u>\$12,505,552</u>	<u>\$3,436,520</u>	<u>\$1,270,744</u>	<u>\$6,679,174</u>	<u>\$51,604,913</u>	<u>\$120,224,588</u>





**City of Alameda
Reconciliation of
Governmental Funds -- Fund Balances
with Governmental Net Position
June 30, 2014**

Total fund balances reported on the governmental funds balance sheet \$95,482,257

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 284,667,271

ALLOCATION OF INTERNAL SERVICE FUND POSITION ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance, central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and cash equivalents	18,860,487
Restricted cash and investments	580,792
Accounts receivable	102,665
Capital assets	5,818,064
Accounts payable	(496,381)
Accrued interest	(90,891)
Unearned revenue	(9)
Refundable deposits	(24,058)
Claims payable	(9,892,321)
Long-term debt	(4,772,100)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues are deferred on the Fund Balance Sheets because they are not available currently and are taken into revenue in the Statement of Activities. 14,683,841

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Interest payable	(205,940)
Long-term debt	(38,946,790)
Compensated absences	(2,738,863)
Net Pension obligation	(564,000)
Net OPEB obligation	(26,643,453)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$335,820,571

See accompanying notes to financial statements.



City of Alameda
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balance
For the year ended June 30, 2014

	<u>General</u>	<u>FISC Lease Revenue Special Revenue</u>	<u>Base Reuse Special Revenue</u>
REVENUES			
Property taxes	\$31,960,530		
Other local taxes	31,045,777		
Licenses and permits	1,947,186		
Revenues from other agencies	102,331	\$197,756	\$136,667
Charges for current services	10,286,044		
Fines and forfeitures	1,532,543		
Use of money and property	1,538,191	1,213,140	11,740,451
Other	99,821	3,000,000	228,327
Total Revenues	<u>78,512,423</u>	<u>4,410,896</u>	<u>12,105,445</u>
EXPENDITURES			
Current:			
General government	9,398,373		
Police	27,570,051		
Fire	24,269,387		
Public works	1,058,498		
Community development		830,853	11,001,435
Community Services	2,277,783		
Housing			
Capital outlay	353,167	241	
Debt service:			
Principal	22,048		
Interest	2,979	192,250	
Total Expenditures	<u>64,952,286</u>	<u>1,023,344</u>	<u>11,001,435</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,560,137</u>	<u>3,387,552</u>	<u>1,104,010</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 3C)	940,543		
Transfers (out) (Note 3C)	(6,659,993)		(441,728)
Proceeds from the issuance of debt (Note 6)			
Premium from the issuance of debt (Note 6)			
Total Other Financing Sources (Uses)	<u>(5,719,450)</u>		<u>(441,728)</u>
NET CHANGE IN FUND BALANCE	7,840,687	3,387,552	662,282
BEGINNING FUND BALANCES (DEFICITS)	<u>23,493,014</u>	<u>(657,163)</u>	<u>2,905,284</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$31,333,701</u>	<u>\$2,730,389</u>	<u>\$3,567,566</u>

See accompanying notes to financial statements.

<u>Housing Special Revenue</u>	<u>Parking Special Revenue</u>	<u>City Hall and Library Bonds Debt Service</u>	<u>Capital Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$905,096		\$7,165,302	\$40,030,928
				486,858	31,532,635
			\$32,019	1,670,015	3,649,220
			487,441	7,459,706	8,383,901
			1,744,687	4,851,041	16,881,772
				407,783	1,940,326
\$453,372	\$310,955	6,326	42,977	1,824,928	17,130,340
405,297			297,560	607,434	4,638,439
<u>858,669</u>	<u>310,955</u>	<u>911,422</u>	<u>2,604,684</u>	<u>24,473,067</u>	<u>124,187,561</u>
				5,409,127	14,807,500
				1,197,114	28,767,165
					24,269,387
				3,373,836	4,432,334
				3,088,234	14,920,522
				3,477,935	5,755,718
419,168				1,863,267	2,282,435
181			9,981,303	2,501,621	12,836,513
		17,544,000		300,000	17,866,048
		2,181,009		21,833	2,398,071
<u>419,349</u>		<u>19,725,009</u>	<u>9,981,303</u>	<u>21,232,967</u>	<u>128,335,693</u>
<u>439,320</u>	<u>310,955</u>	<u>(18,813,587)</u>	<u>(7,376,619)</u>	<u>3,240,100</u>	<u>(4,148,132)</u>
		1,891,398	8,489,791	7,765,865	19,087,597
(531,218)	(196,900)	(3,016,457)		(8,780,660)	(19,626,956)
		18,620,000			18,620,000
		512,838			512,838
<u>(531,218)</u>	<u>(196,900)</u>	<u>18,007,779</u>	<u>8,489,791</u>	<u>(1,014,795)</u>	<u>18,593,479</u>
(91,898)	114,055	(805,808)	1,113,172	2,225,305	14,445,347
<u>1,174,330</u>	<u>250,965</u>	<u>1,738,535</u>	<u>5,016,393</u>	<u>47,115,552</u>	<u>81,036,910</u>
<u>\$1,082,432</u>	<u>\$365,020</u>	<u>\$932,727</u>	<u>\$6,129,565</u>	<u>\$49,340,857</u>	<u>\$95,482,257</u>



City of Alameda
Reconciliation of the
Net Change in Fund Balance - Governmental Funds
with the Change in Governmental Net Position
For the year ended June 30, 2014

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$14,445,347

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay therefore added back to fund balance	12,836,513
Non-capitalized capital outlay expenditures were re-classified to various governmental activities	(7,706,779)
Loss on retirement of capital assets is deducted from fund balance	(219,145)
Depreciation expense is deducted from fund balance	(8,559,341)
(Depreciation expense is net of internal service fund depreciation of \$957,252 which has already been allocated to service funds)	

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds and premium provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities. (19,132,838)

Repayment of debt principal is added back to fund balance	17,866,048
---	------------

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Unavailable revenue	930,604
Interest payable	90,380
Net pension obligation	(6,000)
Net OPEB obligation	(5,017,453)
Compensated absences	(241,068)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, equipment, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising from their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	<u>3,565,852</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$8,852,120</u></u>
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See accompanying notes to financial statements.



City of Alameda
General Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	\$23,274,220	\$30,315,220	\$31,960,530	\$1,645,310
Other local taxes	29,210,415	29,035,415	31,045,777	2,010,362
Licenses and permits	1,626,800	1,626,800	1,947,186	320,386
Revenues from other agencies	6,143,200	102,200	102,331	131
Charges for current services	10,355,300	10,355,300	10,286,044	(69,256)
Fines and forfeitures	1,214,000	1,214,000	1,532,543	318,543
Use of money and property	1,240,185	1,239,438	1,538,191	298,753
Other revenue			99,821	99,821
Total Revenues	73,064,120	73,888,373	78,512,423	4,624,050
EXPENDITURES:				
Current:				
General government	10,556,300	10,801,300	9,398,373	1,402,927
Police	27,596,000	29,471,853	27,570,051	1,901,802
Fire	24,258,424	24,341,599	24,269,387	72,212
Public works	1,238,000	1,238,000	1,058,498	179,502
Community Services	2,275,000	2,378,560	2,277,783	100,777
Capital outlay	378,700	378,700	353,167	25,533
Debt service:				
Principal	24,932	24,932	22,048	2,884
Interest	3,644	3,644	2,979	665
Total Expenditures	66,331,000	68,638,588	64,952,286	3,686,302
NET CHANGE IF FUND REVENUES	6,733,120	5,249,785	13,560,137	8,310,352
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3C)	1,049,000	1,049,000	940,543	(108,457)
Transfers (out) (Note 3C)	(8,389,000)	(6,516,972)	(6,659,993)	(143,021)
Total other financing sources (uses)	(7,340,000)	(5,467,972)	(5,719,450)	(251,478)
NET CHANGE IN FUND BALANCE	(\$606,880)	(\$218,187)	7,840,687	\$8,058,874
Beginning fund balance			23,493,014	
Ending fund balance			\$31,333,701	

See accompanying notes to financial statements.



City of Alameda
FISC Lease Revenue
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Revenues from other agencies	\$212,510	\$212,510	\$197,756	(\$14,754)
Use of money and property	1,013,461	1,013,461	1,213,140	199,679
Other		490	3,000,000	2,999,510
Total Revenues	<u>1,225,971</u>	<u>1,226,461</u>	<u>4,410,896</u>	<u>3,184,435</u>
EXPENDITURES:				
Current:				
Community development	1,162,000	1,162,000	830,853	331,147
Capital outlay			241	(241)
Debt service:				
Interest			192,250	(192,250)
Total Expenditures	<u>1,162,000</u>	<u>1,162,000</u>	<u>1,023,344</u>	<u>138,656</u>
NET CHANGE IN FUND BALANCE	<u>\$63,971</u>	<u>\$64,461</u>	3,387,552	<u>\$3,323,091</u>
Beginning fund balance (deficit)			(657,163)	
Ending fund balance			<u>\$2,730,389</u>	

See accompanying notes to financial statements.



