



City of San Leandro

Meeting Date: March 4, 2013

Staff Report

File Number: 13-088

Agenda Section: ACTION ITEMS

Agenda Number: 10.A.

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for the Resolution Approving the Comprehensive Annual Finance Report (CAFR) for the Year Ending June 30, 2012

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council accept the CAFR for fiscal year ended June 30, 2012.

BACKGROUND

The City's independent auditor, Maze & Associates, has completed the audit of the City's financial statements and provided their auditor's reports for the year ended June 30, 2012. The Finance Department prepared the City's financial statements as part of its CAFR for the year ended June 30, 2012. The Government Accounting Standards Board (GASB) recommends the elements for the CAFR format. The CAFR and the related financial statements fully disclose the financial condition of the City, Successor Agency to the Redevelopment Agency, and other reporting units of the City.

Other financial statements for the year ended June 30, 2012 are reviewed and prepared by the City's external auditor:

1. Alameda County Transportation Authority- Measure B Funds
2. Redevelopment Agency of San Leandro (Component Unit Report)
3. Transportation Development Act Article III Fund
4. Appropriations Limit Schedule and Independent Accountant's Report
5. Single Audit of Federal Grant Expenditures in accordance with U.S. Office of Management and Budget Circular A-133

The primary report, the CAFR, contains three sections. The first is the introductory section, which provides general information on the City's structure, personnel, economic condition, and finances. The financial section includes the independent auditor's report, the general-purpose financial statements and related notes, and supplementary information.

Finally, the statistical section includes pertinent financial and non-financial demographic data.

The format of the CAFR is designed to serve the needs of three primary users. CAFR information serves the City Council and other governmental oversight bodies, the public, and agencies assessing the City's creditworthiness.

DISCUSSION

The City's independent auditor completed audits of the City's financial statements and the other reports stated earlier. The audits found no exception to conformance with generally accepted accounting standards, the Government Auditing Standards issued by the Comptroller of the United States, or the U.S. Office of Management and Budget Circular A-133 for state and local governments.

Maze found the general-purpose financial statements present fairly, in all material ways, the City's financial position as of June 30, 2012. The audited financial statements include the statement of net assets, statements of activities and changes in net assets, balance sheets, statements of revenues, expenditures, and, changes in fund balances, and statements of cash flows.

The CAFR has been prepared in accordance with generally accepted accounting principles (GAAP). The GASB established this framework for the financial reports of state and local governments. Important financial statement changes highlighted in the CAFR Management Discussion and Analysis include:

- The net assets of the City exceeded its liabilities at fiscal year ending June 30, 2012 by \$355.6 million. Of this amount, \$282 million was invested in capital assets, net of related debt. The balance was restricted for capital projects totaling \$8.7 million, \$9.2 million is restricted for debt service and other projects, and \$55.7 million is unrestricted.
- The City's total net assets increased by \$23.4 million; representing a \$21.5 million increase in Governmental and a \$1.9 million increase in Business type activities. The net assets increase was largely due to the transfer of the Redevelopment Agency negative net assets to a fiduciary fund in the amount of \$22.9 million (indebtedness exceeds assets).
- The City's Governmental activities revenues increased by \$20.8 million mainly due to a \$21.1 million extraordinary accounting gain due to the transfer of redevelopment assets to the Successor Agency to the Redevelopment Agency. Sales tax which increased by \$2.3 million. However, charges for services decreased by \$4.8 million. The decrease in charges for services is primarily due to the one-time increase in permits and fees for the construction of the Kaiser Hospital in 2010-11.

The City's business-type activities include the Water Pollution Control Plant, Shoreline, Storm Water Utility and Environmental Services. The net assets increased by \$1.9 million from prior fiscal year due to the increase in capital assets mainly due to new machinery and equipment for the expansion of the Water Pollution Control Plant.

The City has once again received an unqualified opinion (one that is without any reservations or qualifications on the opinion) which is the highest level of assurance that can be rendered

by the auditors. This opinion assures that the City's financial statements are in conformity with accounting principles generally accepted in the United States and has been rendered on all of the City's funds, including the Successor Agency to the Redevelopment Agency of the City of San Leandro.

The City Council should note that the City was awarded the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2011 by the Government Finance Officers Association of the United States and Canada (GFOA). Staff has submitted this year's CAFR for the award and believes that the 2011-12 CAFR continues to meet the stringent standards of the GFOA Awards program.

Staff recommends that the City Council accept the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2012.

PREPARED BY: David Baum, Finance Director, Finance



City of San Leandro

Meeting Date: March 4, 2013

Resolution - Council

File Number: 13-089

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: ADOPT: Resolution Approving and Confirming the Comprehensive Annual Financial Report (CAFR) for the Year Ending June 30, 2012 (reviews the report on financial transactions of the City and on disclosure of significant information regarding the City's operations, assets, and liabilities)

The City Council of the City of San Leandro does RESOLVE as follows:

That the Fiscal Year 2011-12 Comprehensive Annual Financial Report for the year ended June 30, 2012, a copy of which is attached hereto and incorporated herein by reference, is hereby approved.



Senior Community Center



Volunteers help build a Play Structure at Toyon Park



Fred T. Korematsu Gymnasium at 9th Grade Campus

CITY OF SAN LEANDRO
Comprehensive Annual Financial Report



Fiscal Year Ended
June 30, 2012



CITY OF SAN LEANDRO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012



PREPARED BY: City of San Leandro – Finance Department
David Baum, Finance Director



City of San Leandro
Comprehensive Annual Financial Report
For the year ended June 30, 2012

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Comprehensive Annual Financial Report
For the year ended June 30, 2012

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City of San Leandro

Civic Center, 835 E. 14th Street
San Leandro, California 94577



January 31, 2013

Honorable Mayor and Members of the City Council
City of San Leandro
San Leandro, CA 94577

Dear Mayor and Members of the City Council:

It is a pleasure to submit for your consideration the City of San Leandro's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of my knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's Charter requires an annual audit by an independent audit firm selected by the City Council of the books of account and financial records and reports of the City and that the City publish a complete set of audited financial statements after the close of each fiscal year. This report is published to fulfill this requirement for the fiscal year ended June 30, 2012.

This report presents management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the costs of internal controls should not outweigh the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Maze & Associates, a public accounting firm fully licensed and qualified to perform audits of local governments within California, has audited the City's basic financial statements. The goal of the independent audit is to provide reasonable assurance that the basic financial statements for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2012 are fairly presented in

conformity with accounting principles generally accepted in the United States. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to the annual financial audit, the City provides for a federally mandated Single Audit designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of Federal awards. These reports are available in the City's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). The MD&A compliments this letter of transmittal and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

CITY PROFILE

The City of San Leandro was incorporated in 1872 and is one of the oldest communities in the San Francisco Bay Area. The City occupies fifteen square miles between the cities of Oakland and Hayward and is bordered on the west by the San Francisco Bay. San Leandro offers its approximately 86,053 residents the quiet charm and character of a community that has been established for more than 140 years. Once an agricultural community, the City has been successful in attracting significant industrial, manufacturing and retail development to the area.

City Structure

The City functions under a Mayor-Council-Manager form of government and is governed by a seven-member council elected by City residents. Municipal services provided include public safety, streets and roads, recreation and cultural services, library, health services, public infrastructure improvements, planning and zoning, and general administrative services. The scope of the City Council's power and influence includes, but is not limited to the following:

- The authority to establish and modify operating and capital budgets
- The power to appoint voting members to other governing authorities
- The power to appoint the City Manager and City Attorney
- The ability to plan and direct operations
- The authority to veto, modify, and overrule decisions

Another significant example of control is the nature of financial interdependency between the various City funds. Manifestations of financial interdependency include taking responsibility for financing deficits, being entitled to operating surpluses, and giving implied guarantees (moral responsibility) for debt obligations.

Component Units

As of June 30, 2012 there were no discretely reportable component units. The City's blended component units include operations of the San Leandro Redevelopment Agency, the San Leandro

Parking Authority, the San Leandro Public Financing Authority, and the San Leandro Economic Development Agency.

The CAFR for the year ending June 30, 2012 provides a financial account of those activities, organizational elements, and City functions for which the City Council provides policy direction and general oversight. It presents financial information on the activities of the City itself and the component units of the City upon which the City Council is authorized to impose its will. The operating nature of the City's component units determines how they are reported in the financial statements. The activities of component units that provide financial benefit or create financial burden for the City are blended within the City's general financial statements. Component units that have no discernable financial impact upon the City are presented separately.

ECONOMIC CONDITION OF THE CITY

The City of San Leandro has a diverse and strong economy, with its business community comprised of varied businesses ranging from neighborhood coffee houses and fine restaurants, large food processing centers, and regional shopping opportunities, to cutting edge technology. While the economic base has dramatically changed from its agricultural early years, San Leandro continues to expand on its sound business base with the ongoing development of such projects as a new downtown parking structure, a multi-family housing development, a new regional hospital, and the continuing revitalization of downtown San Leandro.

The recession resulting from the global financial and credit market meltdown in late 2008 has had a direct and dramatic impact on the City's local revenues. While there are some signs of an economic recovery, median home prices are still \$320,000, 39% less than the median price at the 2006 peak. The unemployment rate is still higher than 8%, well above average unemployment of the past decade.

The City's General Fund supports many of the City's key services, such as public safety, library and parks and recreation. Revenue to this critical fund, generated largely from sales and property taxes, has shrunk. As consumers and businesses cut back on spending in response to the recession, less revenue is generated for the City. For example, in 2006-07 the City's General Fund collected approximately \$23.4 million in sales tax revenue. This amount fell to \$19 million in 2008-09, and continued its decline in 2009-10 to \$17 million, a reduction in sales tax revenue in the last five years of 18%. With the passage of Measure Z (0.25% sales tax increase) effective January 1, 2011, sales tax revenue improved by 11% from the prior fiscal year to a total of \$24.1.

Similarly, property tax revenue which generally shows positive growth is displaying the effect of the poor economy. Fiscal year 2011-12 ended with a 16% reduction in Property Tax revenues, largely attributed to the dissolution of the Redevelopment Agency as of February 1, 2012 wherein property taxes were withheld by the State of California and are no longer revenue to the City. As assessed valuation in property value continues to decline in San Leandro as well as other cities in California, the property tax revenue is no longer the top revenue generator. While these revenues remained relatively stable during the recession, the nature of the assessment valuation and appeals process caused these revenues to lag the economy by a couple of years.

City operations are also supported by other funds, including enterprise funds. Key enterprise funds include the Water Pollution Control Plant and Shoreline Enterprise Funds. Both of these funds have seen revenues slightly improving over the last year. The Water Pollution Control Plant Enterprise fund was established to account for the City's sewers, which protect public health and preserve water quality through collection, treatment, and disposal of the community's wastewater and wastewater solids. Program revenues to this fund in 2011-12 totaled \$11.2 million, a 6.7% increase from the prior year. The Shoreline Enterprise Fund was established in 2002-03 and combined the Marina Enterprise and the Golf Course Enterprise Funds. Program revenues to this fund in 2011-12 totaled \$1.9 million which remained constant from the prior year.

While the City has implemented considerable expenditure/service reductions to balance its budget, it continues to face increased operating costs. For example, the City's contribution rates for employee pensions continue to rise due to prior portfolio losses and a change in actuarial assumptions by CalPERS, with additional increases projected in future years. The City has offset some of these increases with reductions in staff reductions in recent years, and will be working with employee groups over the next couple of years to address this growing cost. Partially mitigating the double digit increases in annual CalPERS funding is the refinancing of a Police pension fund unfunded liability through lower interest cost bonds and loans totaling \$24.3 million guaranteed by the General Fund, which were completed in 2011-12.

The State of California is again forecasting a balanced budget over the next 18 months. The State's savings and borrowings from special funds, property tax shifts, restructuring of the state-local government relationship that shifts funding responsibility to local government for certain services results in a shift of cost being transferred to cities and counties. State lawmakers' dissolution of redevelopment agencies eliminates funding for redeveloping, improving and revitalizing project and blighted areas in the city. Passage of Prop 30 in November 2012 will generate additional tax revenue for the State to mitigate recent deficits. Local governments remain alert about how the State will balance its budget and how it might impact local government.

Long-term perspective

The City adopts an annual budget, but employs long-term planning as the framework for its fiscal decisions. While San Leandro's underlying economy is viewed as positive in the long-term, today's economic challenges, notably in the General Fund, must be dealt with now to ensure long-term fiscal stability. The City Council has implemented various cost cutting measures after operating expenditures peaked in 2008-09 to produce recurring budget savings. Such actions result in unwanted, but unavoidable reductions in service to the community. To help buffer the immediate impacts of additional service reductions, the City has used some of its one-time reserves.

City Council unassigned reserves, total \$10.7 million in the General Fund at June 30, 2012. The reserve balance is comprised of \$5 million for Major Emergencies, \$5.2 million for Economic Uncertainty, \$2.1 million from the Redevelopment loan repayment to the General Fund, and \$540,000 for compensated absences. It is anticipated that beginning in FY 2012-13, the City will begin to rebuild its reserve balance.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

In its role of providing policy direction and general oversight, the City Council establishes major goals for City service delivery. These goals are identified and quantified in the City's annual budget. The City can boast of an impressive list of major initiatives and accomplishments during 2011-12 that helped achieve the City's mission of serving the public and enhancing the quality of life in San Leandro. Some of these major initiatives and accomplishments include:

Capital Improvements

Lit San Leandro Fiber Loop The City is working with OSISoft, a local software company, to license a 10 mile loop of City conduit to stall fiber optic cable. The loop will provide high-speed internet connectivity data communications for businesses that opt to tie in to the system. The City applied for and received a \$2 million EDA grant to augment this project during the past year.

Water Pollution Control Plant A \$50 million expansion is underway to upgrade the Plant, which was constructed in 1939. Scheduled date of completion is July 2014.

Streets and Road Projects As part of the City's overall Pavement Management strategy, the rehabilitation of city streets through the construction of overlay, pothole repairs, and various street resurfacing treatments, continue to improve the streets and roads that enhances the City's road quality and durability.

Downtown Parking Garage Key to development plans for the downtown is a four story parking garage. A November grand opening in November culminated the construction of the 384 space, LEED certified, four-story parking garage. The new garage will replace an outdated Estudillo garage and is scheduled to install a parking revenue system in early 2013. The garage, which is funded with redevelopment tax increment dollars and constructed by Webcor Builders, is a critical component of the City's award winning Transit Oriented Development (TOD) strategy. Centralized parking encourages downtown retail patrons to park once, walk to multiple destinations and promotes the downtown. The added capacity from the new garage will also facilitate additional mixed use development.

San Leandro Kaiser Medical Center, Phase I The initial phase of development consists of a replacement for the existing Kaiser Permanente Hayward hospital with a new San Leandro Kaiser Medical Center. Phase 1 of the Medical Center is under construction and includes a 436,000 square foot, six-story hospital containing up to 264 licensed beds, a 275,000 square foot support building, a central utility plant, and 2,100 surface parking. Construction of the new hospital began in 2010 and will generate 3,000 new construction jobs. The hospital is expected to open in 2014. When complete, the state-of-the-art hospital will include ten operating rooms, 24-hour emergency services with forty treatment rooms, and a newborn intensive care nursery. A medical office building will house 116 offices for primary care and specialty physicians, an outpatient procedure suite with six rooms, a pharmacy, a laboratory, and radiology services. This is the largest development project in San Leandro's history.

COUNCIL FINANCIAL POLICIES

Over the years, the San Leandro City Council has followed a series of Financial Values that provide guidance to budget administration, capital financing and debt management - which are also used to guide the budget process. In addition, the City Council adopted, by resolution, specific budget administration guidelines which set out guidance for fund balance designations and reserves management.

The budget administration guidelines recommend sufficient fund balance to provide for: a) Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy, b) contingencies for unforeseen operating or capital needs and c) cash flow requirements. Further, the guidelines call for such designated fund balances to be at least 20% of General Fund operating expenditures (budgeted expenditures for the following year). Consequently, based on the General Fund's budgeted operating expenditures for 2012-13 the guideline requirement is approximately \$15.2 million.

Even during these difficult economic times, the unassigned fund balance reported in the accompanying financial statements is a step toward meeting these guidelines. For example, the 2011-12 financial statements reflect Council designations that total \$10.7 million. While these designations do not fully meet the guideline amount of \$15.2 million, the unassigned fund balance does represent substantial progress toward the guidelines while facing an economic crisis.