City of Alameda
Base Reuse
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Revenue from other agencies		\$136,667	\$136,667	
Charges for current services	\$24,000	24,000		(\$24,000)
Use of money and property	11,832,842	11,832,842	11,740,451	(92,391)
Other			228,327	228,327
Total Revenues	11,856,842	11,993,509	12,105,445	111,936
EXPENDITURES:				
Current:				
Community development	12,283,635	11,718,667	11,001,435	717,232
Total Expenditures	12,283,635	11,718,667	11,001,435	717,232
EXCESS OF REVENUES OVER EXPENDITURES	(426,793)	274,842	1,104,010	829,168
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3C)	(751,635)	(751,635)	(441,728)	309,907
Total other financing sources (uses)	(751,635)	(751,635)	(441,728)	309,907
NET CHANGE IN FUND BALANCE	(\$1,178,428)	(\$476,793)	662,282	\$1,139,075
Beginning fund balance			2,905,284	
Ending fund balance			\$3,567,566	

See accompanying notes to financial statements.



City of Alameda
Housing
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property	\$209,583	\$260,583	\$453,372	\$192,789
Other			405,297	405,297
Total Revenues	209,583	260,583	858,669	598,086
EXPENDITURES:				
Current:				
Housing	421,000	473,000	419,168	53,832
Capital outlay			181	(181)
Total Expenditures	421,000	473,000	419,349	53,651
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(211,417)	(212,417)	439,320	651,737
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3C)	(150,000)	(587,196)	(531,218)	55,978
Total other financing sources (uses)	(150,000)	(587,196)	(531,218)	55,978
NET CHANGE IN FUND BALANCE	(\$361,417)	(\$799,613)	(91,898)	\$707,715
Beginning fund balance			1,174,330	
Ending fund balance			\$1,082,432	

See accompanying notes to financial statements.



**City of Alameda
Parking
Special Revenue Fund
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$222,630	\$222,630	\$310,955	\$88,325
Total Revenues	222,630	222,630	310,955	88,325
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 3C)	64,000	(196,900)	(196,900)	
Total other financing sources (uses)	64,000	(196,900)	(196,900)	
NET CHANGE IN FUND BALANCE	\$286,630	\$25,730	114,055	\$88,325
Beginning fund balance			250,965	
Ending fund balance			\$365,020	

See accompanying notes to financial statements.



Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The City's intent is that the cost of providing goods and services within these funds be financed primarily through user charges.

Sewer Services Fund

The City operates its own wastewater system. This fund accounts for all financial transactions relating to this municipal activity including, but not limited to, operations, maintenance, capital financing and related debt services, billing and collection.



**City of Alameda
Proprietary Funds
Statement of Net Position
June 30, 2014**

	Business-type Activities Enterprise Funds Sewer Services	Governmental Activities- Internal Service Funds
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$23,284,160	\$18,860,487
Accounts receivable	440,824	102,665
Total Current Assets	23,724,984	18,963,152
Noncurrent Assets		
Restricted cash and investments (Note 2)	7,066,947	580,792
Capital assets (Note 5):		
Non-depreciable	11,186,866	
Depreciable, net	41,546,899	5,818,064
Total Non-current assets	59,800,712	6,398,856
Total Assets	83,525,696	25,362,008
LIABILITIES		
Current Liabilities:		
Accounts payable	138,207	496,381
Accrued payroll	3,391	
Interest payable	218,206	90,891
Unearned revenue		9
Refundable deposits	84,429	24,058
Compensated absences (Note 1H)	74,698	
Claims payable (Note 11B)		4,180,305
Long-term debt - current (Note 6)	681,761	460,681
Total Current Liabilities	1,200,692	5,252,325
Noncurrent Liabilities:		
Claims payable - noncurrent (Note 11B)		5,712,016
Long-term debt - noncurrent (Note 6)	16,325,618	4,311,419
Total Noncurrent Liabilities	16,325,618	10,023,435
Total Liabilities	17,526,310	15,275,760
NET POSITION (Note 8):		
Net investment in capital assets	36,408,147	1,045,964
Restricted	29,591,239	9,040,284
Total Net Position	\$65,999,386	\$10,086,248

See accompanying notes to financial statements.



City of Alameda
Proprietary Funds
Statement of Revenues, Expenses
and Changes in Fund Net Position
For the year ended June 30, 2014

	Business-type Activities Enterprise Funds Sewer Services	Governmental Activities- Internal Service Funds
OPERATING REVENUES		
Charges for services	\$9,734,164	\$8,718,823
Miscellaneous	301	2,062,452
Total Operating Revenues	9,734,465	10,781,275
OPERATING EXPENSES		
General administrative	1,391,887	261,467
Wages and benefits	1,181,703	206,557
Insurance		5,811,825
Contractual services	919,344	925,642
Depreciation	1,141,371	957,252
Utilities	62,506	
Supplies and maintenance	146,714	74,683
Total Operating Expenses	4,843,525	8,237,426
Operating Income (Loss)	4,890,940	2,543,849
NONOPERATING REVENUES (EXPENSES)		
Interest income	337,908	64,647
Interest (expense)	(495,966)	
Total Nonoperating Revenues (Expenses)	(158,058)	64,647
Income (Loss) Before Transfers	4,732,882	2,608,496
Transfers in (Note 3C)	123	1,134,008
Transfers (out) (Note 3C)	(418,120)	(176,652)
Change in net position	4,314,885	3,565,852
BEGINNING NET POSITION	61,684,501	6,520,396
ENDING NET POSITION	\$65,999,386	\$10,086,248

See accompanying notes to financial statements.



**City of Alameda
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2014**

	Business-type Activities Enterprise Funds Sewer Services	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$9,804,112	\$10,960,820
Payments to suppliers	(1,128,564)	(3,486,988)
Payments to employees	(3,180,740)	(468,024)
Claims paid		(2,715,471)
Cash Flows from Operating Activities	5,494,808	4,290,337
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Interfund receipts	3,000,000	
Interfund payments		(3,079)
Transfers in	123	957,356
Transfers (out)	(418,120)	
Cash Flows from Noncapital Financing Activities	2,582,003	954,277
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets, net	(4,552,983)	(894,952)
Equipment purchase agreement proceeds		140,000
Principal payments on capital debt	(663,898)	(453,663)
Interest paid	(505,446)	
Cash Flows from Capital and Related Financing Activities	(5,722,327)	(1,208,615)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in restricted investments	5,841,286	171,610
Interest income	337,908	64,647
Cash Flows from Investing Activities	6,179,194	236,257
Net Cash Flows	8,533,678	4,272,256
Cash and investments at beginning of period	14,750,482	14,588,231
Cash and investments at end of period	\$23,284,160	\$18,860,487
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:		
Operating income	\$4,890,940	\$2,543,849
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	1,141,371	957,252
Change in assets and liabilities:		
Accounts receivable and refundable deposits	69,647	179,536
Accounts payable	(608,094)	145,578
Claims payable		464,113
Accrued payroll	944	9
Cash Flows from Operating Activities	\$5,494,808	\$4,290,337

See accompanying notes to financial statements.

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide Financial Statements, but are presented in separate Fiduciary Fund Financial Statements.

Pension Trust Funds are used to account for the resources accumulated by the City for the payment of pension benefits on behalf of retirees in the City's two closed pension plans, 1079 and 1082.

Successor Agency Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the former Community Improvement Commission of the City of Alameda.

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.



City of Alameda
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	Pension Trust Funds	Successor Agency Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents (Note 2)		\$10,742,317	
Restricted cash and investments (Note 2)	\$74,937	8,158,595	\$6,547,516
Accounts receivable			17,459
Interest receivable			14
Total Assets	74,937	18,900,912	6,564,989
LIABILITIES			
Accounts payable		810,251	1,696
Accrued payroll		228	
Interest payable		1,418,185	127,500
Payable to the Housing Authority		26,567	
Due to bondholders			6,435,793
Long term debt (Note 14B):			
Due within one year		1,850,000	
Due in more than one year		67,567,207	
Total Liabilities		71,672,438	\$6,564,989
NET POSITION			
Restricted for:			
Held in Trust for private purpose		(52,771,526)	
Employees' pension benefits	74,937		
Total Net Position	\$74,937	(\$52,771,526)	

See accompanying notes to financial statements.



**City of Alameda
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2014**

	Pension Trust Funds	Successor Agency Private Purpose Trust Funds
ADDITIONS		
Employer contributions	\$1,924,447	
Property taxes		\$8,076,432
Use of money and property		125,068
Transfer from Successor Agency Special Revenue Fund		64,455,574
Other		1
Total Additions	1,924,447	72,657,075
DEDUCTIONS		
Administration		148,142
Retirements and other benefits	1,886,664	
Contractual services	15,015	4,450,781
Transfer to Successor Agency Debt Service Fund		64,445,685
Transfer to Successor Agency Capital Projects Fund		9,889
Community development expense		500,000
Debt service:		
Interest and fiscal charges		4,203,133
Total Deductions	1,901,679	73,757,630
CHANGE IN NET POSITION	22,768	(1,100,555)
NET POSITION, BEGINNING OF YEAR	52,169	(51,670,971)
NET POSITION, END OF YEAR	\$74,937	(\$52,771,526)

See accompanying notes to financial statements.





City of Alameda
Notes to Basic Financial Statements
For the year ended June 30, 2014

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Note 1 – Summary of Significant Accounting Policies

The City of Alameda, California, occupies the island of Alameda situated in the San Francisco Bay. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire); streets and related improvements; sanitation; development services; public improvements; planning and zoning, community services (ARPD and Library) and general administration services.

A. Reporting Entity

The City of Alameda is a charter city and is governed by a five-member City Council elected by City residents. The City is legally separate and fiscally independent, which means it can issue debt, adopt and modify budgets and fees, and sue or be sued. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations, thus data from these units are combined with that of the primary government. Each discretely presented component unit is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the primary governmental unit.

Primary Government

The financial statements of the primary government of the City of Alameda include the activities of the City, as well as its blended component units, which are controlled by and dependent upon the City. While these blended component units are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blending") with those of the primary government of the City in the accompanying financial statements.

Blended Component Units

The Alameda Public Financing Authority (APFA) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the City's financial statements and does not issue separate financial statements.

The City of Alameda Financing Authority (CAFA) is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the City's financial statements and does not issue separate financial statements.

Discretely Presented Component Unit

The component unit below is legally separate from the City. However, City Council appoints the members of its governing board and approves certain activities as outlined in Section 12 of the City Charter.

Alameda Municipal Power was established to provide electricity to the City of Alameda. The Charter was amended in 1998 to allow provision of telecommunications services as well. The telecommunications services were sold off during FY 2009-10. The financial activities of the Alameda Municipal Power are discretely included in the Alameda Municipal Power Component Unit columns of the Statement of Net Position and Statement of Activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

These GASB Standards require that the financial statements described below be presented:

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the City and its blended component units. These statements include the financial activities of the overall City government, except for fiduciary activities.

Eliminations have been made to minimize the double counting of internal activities. However, the interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. *Operating* revenues, such as charges for services, and expenses, such as contractual services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as investment earnings, and expenses, such as interest expenses, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, entitled non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City reported the following major governmental funds in the accompanying financial statements:

General Fund - The General Fund accounts for all general revenues of the City not specifically levied or collected by other City funds and their related expenditures. The General Fund also accounts for all financial resources of a governmental unit which are not accounted for in another fund.

FISC Lease Special Revenue Fund - This fund accounts for revenue from the Fleet Industrial Supply Center (FISC) lease and related capital improvement expenditures.

Base Reuse Special Revenue Fund - This fund accounts for revenues from leasing activities revenues and grants. Expenditures are made for base reuse activities.

Housing Special Revenue Fund - This fund accounts for funds received from developer impact fees to be used for affordable housing programs in the City.

Parking Special Revenue Fund - This fund accounts for revenue from the Civic Center garage and City parking lots. Expenditures support parking and transportation related projects.

City Hall and Library Bonds Debt Service Fund

This fund accounts for the repayment of two bonds that were issued to fund various improvements and the construction of a new library.

Capital Improvement Projects Fund - This fund accounts for monies for major capital improvement projects not provided for in a separate and specific capital project fund transferred in from other funds and received from grants.

The City reported its only enterprise fund as a major fund in the accompanying financial statements:

Sewer Services Fund - The City operates its own wastewater system. This fund accounts for all financial transactions relating to this municipal activity including, but not limited to, operations, maintenance, capital financing and related debt service, billing and collection.

The City also reports the following fund types:

Internal Service Funds - The funds account for central stores, central garage, information technology projects, workers' compensation insurance and claims, risk management insurance and claims, unemployment insurance and post-employment benefits, all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - Pension Trust Funds and Agency Funds are used to account for assets held by the City as an agent.

Trust Funds - These funds account for assets held by the City as an agent for various functions. The Pension Trust Funds account for the resources accumulated by the City for the payment of pension benefits on behalf of retirees in the City's two closed pension plans 1079 and 1082. The Successor Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments due for the City's former Community Improvement Commission at appropriate amounts and times in the future. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Agency Funds - These funds account for assets held by the City as an agent for certain assessment districts in the City. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are generally collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on governmental long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are taxes, special assessments, intergovernmental revenues, use of money and property revenue, charges for services, fines and penalties, and license and permit revenues. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Certain indirect costs are included in program expenses reported for individual functions and activities.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred, except for revenues from electricity and sewer customers, which are recognized based on cycle billings. Revenues for services provided, but not billed at the end of a fiscal period, are not material and thus not accrued.

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The City adopts a budget annually for all funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted by the City Council, and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget during the fiscal year. The City Manager or his designee is authorized to transfer budgeted amounts between departments and between line items within any fund. However, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. All appropriations lapse at year end. Supplemental changes in appropriations that have been adopted by the City Council have been included in the budget versus actual statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for the major Capital Improvements Projects Fund, which is budgeted at total cost in the budget year it is approved. Unexpended balances of this fund are reappropriated in the subsequent year as necessary to complete the projects.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end lapse and must be reappropriated as part of the following year budget.

The following funds incurred expenditures in excess of its budget for the year ended June 30, 2014:

Fund Name	Amount
Asset Seizure/Traffic Safety Fund	\$1,531
City Hall and Library Bonds Fund	895,433

Sufficient resources were available within each fund to finance the overages.

F. Materials, Parts and Supplies

General fund supplies are recorded as expenditures at the time individual supply items are purchased.

G. Deferred Compensation Plans

City employees may defer a portion of their compensation under four separate, optional City sponsored deferred compensation plans created in accordance with Internal Revenue Code Section 457. Under these Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The City has Deferred Compensation Plan administration agreements with ICMA, California Public Employees Retirement System, Nationwide Retirement Solutions, Inc., and ITT Hartford Life Insurance Companies to provide for the administration and management of employees' deferred compensation plan assets. These agreements incorporate changes in the laws and IRS regulations governing deferred compensation plan assets, which require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

The liability for compensated absences includes the vested portions of vacation, sick leave and compensated time off. For all governmental funds, a liability of these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. The remaining portion is recorded as a liability in the Statement of Net Position. Proprietary funds' liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

Compensated absences activity for the year ended June 30, 2014, is as follows:

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Subtotal	Alameda Municipal Power	Total
Beginning Balance	\$2,497,795	\$74,698	\$2,572,493	\$675,040	\$3,247,533
Additions	3,755,057	74,698	3,829,755	623,219	4,452,974
Payments	(3,513,989)	(74,698)	(3,588,687)	(630,575)	(4,219,262)
Ending Balance	<u>\$2,738,863</u>	<u>\$74,698</u>	<u>\$2,813,561</u>	<u>\$667,684</u>	<u>\$3,481,245</u>
Current Portion	<u>\$2,738,863</u>	<u>\$74,698</u>	<u>\$2,813,561</u>	<u>\$649,379</u>	<u>\$3,462,940</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. Property Tax

Alameda County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables in the fiscal year of levy or assessment.

J. Purchased Power Balancing Account

The Purchased Power Balancing Account is used by Alameda Municipal Power to stabilize rates in the short term. Specifically, the balancing account accumulates differences between the actual cost of purchased power and the revenues designated for recovery of such costs. Deferred amounts are refunded to or recovered from customers through authorized rate adjustments. The effect of using the balancing account is that unanticipated changes in sales levels and purchased power costs do not immediately affect Alameda Municipal Power's rate payers, because they are included in operating expenses when matched by revenues.

Note 1 – Summary of Significant Accounting Policies (Continued)

K. *Transfer from Alameda Municipal Power*

The City Charter provides that Alameda Municipal Power transfer to the City's General Fund certain excess earnings as defined in the Charter. During fiscal year 2013-14, there were no excess earnings to be transferred. However, the Public Utilities Board by resolution has directed that \$2,800,000 be contributed to the City's General Fund, in accordance with these provisions, during the fiscal year ended June 30, 2014.

L. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. *New Fund*

In fiscal year 2013-14, the City established the Emergency Operating Center Capital Projects Fund to account for the revenues and expenditures related to the construction of a new Emergency Operation Center.

Note 2 – Cash and Investments

The City's dependence upon property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents and the Alameda Municipal Power so that it can be invested at the maximum yield, consistent with safety and liquidity. Individual funds can make expenditures at any time.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investments are carried at fair value.