FINANCIAL INFORMATION

City Budget & Budgetary Controls

The City Council is required to adopt a final budget through the passage of a resolution no later than June 30, the close of the fiscal year, following a public hearing process conducted to obtain taxpayer comments. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments and 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. At the end of the fiscal year, encumbered appropriations are carried forward and become part of the following year's budget while appropriations that have not been encumbered lapse, unless otherwise authorized by the City Council and the City Manager.

Accounting System

The City's accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when measurable and available. Expenditures are recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's proprietary activities are maintained on the full accrual basis, with revenues recorded when earned and expenses when incurred. In maintaining the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable assurance regarding the safeguarding of assets and to ensure the reliability of financial records and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived. The

evaluation of costs and benefits requires continuing estimates and judgments by City management. We believe that the City's system of internal accounting controls continues to adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

Risk Management

The City maintains a program of commercial insurance combined with self-insurance for substantially all of its governmental operations, except for major construction projects and contractor-supplied services. In such circumstances, insurance to protect the City is provided by each contractor. The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX). The City is also a member of California Joint Powers Risk Management Authority (CJPRMA), which provides annual general liability coverage in an aggregate up to \$40 million. Additional information on the City's risk management activity can be found in the notes to the financial statements.

OTHER INFORMATION

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Leandro for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 16th consecutive year that the City of San Leandro has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

This CAFR represents the culmination of numerous hours of hard work expended by the dedicated staff in the Accounting Division of the Finance Department. In particular, I would like to express appreciation to Carla Rodriguez, Christine Galvin, Clarence Youngs, and Sally Perez whose support and dedication made the report possible. Furthermore, I would like to thank Maze & Associates for their professional assistance and cooperation.

Finally, I want to thank Chris Zapata, City Manager, the City Council Finance Committee, and the City Council for their continued interest and support in planning and conducting the City's financial operations.

Respectfully submitted,



David Baum
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The City of San Leandro
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

PRINCIPAL OFFICERS
CITY OF SAN LEANDRO
For Fiscal Year Ended June 30, 2012

CITY COUNCIL

Mayor	Stephen H. Cassidy
Vice Mayor	Michael J. Gregory
Councilmember	Pauline Russo Cutter
Councilmember	Jim Prola
Councilmember	Diana M. Souza
Councilmember	Joyce R. Starosciak
Councilmember	Ursula Reed

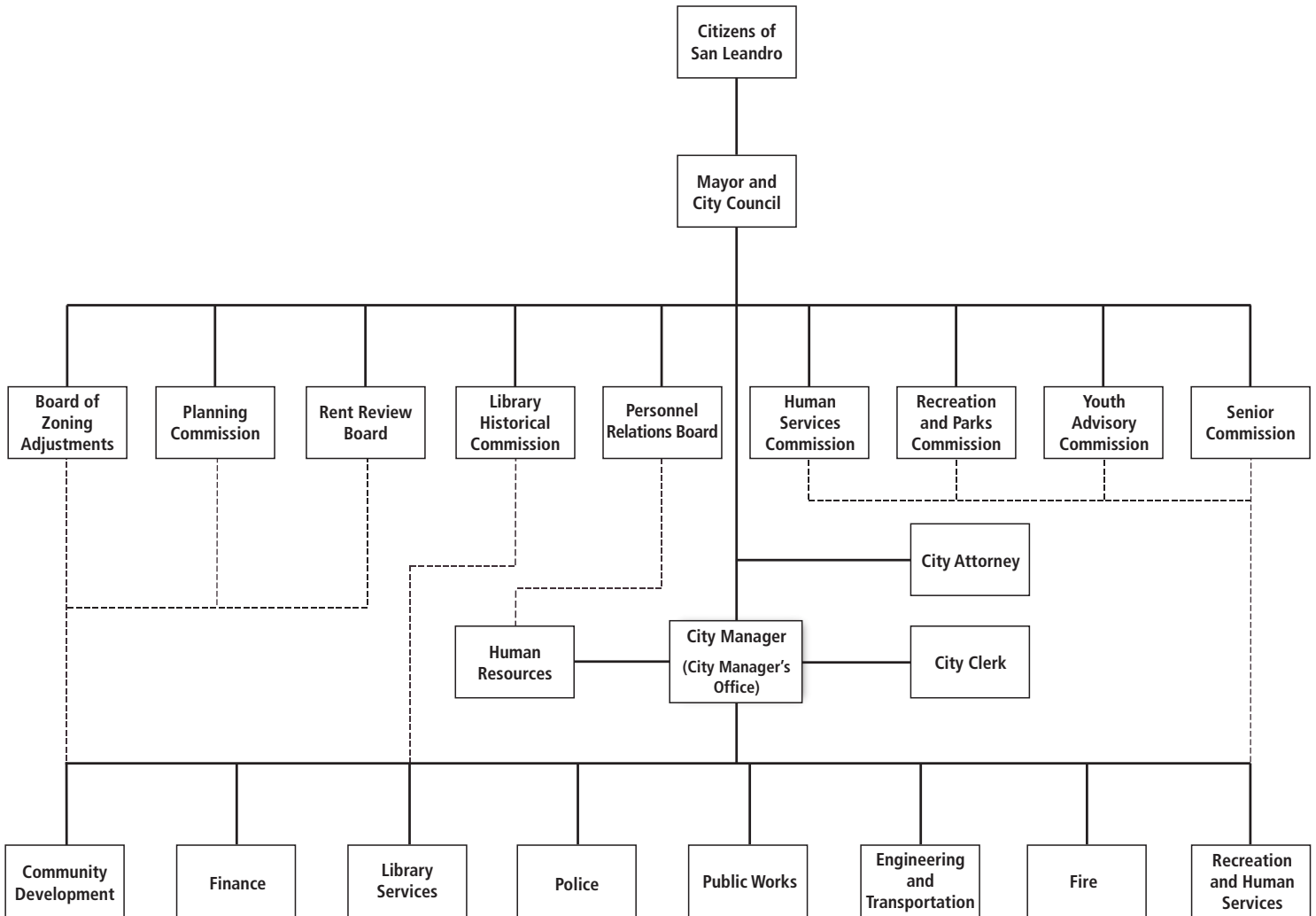
COUNCIL APPOINTEES

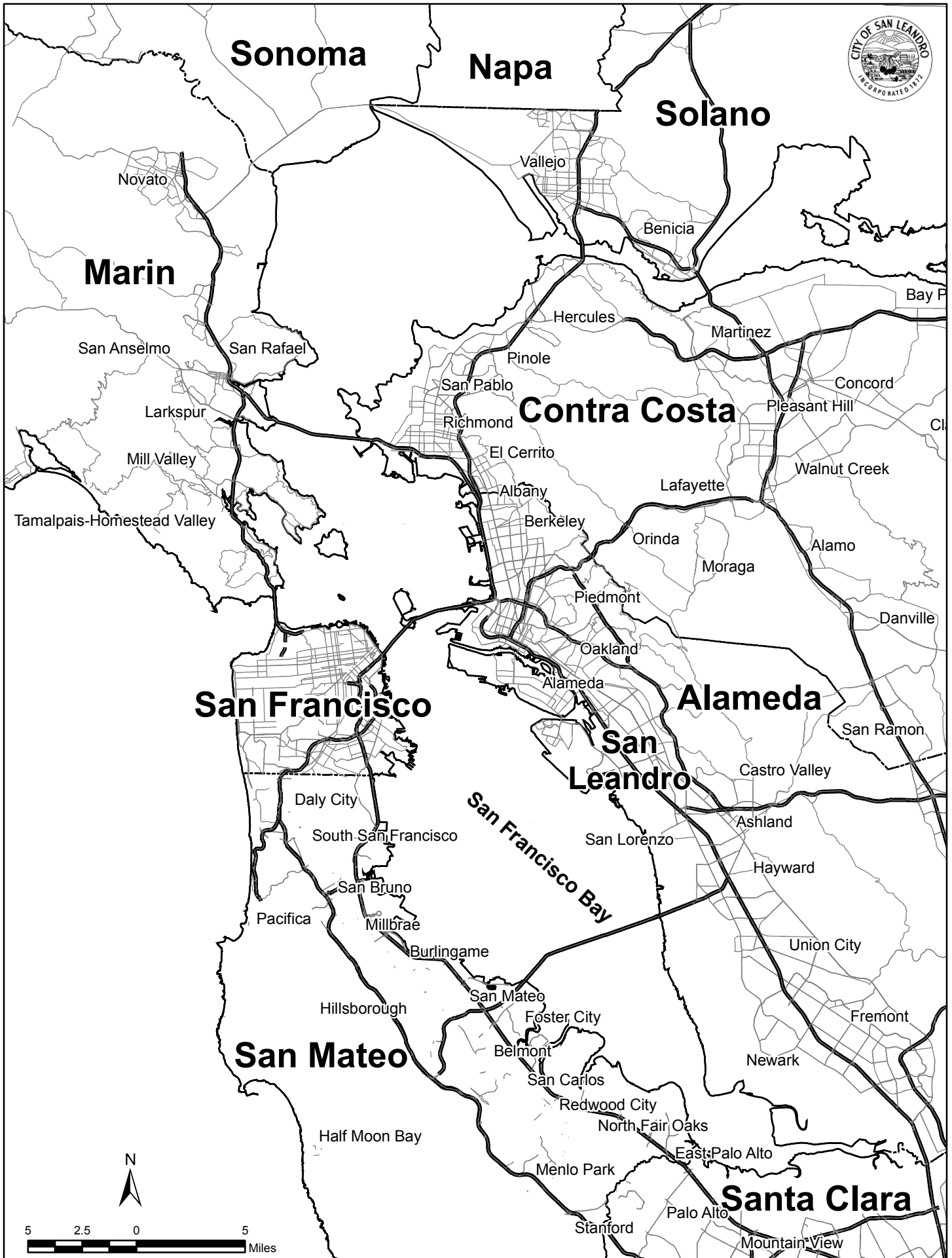
City Manager	Chris Zapata
City Attorney	Jayne W. Williams

APPOINTED OFFICIALS

Assistant City Manager	Lianne Marshall
City Clerk	Marian Handa
Police Chief	Sandra R. Spagnoli
Community Development Director	Luke Sims
Finance Director	David Baum
Recreation and Human Services Director	Carolyn Knudtson
Engineering – Transportation Director	Uchenna Udemezue
Public Works Services Director	Michael Bakaldin

This organizational chart reflects relationships between policy-making responsibility (Mayor, City Council, and Advisory Boards and Commissions) and administrative officers and departments.







INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of San Leandro, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Leandro (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 for financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Leandro at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency has been dissolved and certain assets turned over to and liabilities assumed by a Successor Agency effective February 1, 2012.

As discussed in note 18D, the Redevelopment Agency repaid the Plaza Project Area General Fund loan in the amount of \$2.1 million in fiscal 2010-11. ABx1 26 directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and the sponsoring public agency occurred on or after January 1, 2011 and if such a transfer occurred, the State Controller is to require that the transfer be reversed. As of the date of our report, the review has not been completed and the amount of repayment to be returned, if any, is not determinable.

As of June 30, 2012, the Successor Agency reported a \$2 million advance to the City for Joint Project Area General Fund Loan approved by the Redevelopment Agency prior to dissolution. The State Department of Finance (DOF) has objected to this advance and stated it does not believe the Loan is an enforceable obligation. AB 1484 states that such liabilities are to be reamortized at an interest rate equivalent to that earned on Local Agency Investment Fund assets. Management has not reamortized this loan as it believes the Loan is a valid enforceable obligation. Management has requested a meet and confer process with the DOF to settle the matter.

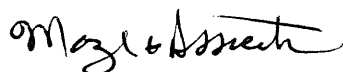
Pursuant to AB 1484, a Due Diligence Review was conducted on the former Redevelopment Agency's Low and Moderate Income Housing Assets. The DOF has objected to the treatment of an Owner Participation Agreement as an enforceable obligation and requested that the City remit approximately \$3.9 million currently held in the Affordable Housing Asset Fund to the Alameda County Auditor Controller. Management has requested a meet and confer process with the DOF to settle the matter.

The City's position on these matters is not a position of settled law and there is considerable legal uncertainty regarding these matters. It is possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue favorably or unfavorably to the City. No provision for liabilities resulting from the outcome of these uncertain matters has been recorded in the accompanying financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information for the General Fund and Major Special Revenue Funds 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the 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.



December 28, 2012

CITY OF SAN LEANDRO, CALIFORNIA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The Management's Discussion and Analysis (MD&A) provides an overview of the City of San Leandro's activities and financial performance for the fiscal year ended June 30, 2012. To obtain a complete picture of the City's financial condition, this document should be read in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FINANCIAL HIGHLIGHTS

Information about net assets is presented in the summary schedule, below:

- At the close of the most recent fiscal year, the net assets of the City exceeded its liabilities at the close of the fiscal year end by \$355.6 million (net assets). Of this amount, \$282 million was invested in capital assets, net of related debt. Of the remaining \$73.6 million balance, \$8.7 million is restricted for capital projects and \$9.2 million is restricted for other purposes leaving \$55.7 million unrestricted.
- As of June 30, 2012, the City's total net assets increased by \$23.4 million; representing a \$21.5 million increase in governmental activities and a \$1.9 million increase in Business Type activities. City's governmental activities were significantly affected by the dissolution of the Redevelopment Agency (RDA) as of February 1, 2012 wherein total assets decreased by \$17.1 million and were transferred to the private purpose trust fund. As assets were transferred to the private purpose trust fund so were liabilities as total liabilities decreased in the amount of \$38.6 million. The net assets of the City's business-type activities increased by \$1.9 million due to the modernization and expansion of the Water Pollution Control Plant which is expected to be completed in 2014.
- In March 2012, the City refinanced the outstanding \$24 million CalPERS public safety side fund obligations to take advantage of lower interest rates by issuing Pension Obligation Bonds for \$18 million and a \$6 million loan from the Water Pollution Control Plant.
- In 2011-12, as required by the Governmental Accounting Standard Board (GASB), governments are obligated to enhance the financial reporting of the fund balance categories. Fund balances are described and presented in Note 10 which details the classifications of the City's new fund balance categories. The City's governmental funds include the general, special revenue, debt service, and capital projects, with a combined ending fund balance of \$42.1 million, a decrease of \$18.3 million from the prior fiscal year. The decrease is primarily due to the dissolution of the Redevelopment Agency Funds which were then transferred to a private purpose trust fund.
 - a) Approximately 25% of the amount (\$10.1 million) is Nonspendable because the funds are both legally and contractually required to be maintained and are not available or spendable such as advances and loans to other funds.

- b) Approximately 42% of the amount (\$17.8 million) is Restricted due to the constraints placed on the use of resources or imposed by law through constitutional provisions or enabling legislation. This includes capital projects and debt service payments.
- c) Approximately 8% of the amount (\$3.6 million) is Assigned which includes the Kaiser Hospital Community Impact of \$1.2 million, the Redevelopment Agency - Plaza loan repayment to the General Fund for \$2.1 million and encumbrances from prior fiscal year.
- d) Approximately 25% of the amount (\$10.6 million) is Unassigned and available for spending in the future. These include Compensated Absences, Major Emergencies and Economic Uncertainties and funds that have deficit fund balances.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis gives an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of the City's finances, in a manner similar to statements of a private-sector business. The Statements are comprised of the *Statement of Net Assets and Statement of Activities and Changes in Net Assets*.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over a period of time, increases or decreases in net assets may serve as a useful indicator of changes in the City's financial reporting.

The *Statement of Activities and Changes in Net Assets* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave and other compensated absences).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Both of the above financial statements have separate sections for three different types of programs or activities. These three types of activities are:

Governmental Activities - The activities in this section are mostly supported by taxes and charges for services. The governmental activities of the City include General Government, Public Safety, Engineering & Transportation, Recreation and Culture, Library, and Community Development.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the City include the Water Pollution Control Plant, Environmental Services, Shoreline Enterprise, and Storm Water Utility.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial capacity.

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 government 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 facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City has twenty-four governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's two major funds include - the General Fund and the Affordable Housing Asset Fund. Individual fund data for each of the on-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Affordable Housing Asset Fund and all non-major funds. Budgetary comparison statements are elsewhere in this report to demonstrate compliance with the adopted budget.

Proprietary Funds - The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Water Pollution Control Plant, Shoreline, Storm Water Utility, and Environmental Services. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the fleet of vehicles, building and facilities maintenance, insurance services and information systems. Because these services primarily benefit

governmental rather than business-type functions, these are included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in great detail. The proprietary fund financial statements provide separate information for the entire City's proprietary funds. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary financial statements. Individual fund data for the proprietary and internal service funds are provided in the form of combining statements elsewhere in the report.