A. *Policies*

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invest in individual investments and in investment pools. 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 City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows. Restricted cash and investments are not included for cash flow purposes.

Note 2 - Cash and Investments (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not use is restricted under the terms of City debt instruments or agency agreements. Cash and investments as of June 30, 2014, as presented on the Statement of Net Position and Statement of Fiduciary Net Position are as follows:

Cash and cash equivalents:	
City	\$126,933,614
Alameda Municipal Power	40,487,329
Restricted cash and investments:	
City	17,595,168
Alameda Municipal Power	4,544,429
Total cash and investments of primary government and component units	<u>189,560,540</u>
Cash and investments in Fiduciary Funds (separate statement):	
Cash and cash equivalents	10,742,317
Restricted cash and investments	14,781,048
Total cash and investments	<u>\$215,083,905</u>

Cash and investments as of June 30, 2014 are composed of the following categories:

	<u>Amounts</u>
City	\$170,052,147
Component Unit:	
Alameda Municipal Power	<u>45,031,758</u>
Total	<u>\$215,083,905</u>

Note 2 - Cash and Investments (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City, and approved percentages and maturities are not exceeded. The table also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

The City's investment policy and the California Government Code allow the City to invest in the following:

Authorized Investment Type	Maximum Maturity (A)	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	270 Days	N/A	20%	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	5 Years	N/A	75%	25% in each U.S. Agency
Bankers' Acceptances	180 Days	A1, P1	30%	5%
Commercial Paper	270 Days	A1, P1	25%	5%
Negotiable Certificates of Deposit	5 Years	A<1 year AA for 1-5 years	30%	5%
Medium-Term Corporate Notes	5 Years	A	30%	No Limit
Money Market Mutual Funds	N/A	N/A	20%	10%
County Agency Investment Fund	Upon Demand	N/A	15%	No Limit
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit
CDs - non-negotiable / CDAR	3 Years	N/A	30%	5%
Municipal Obligation	5 Years	A (except City's own obligations)	5%	5%

(A) The maximum of any investment shall not exceed five years unless expressly authorized by City Council.

Alameda Municipal Power's investment policy and the California Government Code allow Alameda Municipal Power to invest in the following, provided the credit ratings of the issuers are acceptable to Alameda Municipal Power, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or Alameda Municipal Power's investment policy where Alameda Municipal Power's Investment Policy is more restrictive, that addresses investments of interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of Alameda Municipal Power, rather than the general provisions of the California Government Code or Alameda Municipal Power's investment policy.

Note 2 - Cash and Investments (Continued)

Alameda Municipal Power's investment policy and the California Government Code allow Alameda Municipal Power to invest in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity (A)</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Municipal Bonds	2 years	N/A	No Limit	No Limit
U.S. Treasury Obligations	5 years	N/A	20%	No Limit
State of California Obligations	2 years	N/A	No Limit	No Limit
Other State Obligations (C)	2 years	N/A	No Limit	No Limit
CA Local Agency Obligations	2 years	N/A	No Limit	No Limit
U.S. Agency Securities (B)	5 years	N/A	No Limit	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1	25%	10%
Negotiable Certificates of Deposit	2 years	N/A	25%	No Limit
Time Certificates of Deposit	2 years	N/A	25%	No Limit
Repurchase Agreements	1 Year	N/A	No Limit	No Limit
Reverse Repurchase Agreements (requires Board approval)	92 days	N/A	20 % of market value of portfolio	No Limit
Medium Term Corporate Notes	5 years	A	30%	No Limit
Mutual Funds	2 years	Top rating category	20%	10%
Money Market Mutual Funds	2 years	Top rating category	5%	10%
Collateralized Bank Deposits	2 years	N/A	5%	No Limit
Mortgage Pass-Through Securities	2 years	Top rating category	20%	No Limit
County Pooled Investment Funds	Upon Demand	N/A	15%	No Limit
California Local Agency Investment Fund	Upon Demand	N/A	90%	\$50,000,000 per account
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit

(A) The Maximum term of any investment shall not exceed five years unless expressly authorized by the Public Utilities Board

(B) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

(C) State Obligations such as registered treasury notes and bonds

Note 2 - Cash and Investments (Continued)

D. Investments Authorized by Debt Agreements

The City and the Successor Agency to the Community Improvement Commission must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City or the Successor Agency to the Community Improvement Commission fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Repurchase Agreements	30 days	Top Four Rating Categories	No Limit	No Limit
U.S. Treasury Bonds, Notes and Bills	No Limit	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	No Limit	No Limit	No Limit	No Limit
State Obligations	No Limit	Not lower than their bond rating	No Limit	No Limit
Commercial Paper	270 days	A-1+	No Limit	No Limit
Negotiable Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Time Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Corporate Notes and Bonds	No Limit	Not lower than their bond rating	No Limit	No Limit
Guaranteed Investment Contracts	No Limit	Not lower than their bond rating	No Limit	No Limit
Shares of Beneficial Interest	No Limit	Top Rating Category	No Limit	No Limit
Money Market Mutual Funds	No Limit	Aam	20%	No Limit
Bankers' Acceptances	365 days	A-1+	30%	30%
Municipal Bonds	No Limit	AAA	No Limit	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account
Investment Agreements	No Limit	AA-	No Limit	No Limit

Note 2 - Cash and Investments (Continued)

Alameda Municipal Power must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if Alameda Municipal Power fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Alameda Municipal Power's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	N/A	N/A	No Limit	No Limit
State Obligations	N/A	AA+	No Limit	No Limit
U.S. Agency Securities (A)	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	P1	No Limit	No Limit
Certificates of Deposit	N/A	P1	No Limit	No Limit
Bankers Acceptances	1 year	P1	No Limit	No Limit
Money Market Mutual Funds	N/A	AAAm	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	\$50,000,000 per account	\$50,000,000 per account
Investment Agreements (B)	N/A	AA	No Limit	No Limit

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank, the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC)

(B) Investment agreements, including guaranteed investment contracts, repurchase agreements, forward purchase agreements and reserve fund put agreements

Note 2 - Cash and Investments (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in economic markets that 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 the changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities, so that a portion of the portfolio is maturing or realizing maturity evenly over time as necessary in order to provide the cash flow and liquidity needed for operations. Information on the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity at June 30, 2014:

Investment Type	12 Months or less	One to Five Years	Total
City of Alameda:			
U.S. Government-Sponsored			
Enterprise Agencies			
Non-callable	\$1,271,721	\$18,774,681	\$20,046,402
Callable		2,272,421	2,272,421
Medium-Term Corporate Notes			
Non-callable	4,464,771	17,349,400	21,814,171
Callable		1,458,400	1,458,400
US Treasury Notes and Bills		30,213,344	30,213,344
Money Market Mutual Funds	195,262		195,262
California Local Agency Investment Fund	47,041,049		47,041,049
California Asset Management Program	381,996		381,996
Negotiable Certificates of Deposit	1,292,376	3,122,257	4,414,633
Commercial Paper	5,432,046		5,432,046
Municipal Bonds		1,025,786	1,025,786
Total Investments	<u>\$60,079,221</u>	<u>\$74,216,289</u>	134,295,510
Cash deposits with banks and on hand			<u>35,756,637</u>
Total Cash and Investments			<u>\$170,052,147</u>

Note 2 - Cash and Investments (Continued)

Information about the sensitivity of the fair values of Alameda Municipal Power's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Alameda Municipal Power's investments by maturity:

	12 Months or less
<i>Investments:</i>	
Bond Mutual Funds	\$4,544,429
U.S. Treasury Notes	998,633
Local Agency Investment Fund	26,739,600
Negotiable Certificate of Deposits	<u>7,060,000</u>
Total Investments	39,342,662
<i>Cash with Banks and Petty Cash</i>	<u>5,689,096</u>
Total Cash and Investments	<u><u>\$45,031,758</u></u>

The City and Alameda Municipal Power are voluntary participants in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City and Alameda Municipal Power report their investments in LAIF at the fair value amounts provided by LAIF, which is the same as the value of the pool share. At June 30, 2014 the fair value approximated cost of the investments of the City and Alameda Municipal Power. The balance, available for withdrawal on demand, is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014, these investments had an average maturity of 232 days.

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its Participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share. At June 30, 2014 the fair value approximated is the City's cost. At June 30, 2014, these investments have an average maturity of 41 days.

Note 2 - Cash and Investments (Continued)

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment when an investment matures. This is measured by the assignment of a credit rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2014, for each City's investment type as provided by Standard and Poor's:

Investment Type	AAA	AAAm	AA+ to AA-	A+ to A-	A-1+ to A-1	Total
City of Alameda:						
U.S. Government-Sponsored						
Enterprise Agencies						
Non-callable			\$20,046,402			\$20,046,402
Callable			2,272,421			2,272,421
Corporate Securities						
Non-callable			8,866,395	\$12,947,776		21,814,171
Callable			472,816	985,584		1,458,400
Commercial Paper					\$5,432,046	5,432,046
Municipal Bonds	\$400,788		624,998			1,025,786
Negotiable Certificates of Deposit		\$587,673		1,000,330	2,096,927	3,684,930
Money Market Mutual Funds		195,262				195,262
California Asset Management Program		381,996				381,996
Totals	<u>\$400,788</u>	<u>\$1,164,931</u>	<u>\$32,283,032</u>	<u>\$14,933,690</u>	<u>\$7,528,973</u>	<u>56,311,414</u>
Not rated:						
City of Alameda:						
California Local Agency Investment Fund						47,041,049
Time Certificates of Deposit						<u>729,703</u>
						<u>47,770,752</u>
Exempt:						
City of Alameda:						
US Treasury Notes and Bills						<u>30,213,344</u>
Total Investments						<u>\$134,295,510</u>

Presented below is the actual rating as of June 30, 2014, for each Alameda Municipal Power investment type as provided by Standard and Poor's:

Investments with Fiscal Agent	
AAAm:	
Bond Mutual Funds	\$4,544,429
Not rated:	
Negotiable Certificate of Deposits (Morgan Stanley)	7,060,000
Local Agency Investment Fund	26,739,600
Exempt:	
U.S. Treasury Notes	<u>998,633</u>
Total Investments	<u>\$39,342,662</u>

Note 2 - Cash and Investments (Continued)

G. *Concentration of Credit Risk*

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2014, those investments consisted of:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity Wide:	Federal Home Loan Bank	US Government Enterprise Agencies	\$7,817,461

H. *Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations*

The City's investments include U.S. Government-Sponsored Enterprise Agencies and Corporate Notes that have an embedded call feature. At June 30, 2014, those investments consisted of:

Issuer	Maturity Date	Callable Date	Reported Amount
Federal Home Loan Banks	12/30/2015	9/30/2014	\$800,101
Federal National Mortgage Association	2/27/2017	2/27/2015	436,574

Note 3 - Interfund Transactions

A. *Current Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these balances is to eliminate negative cash balances at year end in various funds. At June 30, 2014, the amounts of current interfund balances were as follows:

Due From Other Funds	Due To Other Funds	
General Fund	Non-Major Governmental Funds	\$411,661

Note 3 - Interfund Transactions (Continued)

B. Long-Term Advances

The Sewer Enterprise Fund advanced \$3,000,000 to the former Community Improvement Commission as matching funds for construction of the Webster Street/Wilver Stargell Avenue Intersection Project. These advances bear interest at 3% until paid in full. The advance is expected to be repaid by 2014. Due to the dissolution of the Commission effective February 1, 2012, the City and the Successor Agency agreed that the obligation is to be transferred to the FISC Lease Special Revenue Fund and is payable from future developments in the area. The remaining balance of this advance was \$3,000,000 and was fully paid off as of June 30, 2014.

C. Transfers Between City Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between City funds during fiscal year 2013-14 were as follows:

Fund Receiving Transfers	Fund Making Transfer	Amount Transferred
General Fund	Non-Major Governmental Funds	\$763,891 A
	Internal Service Funds	176,652 A
City Hall and Library Bonds Debt Service	General Fund	829,694 A
	Parking Special Revenue Fund	196,900 A
	Non-Major Governmental Funds	864,804 A
Capital Improvement Projects Fund	General Fund	939,000 B
	Base Reuse Special Revenue Fund	94,296 B
	Sewer Services Enterprise Fund	418,120 B
	Non-Major Governmental Funds	7,038,375 B
Non-Major Governmental Funds	General Fund	3,757,291 A,B
	Base Reuse Special Revenue Fund	347,432 B
	City Hall and Library Bonds Debt Service	3,016,457 A
	Housing Special Revenue Fund	531,218 C
	Non-Major Governmental Funds	113,467 A,B,C
Sewer Services Enterprise Fund	Non-Major Governmental Fund	123 B
Internal Service Funds	General Fund	1,134,008 A
Total		<u><u>\$20,221,728</u></u>

The reasons for these transfers are set forth below:

(A) To fund library, debt service, and other indirect costs.

(B) To fund capital or storm drain projects.

(C) To fund housing projects.

D. Internal Balances

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

Note 4 - Loans Receivable

Summary of Loans Receivable

Housing Rehabilitation and Affordable Loans	\$11,300,572
Alameda Municipal Power	2,200,000
Multiplex Cinema	3,038,387
	<u>\$16,538,959</u>

A. *Housing Rehabilitation and Affordable Housing Loans*

The City and former CIC has engaged in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the City's and former CIC's terms. Some of these loans may be forgiven at the completion of the loan term if all stipulated conditions are met. Other loans and notes are expected to be repaid in full.

The City's remaining outstanding balance of the loans receivable from these programs, net of allowance for doubtful accounts, at June 30, 2014 was \$11,300,572, which has been offset with unavailable revenue. Included in the outstanding balance was a receivable for \$1,445,928 from the Housing Authority. The City has determined that \$719,706 of the outstanding balance may have to be written off in the future therefore they have established an allowance for doubtful accounts for this amount.

B. *Loan to Alameda Municipal Power*

On December 16, 2003 at the request of the Public Utilities Board, the Alameda City Council loaned \$2,200,000 to Alameda Municipal Power for the purpose of the construction of a hybrid fiber-optic/coaxial telecom network. As of June 30, 2014, the remaining principal balance was \$2,200,000.

C. *Multiplex Cinema*

As part of a Disposition and Development Agreement the City entered into a loan agreement with Alameda Entertainment Associates, L.P. in March 2007 for \$2,800,000 for the renovation of the Historic Alameda Theatre and development of a new multiplex cinema. Repayment of \$1,400,000 of this loan will begin in the seventh operating year for twenty years with equal monthly installments. The remaining \$1,400,000 will be repaid by percentage rental amounts from gross operating revenues as established in the Disposition and Development Agreement. An additional loan agreement of \$300,000 was entered into by both parties for furniture, fixtures and equipment purchases as part of the renovation project. As of June 30, 2014, the City has loans outstanding with Alameda Entertainment Associates totaling \$3,038,387.

Note 5 – Capital Assets

Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$10,000. All capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

All capital assets with limited useful lives are depreciated during their estimated useful lives. The purpose of depreciation is to allocate the cost of capital assets equitably among all users during the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Electric Plant	30 years
Buildings and Improvements	40 - 80 years
Machinery, Furniture and Equipment	4 - 40 years
Infrastructure	15 - 75 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds within the same period.

Note 5 – Capital Assets (Continued)

A. Capital Asset Additions and Retirements

City capital asset activities for the year ended June 30, 2014, are as follows:

	Balance at June 30, 2013	Additions	Retirements	Transfers	Balance at June 30, 2014
Governmental activities					
Capital assets not being depreciated:					
Land	\$5,995,318				\$5,995,318
Construction in progress	48,541,107	\$5,163,747	(\$407,625)	(\$43,130,859)	10,166,370
Total capital assets not being depreciated	54,536,425	5,163,747	(407,625)	(43,130,859)	16,161,688
Capital assets being depreciated:					
Buildings	253,672,686			145,250	253,817,936
Machinery and equipment	30,761,585	1,438,504	(1,109,086)		31,091,003
Infrastructure:					
Streets	113,981,242			42,655,757	156,636,999
Landscape	20,479,187				20,479,187
Storm drains	20,110,350				20,110,350
Portable water systems	1,353,939				1,353,939
Parks	7,980,040		(1,133,953)	329,852	7,175,939
Marina facilities	24,285,397				24,285,397
Golf Improvements	4,205,963				4,205,963
Total capital assets being depreciated	476,830,389	1,438,504	(2,243,039)	43,130,859	519,156,713
Less accumulated depreciation:					
Buildings	(102,467,660)	(3,319,409)			(105,787,069)
Machinery and equipment	(20,206,508)	(1,616,090)	1,033,386		(20,789,212)
Infrastructure:					
Streets	(62,431,215)	(2,942,618)			(65,373,833)
Landscape	(16,763,459)	(540,379)			(17,303,838)
Storm drains	(8,668,120)	(339,051)			(9,007,171)
Portable water systems	(1,169,332)	(7,851)			(1,177,183)
Parks	(3,201,738)	(290,567)	820,568		(2,671,737)
Marina facilities	(19,614,757)	(301,218)			(19,915,975)
Golf Improvements	(2,647,638)	(159,410)			(2,807,048)
Total accumulated depreciation	(237,170,427)	(9,516,593)	1,853,954		(244,833,066)
Net capital assets being depreciated	239,659,962	(8,078,089)	(389,085)	43,130,859	274,323,647
Governmental activity capital assets, net	\$294,196,387	(\$2,914,342)	(\$796,710)	-	\$290,485,335