Fiduciary Funds – Fiduciary funds, consisting solely of trust and agency 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 these funds are not available to support the City's own programs. The accounting used for these funds is much like that used for governmental funds. These funds are reported in a separate statement of fiduciary assets.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information. This information includes budgetary comparison schedules, as well as more detailed information about the City's agreement with the California Public Employees Retirement System (CalPERS) for the defined benefit pension plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, total assets exceeded liabilities by \$355.6 million at the close of fiscal year 2011-12, an increase of \$23.4 million.

City of San Leandro
Net Assets at June 30, 2012
(in thousands)

	Governmental Activities			Business-Type Activities			Total		
	2012	2011	Amount change	2012	2011	Amount change	2012	2011	Amount change
Current Assets	\$ 66,191	\$ 80,811	(14.6)	\$ 19,486	\$ 24,181	(4.7)	\$ 85,677	\$ 104,992	(19.3)
Non-Current Assets	39,905	20,302	19.6	(1,106)	(7,289)	6.2	38,799	13,013	25.8
Capital Assets	283,137	305,233	(22.1)	39,716	29,295	10.4	322,853	334,528	(11.7)
Total assets	<u>389,233</u>	<u>406,346</u>	(17.1)	<u>58,096</u>	<u>46,187</u>	11.9	<u>447,329</u>	<u>452,533</u>	(5.2)
						-			-
Current and other liabilities	17,868	20,865	(3.0)	4,882	1,393	3.5	22,750	22,258	0.5
Long-term liabilities	59,579	95,186	(35.6)	9,379	2,828	6.6	68,958	98,014	(29.1)
Total liabilities	<u>77,447</u>	<u>116,051</u>	(38.6)	<u>14,261</u>	<u>4,221</u>	10.0	<u>91,708</u>	<u>120,272</u>	(28.6)
						-			-
Net assets:						-			-
Invested in capital assets, net of related debt	251,253	256,543	(5.3)	30,737	26,832	3.9	281,990	283,375	(1.4)
Restricted	54,371	37,489	16.9	-	-	-	54,371	37,489	16.9
Unrestricted	6,162	(3,737)	9.9	13,097	15,134	(2.0)	19,259	11,397	7.9
Total net assets	<u>\$ 311,786</u>	<u>\$ 290,295</u>	21.5	<u>\$ 43,834</u>	<u>\$ 41,966</u>	1.9	<u>\$ 355,620</u>	<u>\$ 332,261</u>	23.4

By far the largest portion of the City's net assets (80%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any outstanding related debt used to acquire those assets. Because the City uses these capital assets to provide services to citizens, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay must be provided from other sources (future income), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, 15%, represents resources that are subject to external restriction on how they may be used. The remaining balance of \$19.3 million or 5% represents unrestricted net assets.

Total governmental activities assets decreased by \$17.1 million compared to fiscal year 2010-11 for a combination of reasons. The reduction of \$22 million in net capital asset, the cash transfer from governmental funds to private purpose trust fund for \$20 million and the prepayment of the Pension Obligation Bond of the public safety side fund - refinancing the existing CalPERS public safety side fund at a lower interest rate.

Liabilities in the total governmental activities decreased by \$38.6 million compared to fiscal year 2010-11. The majority of the decrease is due to the issuance of the Pension Obligation Bond (POB) for \$18 million and the transfer of the previous Redevelopment Agency long term debt for \$55 million as the

liabilities were eliminated from the governmental activities and transferred to the private purpose trust fund.

The City's total net assets for both governmental and business-type activities increased by \$23.4 million during the current fiscal year. Information about changes in net assets is presented in the summary schedule below:

**City of San Leandro
Changes in Net Assets
Year Ended June 30, 2012
(in thousands)**

	Governmental Activities		% Change	Business-Type Activities		% Change	Total		% Change
	2012	2011		2012	2011		2012	2011	
Revenues									
Program revenues:									
Charges for Services	\$ 12,201	\$ 17,063	-28%	\$ 14,896	\$ 14,268	4%	\$ 27,097	\$ 31,331	-14%
Operating grants and contributions	5,585	3,783	48%	-	-		5,585	3,783	48%
Capital grants and contributions	11,416	6,582	73%	-	-		11,416	6,582	73%
General revenues:									
Property taxes	22,357	26,721	-16%	-	-		22,357	26,721	-16%
Sales tax	24,126	21,811	11%	-	-		24,126	21,811	11%
Franchise Fee	4,231	4,125	3%	-	-		4,231	4,125	3%
Utility users Tax	9,969	9,933	0%	-	-		9,969	9,933	0%
Property Transfer Tax	2,982	2,529	18%	-	-		2,982	2,529	18%
911 communication Access Tax	2,685	2,694	0%	-	-		2,685	2,694	0%
Motor Vehicle License Fees	42	381	-89%	-	-		42	381	-89%
Other taxes	556	506	10%	323	258	25%	879	764	15%
Investment Earnings	1,099	1,321	-17%	142	167	-15%	1,241	1,488	-17%
Gain or loss on sale of assets	3	-		(1,290)	-		(1,287)	-	
Extraordinary Items	21,124	-		-	-		21,124	-	
Miscellaneous	988	1,158	-15%	418	338	0.1	1,406	1,496	-6%
Total Revenues	119,364	98,607	21%	14,489	15,031	(0.5)	133,853	113,638	18%
Expenses									
General Government	10,239	10,760	-5%	-	-		10,239	10,760	-5%
Public safety	43,574	45,937	-5%	-	-		43,574	45,937	-5%
Engineering & Transportation	23,904	22,720	5%	-	-		23,904	22,720	5%
Recreation and Culture	9,894	11,043	-10%	-	-		9,894	11,043	-10%
Community Development	8,178	17,541	-53%	-	-		8,178	17,541	-53%
Interest on Long-Term Debt	2,318	4,182	-45%	-	-		2,318	4,182	-45%
Water Pollution Control	-	-		8,396	5,856	43%	8,396	5,856	43%
Shoreline	-	-		1,848	1,998	-8%	1,848	1,998	-8%
Storm Water Utility	-	-		920	845	9%	920	845	9%
Environmental Services	-	-		1,223	1,333	-8%	1,223	1,333	-8%
Total Expenses	98,107	112,183	-13%	12,387	10,032	23%	110,494	122,215	-10%
Excess(deficiency)of revenues over expenses before transfer	21,257	(13,576)	-257%	2,102	4,999	-58%	23,359	(8,577)	-272%
Transfer	234	240	-3%	(234)	(240)	-3%	-	-	
Increase in net assets	21,491	(13,336)	-261%	1,868	4,759	-61%	23,359	(8,577)	-272%
Beginning net assets	290,295	297,481	-2%	41,966	37,207	13%	332,261	340,838	-3%
Ending net assets	311,786	290,295	7%	43,834	41,966	1.9	355,620	332,261	7%

Revenues:

- Charges for services in Governmental activities are primarily fees for recreation, building, fire, planning and engineering. The overall decrease of 26% in charges for services in 2011-12 is largely due to the recognition of revenue from the Community Development deferred loan that was attributed to the Redevelopment Agency Home Loan programs and was transferred to the Affordable Housing Asset Fund.
- Operating grants, capital grants and contributions include Federal and State grants and other governments and private contributions, including impact fees. Operating grant and contributions were higher by \$6.6 million in 2011-12 due to contributions from Federal Emergency Management Agency (FEMA) for the Heron Bay rip rap repairs and contributions from the Port of Oakland funding a City administered Residential Noise Insulation program.
- Property taxes include the general, voter approved, and redevelopment property taxes through January 1, 2012. Property tax revenue fell by \$4.4 million, a loss of 16% in 2011-12 due to the dissolution of the Redevelopment Agency as of February 1, 2012 wherein property taxes were withheld by the State of California and are no longer revenue to the City.
- On the flip side, sales tax revenue continues to increase. Compared to the prior fiscal year, sales tax grew by \$2,315,000 (11%) which can be attributed to the continued growth and consumer confidence in the city. However, the total sales tax collected has exceeded the highest sales tax revenue collected in 2006-2007 fiscal year by 3%. This year's increase is largely due to a \$3.7 million increase in the voter approved Measure Z - quarter cent sales tax increased last November 2010.
- Property transfer tax increased 18%, from \$2,529,000 in 2010-11 to \$2,982,000 in FY 2011-12, largely due to an increase in the number of transactions that occurred between fiscal years primarily due to a the sale of a large apartment complex.
- Investment earnings were lower in 2011-12 compared to 2010-11 because of lower cash on hand and lower yields compared to the prior fiscal year. In 2011-12, the average portfolio yield was 1.03%, compared to 1.76% in 2010-11.

Program Expenditures:

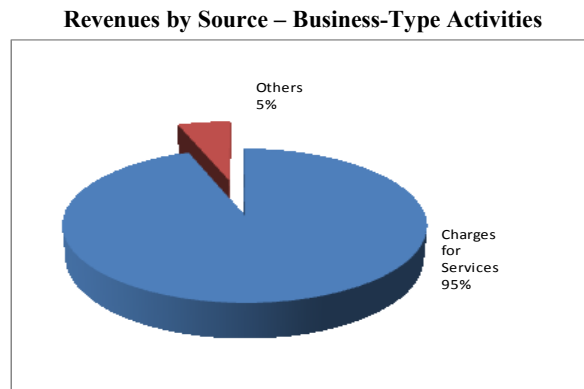
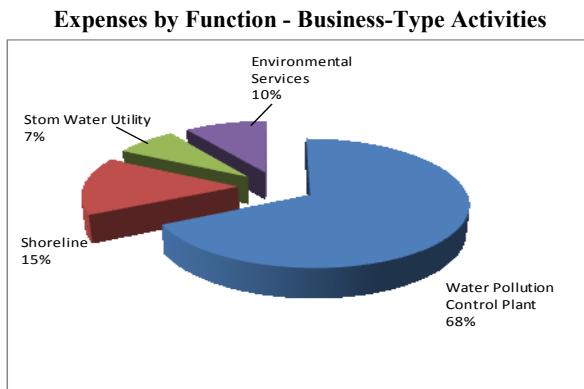
Overall, expenses, for both governmental and business type activities decreased by 9% or \$11 million compared to the prior fiscal year. Total program expenditures for governmental activities decreased by 13% to \$98 million in the current fiscal year. However, expenditures for business type activities increased by \$2.4 million primarily due to the expansion at the Water Pollution Control Plant. For each governmental and business-type activity, the total costs are the expenses associated with that activity.

	Change in expense (in thousands)		
	2012	2011	Amount Change
General Government	\$ 10,239	\$ 10,760	\$ (1)
Public safety	43,574	45,937	(2.4)
Engineering & Transportation	23,904	22,720	1.2
Recreation and Culture	9,894	11,043	(1.1)
Community Development	8,178	17,541	(9.4)
Interest on Long-Term Debt	2,318	4,182	(1.9)
Governmental Activities	98,107	112,183	(14)
Water Pollution Control	8,396	5,856	2.5
Shoreline	1,848	1,998	(0.2)
Storm Water Utility	920	845	0.1
Environmental Services	1,222	1,333	(0.1)
Business Type Activities	12,386	10,032	2.4
Total Expenses	\$ 110,493	\$ 122,215	\$ (12)

- General government expenses include City Council, City Clerk, City Manager, City Attorney, Human Resources, Finance, and Information Technology departments. General government expenses decreased by half a million due to staffing reductions.
- Public Safety expenses for both Police and Fire services decreased by \$2.4 million from the prior fiscal year due to vacancies and retirement of staff.
- Community Development expenses include planning, building, housing neighborhood improvements, code enforcement, and economic development decreased by \$9.3 million due to the dissolution of the Redevelopment Agency.
- Engineering and transportation expenses include professional engineering services for traffic and transportation, planning and design, administration and implementation of the City’s capital improvement program and technical support for various public improvements. Engineering and transportation expenses increased by \$1.2 million compared to the prior year due to the increase in capital improvement projects for street overlay and rehabilitation.

- Recreation and culture expenses cover the operation and maintenance of Library, community centers, pools as well as providing essential connection to people and their needs in the community and meeting the educational, cultural and informational needs of citizens of the City. Cost attributed to this function decreased by 10% (\$1.1 million) from the prior year due to the projects such as Park and Par Course improvements which were completed in fiscal year 2010-11.
- Interest on debt was 1.9% (\$1.86 million) less that prior fiscal year. This is primarily attributable to the dissolution of the Redevelopment Agency as Debt was transferred to the private purpose trust fund.

Business-Type Activities. The City’s business-type activities include the Water Pollution Control Plant, Shoreline, Storm Water Utility and Environmental Services. Business-Type activities net assets increased by \$1.9 million from prior fiscal year due the increase in capital assets mainly due to expansion and of the Water Pollution Control Plant.



FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financial requirements. In particular, Unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. However, it should be noted that most of the unassigned amounts are designated by the City Council for specific uses.

As of June 30, 2012, the City’s governmental funds, including the general, special reserve, debt service, and capital projects reported combined ending fund balances of \$42 million, a decrease of 30% (\$18.3 million) compared to the prior fiscal year primarily due to the dissolution of the RDA wherein funds transferred to the private purpose trust fund as of February 1, 2012. For 2011-12, the Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions is described explicitly in Note 10 under Net Assets and Fund Balance.

The term fund balance is used to describe the difference between assets (what is owned) and liabilities (what is owed) reported within the fund. In the past, fund balances have been classified into three separate components: Reserved, Designated, and Undesignated. The new GASB 54 defines five new

components of fund balance that will replace the current existing components; Nonspendable, Restricted, Committed, Assigned and Unassigned.

- The Nonspendable fund balance is 24.1% (\$10.1 million) which represents funds that are legally required to be maintained intact such as advances to other funds.
- The Restricted fund balance is 42.4% (\$17.9 million) and reflects constraints placed on the use of resources by external factors such as regulation of other governments, grantors, or laws, and enabling legislature. This amount includes Capital projects, Debt Service payments and encumbrances. The assigned balance includes amounts that are constrained by the government's intent to be used for specific purposes.
- The Committed fund balance includes amount that can only be used for a specific purpose pursuant to the constraints imposed by formal action of the City Council and to remain binding unless removed in the same manner by the city council. There is no committed fund balance that meets the criteria as describe in GASB 54.
- The Assigned fund balance includes amounts that are constrained by the city's intent to be used for specific purposes including deficit fund balance. The assigned fund balance for 2011-12 is \$3.5 million or 8.5% which includes the Community Impact payment and the Redevelopment Plaza Loan repayment from the General Fund.
- The Unassigned fund balance includes amounts that have not been restricted, committed, or assigned to a specific purpose within the general fund which should be the only fund that can report this category. For fiscal year 2011-12, the balance in this category is \$10.6 million or 25%.

The General Fund is the chief operating fund of the City. At the end of 2011-12, total fund balance was \$24.5 million of which \$10.7 million was unassigned and \$3.5 million was assigned. The primary components of the unassigned amount are \$5 million for major emergencies for unforeseen events, \$5.2 million for economic uncertainty to provide funds for potential financial volatility relates to the uncertain economic climate and unknown effects of the ongoing State budget and takeaways from city government, and \$540,000 for compensated absences. As a measure of the General Fund's liquidity, it may be useful to compare both Assigned and Unassigned fund balance to the total fund expenditures, representing 14.8% of the General Fund operating expenditure.

The General Fund total fund balance decreased by \$1,210,504 during the 2011-12 fiscal year, compared to a decrease of \$3.3 million in the prior fiscal year 2010-11. Revenues, issuance of debt, and transfers of \$95 million were 30% (\$22.2 million) higher than prior fiscal year. Although total revenues were higher than the prior fiscal year primarily due to the increase in sales tax by \$3.7 million, there were decreases in investment earnings and property tax as mentioned earlier due to the State take away of tax increment money due to the dissolution of the Redevelopment Agency. Expenditures and transfers out of \$96 million increased by 30% (\$22.7 million) as well.

Affordable Housing Asset Fund - The Affordable Housing Asset Fund was established from the low/moderate housing activities from the former Redevelopment Agency's Low/Moderate Housing Fund. At the end of 2011-12, the restricted fund balance is \$150,922.

Non-major Governmental Funds - The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2012, non-major funds had a total fund balance of \$17.5 million of which are all legally restricted for specific purposes by external funding. More information about these aggregate non-major funds can be found in the combining statements immediately following the required supplementary information.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in great detail.

The total net assets of the enterprise funds increased by \$1.9 million, mainly reflected in the Water Pollution Control Plant's net income of \$1.6 million. Net assets for internal service funds at June 30, 2012 amounted to \$8.7 million, a modest increase of \$555,000.

Water Pollution Control Plant Enterprise Fund – The Water Pollution Control Plant Enterprise Fund was established to account for the City's sewers, which protect public health and preserve water quality through collection, treatment, and disposal of wastewater and wastewater solids. As of June 30, 2012, the fund's net assets totaled nearly \$45 million, an increase of \$1.5 million or 3.5%. The Water Pollution Control Plant completed a waste water rate study and increased fees by 5%. In addition to an increase in revenues, the expenditures increased by \$2.5 million due to the Water Pollution Control Plant (WPCP) rehabilitation and expansion project. The WPCP was originally constructed in 1938 and several expansions and modifications have occurred since. The facility was designed to treat between 7.6 – 22.3 million gallons per day average flow – dry and wet weather flow. Thus improvements to the plant are needed to maintain a reliable operation and meet increasingly stringent regulatory requirements to avoid penalties. The administration control building will be upgraded and expanded for improved services, improved laboratory facilities, better accommodations for employees at the plant, and to be in compliance with Americans Disabilities Act (ADA) requirements.

Shoreline Enterprise Fund - The Shoreline Enterprise Fund was established in 2002-03 by combining the Marina Enterprise and the Golf Course Enterprise Funds. The fund accounts for the operation of recreational berthing, food service facilities, and the public golf course. As of June 30, 2012, the fund's net assets totaled (\$2.8) million. The deficit has accumulated over many years and includes the transfer of golf course assets in 2003 pursuant to the City's lease with American Golf Company. The deficit will be eliminated over the next several years through cost containment and revenue enhancement.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund had a net increase of General Fund revenues over the final budget projections of about \$3.2 million, largely attributed to the increase in sales tax revenues. Current General Fund revenues performed slightly higher by 4.9% compared to the previous year. Revenues totaled \$76.1 million, an increase of 4.4% from the budgeted amount. As previously discussed, the increase in property and sales taxes, licenses and permits, and other revenues positively impacted the City's General Fund revenues. The City continues to be fiscally responsible and continues to maintain fiscal sustainability. The expenditures for fiscal year 2011-12 increased by \$26.6 million due to the refinancing of the \$24 million Public Safety Side Fund with a lower interest rate than the current 7.75% with CalPERS. The refinancing will also have a net present value savings of approximately \$1.4 million for the life of the Pension Obligation Bond that will mature in 2024. Despite a very modest increase in revenues, active management of expenditures allowed the General fund to end the fiscal year with an operating deficit of \$1.2 million. Unemployment continues to remain high and adversely impacts the labor market and consumer remains cautious in their spending pattern. There is a modest improvement in consumer confidence as seen in the increased sales tax revenues. However, the financial environment is unknown in the future. It is important for the City to build the reserves that has been utilized in the past for future economic uncertainties.

CITY OF SAN LEANDRO
Summary Analysis of General Fund Budget, Fiscal Year 2011-12
(in thousands)

	Budget Amounts		Actual (budget basis)	Variance with final budget positive/ (negative)
	Adopted	Final		
Revenue				
Property and other taxes	\$ 57,762	\$ 58,142	\$ 60,434	\$ 2,292
Licenses and permits	5,785	5,785	6,526	741
Fines and forfeitures	1,190	1,190	1,111	(79)
Service charges	2,374	2,687	2,972	285
Intergovernmental	1,064	1,499	990	(509)
Use of money and property	1,025	1,018	973	(45)
Interdepartment charges	2,295	2,295	2,276	(19)
Other	265	285	797	512
Total Revenues	<u>71,760</u>	<u>72,901</u>	<u>76,079</u>	<u>3,178</u>
Expenditures				
General government	9,476	9,923	10,062	(139)
Public safety	44,279	68,472	67,735	737
Engineering and transportation	6,358	6,386	6,220	166
Recreation and culture	8,261	8,383	8,108	275
Community development	2,812	3,568	3,388	180
Debt Service:				
Principal	483	483	483	-
Interest and Fees	24	292	292	-
Total Expenditures	<u>71,693</u>	<u>97,507</u>	<u>96,288</u>	<u>1,219</u>
Total excess (deficiency of revenues) over expenditures	67	(24,606)	(20,209)	4,397
Other financing sources (uses)				
Transfers in	-	992	992	-
Transfers out	(67)	(299)	(299)	-
Issuance of Debt	-	18,305	18,305	-
Total other financing sources (uses)	<u>(67)</u>	<u>18,998</u>	<u>18,998</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (5,608)</u>	<u>\$ (1,211)</u>	<u>\$ 4,397</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$323 million (net of accumulated depreciation), which is a decrease of \$11.0 million primarily due to the dissolution of the Redevelopment Agency wherein assets were transferred to the private purpose trust fund effective February 1, 2012. Investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar infrastructure.

Major Capital asset activity during the current fiscal year included the following: Downtown Parking Garage, and the Water Pollution Control Plant Expansion Projects.

The following is a summary of the City's capital assets:

City of San Leandro							
Capital Assets (net of depreciation)							
Year Ended June 30, 2012							
(in thousands)							
	Governmental Activities		Business-Type Activities		Total		
	2012	2011	2012	2011	2012	2011	
Land	\$14,367	\$23,941	\$ 5,234	\$ 5,234	\$ 19,601	\$ 29,175	
Construction in progress	8,326	2,626	22,485	10,157	30,811	12,783	
Total non-depreciable assets	22,693	26,567	27,719	15,391	50,412	41,958	
Depreciable assets (net of depreciation)							
Buildings	55,469	58,417	4,386	4,575	59,855	62,992	
Improvements other than buildings	375	438	-	-	375	438	
Machinery and equipment	2,663	3,193	6,097	7,752	8,760	10,945	
Licensed Vehicles	2,365	2,962	11	19	2,376	2,981	
Infrastructure	199,572	213,655	1,503	1,558	201,075	215,213	
Total depreciable assets	260,444	278,666	\$11,997	\$13,904	272,441	292,570	
Total capital assets	<u>\$ 283,137</u>	<u>\$ 305,233</u>	<u>\$ 39,716</u>	<u>\$ 29,295</u>	<u>\$ 322,853</u>	<u>\$ 334,528</u>	

Additional information on the City's capital assets can be found in Note 6 of the notes to the financial statements.

Debt Administration. At the end of the current fiscal year, the City’s total long-term debt outstanding is \$59.9 million, a decrease of \$30.1 million from the prior fiscal year primarily due to the transfer of debts from the private purpose trust fund due to the dissolution of the Redevelopment Agency.

The City’s new general obligation debt in the governmental activities is for the refunding of the CalPERS Public Safety side fund. On August 2011, the city entered into an agreement with the State Water Resources Control Board (SWRCB) for the financing of the improvements to the Wastewater system improvement project. As of June 30, 2012 the city obtained \$6.7 million from the SWRCB which repayment is scheduled to begin on July 31, 2015. Additional information on the City’s long-term debt obligations can be found in Note 7 of the notes to the financial statements.

The following is a summary of the City’s outstanding debt:

City of San Leandro						
Outstanding Debt						
Year Ended June 30, 2012						
(in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 18,305	\$ 44,920	\$ -	\$ -	\$ 18,305	\$ 44,920
Certificates of participation	29,515	34,420			29,515	34,420
Other loans	3,153	8,268	8,979	2,463	12,132	10,731
Total	<u>\$ 50,973</u>	<u>\$ 87,608</u>	<u>\$ 8,979</u>	<u>\$ 2,463</u>	<u>\$ 59,952</u>	<u>\$ 90,071</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Like most cities in California, the City of San Leandro continues to face an uncertain economy. The financial turbulence in the global markets, the nationwide mortgage crisis, and related regional housing downturn, as well as the state’s on-going budget crisis have a direct impact on our local economy. The recession that ended three years ago has been followed by the weakest economic recovery that continues today. City finances and the community services that depend on those resources have been strained as San Leandro deals with one of the nation’s worst recessions in the last three decades. The most significant impact to the City is the state’s dissolution of the Redevelopment Agency, wherein City’s net assets decreased by \$3.5 million

While there are some indications that the national economy is showing mild signs of recovery, the local economy, especially as it affects the municipal sector, is lagging. Unemployment remains high and many economists predict that it will take years before the region see employment at pre-recession levels. Usually workers’ pay rises as the economy picks up momentum but that is not the case. As a result, pay raises haven’t kept up with even the modest levels of inflation and consumer confidence grew concerned about the job market and the overall economy. The housing market is picking up as existing home sales

and construction gains positive signs. Times on the market for home sales are shorter than it was last year which is a good sign of the housing recovery. The state continues to deal with a critical budget shortfall – currently projecting a deficit ending 2012-13 fiscal year due to the impact of lower revenues and higher expenditures.

The 2011-12 budget adopted by the City Council in June 2012 continues to focus on City Council priorities which are directed toward essential services and maintaining a strong commitment to neighborhoods. Yet, in continued response to the poor economy and resultant revenue losses, the 2011-12 operating budget for the General Fund reflects significant expenditure reductions in staffing and programs. Over the last three years, the City has reduced its workforce by 20% (from 500 employees to 400 employees). With the economic picture, the challenge to the City is to keep expenditures within available resources. Consequently, the City continues to actively monitor expenditures and revenues so that adjustments can be made. Projection updates, goal setting, performance reporting, and mid-year evaluations are essential tools and tasks that will help the City weather the current economic downturn.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of San Leandro, Finance Department, 835 East 14th Street, San Leandro, CA 94577

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of San Leandro
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 53,029,357	\$ 17,273,571	\$ 70,302,928
Cash and investments with fiscal agent (Note 2)	3,364,826	795,000	4,159,826
Unrestricted receivables:			
Property taxes	194,479	-	194,479
Accounts	7,283,380	1,317,036	8,600,416
Interest	756,589	166,021	922,610
Special assessments	111,390	26,395	137,785
Restricted receivables	1,300,965	-	1,300,965
Inventory and prepaid items	124,429	-	124,429
Other assets	26,161	2,006	28,167
Total current assets	<u>66,191,576</u>	<u>19,485,860</u>	<u>85,677,436</u>
Noncurrent assets:			
Loans receivable (Note 3)	11,647,774	-	11,647,774
Long-term internal balances (Note 5)	1,106,392	(1,106,392)	-
Prepaid PERS Contribution (Note 14)	24,971,910	-	24,971,910
Advances to Successor Agency (Note 5)	2,040,768	-	2,040,768
Deferred Charges	138,134	-	138,134
Capital assets (Note 6):			
Non Depreciable	22,693,350	27,719,525	50,412,875
Depreciable	474,039,892	22,069,301	496,109,193
Less accumulated depreciation	<u>(213,596,365)</u>	<u>(10,072,604)</u>	<u>(223,668,969)</u>
Capital assets, net	<u>283,136,877</u>	<u>39,716,222</u>	<u>322,853,099</u>
Total noncurrent assets	<u>323,041,855</u>	<u>38,609,830</u>	<u>361,651,685</u>
Total assets	<u>389,233,431</u>	<u>58,095,690</u>	<u>447,329,121</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accruals:			
Restricted	365,842	3,493,336	3,859,178
Unrestricted	10,484,141	-	10,484,141
Interest payable	293,771	94,169	387,940
Unearned revenue (Note 9):			
Restricted	183,406	394,694	578,100
Unrestricted	1,985,355	-	1,985,355
Other liabilities:			
Unrestricted	-	700,831	700,831
Compensated absences payable - due within one year (Note 8)	539,097	9,052	548,149
Claims and judgments payable - due within one year (Note 12)	3,800,000	-	3,800,000
Long-term debt - due within one year (Note 7)	2,192,314	190,280	2,382,594
Total current liabilities	<u>19,843,926</u>	<u>4,882,362</u>	<u>24,726,288</u>
Noncurrent liabilities:			
Deposits	-	68,334	68,334
Compensated absences payable - due in more than one year (Note 8)	3,682,449	522,046	4,204,495
Claims and judgments payable - due in more than one year (Note 12)	3,271,223	-	3,271,223
Net OPEB (Note 15)	1,639,025	-	1,639,025
Long-term debt - due in more than a year (Note 7)	49,010,657	8,788,874	57,799,531
Total noncurrent liabilities	<u>57,603,354</u>	<u>9,379,254</u>	<u>66,982,608</u>
Total liabilities	<u>77,447,280</u>	<u>14,261,616</u>	<u>91,708,896</u>
NET ASSETS (Note 10)			
Invested in capital assets, net of related debt	<u>251,252,877</u>	<u>30,737,068</u>	<u>281,989,945</u>
Restricted for:			
Capital projects	8,726,665	-	8,726,665
Debt service	1,094,089	-	1,094,089
Engineering and transportation	7,028,956	-	7,028,956
Recreation and culture	68,113	-	68,113
Community Development	330,449	-	330,449
Public Safety	699,394	-	699,394
Total restricted	<u>17,947,666</u>	<u>-</u>	<u>17,947,666</u>
Unrestricted	<u>42,585,608</u>	<u>13,097,006</u>	<u>55,682,614</u>
Total net assets	<u>\$ 311,786,151</u>	<u>\$ 43,834,074</u>	<u>\$ 355,620,225</u>

See accompanying Notes to Basic Financial Statements.

City of San Leandro
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Total
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:						
Governmental activities:						
General government	\$ 10,238,787	\$ (571,989)	\$ 6,492,144	\$ -	\$ 875,606	\$ 7,367,750
Public safety	43,574,011	-	3,269,477	1,315,524	-	4,585,001
Engineering and transportation	23,903,746	281,736	295,764	2,192,740	8,172,749	10,661,253
Recreation and culture	9,894,015	-	1,664,370	519,246	2,368,001	4,551,617
Community development	8,178,377	290,253	478,971	1,557,951	-	2,036,922
Interest on long-term debt	2,317,753	-	-	-	-	-
Total governmental activities	98,106,689	-	12,200,726	5,585,461	11,416,356	29,202,544
Business-type activities:						
Water Pollution Control Plant	8,395,692	-	11,189,362	-	-	11,189,362
Shoreline	1,848,428	-	1,968,839	-	-	1,968,839
Storm Water Utility	919,998	-	1,078,455	-	-	1,078,455
Environmental Services	1,222,543	-	658,948	-	-	658,948
Total business-type activities	12,386,661	-	14,895,604	-	-	14,895,604
Total primary government	\$ 110,493,350	\$ -	\$ 27,096,330	\$ 5,585,461	\$ 11,416,356	\$ 44,098,148

General revenues:

Taxes:

- Property taxes
- Sales taxes
- Franchise Fees
- Utility Users Tax
- Property Transfer Tax
- 911 Communication Access Tax
- Motor vehicle license fees (unrestricted)
- Other taxes

Total taxes

Investment earnings

Miscellaneous

Gain or loss on sale of assets

Transfers (Note 5)

Total general revenues and transfers

Extraordinary Items (Note 18)

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,299,047)	\$ -	\$ (2,299,047)
(38,989,010)	-	(38,989,010)
(13,524,230)	-	(13,524,230)
(5,342,398)	-	(5,342,398)
(6,431,708)	-	(6,431,708)
(2,317,753)	-	(2,317,753)
(68,904,146)	-	(68,904,146)
-	2,793,670	2,793,670
-	120,411	120,411
-	158,457	158,457
-	(563,595)	(563,595)
-	2,508,943	2,508,943
(68,904,146)	2,508,943	(66,395,203)
22,357,186	-	22,357,186
24,126,105	-	24,126,105
4,231,420	-	4,231,420
9,968,546	-	9,968,546
2,981,685	-	2,981,685
2,684,591	-	2,684,591
42,294	-	42,294
555,988	323,430	879,418
66,947,815	323,430	67,271,245
1,098,406	141,980	1,240,386
988,126	418,969	1,407,095
3,353	(1,290,470)	(1,287,117)
234,349	(234,349)	-
69,272,049	(640,440)	68,631,609
21,123,375	-	21,123,375
367,903	1,868,503	2,236,406
290,294,873	41,965,571	332,260,444
\$ 311,786,151	\$ 43,834,074	\$ 355,620,225



FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements



GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Affordable Housing Asset Fund - This fund accounts for assets received from affordable housing activities from the former Redevelopment Agency's Low/Moderate Housing Fund and acts as it's Successor Agency.