Note 5 - Capital Assets (Continued)

	Balance at June 30, 2013	Additions	Balance at June 30, 2014
<i>Business-type activities</i>			
Capital assets, not being depreciated:			
Construction in progress	\$6,718,058	\$4,468,808	\$11,186,866
Total capital assets not being depreciated	6,718,058	4,468,808	11,186,866
Capital assets, being depreciated:			
Sewer lines	69,282,911		69,282,911
Office furniture and equipment	1,301,964	84,175	1,386,139
Net capital assets being depreciated	70,584,875	84,175	70,669,050
Less accumulated depreciation for:			
Sewer lines	(27,020,251)	(1,035,808)	(28,056,059)
Office furniture and equipment	(960,529)	(105,563)	(1,066,092)
Total accumulated depreciation	(27,980,780)	(1,141,371)	(29,122,151)
Net capital assets being depreciated	42,604,095	(1,057,196)	41,546,899
Business-type activity capital assets, net	\$49,322,153	\$3,411,612	\$52,733,765

Note 5 - Capital Assets (Continued)

B. Alameda Municipal Power's Capital Assets

Alameda Municipal Power capital asset activities for the year ended June 30, 2014, are as follows:

	Balance June 30, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Capital assets not being depreciated:					
Land and Rights	\$153,643				\$153,643
Construction Work in Progress	1,877,849	\$869,506	(\$738,785)	(\$1,962,673)	45,897
Total capital assets not being depreciated	2,031,492	869,506	(738,785)	(1,962,673)	199,540
Capital assets being depreciated:					
Utility Plant	73,322,303	4,447,057	(510,159)	1,883,708	79,142,909
Service Center Building	7,843,636				7,843,636
Machinery and Equipment	9,074,538			78,965	9,153,503
Transportation Equipment	2,738,514	128,752			2,867,266
Computer Equipment	3,320,906	134,707			3,455,613
Furniture and Fixtures	629,213	200,120			829,333
Easements	185,500				185,500
Total capital assets being depreciated	97,114,610	4,910,636	(510,159)	1,962,673	103,477,760
Less accumulated depreciation for:					
Utility Plant	45,465,046	2,384,405	(362,952)		47,486,499
Service Center Building	3,387,781	165,869			3,553,650
Machinery and Equipment	8,373,991	109,525			8,483,516
Transportation Equipment	1,951,886	187,087			2,138,973
Computer Equipment	3,104,317	88,469			3,192,786
Furniture and Fixtures	441,402	20,835			462,237
Easements	105,000	3,500			108,500
Total accumulated depreciation	62,829,423	2,959,690	(362,952)		65,426,161
Total depreciable assets	34,285,187	1,950,946	(147,207)	1,962,673	38,051,599
Business activity capital assets, net	\$36,316,679	\$2,820,452	(\$885,992)	-	\$38,251,139

Note 5 - Capital Assets (Continued)

C. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

D. Depreciation Allocation

Depreciation expense is charged to functions and programs based upon usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

General government	\$358,017
Police	467,884
Fire	706,912
Public works	4,554,760
Community development, planning and building	2,385,009
Culture and recreation	1,044,011
Total Governmental Activities	\$9,516,593

Business-Type Activities

Sewer services	\$1,141,371
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Discretely Presented Component Units:

Alameda Municipal Power	\$2,959,690
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Note 6 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the term of the related debt. Bond discounts and issuance costs of long-term debt issues are amortized during the life of the related debt.

Note 6 – Long-Term Debt (Continued)

A. City Long-Term Debt

The City's long-term debt activities for the year ended June 30, 2014, are as follows:

	CUSIP Number	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
2002 City Hall	not available	\$7,395,000		\$7,395,000		
2008 Refinancing Project	010762JL7	3,305,000		460,000	\$2,845,000	\$480,000
2013 Financing Project	010762KD3		\$9,610,000	600,000	9,010,000	445,000
Plus: Unamortized bond premium			422,350	19,006	403,344	
Total Certificates of Participation		10,700,000	10,032,350	8,474,006	12,258,344	925,000
2003 General Obligation Bonds	010752BG7	8,925,000		8,925,000		
2003 ARRA Demand Revenue Bonds	010808CC5	11,700,000		300,000	11,400,000	400,000
2013 General Obligation Refunding Bonds	010752BY8		9,010,000		9,010,000	400,000
Plus: Unamortized bond premium			90,488	3,042	87,446	
Leases Payable	not available	5,085,763	140,000	453,663	4,772,100	460,681
HUD Section 108 Loan	not available	6,355,000		164,000	6,191,000	181,000
Subtotal		32,065,763	9,240,488	9,845,705	31,460,546	1,441,681
Total Governmental Activity Debt		42,765,763	19,272,838	18,319,711	43,718,890	2,366,681
Business Activity Debt:						
State Construction Loan	not available	14,158		14,158		
State Water Resources Control Board	not available	709,933		134,265	575,668	138,024
State Revolving Fund Loan, 1998	not available	814,848		127,245	687,603	130,553
State Revolving Fund Loan, 1999	not available	421,488		55,509	365,979	57,008
State Revolving Fund Loan, 2004	not available	890,477		79,124	811,353	81,176
Sewer Revenue Bond, 2012 Series A	010782AT7	14,715,000		250,000	14,465,000	275,000
Plus: Unamortized bond premium		105,373		3,597	101,776	
Total Business Activity Debt		17,671,277		663,898	17,007,379	681,761
Total City Debt		\$60,437,040	\$19,272,838	\$18,983,609	\$60,726,269	\$3,048,442

Note 6 – Long-Term Debt (Continued)

B. Alameda Municipal Power Long-Term Debt

Alameda Municipal Power's long-term debt consists of the Certificates of Participation issues discussed in Note E below. The Alameda Municipal Power long-term debt issues and transactions were as follows:

	CUSIP Number	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
2008 Truck (Altel Model AM-55)- Capital Lease	not available	\$176,295	\$52,886	\$28,192	\$24,694	\$24,694
2009 Truck (Altel Model D3060) - Capital Lease	not available	229,168	75,519	36,632	38,887	38,887
Revenue Bonds, Series 2010A	010808CS0	8,700,000	8,700,000		8,700,000	
Taxable Revenue Bonds, Series	010808CS0	22,985,000	21,050,000	1,065,000	19,985,000	1,095,000
Deferred amount on refunding		n/a	(931,699)	(61,651)	(870,048)	
Loan from City of Alameda	not available	2,200,000	2,200,000		2,200,000	2,200,000
Total long-term debt			<u>\$31,146,706</u>	<u>\$1,068,173</u>	<u>\$30,078,533</u>	<u>\$3,358,581</u>

C. Debt Service Requirements - City and Alameda Municipal Power

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-Type Activities		Component Unit Alameda Municipal Power	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$2,366,681	\$1,235,441	\$681,761	\$512,044	\$3,358,581	\$1,511,204
2016	2,427,979	1,164,856	702,669	492,783	1,130,000	1,469,601
2017	2,243,564	1,095,904	718,872	472,934	1,170,000	1,424,034
2018	2,311,449	1,031,374	740,373	449,628	1,220,000	1,372,054
2019	2,384,637	961,400	613,041	425,518	1,275,000	1,312,883
2020-2024	12,144,253	3,637,990	2,458,887	1,844,054	7,540,000	5,419,891
2025-2029	12,239,539	1,606,572	2,325,000	1,504,328	10,310,000	2,677,336
2030-2034	7,109,998	318,599	2,680,000	1,142,698	4,945,000	243,881
2035-2039			3,110,000	708,218		
2040-2043			2,875,000	190,279		
Total	<u>43,228,100</u>	<u>\$11,052,136</u>	<u>16,905,603</u>	<u>\$7,742,484</u>	<u>30,948,581</u>	<u>\$15,430,884</u>
Plus Unamortized bond premium	490,790		101,776			
Less deferred amount on refunding					(870,048)	
Total	<u>\$43,718,890</u>		<u>\$17,007,379</u>		<u>\$30,078,533</u>	

Note 6 – Long-Term Debt (Continued)

D. Description of the City's Long-Term Debt Issues

The balance of the City's debt is in various forms as follows:

Governmental Activity Debt

Certificates of Participation

Some of the City's debt is in the form of Certificates of Participation, which are a type of long-term borrowing secured by lease payments made by the City under non-cancelable lease agreements. The cost of the assets securing these leases and the balance of the debt evidenced by these Certificates of Participation have been included in the City's financial statements, as these leases are in essence financing arrangements with ownership of the financed assets reverting to the City at the conclusion of the lease term.