**City of San Leandro
Governmental Funds
Balance Sheet
June 30, 2012**

	Major Funds			
	General	Affordable Housing Asset Fund	Non-Major Governmental Funds	Total
ASSETS				
Cash and investments (Note 2)	\$ 25,106,104	\$ 149,247	\$ 15,548,377	\$ 40,803,728
Cash and investments with fiscal agent (Note 2)	65,310	-	3,299,516	3,364,826
Receivables:				
Property taxes	194,479	-	-	194,479
Accounts	6,272,957	1,548	442,838	6,717,343
Federal, State, and local grants	-	-	1,300,965	1,300,965
Interest	78,486	557,856	90,731	727,073
Special Assessment	74,965	-	36,425	111,390
Loans (Note 3)	139	8,348,777	4,634,131	12,983,047
Due from other funds (Note 5)	371,551	-	-	371,551
Other assets	7,247	-	-	7,247
Advances to other funds (Note 5)	8,106,392	-	-	8,106,392
Advance to Successor Agency (Note 5)	2,040,768	-	-	2,040,768
Total assets	\$ 42,318,398	\$ 9,057,428	\$ 25,352,983	\$ 76,728,809
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accruals	\$ 9,863,561	\$ 38	\$ 620,580	\$ 10,484,179
Deferred Revenue (Note 9)	1,985,355	8,906,468	5,834,843	16,726,666
Due to other funds (Note 5)	-	-	371,551	371,551
Advances from other funds (Note 5)	6,000,000	-	1,000,000	7,000,000
Total liabilities	17,848,916	8,906,506	7,826,974	34,582,396
Fund Balances: (Note 10)				
Nonspendable	\$ 10,147,160	\$ -	\$ -	\$ 10,147,160
Restricted	50,000	150,922	17,658,610	17,859,532
Assigned	3,555,009	-	-	3,555,009
Unassigned	10,717,313	-	(132,601)	10,584,712
Total fund balances	24,469,482	150,922	17,526,009	42,146,413
Total liabilities and fund balances	\$ 42,318,398	\$ 9,057,428	\$ 25,352,983	\$ 76,728,809

See accompanying Notes to Basic Financial Statements.

City of San Leandro
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances - Total Governmental Funds **\$ 42,146,413**

Amounts reported for governmental activities in the Statement of Net Assets were reported differently because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

Non depreciable assets (Land and construction in progress)	22,693,350	
Depreciable buildings, property, equipment and infrastructure, net	<u>260,443,527</u>	
 Total capital assets		 283,136,877

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(293,771)
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Public Safety Side-Fund Prepaid PERS Contribution	24,971,910
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.	5,264,651
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Recognition of deferred revenue, net of allowance for uncollectable loans of \$1,335,273	12,264,304
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Recognition of Grant revenue.	958,328
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Payment of costs for the issuance of certificates of participation or bonds is an expenditure in the government funds, but is recorded as a prepaid expense and amortized on the statement of net assets over the life of the bonds.	138,134
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Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term debt - current portion (net)	(2,192,314)	
Long-term debt - non-current portion (net)	(49,010,657)	
Compensated absences - non-current portion	(3,445,660)	
Compensated absences - current portion	(513,039)	
OPEB Liability	<u>(1,639,025)</u>	
Total long-term liabilities		<u>(56,800,695)</u>

Net Assets of Governmental Activities	<u>\$ 311,786,151</u>
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See accompanying Notes to Basic Financial Statements.

City of San Leandro
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	Major Funds			Total
	General	Affordable Housing Asset Fund	Non-Major Governmental Funds	
REVENUES:				
Property and other taxes	\$ 60,433,688	\$ -	\$ 6,955,280	\$ 67,388,968
Licenses and permits	6,526,327	-	414,351	6,940,678
Fines and forfeitures	1,110,669	-	-	1,110,669
Service charges	2,971,755	-	79,329	3,051,084
Intergovernmental	990,464	-	9,256,395	10,246,859
Use of money and property	972,735	25,841	2,647,251	3,645,827
Interdepartmental charges	2,276,421	125,448	-	2,401,869
Other	796,575	-	4,258,075	5,054,650
Total revenues	76,078,634	151,289	23,610,681	99,840,604
EXPENDITURES:				
Current:				
General government	10,061,734	-	11,823	10,073,557
Public safety	67,734,689	-	1,230,760	68,965,449
Engineering and transportation	6,219,767	-	8,443,497	14,663,264
Recreation and culture	8,108,265	-	838,086	8,946,351
Community development	3,387,554	367	5,849,428	9,237,349
Debt service:				
Principal	483,035	-	3,028,831	3,511,866
Interest and fees	291,972	-	2,751,098	3,043,070
Total expenditures	96,287,016	367	22,153,523	118,440,906
REVENUES OVER (UNDER) EXPENDITURES	(20,208,382)	150,922	1,457,158	(18,600,302)
OTHER FINANCING SOURCES (USES):				
Transfers in (Note 5)	991,727	-	5,038,243	6,029,970
Transfers (out) (Note 5)	(298,849)	-	(5,476,772)	(5,775,621)
Issuance of Debt (Note 7)	18,305,000	-	-	18,305,000
Total other financing sources (uses)	18,997,878	-	(438,529)	18,559,349
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	(1,210,504)	150,922	1,018,629	(40,953)
Extraordinary Item (Note 18)	-	-	(18,294,200)	(18,294,200)
FUND BALANCES:				
Beginning of year	25,679,986	-	34,801,580	60,481,566
End of year	\$ 24,469,482	\$ 150,922	\$ 17,526,009	\$ 42,146,413

See accompanying Notes to Basic Financial Statements.

City of San Leandro

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (18,335,153)
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Governmental activities in the Statement of Activities and Changes in Net Assets were reported differently because:

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 5,763,826

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (16,197,856)

Debt proceeds provide current financial resources in government funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. (18,305,000)

Public Safety Side-Fund Prepaid PERS Contribution. 24,971,910

Payment of costs for the issuance of certificates of participation or bonds is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net assets over the life of the bonds. 142,403

Change in OPEB liability is considered long-term debt and is not reported as an expenditure in the governmental funds. (282,497)

Adjustment of Grants receivable that are not currently available, and not reported in the funds. (680,285)

Bond discount on issuance of debt is an adjustment to the expenditures in governmental funds, but the discount reduces long-term liabilities in the Government-Wide Statement of Net Assets. In the Government-Wide Statement of Net Assets the discount is amortized over the period of the outstanding debt. (3,529)

Bond premium on issuance of debt is an expenditure in governmental funds, but the premium increases long-term liabilities in the Government-Wide Statement of Net Assets. In the Government-Wide Statement of Net Assets the premium is amortized over the period of the outstanding debt. 23,495

Repayment of bond Principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government -Wide Statement of Net Assets. 3,511,866

Extraordinary Items:

Debt assumed by Successor Agency 51,539,512

Transfer of Assets to Successor Agency (11,031,949)

Interest Expense on Long-Term debt (795,030)

Payroll expense on compensated absences is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, compensated absences expense is not reported as expenditures in governmental funds. (91,580)

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year. 705,351

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 555,794

Change in Net Assets of Governmental Activities	\$ 21,491,278
--	----------------------

See accompanying Notes to Basic Financial Statements.



PROPRIETARY FUND FINANCIAL STATEMENTS

Water Pollution Control Plant - This fund accounts for the City's sewers which protect public health and preserve water quality through the collection, treatment and disposal of the community's wastewater and wastewater solids.

Shoreline - The City operates various recreational facilities which include golf and marina berthing as well as providing food service facilities for the general public in an area connected to the San Francisco Bay.

Internal Service Funds - These funds are used to account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

City of San Leandro
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Major Enterprise Funds			Total	Governmental
	Water Pollution Control Plant	Shoreline	Non-Major Enterprise Funds		Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments (Note 2)	\$ 15,621,167	\$ 41,187	\$ 1,611,217	\$ 17,273,571	\$ 12,225,629
Cash with Fiscal Agent (Note 2)	795,000	-	-	795,000	-
Receivables:					
Accounts	787,859	289,864	239,313	1,317,036	566,037
Interest	154,806	-	11,215	166,021	29,516
Special assessment	26,395	-	-	26,395	-
Other assets	597	-	1,409	2,006	18,914
Inventory	-	-	-	-	124,429
Total current assets	17,385,824	331,051	1,863,154	19,580,029	12,964,525
Noncurrent assets:					
Advance to other fund (Note 5)	6,000,000	-	-	6,000,000	-
Capital assets (Note 6):					
Non-Depreciable	24,141,715	3,577,810	-	27,719,525	-
Depreciable	16,291,049	5,778,252	-	22,069,301	11,816,190
Less accumulated depreciation	(7,211,325)	(2,861,279)	-	(10,072,604)	(8,359,768)
Total capital assets, net	33,221,439	6,494,783	-	39,716,222	3,456,422
Total noncurrent assets	39,221,439	6,494,783	-	45,716,222	3,456,422
Total assets	56,607,263	6,825,834	1,863,154	65,296,251	16,420,947
LIABILITIES					
Current liabilities:					
Accounts payable	3,409,193	22,615	61,528	3,493,336	365,804
Unearned revenue	382,130	-	12,564	394,694	-
Interest payable	-	94,169	-	94,169	-
Other liabilities	795,000	-	-	795,000	-
Claims and judgments - due in one year (Note 12)	-	-	-	-	3,800,000
Compensated absences - due in one year (Note 8)	2,335	6,717	-	9,052	26,058
Notes payable - due in one year (Note 7)	-	190,280	-	190,280	-
Total current liabilities	4,588,658	313,781	74,092	4,976,531	4,191,862
Noncurrent liabilities:					
Deposits payable	3,000	65,334	-	68,334	-
Advances from other funds (Note 5)	-	7,106,392	-	7,106,392	-
Claims and judgments - due in more than one year (Note 12)	-	-	-	-	3,271,223
Compensated absences - due in more than one year (Note 8)	323,347	67,712	130,987	522,046	236,789
Notes Payable - due in more than one year (Note 7)	6,698,278	2,090,596	-	8,788,874	-
Total noncurrent liabilities	7,024,625	9,330,034	130,987	16,485,646	3,508,012
Total liabilities	11,613,283	9,643,815	205,079	21,462,177	7,699,874
NET ASSETS (Note 10)					
Invested in capital assets, net of related debt	26,523,161	4,213,907	-	30,737,068	3,456,422
Unrestricted	18,470,819	(7,031,888)	1,658,075	13,097,006	5,264,651
Total net assets (deficit)	\$ 44,993,980	\$ (2,817,981)	\$ 1,658,075	\$ 43,834,074	\$ 8,721,073

See accompanying Notes to Basic Financial Statements.

City of San Leandro
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2012

	Major Enterprise Funds			Total	Governmental
	Water Pollution Control Plant	Shoreline	Non-Major Enterprise Funds		Activities Internal Service Funds
OPERATING REVENUES:					
Charges for services	\$ 10,547,812	\$ 677,147	\$ 1,430,641	\$ 12,655,600	\$ 10,316,396
Licenses and permits	238,319	13,404	273,954	525,677	-
Rents and concessions	-	1,227,076	-	1,227,076	-
Other operating revenues	403,231	51,212	32,808	487,251	286,158
Total operating revenues	11,189,362	1,968,839	1,737,403	14,895,604	10,602,554
OPERATING EXPENSES:					
Salaries and benefits	3,669,066	624,048	1,286,553	5,579,667	3,246,088
Contractual and other services	2,405,827	251,881	350,690	3,008,398	3,665,455
Materials and supplies	486,521	70,458	45,353	602,332	862,657
Depreciation	516,405	118,832	-	635,237	1,018,346
Other operating costs	1,317,873	303,343	459,945	2,081,161	1,310,171
Total operating expenses	8,395,692	1,368,562	2,142,541	11,906,795	10,102,717
OPERATING INCOME (LOSS)	2,793,670	600,277	(405,138)	2,988,809	499,837
NONOPERATING REVENUES (EXPENSES):					
Property and other taxes	-	323,430	-	323,430	-
Loss on disposal of assets	(1,290,470)	-	-	(1,290,470)	-
Intergovernmental	-	-	418,969	418,969	-
Investment income	131,709	474	9,797	141,980	75,957
Interest expense	-	(479,866)	-	(479,866)	-
Total nonoperating revenues (expenses)	(1,158,761)	(155,962)	428,766	(885,957)	75,957
INCOME BEFORE TRANSFERS	1,634,909	444,315	23,628	2,102,852	575,794
TRANSFERS:					
Transfers in (Note 5)	-	-	264,107	264,107	-
Transfers (out) (Note 5)	(113,344)	(251,729)	(133,383)	(498,456)	(20,000)
Total operating transfers	(113,344)	(251,729)	130,724	(234,349)	(20,000)
Change in net assets	1,521,565	192,586	154,352	1,868,503	555,794
NET ASSETS (DEFICIT):					
Beginning of the year	43,472,415	(3,010,567)	1,503,723	41,965,571	8,165,279
End of the year	<u>\$ 44,993,980</u>	<u>\$ (2,817,981)</u>	<u>\$ 1,658,075</u>	<u>\$ 43,834,074</u>	<u>\$ 8,721,073</u>

See accompanying Notes to Basic Financial Statements.

City of San Leandro
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

	Major Enterprise Funds			Total	Governmental
	Water	Shoreline	Non-Major		Activities
	Pollution		Enterprise		Internal
	Control Plant		Funds	Service Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 11,163,012	\$ 1,917,366	\$ 1,789,434	\$ 14,869,812	\$ 323,674
Receipts from interfund charges	-	-	-	-	10,294,610
Cash payments to suppliers and service providers	(3,246,518)	(329,381)	(466,226)	(4,042,125)	(5,563,549)
Cash payments to employees for services	(3,625,457)	(625,938)	(1,326,903)	(5,578,298)	(3,245,352)
Cash payments to other funds for services provided	(1,317,873)	(303,276)	(461,211)	(2,082,360)	(1,072,450)
Net cash provided (used) by operating activities	2,973,164	658,771	(464,906)	3,167,029	736,933
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Property and other taxes received	-	323,430	-	323,430	-
Intergovernmental revenue received	-	-	418,969	418,969	-
Repayment or receipt of advances to or from other funds	(6,000,000)	(182,539)	-	(6,182,539)	29,518
Transfers in from other funds	-	-	264,107	264,107	-
Transfers out to other funds	(113,344)	(251,729)	(133,383)	(498,456)	(20,000)
Net cash provided (used) by noncapital financing activities	(6,113,344)	(110,838)	549,693	(5,674,489)	9,518
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on capital debt	-	(182,086)	-	(182,086)	-
Acquisition of capital assets	(9,193,863)	-	-	(9,193,863)	(268,249)
Issuance of long-term debt	6,698,278	-	-	6,698,278	-
Receipt of construction escrow funds	795,000	-	-	795,000	-
Interest payments on bonds and notes payable	-	(479,866)	-	(479,866)	-
Net cash provided (used) by capital and related financing activities	(1,700,585)	(661,952)	-	(2,362,537)	(268,249)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	131,709	474	9,797	141,980	75,957
Net cash provided (used) by investing activities	131,709	474	9,797	141,980	-
Net increase (decrease) in cash and cash equivalents	(4,709,056)	(113,545)	94,584	(4,728,017)	478,202
CASH AND CASH EQUIVALENTS:					
Beginning of year	21,125,223	154,732	1,516,633	22,796,588	11,671,470
End of year	<u>\$ 16,416,167</u>	<u>\$ 41,187</u>	<u>\$ 1,611,217</u>	<u>\$ 18,068,571</u>	<u>\$ 12,149,672</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,793,670	\$ 600,277	\$ (405,138)	\$ 2,988,809	499,837
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	516,405	118,832	-	635,237	1,018,346
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(28,976)	(57,988)	(42,751)	(129,715)	(8,024)
(Increase) decrease in special assessment receivable	2,626	-	-	2,626	-
(Increase) decrease in inventories	-	-	-	-	7,915
(Increase) decrease in prepaid items	(294)	200	454	360	(852)
(Decrease) increase in accounts payable	(353,876)	3,967	22,877	(327,032)	78,888
(Decrease) increase in deposits payable	-	1,197	-	1,197	-
(Decrease) increase in accrued liabilities	-	(7,511)	-	(7,511)	-
(Decrease) increase claims and judgements payable	-	-	-	-	(859,870)
(Decrease) increase in compensated absences	43,609	(203)	(40,348)	3,058	693
Total adjustments	179,494	58,494	(59,768)	178,220	237,096
Net cash provided (used) by operating activities	\$ 2,973,164	\$ 658,771	\$ (464,906)	\$ 3,167,029	\$ 736,933

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

Private Purpose Trust Funds are fiduciary fund types used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

City of San Leandro
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds	Private Purpose Trust Fund
ASSETS		
Current assets:		
Cash and investments (Note 2)	\$ 1,507,935	\$ 8,960,964
Cash and investments with fiscal agents (Note 2)	945,135	10,738,134
Accounts Receivable	758	12,656
Total current assets	<u>2,453,828</u>	<u>19,711,754</u>
Noncurrent assets:		
Deferred Charges	-	633,184
Loans Receivable (Note 18)	-	713,461
Capital assets (Note 18)		
Land		3,423,791
Land held for resale	-	6,150,000
Depreciable capital assets, net	-	1,443,874
Total noncurrent assets	<u>-</u>	<u>12,364,310</u>
Total assets	<u>\$ 2,453,828</u>	<u>\$ 32,076,064</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 32,601	\$ 1,484,431
Interest payable	-	795,030
Advances from General Fund (Note 18)	-	2,040,768
Long-term debt - due within one year (Note 18)	-	2,039,319
Due to bondholders	1,412,032	-
Other liabilities		46,842
Total current liabilities	<u>2,453,828</u>	<u>6,406,390</u>
Noncurrent Liabilities: (Note 18)		
Long-term debt - due in more than one year (Note 18)	-	48,590,505
Total noncurrent liabilities	<u>-</u>	<u>48,590,505</u>
Total liabilities	<u>\$ 2,453,828</u>	<u>\$ 54,996,895</u>
NET ASSETS		
Held in trust for private purpose	<u>\$ -</u>	<u>\$ (22,920,831)</u>

See accompanying Notes to Basic Financial Statements.