2002 City Hall Refinancing Project Certificates of Participation – The City issued Certificates of Participation in the original principal amount of \$11,370,000, bearing interest at 2.25-4.75%, on September 10, 2002, in order to repay the City's outstanding \$10,565,000 1995 City Hall Seismic Upgrade and Renovation Project Certificates of Participation. The 1995 COP was to finance the seismic upgrade and renovation of City Hall and certain fire station facilities under a non-cancelable lease of these facilities extending to May 1, 2025.

On September 17, 2013, the City approved the issuance of 2013 Certificates of Participation to repay the 2002 Certificates of Participation and to finance the costs of construction of a new City Emergency Operations Center in the amount of \$9,610,000.

The proceeds of the 2013 Bonds deposited in an irrevocable trust to provide for all future debt service payments of 2002 COPs. Accordingly, the trust account assets and the liability for the refunded portion of the 2002 COPs are not included in the financial statements.

2008 Refinancing Project Certificates of Participation

In July 2008, the City Council authorized the issuance of the Certificates of Participation (2008 Refinancing Project) in the amount of \$4,575,000 to refinance the 1996 Police Building Refunding and Equipment Financing Certificates of Participation and the 1996 Library and Golf Course Upgrade and Renovation Certificates of Participation. The 2008 Certificates bear interest rates from 4% to 5% which are payable semi-annually in May and November. The City's principal payments commenced on May 1, 2011.

2013 Financing Project Certificates of Participation

On September 17, 2013, the City of Alameda Financing Authority authorized the issuance of the Certificates of Participation (2013 Refinancing Project) in the amount of \$9,610,000 to repay the City of Alameda 2002 Certificates of Participation and to finance the costs of construction of a new City Emergency Operations Center and associated expenses. The 2013 Certificates bear interest rates from 3% to 4%, which are payable semi-annually in May and November commenced on May 1, 2014.

The refunding resulted in an overall debt service savings of \$2,308,759. The net present value of the debt securities savings is called an economic gain and amounted to \$926,233.

Note 6 – Long-Term Debt (Continued)

General Obligation Bonds

2003 General Obligation Bonds – On November 7, 2000, the voters approved the issuance of General Obligation Bonds, which the City issued on March 25, 2003, in the principal amount of \$10,600,000, in addition to a reoffering premium of \$268,000, to finance the acquisition and construction of a new main library and improvements to two branch libraries within the City.

On September 17, 2013, the City approved the issuance of 2013 General Obligation Bonds in the amount of \$9,010,000 to repay the 2003 General Obligation Bonds and to finance the construction and renovation of various public libraries.

2003 ARRA Variable Rate Demand Revenue Bonds – On December 1, 2003, the Alameda Public Financing Authority issued Variable Rate Revenue Bonds in the original principal amount of \$13,440,000 at a variable rate of interest determined on a weekly basis. The proceeds from the bonds were used to refund the 1999 ARRA Revenue Bonds, which were issued to finance the costs of certain improvements at Alameda Point, and to finance professional services for land use planning and other activities required for the redevelopment process at Alameda Point. Repayment of these bonds is from lease revenues paid to ARRA from certain land, buildings, fixtures and equipment. Interest is payable on the first business day of each month.

The pledge of sublease revenues ends upon repayment of the \$11,533,510 in remaining debt service on the Bonds, which is scheduled to occur in 2034. As disclosed in the bond indenture documents, pledged future sublease revenues are expected to provide coverage over debt service of 1.5 during the life of the Bonds. For fiscal year 2013-14, sublease revenues amounted to \$11,695,184 which represented coverage of 3,762% over the \$310,866 in debt service.

2013 General Obligation Refunding Bonds

On September 17, 2013, the City Council approved the repaying of General Obligation Bonds originally issued in 2003. The Refunding Bonds were issued on November 1, 2013, in the principal amount of \$9,010,000 to refund, on a current basis, the City of Alameda General Obligation Bonds, Series 2003, and pay for costs of issuance of the Bonds. The 2003 Bonds were issued to finance the construction and renovation of various public libraries. The bonds bear interest between 3% and 3.4%. The repayment of the bonds is secured by all non-restricted revenue of the City. Principal payments are due annually on August 1. Interest payments are due semi-annually on February 1 and August 1 through August 1, 2033.

The refunding resulted in an overall debt service savings of \$1,779,883. The net present value of the debt securities savings is called an economic gain and amounted to \$953,711.

Leases and Loans Payable

Leases Payable – At June 30, 2014, the City held the following leases payable. Under the lease agreements, ownership of the capital assets reverts to the City at the end of the lease terms. Since the leases are in essence financing arrangements, the costs of the capital assets and the amounts of the lease terms have been included in the City's financial statements.

Fire Apparatus Lease Payable - On October 19, 2011, the City entered into a lease agreement in the amount of \$1,750,000 with Oshkosh Capital to acquire two fire apparatus vehicles. The City agreed to pay the lease starting on October 19, 2012, in annual payments of \$147,127, which includes interest, for fifteen years. Balance of the lease as of June 30, 2014, was \$1,559,645.

Note 6 – Long-Term Debt (Continued)

Radio Lease Payable - On October 1, 2011, the City entered into a lease agreement in the amount of \$1,507,194 with Holman Capital Corporation to acquire 206 hand-held radios and 124 vehicle radios. The City agreed to pay the lease starting on October 11, 2012, in annual payments of \$231,896, which includes interest rate of 1.89%, for 7 years. Balance of the lease as of June 30, 2014, was \$1,096,530.

2013 Fire Truck Lease Payable - On September 26, 2012, the City entered into a lease agreement in the amount of \$1,965,726 with Oshkosh Capital to acquire two fire apparatus vehicles. The City agreed to pay the lease starting on September 26, 2013, in annual payments of \$162,546 which includes interest, for fifteen years. Balance of the lease as of June 30, 2014, was \$1,858,648.

2013 Ambulance Lease Payable - On April 23, 2013, the City entered into a lease agreement in the amount of \$199,348 with Oshkosh Capital to acquire an ambulance vehicle. The City agreed to pay the lease starting on April 24, 2013, with the first payment of \$39,348 and annual payments thereafter of \$25,584 which includes interest, for eight years. Balance of the lease as of June 30, 2014, was \$139,056.

2013 Ambulance Lease Payable - On August 14, 2013, the City entered into a lease agreement in the amount of \$140,000 with US Bancorp to acquire an ambulance vehicle. The City agreed to pay the lease starting on October 24, 2013, with annual payments of \$21,779. Balance of the lease as of June 30, 2014, was \$118,221.

HUD Section 108 Loan - On January 5, 2006, the City entered into an agreement to borrow \$7,000,000 from the Housing and Urban Development Department. In September 2006, the City drew down \$4,000,000 for the construction of the Alameda Theater Garage Project. In August 2007, the City drew down an additional \$3,000,000 for the same project. Principal and interest payments of both loans are due semi-annually on August and February through 2027. The loan carries a variable interest rate of 20 points above the LIBOR rate. Repayments of the loans are funded by a BEDI (Brownfields Economic Development Initiative) grant, parking garage and retail and cinema lease revenues. The outstanding balance as of June 30, 2014 is \$6,191,000.

Business Activity Debt

Certificates of Participation

Loans Payable

State Construction Loan - On May 2, 1989, the City entered into a loan with the State of California State Water Resources Control Board for \$400,431 at 3.39% interest to construct facilities for the control and prevention of water pollution. The loan is payable from Sewer Service Enterprise Fund operating revenues. The City agreed to make annual payments of \$24,349 through December 1, 2013. The loan was repaid during fiscal year 2014.

State Water Resources Control Board - On February 8, 1996, the City entered into a loan with the State of California State Water Resources Control Board for up to \$2,324,502 at 2.8% interest, of which all has been drawn down. The purpose of the loan is to provide funding to install sanitary sewer facilities. The loan is payable from Sewer Service Enterprise Fund operating revenues. The City agreed to make annual payments of \$154,144 through August 5, 2017. The balance as of June 30, 2014, was \$575,668.

Note 6 – Long-Term Debt (Continued)

State Revolving Fund Loan 1998 - The City entered into a contract on July 1, 1998, to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is \$2,292,025, of which all has been drawn down. This loan bears interest at 2.6% per year for a term of twenty years. The balance as of June 30, 2014 was \$687,603.

State Revolving Fund Loan 1999 - The City entered into a contract on September 29, 1999, to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is \$1,193,529 and bears interest at 2.7% per year for a term of twenty years. The balance as of June 30, 2014, was \$365,979.

State Revolving Fund Loan 2004 - The City entered into a contract on August 12, 2004, to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is \$1,840,292 and bears interest at 2.6% per year for a term of twenty years. The balance as of June 30, 2014, was \$811,353.