City of San Leandro
Successor Agency to the Redevelopment Agency
Combining Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2012

	Private Purpose Trust Fund
<hr/>	
Additions:	
Property Taxes	\$ 3,264,660
Use of money and property	36,002
	<hr/>
Total additions	3,300,662
	<hr/>
Deductions:	
Community Development	3,621,335
Depreciation	14,286
Interest and Fees	1,273,523
AB1484 True Up Payment	521,589
	<hr/>
Total deductions	5,430,733
	<hr/>
Change in net assets before transfers	(2,130,071)
EXTRAORDINARY ITEM	
Termination of Owner Participation Agreement (Note 18)	332,615
Assets transferred to/liabilities assumed (Note 18) by Successor Agency	<hr/> (21,123,375)
Change in net assets	(22,920,831)
NET ASSETS HELD IN TRUST	
Beginning of year	-
End of Year	<hr/> <u>\$ (22,920,831)</u>

See accompanying Notes to Basic Financial Statements.



City of San Leandro
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For the year ended June 30, 2012

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City of San Leandro
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City of San Leandro
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City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of San Leandro, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies in the United States. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of San Leandro, California (City) was incorporated in 1872 and is situated between the cities of Oakland and Hayward in the East Bay of the San Francisco Bay Area. The City operates under the Mayor-Council-Manager form of government created by charter in 1978 and provides the following services: public safety (police, fire, disaster preparedness and hazardous waste disposal), highways and streets, sanitation, health services, public improvements, planning and zoning and general administration services.

The City is governed by a seven-member council elected by City residents. The City is legally separate and fiscally independent, which means it can issue debt, set and modify budgets and fees and sue or be sued. As required by generally accepted accounting principles, the financial statements include the financial activities of the City - the primary government - and its component units.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The blended component units discussed below are included in the City of San Leandro's basic financial statements in which the City Council functions as the governing board:

The Redevelopment Agency of the City of San Leandro (Agency) was established to assist in the clearance and rehabilitation of City areas determined to be in a declining condition. The Agency has all accounting and administrative functions performed by City staff and the Agency receives advances from the City to finance operations. The financial activities of the Agency have been included in the Redevelopment Agency and Low and Moderate Income Housing Capital Projects Funds in the accompanying basic financial statements. As discussed in Note 18, the Agency was dissolved effective January 31, 2012.

The City of San Leandro Parking Authority (Parking Authority) was established to issue debt for downtown parking structures and lots. There are no financial activities to be accounted for in the Parking Authority Debt Service Fund in this fiscal year.

The San Leandro Public Financing Authority (Financing Authority) was established to issue debt for the Seismic Retrofitting capital project and other community related financing programs. The financial activities are accounted for in the San Leandro Public Financing Authority Debt Service Fund in the accompanying basic financial statements.

The above component units are included in the City's basic financial statements using the blended method since the governing body of these component units are substantially the same as the governing body of the City and these component units provide services entirely to the City. Separate financial statements are not issued for the Successor Agency to the Redevelopment Agency of the City of San Leandro.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Government–Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements except in the case of interfund services provided and used, which are not eliminated in the consolidation process. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. The City considers sales taxes and property taxes as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Affordable Housing Asset Fund* accounts for the low to moderate housing and neighborhood improvement program.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The City also reports the following major proprietary funds:

Water Pollution Control Plant Fund accounts for the City's sewers which protect public health and preserve water quality.

Shoreline Fund accounts for various recreational facilities which include golf and marina berthing as well as providing food service facilities for the general public in an area connected to the San Francisco Bay.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements. The City's *Internal Service Funds* account for Information Systems Management, Building Maintenance, Self-Insurance and Equipment Maintenance which provides service to other departments of the City on a cost reimbursement basis.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Fiduciary fund financial statements include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The City's fiduciary funds represent both private purpose trust and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust Funds account for assets held by the Successor Agency to the Redevelopment Agency as the trustee for various functions. The Successor Agency to the Redevelopment Agency Private Purpose Trust fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are present in the separate Fiduciary Fund financial statements. The City's *Fiduciary Funds* includes the Deposits Fund which accounts for all deposits held on behalf of other persons and businesses and the Cherrywood Fund accounts for monies accumulated for payments of special assessment bonds.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Recognition of Interest Liability

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types as well as proprietary fund types.

In the fund financial statements, the Governmental fund types do not recognize the interest payable when the liability is incurred. Interest on long-term debt is recorded in the fund statement when payment is made. Proprietary fund types recognize the interest payable when the liability is incurred.

E. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

F. Cash, Cash Equivalents and Investments

The City pools cash and investments from all sources, except the fiscal agent cash and investments, for the purpose of increasing income through investment activities. Interest income on investments is allocated on the basis of average month-end cash and investment balances in each fund. Cash and cash equivalents represent cash and investments and restricted cash and investments with an original maturity term of three months or less. Pooled cash and investments allocated to proprietary fund types are considered cash and cash equivalents since specific investments held in the City's pooled cash and investments are not allocated to each fund.

The City invests in the California Local Agency Investment Fund ("LAIF"), which is part of the Pooled Money Investment Account operated by the California State Treasurer. LAIF funds are invested in high quality money market securities and are managed to insure the safety of the portfolio. A portion of LAIF's investments are in structured notes and asset-backed securities. As of June 30, 2012 LAIF had invested 3.47% of its funds in such securities.

LAIF determines fair value on its investment portfolio based on market quotations for these securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

In accordance with GASB Statement No. 31, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Inventory

Inventory is held for consumption and is valued at average cost. Internal service fund supplies consist of materials and supplies for the various City vehicles (tires, batteries, etc.) and building maintenance, which are used for replacement parts for vehicle service and to maintain City buildings. Information management service inventory consists of postage for department use and a monthly count is performed to adjust this account to actual at the appropriate month-end.

H. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years
Licensed Vehicles	7 years
Infrastructure	20-50 years

In June 1999, the GASB issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City included all infrastructures into the 2011-12 Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, un-recovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Long-Term Debt

In Government-Wide Financial Statements, long-term debt and other financed obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds Payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In Fund Financial Statements long-term debt is not presented but is instead shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

J. Compensated Absences

Vested vacation, sick leave, compensatory time, and related benefits are accrued as appropriate. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For enterprise funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate enterprise funds.

K. Property Taxes

Property taxes are lienied on January 1st for the following fiscal year. Taxes are payable in two installments, due on November 1 and February 1, becoming delinquent on December 10 (for November) and April 10 (for February), respectively. The Alameda County Tax Collector bills and collects property taxes and allocates a portion to the City as billed. Property tax revenues are recognized in the fiscal year, for which the taxes have been levied, provided they become available. In January, 1994, the City elected to continue collection of interest and penalties on delinquent taxes and recognizes these revenues when available. Available means when due or past due and collected within the current period, or expected to be collected soon thereafter, and to be used to pay liabilities of the current period.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires City management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. New Funds, Renamed Funds and Closed Funds

During 2011-12, the City opened the following new funds:

The Affordable Housing Asset Fund was established to account for the activities related to the assets assumed by the City as Housing Successor to the housing activities of the former Redevelopment Agency of the City of San Leandro.

Measure F -This fund accounts for the City's share of proceeds on a \$10 increase in Vehicle Registration fees originally approved by the voters in November 2010. This fund accounts for the Measure F funding for additional Local Road Improvement and Repair, Transit for Congestion Relief, Local Transportation Technology, and Pedestrian and Bicyclist Access and Safety Program This program is administered by the Alameda County Transportation Commission.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, Continued

M. New Funds, Renamed Fund and Closed Funds, continued

Public Access, Educational and Government Fund (PEG). This fund accounts for the Digital Infrastructure and Video Competition Act (DIVCA) of 2006, collecting 1% of gross revenues from state franchise holders. The fund accounts for user fees charged to cable television customers to provide public education on government programs.

The Underground Utility Fund is used to account for utility conversion project assessments levied to provide for the placement of overhead facilities underground. Assessments shall be expended only for expansion of maintenance of or construction of Underground Utility.

N. Implementation of New GASB Pronouncements

In December 2009, GASB issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*", which expands the use of alternative measurement method to an agent employer government that has an individual-employer OPEB plan with fewer than 100 total plan members. The Statement also provides guidance about the frequency and timing measurements must be coordinates with the reporting needs of the agent multiple-employer OPEB plan itself. The provisions of this Statement related to the use and reporting of the alternative measurement method were effective immediately upon the Statement's issuance in December 2009. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statement for periods beginning after June 15, 2011. Statement has no significant impact to the financial statements of the City.

In June 2011, GASB issued Statement No. 64, "*Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*". The objective of this Statement is to improve financial reporting for state and local governments by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement has no significant impact to the financial statements of the City.

NOTE 2 - CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the Finance Director invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average daily cash and investment balance in these funds.

A. Cash Deposits

The carrying amount of the City's cash deposits were \$9,347,524 at June 30, 2012. Bank balances before reconciling items were \$7,756,528 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS, continued

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the City's Cash and investments as of June 30, 2012, are classified as follows:

Statement of net assets:	
Cash and Investments	\$ 70,302,928
Cash and Investments held by trustee	4,159,826
Fiduciary Funds:	
Cash and Investments	10,468,899
Cash with fiscal agents	<u>11,683,269</u>
Total cash and investments	<u><u>\$ 96,614,922</u></u>
Cash and investments as of June 30, 2012, are classified as follows:	
Deposits with financial institutions	\$ 9,347,524
Investments	<u>87,267,398</u>
Total cash and investments	<u><u>\$ 96,614,922</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, there is a greater sensitivity of its fair value to 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 flow from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

In accordance with the Policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 5 years or less. The City is in compliance with this provision of the Policy.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS, continued

B. Investments, continued

Information about the sensitivity of the fair values of the City's Investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investment by maturity:

Investment Type	Fair Value	12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Federal agency securities	\$ 22,457,648	\$ 7,720,755	\$ 3,273,186	\$ 11,463,707	\$ -
Money Market	44,586	44,586	-	-	-
U.S. Treasury Notes	5,697,052	2,549,397	2,448,447	699,208	-
Local Agency Investment Fund (LAIF) Held by Bond Trustee:	50,652,190	50,652,190	-	-	-
U.S. Treasury Money Market Funds	8,415,922	8,415,922	-	-	-
Total	\$ 87,267,398	\$ 69,382,850	\$ 5,721,633	\$ 12,162,915	\$ -

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

The table below identifies the investment types that are authorized for the City by the City's Investment Policy. The table also identifies certain provisions of the California Government Code that address 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 the related bond documents.

Investment Type	Maximum Maturity	Maximum Percentage of *Portfolio
U.S. Treasury Obligations	5 years	None
U.S. Agency Securities	5 years	None
Local Agency bonds	5 years	None
Bankers Acceptances	180 days	40%
Commercial Paper	270 days	30%
Negotiable Certificate of Deposit	5 years	30%
Repurchase Agreements	1 year	20%
Reverse Repurchase Agreements	92 days	20% of base value
Medium Term Notes	5 years	10%
Mutual Funds	N/A	20%
Money Market Mutual Funds	N/A	20%
Mortgage Pass-Through Securities	5 years	20%
County Pooled Investment Funds	N/a	None
Local Agency Investment Fund (LAIF)	N/A	\$40 million per account
Other investment pools	N/A	None

*excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS, Continued

B. Investments, continued

Investments in Local Agency Investment Fund

As of June 30, 2012, the City had \$50,652,190 (estimated fair value) invested in LAIF accounts, which had invested 3.47% of the pooled investments in structured notes and asset-backed securities.

The City invests in the Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2012, at the market value. The fair value is calculated by multiplying the account balance with LAIF times a fair value factor of 1.0012196 which is determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value.

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2012, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or that have embedded forwards or options.
- Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

Concentration of Credit Risk

The City's Policy states that the investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristic of the portfolio. Purchases of mutual funds must not exceed 20% of the value of the portfolio.

Investments in U.S. agencies exceed 5% of total portfolio, and Federal agency investments exhibited below exceeded 5% percent or more of the total investments in any one issuer:

<u>U.S. Agencies</u>	<u>Amount Invested</u>	<u>Percentage of Investments</u>
Federal agency securities:		
Federal Home Loan Banks (FHLB)	\$ 5,902,664	7.05%
Federal Home Loan Mortgage Corporation (FHMLC)	6,343,974	7.58%
Federal Farm Credit Banks (FFCB)	3,798,422	4.54%
Federal National Mortgage Association (FNMA)	6,412,588	7.66%
Total	<u>\$ 22,457,648</u>	<u>26.84%</u>

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS, Continued

B. Investments, continued

Disclosures Relating to 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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Entity's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

The City's policy requires that the management company of mutual funds must have attained the highest rating provided by not less than two of the three largest nationally recognized rating organizations.

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End AA+	Not Rated
Federal agency securities	\$ 22,457,648	N/A	\$ -	\$ 22,457,648	\$ -
Money Market	44,586	N/A	-	44,586	-
U.S. Treasury Notes	5,697,052	N/A	5,697,052	-	-
Local Agency Investment Fund	50,652,190	N/A	-	-	50,652,190
Held by Bond Trustee:					
U.S. Treasury Money Market Funds	8,415,922	A	-	8,415,922	-
Total	\$ 87,267,398		\$ 5,697,052	\$ 30,918,156	\$ 50,652,190

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments

The following is a summary of cash, cash equivalents, and investments, including restricted cash and investments with Fiscal Agents at June 30, 2012.

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Unrestricted Cash and Investments	\$ 53,029,357	\$ 17,273,571	\$ 70,302,928	\$ 10,468,899	\$ 80,771,827
Restricted Cash and Investments	3,364,826	795,000	4,159,826	11,683,269	15,843,095
Total	\$ 56,394,183	\$ 18,068,571	\$ 74,462,754	\$ 22,152,168	\$ 96,614,922

Deposits and investments held by the City at June 30, 2012 consisted of the following:

City Treasury:	
Demand Deposits:	
Cash deposit	\$ 9,347,524
Total Demand Deposits	9,347,524
Investments:	
Securities of U.S. government agencies	28,199,286
Local Agency Investment Fund:	43,721,190
Total Investments	71,920,476
Total City Treasury	81,268,000
Restricted Cash and Investments:	
Held by fiscal agents:	
LAIF	6,931,000
Trustee	8,415,922
Total Restricted Cash and Investment	15,346,922
Total Cash and Investments	\$ 96,614,922

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 3 – LOANS RECEIVABLE

At June 30, 2012, the City had the following loans receivable reported in its Fund Financial Statements:

Governmental Funds:	
General Fund	\$ 139
Special Revenue Funds:	
Non Major Funds:	
Community Development Block Grant (CDBG)	762,131
Housing In-Lieu	637,000
HOME Fund	3,235,000
Capital Projects Funds:	
Low/Moderate Asset Housing Fund	<u>8,348,777</u>
Total Governmental Funds	<u>12,983,047</u>
Less: CDBG	(698,545)
Less: RDA Low-Moderate	<u>(636,728)</u>
Total Government-wide Financials	<u><u>\$ 11,647,774</u></u>

At June 30, 2012, the City was owed, in the General Fund, \$139 for assistance to close escrow related to property acquisition.

At June 30, 2012, the City was owed, in its Community Development Block Grant Special Revenue Fund, \$762,131 for various housing assistance loans made by the City. The terms of repayment vary. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans. Revenue is recognized in the year of repayment. The loans are secured by trust deeds. In the Government-wide Financial Statement, \$698,545 of the receivable was eliminated.

At June 30, 2012, the City was owed, in its Housing In-Lieu Special Revenue Fund, \$637,000 for a housing assistance loan made by the City to the Estabrook Senior Housing for low-moderate housing construction. The terms of repayment vary. Because the note does not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to this loan. Revenue is recognized in the year of repayment. The loan is secured by trust deeds.

At June 30, 2012, the City was owed, in its HOME Special Revenue Fund, \$3,235,000 for a housing assistance loan made by the City to Citizens' Housing Corporation. The terms of repayment vary. Because the note does not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to this loan. Revenue is recognized in the year of repayment. The loan is secured by trust deeds.

At June 30, 2012, the City was owed, in its Low/Moderate Asset Housing Fund, \$8,348,777 which includes (1) loans made to the City property owners who meet the HUD requirements for financial assistance for property improvements and first time home buyer loans; (2) a loan made to Ruth Rogers and Sara Bagwell; (3) a loan made to Eden Housing, Inc.; (4) a loan made to San Leandro Senior Housing; (5) a loan made to Citizens' Housing Corporation for property improvements; and (6) a loan made to Mercy Housing for the construction of the Casa Verde. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans. Revenues are recognized in the year of repayment. Loans are secured by trust deeds. In the Government-wide Financial Statement, \$636,728 of the receivable was eliminated.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 4 - NOTES RECEIVABLE

No new Notes Receivable

NOTE 5 - INTERFUND TRANSACTIONS

Fund Financial Statements

A. Interfund Receivables and Payables

At June 30, 2012, the City had the following short-term receivables and payables:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Home Fund	\$ 4,410
	Special Grants Fund	<u>367,141</u>
Total		<u><u>\$ 371,551</u></u>

The City has recorded due to/due from all funds requiring cash at the end of June 30, 2012 to the funds that had deficit year-end balances which will be repaid back to the General Fund during the 2012-13 fiscal year.

B. Long-Term Advances

Long-term advances to be repaid out of future earnings or charges at June 30, 2012, consisted of:

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Improvement Project	\$ 1,000,000
	Enterprise Funds:	
	Shoreline	<u>7,106,392</u>
		8,106,392
Water Pollution Control Plant	General Fund	<u>6,000,000</u>
		<u><u>\$ 14,106,392</u></u>

The City Council authorized a loan to the Capital Improvement Project fund for the improvement project on Davis Street. The loan accrues interest annually at the pooled cash investment rate. The balance as of June 30, 2012, was \$1,000,000.

The City Council authorized loans to the Shoreline Enterprise Fund for capital improvements at the Marina and Golf Course. The loans are to be paid over 30 years with an annual interest accrual rate of 5%. Principal payments are made annually provided the fund has sufficient resources. The balance as of June 30, 2012, was \$3,160,152 and \$3,946,240 for the Marina and the Golf Course, respectively, for a total of \$7,106,392.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

B. Long-Term Advances, continued

The City Council authorized loan to the General Fund from the Water Pollution Control Plant for the partial payment of the Public Safety Side Fund Obligation. The \$6,000,000 loan was to pay-down the CalPERS Public Safety Side Fund with a long term adjustable rate of 4% or less annually for 13 years.

C. Due from Successor Agency

The City Council authorized various loans to the form Redevelopment Agency of the City of San Leandro for operating and capital improvement purposes. The terms of the loans are indefinite. Interest accrues annually at the rate of 6%. The balance as of June 30, 2012, was \$2,040,768. With the dissolution of the Redevelopment Agency as discussed in Note 18, a Successor Agency assumed the long term debt and loan of the Redevelopment Agency as of February 1, 2012, including the all debts which were reported as an Extraordinary Item in the Statement of Activities. For details of each Bond and loan, see Note 18.

D. Transfers

Transfers during the fiscal year ended June 30, 2012, comprised the following:

	Transfers Out:						Total
	Governmental Funds			Enterprise Funds			
Transfer In:	General Fund	Non-Major Governmental Funds	Water Pollution Control Plant	Internal Service Funds	Shoreline Enterprise Fund	Non-major Enterprise Funds	
General Fund	\$ -	\$ 991,727	\$ -	\$ -	\$ -	\$ -	\$ 991,727
Non-major Governmental Funds	180,907	4,485,045	\$ 50,562	-	-	-	4,716,514
Capital Improvement Projects	50,000	-	-	20,000	251,729	-	321,729
Non-major Enterprise Funds	67,942	-	62,782	-	-	133,383	264,107
Total	\$ 298,849	\$ 5,476,772	\$ 113,344	\$ 20,000	\$ 251,729	\$ 133,383	\$ 6,294,077

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS, Continued

Fund Financial Statements, Continued

D. Transfers, continued

The City Council authorized transfers from the General Fund to various funds for fiscal year 2011-2012 to the following accounts and projects:

Capital Improvement Fund	\$	50,000	Fund Various Street Improvement Projects
PEG Fund		180,907	Communication Tower
Environmental Service Fund		<u>67,942</u>	Refuse Contract
	\$	<u><u>298,849</u></u>	

E. Internal Balances

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

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2012, the City’s capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 14,367,638	\$ 5,234,310	\$ 19,601,948
Construction in Progress	8,325,712	22,485,215	30,810,927
Total non-depreciable assets	22,693,350	27,719,525	50,412,875
Depreciable assets:			
Buildings	73,850,205	10,090,798	83,941,003
Improvements	4,951,451	113,416	5,064,867
Machinery and Equipment	7,930,996	9,508,650	17,439,646
Licensed Vehicles	8,154,283	84,923	8,239,206
Infrastructure:			
Park Irrigation Systems	3,720,181	-	3,720,181
Medians Irrigation	10,145,502	-	10,145,502
Park Structures	2,848,650	-	750,611
Roadway	250,075,231	-	250,075,231
Sidewalk	74,895,578	-	74,895,578
Curb and Gutter	37,447,790	-	37,447,790
Underground Piping and Storm Drain	20,025	2,271,514	2,291,539
Total depreciable assets	474,039,892	22,069,301	496,109,193
Less accumulated depreciation	(213,596,365)	(10,072,604)	(223,668,969)
Total depreciable assets, net	260,443,527	11,996,697	272,440,224
Total capital assets	\$ 283,136,877	\$ 39,716,222	\$ 322,853,099

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2011	Additions	Deletions	Adjustments	Balance June 30, 2012
Non-Depreciable Assets:					
Land	\$ 23,941,429	\$ -	\$ -	\$ (9,573,791)	\$ 14,367,638
Construction In Progress	2,625,483	5,700,229	-	-	8,325,712
Total Non-Depreciable Assets	26,566,912	5,700,229	-	(9,573,791)	22,693,350
Depreciable Assets:					
Buildings	75,564,201	-	-	(1,713,996)	73,850,205
Improvements	4,951,451	-	-	-	4,951,451
Machinery and equipment	7,911,787	205,506	(186,297)	-	7,930,996
Licensed Vehicles	8,186,259	306,630	(338,606)	-	8,154,283
Infrastructure	379,152,957	-	-	-	379,152,957
Total Depreciable Assets	475,766,655	512,136	(524,903)	(1,713,996)	474,039,892
Accumulated Depreciation:					
Buildings	(17,146,777)	(1,489,948)	-	255,838	(18,380,887)
Improvements	(4,513,274)	(63,444)	-	-	(4,576,718)
Machinery and equipment	(4,718,790)	(715,988)	166,414	-	(5,268,364)
Licensed Vehicles	(5,223,967)	(862,929)	297,923	-	(5,788,973)
Infrastructure	(165,497,530)	(14,083,893)	-	-	(179,581,423)
Total Accumulated Depreciation	(197,100,338)	(17,216,202)	464,337	255,838	(213,596,365)
Depreciable Assets, Net	278,666,317	(16,704,066)	(60,566)	(1,458,158)	260,443,527
Total Governmental Activities					
Capital Assets, Net	\$ 305,233,229	\$ (11,003,837)	\$ (60,566)	\$ (11,031,949)	\$ 283,136,877

In March 2011, the Agency made required findings in accordance with Health and Safety Code Sections 33445 and 33490 to allow the conveyance of eighteen parcels that had been recorded as capital assets with a book value of \$14,633,396 to the City.

During fiscal year 2011-12, the City reversed the above transfer and returned capital assets to the Agency prior to the dissolution. Of the total, \$11,031,949 was transferred to the Successor Agency and the remainder was transferred to the Housing Successor.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2012, are as follows:

General Government	\$	16,753,086
Public Safety		287,511
Transportation		148,059
Recreation and Human services		22,381
Community Development		<u>5,165</u>
Total Depreciation Expense	\$	<u>17,216,202</u>

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 6 – CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance June 30, 2012</u>
Non-Depreciable Assets:					
Land	\$ 5,234,310	\$ -	\$ -	\$ -	\$ 5,234,310
Construction in Progress	10,157,068	12,328,147	-	-	22,485,215
Total Non-Depreciable Assets	<u>15,391,378</u>	<u>12,328,147</u>	<u>-</u>	<u>-</u>	<u>27,719,525</u>
Depreciable Assets:					
Buildings	10,090,798	-	-	-	10,090,798
Improvements	113,416	-	-	-	113,416
Machinery and equipment	11,053,303	18,789	(1,563,442)	-	9,508,650
Licensed Vehicles	84,923	-	-	-	84,923
Infrastructure	2,271,514	-	-	-	2,271,514
Total Depreciable Assets	<u>23,613,954</u>	<u>18,789</u>	<u>(1,563,442)</u>	<u>-</u>	<u>22,069,301</u>
Accumulated Depreciation:					
Buildings	(5,515,922)	(188,564)	-	-	(5,704,486)
Improvements	(113,416)	-	-	-	(113,416)
Machinery and equipment	(3,301,665)	(382,636)	272,972	-	(3,411,329)
Licensed Vehicles	(65,837)	(8,820)	-	-	(74,657)
Infrastructure	(713,498)	(55,218)	-	-	(768,716)
Total Accumulated Depreciation	<u>(9,710,338)</u>	<u>(635,238)</u>	<u>272,972</u>	<u>-</u>	<u>(10,072,604)</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 29,294,994</u>	<u>\$ 11,711,698</u>	<u>\$ (1,290,470)</u>	<u>\$ -</u>	<u>\$ 39,716,222</u>
Depreciation Expense for 2011-12:					
Water Pollution Control	\$ (516,405)				
Shoreline	(118,833)				
Total Depreciation Expense	<u>\$ (635,238)</u>				

B. Funds Financial Statements

The Funds Financial Statements do not present General Government Capital Assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT

A. Governmental Activities Long-Term Debt

Summary of changes in governmental activities long-term debt for the year ended June 30, 2012, were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due within</u> <u>one year</u>	<u>Due in more</u> <u>than one year</u>
Bonded Debt:							
2001 Certificates of Participation	\$ 3,775,000	\$ -	\$ (165,000)	(3,610,000)	\$ -	\$ -	\$ -
2002 Tax Allocation Bonds	12,990,000	-	(605,000)	(12,385,000)	-	-	-
2003 Certificates of Participation	9,875,000	-	(385,000)	-	9,490,000	400,000	9,090,000
2004 Tax Allocation Bonds	5,200,000	-	(110,000)	(5,090,000)	-	-	-
2007 Certificates of Participation	20,770,000	-	(745,000)	-	20,025,000	775,000	19,250,000
2008 Tax Allocation Bonds	26,730,000	-	(495,000)	(26,235,000)	-	-	-
2012 Taxable Pension Obligation Bond	-	18,305,000	-	-	18,305,000	720,000	17,585,000
Total Bonded Debt	79,340,000	18,305,000	(2,505,000)	(47,320,000)	47,820,000	1,895,000	45,925,000
Capital Lease:							
2005 Police CAD/RMS	396,429	-	(394,370)	(2,059)	-	-	-
2010 Pumper Fire Truck	376,454	-	(88,664)	-	287,790	92,202	195,588
Bayfair Mall Debt with Agency Commitment	700,000	-	(250,000)	(450,000)	-	-	-
Owner Participation Agreements w/ Agency Commitment	2,421,193	-	(79,832)	(2,341,361)	-	-	-
HUD 108 Guarantee Notes Affordable Housing	559,000	-	(63,000)	-	496,000	63,000	433,000
HUD 108 Guarantee Loan - Senior Center	2,500,000	-	(131,000)	-	2,369,000	131,000	2,238,000
San Leandro USD	1,315,360	-	-	(1,315,360)	-	-	-
Total General Long-Term Obligations	\$87,608,436	18,305,000	\$ (3,511,866)	\$ (51,428,780)	\$ 50,972,790	\$2,181,202	\$ 48,791,588
Plus unamortized:							
Discount (2002 TAB)	\$ (69,822)	\$ -	\$ -	\$ 69,822	-	-	\$ -
Discount (2007 COP)	(40,747)	-	2,264	-	(38,483)	(2,264)	(36,219)
Discount (2012POB)	-	(121,423)	1,265	-	(120,158)	(10,119)	(110,039)
Premium (2003 COP)	412,318	-	(23,495)	-	388,822	23,495	365,327
Premium (2008 TAB)	182,612	-	-	(182,612)	-	-	-
Total General Long-Term Obligations, net	\$88,092,797	\$18,183,577	\$ (3,531,832)	\$ (51,541,570)	\$ 51,202,971	\$2,192,314	\$ 49,010,657

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

2001 Certificates of Participation

In 2001, the City issued \$5,020,000 principal amount of 2001 Certificates of Participation (2001 COPs). The purpose of the 2001 COPs was to assist the Redevelopment Agency of the City finance redevelopment activities within the Joint Project Area of the City. The 2001 COPs bear interest rates ranging from 2.10% to 5.10% and are payable semiannually on each June 1 and December 1. Principal payments are payable annually on December 1. The certificates evidence fractional interest of the owners in lease payments to be made by the City for use and occupancy of the City corporation yard and are additionally secured and payable from the property tax increment revenues from the Joint Project Area within the City.

Prior to February 1, 2012, tax increment revenues were used to fund debt service on the Bonds. As a result of the dissolution of the Redevelopment Agency pursuant to state law (See note 18), a Successor Agency assumed the debt and receives tax revenues used to pay debt service and fund other activities of the former Redevelopment Agency. Future debt service repayments on these bonds will be made by the Successor Agency from the Redevelopment Property Tax Trust Fund allocation (see Note 18).

2002 Tax Allocation Bonds

In fiscal year 2004, the City's Redevelopment Agency issued \$15,935,000 principal amount of Tax Allocation Bonds (2002 TABs) to refund the City's 1993 Tax Allocation Bonds (1993 TABs) used to finance the redevelopment activities within the Plaza Project Area (which have been completed) and to finance new redevelopment projects as set forth in the Redevelopment Plan. The bonds consist of serial bonds that mature annually each year through 2018 in amounts ranging from \$305,000 to \$860,000 and term bonds maturing in 2020 in the amount of \$1,200,000, 2025 in the amount of \$2,355,000 and 2033 in the amount of \$3,520,000. Interest rates vary from 2.90% to a maximum of 6% and are payable semiannually on September 1 and March 1. The debt is secured and payable from the property tax increment revenues from the Joint Project Area within the City.

The refunding of the outstanding 1993 TABs resulted in a present value loss of \$70,679 or 1.1% of the principal amount of the refunded bonds. The nominal economic loss was necessary in order to raise the \$8,015,000 of new money that was generated through the financing. Because of a prohibitively high additional bonds test on the 1993 TABs (225%) it was necessary to refund the outstanding bonds in order to most efficiently raise the new money. According to the analysis completed by the City's financial advisor, the Agency raised \$321,000 more through using the refunding than they could have risen using a subordinate lien new money only issue.

Prior to February 1, 2012, tax increment revenues were used to fund debt service on the Bonds. As a result of the dissolution of the Redevelopment Agency pursuant to state law (See note 18), a Successor Agency assumed the debt and receives tax revenues used to pay debt service and fund other activities of the former Redevelopment Agency. Future debt service repayments on these bonds will be made by the Successor Agency from the Redevelopment Property Tax Trust Fund allocation (see Note 18).