Revenue Bonds

Sewer Revenue Bonds 2012 Series A - On October 3, 2012, the City of Alameda Financing Authority issued Sewer Revenue Bonds 2012 Series A, in the original principal amount of \$14,715,000, to repay the 1995 Sewer System Refinancing and Improvement Certificates of Participation, and to finance improvements to the City's municipal sewer system. The Bonds bear interest between 2% and 4%, which are payable semi-annually in February and August. Principal payments of the Bonds commenced on August 1, 2013.

The pledge of sublease revenues ends upon repayment of the \$21,967,653 in remaining debt service on the Bonds, which is scheduled to occur in 2042. As disclosed in the bond indenture documents, pledged future revenues are expected to provide coverage over debt service of 1.25 during the life of the Bonds. For fiscal year 2014, revenues amounted to \$9,734,465 which represented coverage of 1,378% over the \$706,318 in debt service.

E. Alameda Municipal Power Certificates of Participation and Bonds Payable

Revenue Bonds, Series 2010A/B (AMP Refinancing) - As described in an indenture agreement dated August 1, 2010, Revenue Bonds, Series 2010A/B were issued to provide funds, together with certain other available monies, to 1) prepay the obligations of AMP for the Electric System Revenue Certificates of Participation Series 2000A, 2) prepay the obligations of AMP for the Taxable Electric System Revenue Certificates of Participation, Series 2000AT, 3) fund a deposit to the Common Reserve Account, and 4) prepay the costs of issuance of the 2010 Bonds. Revenue Bonds, Series 2010A bear interest at 4.375% to 5.25%, payable January 1 and July 1 of each year.

Principal on the Series 2010B Bonds will be payable beginning July 1, 2011 and each succeeding July 1 until defeased in 2027. Principal on the Series 2010A Bonds will be payable beginning July 1, 2027 and each succeeding July 1 until defeased in 2030. The 2010 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. The 2010 Bonds are special obligations payable solely from electric revenues, other amounts held in the bond funds and accounts established pursuant to the indenture, and amounts on deposit in the Common Reserve Account. The initial book-entry principal obligation for the Series 2010A is \$8,700,000 and \$22,985,000 for the Series 2010B. The combined principal obligation amount is \$31,685,000.

Note 6 - Long-Term Debt (Continued)

This advance refunding was undertaken to reduce debt service payments over the next 20 years by \$17,662,628, and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$2,308,432. The advance refunding resulted in a deferred amount on refunding of \$1,116,652.

Capital Lease Obligation – On June 1, 2008, Alameda Municipal Power entered into a long-term contract for the lease of a vehicle for maintenance operations use. Total cost of the vehicle was \$176,295 and is due in monthly principal and interest installments of \$2,533 through June, 2015. Accumulated depreciation for the vehicle is \$116,519 as of June 30, 2014.

Capital Lease Obligation – On July 18, 2008, Alameda Municipal Power entered into a long-term contract for the lease of a vehicle for maintenance operations use. Total cost of the vehicle was \$229,168 and is due in monthly principal and interest installments of \$3,347 through July, 2015. Accumulated depreciation for the vehicle is \$146,792 as of June 30, 2014.

Loan from City of Alameda – On December 15, 2003, at the request of the Public Utilities Board, the Alameda City Council authorized a loan of \$2,200,000 to AMP for the purpose of construction of the hybrid fiber-optic/coaxial telecom system. The loan is interest free and was due on June 1, 2009. The City and Alameda Municipal Power are currently negotiating the payment terms for this loan.

Note 7 - Special Assessment Debt Without City's Commitment

Paragon Gateway Community Facilities District #2, Harbor Bay Community Facilities District #1 (Harbor Bay Business Park), and the Alameda Public Financing Authority (Marina Village Assessment District Bond Refinancing), have also issued debt, but the City has no legal written liability with respect to the payment of this debt, which is secured by assessments on the properties in these Districts.

At June 30, 2014, the combined outstanding debt amount for all of these assessment districts was \$10,010,000.

Note 8 – Net Position and Fund Balances

Net Position is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position, which is determined at proprietary fund and the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and funds restricted for low and moderate housing purposes.

Unrestricted describes the portion of Net Position which is not restricted to use.

Note 8 – Net Position and Fund Balances (Continued)

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represent balances set aside to indicate items that do not represent available, spendable resources, even though they are a component of assets. Fund balances required to be maintained intact, such as permanent funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action (through a resolution) of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Manager or its designee as authorized by an adopted City Council resolution and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed through a council resolution, the City Council has designated the City Manager or his designee to determine the amount of assigned fund balances.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Note 8 – Net Position and Fund Balances (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2014, are below:

Classifications	General Fund	FISC Lease Revenue Special Revenue	Base Reuse Special Revenue	Housing Special Revenue	Parking Special Revenue	City Hall and Library Bonds Debt Service	Capital Improvement Projects	Other Governmental Funds	Total
Nonspendable:									
Items not in spendable form									
Loans	\$2,200,000								\$2,200,000
Deposits	61,871							\$9,395	71,266
Total Nonspendable	2,261,871							9,395	2,271,266
Restricted for:									
Development activities		\$2,730,389	\$3,567,566		\$365,020				6,662,975
Streets and roads								7,819,169	7,819,169
Public safety								454,584	454,584
Assessment Districts								7,436,469	7,436,469
Debt service						\$932,727		43,234	975,961
Total Restricted		2,730,389	3,567,566		365,020	932,727		15,753,456	23,349,158
Committed to:									
Capital projects							\$6,129,565	20,113,831	26,243,396
Community Development								460,172	460,172
Culture and recreation								2,740,077	2,740,077
Library Operations								1,348,003	1,348,003
Affordable Housing				\$1,082,432					1,082,432
Redevelopment Activities								1,157,966	1,157,966
Parking Meter/Garage Operations/Projects								3,254,893	3,254,893
Waste Management								4,503,064	4,503,064
Total Committed				1,082,432			6,129,565	33,578,006	40,790,003
Unassigned:									
Reserve policy	17,362,000								17,362,000
Residual fund balance in excess of policy or Fund balance deficits	11,709,830								11,709,830
Total Unassigned	29,071,830								29,071,830
Total Fund Balances	\$31,333,701	\$2,730,389	\$3,567,566	\$1,082,432	\$365,020	\$932,727	\$6,129,565	\$49,340,857	\$95,482,257

Note 8 – Net Position and Fund Balances (Continued)

C. Fund Balance Deficits

The funds below had fund balance deficits or net asset deficits in the amounts shown at June 30, 2014. Future revenues are expected to offset these deficits.

Internal Service Fund:

Workers' Compensation Insurance	\$2,784,534
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Private Purpose Trust Fund

Successor Agency Special Revenue	52,771,526
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Note 9 - Pension Plans

A. CALPERS Safety and Miscellaneous Employees Plans

All Full time City employees are eligible to participate in pension plans offered by the California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan, which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect for fiscal year 2013-14, are summarized as follows:

	Miscellaneous Plan	
	Prior to 1/1/2013	After 1/1/2013
Hire Date	Prior to 1/1/2013	After 1/1/2013
Benefit vesting Schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age (range)	55	62
Monthly benefits, as a % of annual salary	2.000%	2.000%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	14.970% (A)	14.970%
	Safety Plan	
	Prior to 1/1/2013	After 1/1/2013
Hire Date	Prior to 1/1/2013	After 1/1/2013
Benefit vesting Schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age (range)	55	57
Monthly benefits, as a % of annual salary	3.000%	2.700%
Required employee contribution rates	9.000%	12.000%
Required employer contribution rates	39.506% (B)	39.506%

(A) Miscellaneous employees contribute 1.868% of the employer contribution in addition to their 7% employee contribution.

(B) Safety employees contribute 4% of employer contribution in addition to their 9% employee contribution.

Note 9 - Pension Plans (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis within twenty years. Investment gains and losses are accumulated as realized; ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress within the most recently available past three years is set forth below at their actuarial valuation date of June 30:

Safety Plan Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2010	\$290,369,467	\$218,842,250	\$71,527,217	75.4%	\$21,251,762	336.6%
2011	308,606,464	227,619,418	80,987,046	73.8%	21,523,174	376.3%
2012	320,157,194	234,428,640	85,728,554	73.2%	20,094,417	426.6%

Miscellaneous Plan Actuarial						
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2010	\$210,927,819	\$187,904,871	\$23,022,948	89.1%	\$28,225,541	81.6%
2011	222,550,387	197,051,737	25,498,650	88.5%	27,996,744	91.1%
2012	219,802,218	194,595,559	25,206,659	88.5%	23,840,561	105.7%

Audited annual financial statements are available from CALPERS at PO Box 942709, Sacramento, CA 94229-2709. CALPERS reports this information approximately eighteen months after the end of its June 30 fiscal year.

Actuarially required contributions for fiscal years 2013-14, 2012-13, and 2011-12, were \$13,871,244, \$13,572,530, and \$13,449,867. The City made these contributions as required, in addition to amounts required as the result of the payment of additional employee compensation.