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

2003 Certificates of Participation

In 2003, the City issued \$12,550,000 principal amount of 2003 Certificates of Participation (2003 COPs). The purpose of the 2003 COPs was to refund the City's 1993 COPs and raise capital funds for a new aquatics center. The 2003 COPs bear interest rates ranging from 2.5% to 5.00% and are payable semiannually on each June 1 and December 1. Principal payments are payable annually on June 1. The COPs evidence fractional interests of the owners in lease payments to be made by the City for use and occupancy of the San Leandro City Hall.

The 2003 COPs resulted in a present value of savings of \$1,166,751 or 11.75% of the refunded bonds. Through a five-year extension of debt service on the outstanding COPs, the city was able to generate \$2,750,000 of capital improvement funds and a slight reduction in the annual debt service payment.

At June 30, 2012, future debt service requirements for the 2003 Certificates of Participation are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 400,000	\$ 474,500	\$ 874,500
2014	420,000	454,500	874,500
2015	440,000	433,500	873,500
2016	465,000	411,500	876,500
2017	490,000	388,250	878,250
2018-2022	2,830,000	1,549,500	4,379,500
2023-2027	3,610,000	767,750	4,377,750
2028	835,000	41,750	876,750
Total debt service	<u>\$ 9,490,000</u>	<u>\$ 4,521,250</u>	<u>\$ 14,011,250</u>

2004 Tax Allocation Bonds

In 2004, the City issued \$5,500,000 principal amount of 2004 Tax Allocation Bonds (2004 TABs). The purpose of the 2004 TABs was to assist the Redevelopment Agency of the City finance redevelopment activities within the West San Leandro/MacArthur Boulevard Redevelopment Project Area of the City. The 2004 TABs bear interest rates ranging from 5.00% to 5.75% and are payable semiannually on each March 1 and September 1. Principal payments are payable annually on September 1. The debt is secured and payable from the tax increment revenues from the West San Leandro/MacArthur Boulevard Redevelopment Project area within the City.

Prior to February 1, 2012, tax increment revenues were used to fund debt service on the Bonds. As a result of the dissolution of the Redevelopment Agency pursuant to state law (See note 18), a Successor Agency assumed the debt and receives tax revenues used to pay debt service and fund other activities of the former Redevelopment Agency. Future debt service repayments on these bonds will be made by the Successor Agency from the Redevelopment Property Tax Trust Fund allocation (see Note 18).

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

2007 Certificates of Participation

In 2007, the City issued \$23,435,000 principal amount of 2007 Certificates of Participation (2007 COPs). The purpose of the 2007 COPs was to provide funds to refund the outstanding 1999 Certificates of Participation (Library and Fire Stations Project) of the City of San Leandro and the San Leandro Public Financing Authority. Interest rates vary from 4.00% to a maximum of 4.375% and are payable semiannually on each May 1 and November 1. Principal payments are payable annually on November 1. The COPs evidence fractional interest of the owners in lease payment to be made by the City for use and occupancy of San Leandro Libraries and San Leandro Fire Stations.

At June 30, 2012, future debt service requirements for the 2007 COP's are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 775,000	\$ 823,819	\$ 1,598,819
2014	805,000	792,219	1,597,219
2015	840,000	759,319	1,599,319
2016	870,000	742,519	1,612,519
2017	910,000	689,519	1,599,519
2018-2022	5,115,000	2,860,203	7,975,203
2023-2027	6,265,000	1,677,409	7,942,409
2028-2030	4,445,000	297,172	4,742,172
Total Debt Service	\$ 20,025,000	\$ 8,642,179	\$ 28,667,180

The proceeds from the 1999 COP refunding issue were placed in irrevocable escrow account overseen by independent bank fiscal agents. The proceeds are generally invested in U.S Treasury Securities, which together with earned interest, will provide amounts sufficient for future payment of interest, principal, and redemption premium on the defeased bond in the amount of \$27,257,815. The escrow account is not included as assets of the City. The defeased bonds are excluded from the City's long-term obligations because the arrangement satisfies requirements of defeasance.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

2008 Tax Allocation Bonds

In 2008, the City issued \$27,530,000 principal amount of 2008 Tax Allocation Bonds (2008 TABs). The purpose of the 2008 TABs was to provide funds to finance capital projects in the Alameda County-City of San Leandro Redevelopment Project Area. A portion of the 2008 TABs will be used to finance projects that meet the goals and objectives set forth in the Redevelopment Plan. These include, but not limited to, design and construction of a senior center, a proposed parking garage, and infrastructure improvements on East 14th Street. Interest rates vary from 4.70% to a maximum of 5.00% and are payable annually. Principal payments are payable annually on November 1.

Prior to February 1, 2012, tax increment revenues were used to fund debt service on the Bonds. As a result of the dissolution of the Redevelopment Agency pursuant to state law (See note 18), a Successor Agency assumed the debt and receives tax revenues used to pay debt service and fund other activities of the former Redevelopment Agency. Future debt service repayments on these bonds will be made by the Successor Agency from the Redevelopment Property Tax Trust Fund allocation (see Note 18).

2005 Master Equipment Lease/Purchase Agreement

In 2005, the City entered into a Lease/Purchase Agreement with Bank of America to Lease/Purchase Equipment in the amount of \$3,048,260. The Equipment was for the Police Departments computer upgrades for servers, mobile laptops, and computer aided dispatch and records management system. The interest rates range from 3.40% to 3.70% payable in seven (7) years.

At June 30, 2012, there are no future debt service requirements for the 2005 Master Equipment Lease Purchase Agreement.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

2012 Taxable Pension Obligation Bonds

In 2012, the City issued \$18,305,000 principal amount of 2012 Taxable Pension Obligation Bonds (2012 POB). The purpose of the 2012 POB is to save the City money, the interest rate, including the cost of issuance, must be significantly less than the interest rate the CalPERS charges to amortize the public safety side fund which is distinct from the City's other CalPERS plans. Side funds are retired over a fixed term with a fixed amortization schedule based on CalPERS actuarial earnings assumption rate (7.75%). Principal is due annually on December 1 and the interest is due semi-annually on June 1 and December 1 through June 2024. Debt service is payable from available City resources. For fiscal year 2012, principal and interest paid were \$1,615,144.

Ending June 30,	Principal	Interest	Total
2013	\$ 720,000	\$ 895,144	\$ 1,615,144
2014	910,000	742,962	1,652,962
2015	1,120,000	729,403	1,849,403
2016	1,210,000	708,123	1,918,123
2017	1,305,000	678,236	1,983,236
2018-2022	8,470,000	2,533,309	11,003,309
2023-2024	4,570,000	379,845	4,949,845
	<u>\$ 18,305,000</u>	<u>\$ 6,667,022</u>	<u>\$ 24,972,022</u>

2010 Master Equipment Lease/Purchase Agreement

In 2010, the City entered into a Lease/Purchase Agreement with Oshkosh Capital to Lease/Purchase Equipment in the amount of \$461,717. The Equipment was for the Fire Departments 2010 Triple Combination Pumper Truck. The interest rates range from 3.80% payable in five (5) years.

At June 30, 2012, future debt service requirements for the 2010 Master Equipment Lease Purchase Agreement were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 92,202	\$ 11,483	\$ 103,685
2014	95,881	7,804	103,685
2015	99,707	3,978	103,685
Total debt service	<u>\$ 287,790</u>	<u>\$ 23,265</u>	<u>\$ 311,055</u>

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bay Fair Mall Debt with Agency Commitment

On June 15, 1998, the City committed \$4,000,000 to renovate the Bayfair Mall. This debt with City commitment is at 0% interest and has installments ranging between \$200,000 and \$400,000 per year over a 15 year period beginning in July 1998. The debt is secured and payable from Community Redevelopment Agency revenues. An adjustment was made in prior years for an accelerated payment of \$50,000 which is reflected in the table, leaving a debt service balance of \$450,000.

Prior to February 1, 2012, tax increment revenues were used to fund debt service on the Bonds. As a result of the dissolution of the Redevelopment Agency pursuant to state law (See note 16), a Successor Agency assumed the debt and receives tax revenues used to pay debt service and fund other activities of the former Redevelopment Agency. Future debt service repayments on these bonds will be made by the Successor Agency from the Redevelopment Property Tax Trust Fund allocation (see Note 18).

Owner Participation Agreements with Agency Commitment

The Agency entered into the following agreements which represent contingency liabilities for the Agency:

Ford Motor Company	\$ 2,008,746
Batarse Family Trust Disposition and Development	<u>332,615</u>
	<u>\$ 2,341,361</u>

- 1. Ford Motor Company Owner Participation Agreement** - The agreement required the Agency to make annual payment equivalent to 50% of the sales tax generated above a base of \$277,000 by the sale of vehicles as part of the Ford Store San Leandro development. The amount due is \$2,008,746 to be paid over several years depending on the volume of auto sales at no interest.
- 2. Batarse Family Trust Disposition and Development Agreement** – The agreement required the Agency to make annual payments equivalent to 50% of the sales tax generated by the sale of vehicles as part of the development of a proposed Saturn dealership. The amount due is \$332,615 to be paid over several years depending on the volume of auto sales at no interest.

Prior to February 1, 2012, tax increment revenues were used to fund debt service on the Bonds. As a result of the dissolution of the Redevelopment Agency pursuant to state law (See note 18), a Successor Agency assumed the debt and receives tax revenues used to pay debt service and fund other activities of the former Redevelopment Agency. Future debt service repayments on these bonds will be made by the Successor Agency from the Redevelopment Property Tax Trust Fund allocation (see Note 18).

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

HUD 108 Guarantee Loan

In 2000, the City received a \$1,000,000 20-year federal loan from Housing and Urban Development, at an interest rate of 5.6% to finance the acquisition and construction of affordable housing for seniors within the City of San Leandro. The loan is secured and payable from the Agency's 20% Housing Set-Aside Fund.

At June 30, 2012, future debt service requirements for the HUD 108 Guarantee loan were as follows:

Ending June 30,	Principal	Interest	Total
2013	\$ 63,000	\$ 10,925	\$ 73,925
2014	63,000	10,232	73,232
2015	63,000	9,243	72,243
2016	63,000	7,983	70,983
2017	63,000	6,452	69,452
2018-2020	181,000	8,403	189,403
Total debt service	\$ 496,000	\$ 53,238	\$ 549,238

HUD 108 Guarantee Loan

In 2011, the City received a \$2,500,000 20-year federal loan from Community Development Block Grant, at an interest rate of 3% to finance the acquisition and construction of senior center facility within the City of San Leandro. The loan is secured and payable from the Community Development Block Grant Fund.

At June 30, 2012 future debt service requirements for the HUD 108 Guarantee loan were as follows:

June 30,	Principal	Interest	Total
2013	\$ 131,000	\$ 76,534	\$ 207,534
2014	131,000	75,093	206,093
2015	131,000	73,037	204,037
2016	131,000	70,417	201,417
2017	131,000	67,233	198,233
2018-2022	658,000	275,852	933,852
2023-2027	660,000	153,760	813,760
2028-2029	396,000	25,991	421,991
Total debt service	\$ 2,369,000	\$ 817,917	\$ 3,186,917

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

2009 San Leandro Unified School District

In February 2009, the City entered into a joint use agreement with the San Leandro Unified School District which provides for the City use of the 9th grade gymnasium during non-school hours and the San Leandro Redevelopment Agency (Agency) agreed to provide for financial contribution to the project from the Agency in the amount of \$2,170,800 with no interest payable by June 30, 2017.

Prior to February 1, 2012, tax increment revenues were used to fund debt service on the Bonds. As a result of the dissolution of the Redevelopment Agency pursuant to state law (See note 18), a Successor Agency assumed the debt and receives tax revenues used to pay debt service and fund other activities of the former Redevelopment Agency. Future debt service repayments on these bonds will be made by the Successor Agency from the Redevelopment Property Tax Trust Fund allocation (see Note 18).

B. Long-Term Debt of Business-Type and Proprietary Funds

Summary of changes in long-term debt of business-type and proprietary funds for the year ended June 30, 2012:

Debt Issue	Balance			Balance June 30, 2012	Due within one year	Due in more than one year
	July 1, 2011	Additions	Retirements			
Marina Cal Boating Notes Payable	\$ 2,462,962	\$ -	\$ (182,086)	\$ 2,280,876	\$ 190,280	\$ 2,090,596
State Water Resource Board	-	6,698,278	-	6,698,278	-	\$ 6,698,278
	<u>\$ 2,462,962</u>	<u>\$ 6,698,278</u>	<u>\$ (182,086)</u>	<u>\$ 8,979,154</u>	<u>\$ 190,280</u>	<u>\$ 8,788,874</u>

State Water Resource Control Board

On August 4, 2011, the City entered into a Finance Agreement with the State Water Resources Control Board in the total principal amount of \$43,000,000, for the purpose of financing the Wastewater System Expansion and Improvement Project. The loan bears an interest rate of 2.6%. Principal and interest payments are payable annually of each July 1. The debts are secured from the WPCP Enterprise Fund operating revenues.

At June 30, 2012, the City has drawn down \$6.7 million from the State Water Resource Control Board and the remaining balance of \$36.3 million is expected to be drawn down in fiscal year 2012-13. There was no debt service payment in fiscal year 2011-12, with the first debt service payment of \$4.2 million due in fiscal year ending 2015-16. Future debt service payment is expected to average \$3 million per year through fiscal year 2034-35 for a total \$58.8 million.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 7 - LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, continued

Notes Payable

Marina Cal Boating Notes Payable

The City entered into various construction loan agreements with the California Department of Boating and Waterways in the total principal amount of \$5,331,032. The loans bear an average interest rate of 4.50%. Principal and interest payments are payable annually on each August 1. The debts are secured from Shoreline Enterprise Fund operating revenues.

At June 30, 2012, future debt service requirements for the Marina Cal Boating Notes Payable were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 190,280	\$ 102,730	\$ 293,010
2014	198,842	94,167	293,009
2015	207,790	85,219	293,009
2016	217,141	75,869	293,010
2017	226,912	66,097	293,009
2018-2022	1,107,721	167,816	1,275,537
2023-2027	132,190	16,256	148,446
Totals	\$ 2,280,876	\$ 608,154	\$ 2,889,030

NOTE 7 - LONG-TERM DEBT, Continued

C. Long-Term Debt of Business-Type and Proprietary Funds, continued

Debt Covenants and Restrictions

For June 30, 2012, the City complied with all general and specific covenants regarding debt proceeds usage and debt repayment. In accordance with bond official statements, the City also maintained adequate reserves for all debt issues.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 8 – COMPENSATED ABSENCES

The City’s compensated absences consist of accrued vacation pay, sick leave, and accrued compensatory time. The total amount of the accrued liability is recorded in the Government-wide Financial Statements and charges for compensated absences expense is charged to the various program activities in the Governmental funds, primarily General fund and Internal Service funds, and all Proprietary funds.

Summary of changes in compensated absences for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due within one year	Due in more than one year
Governmental Activities	\$ 4,156,296	\$ 560,261	\$(495,011)	\$ 4,221,546	\$ 539,097	\$ 3,682,449
Business-type Activities	528,040	43,609	(40,551)	531,098	9,052	522,046
Total	\$ 4,684,336	\$ 603,870	\$(535,562)	\$ 4,752,644	\$ 548,149	\$ 4,204,495

NOTE 9 – UNEARNED REVENUE

A. Government-Wide Financial Statements

Unearned revenue in the Government-Wide Financial Statements represents amounts for which revenues have not been earned. At June 30, 2012, unearned revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities	Business-Type Activities	Total
Accounts receivable	\$ 2,168,761	\$ 394,694	\$ 2,563,455

B. Fund Financial Statements

At June 30, 2012 the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Afordable Housing Asset Fund	Non-Major Funds	Total
Accounts receivable	\$ 1,985,355	\$ -	\$ 958,329	\$ 2,943,684
Long-term housing loans	-	8,906,468	4,693,109	13,599,577
Special Assessments	-	-	183,405	183,405
Total	\$ 1,985,355	\$ 8,906,468	\$ 5,834,843	\$ 16,726,666

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 10 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

Invested in Capital Assets, net of related debt describes the portion of Net Assets 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 net Assets describes the portion of Net Assets 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 capital projects, debt service requirements, and special revenue programs restricted to special revenue purposes such as Measure B, special Gas Tax, Grant funds, and other special revenue funds.

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

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.

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:

Nonspendable represents balances set aside to indicate items 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 prepaid, 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 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. As of June 30, 2012, the City does not have committed fund balance.

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 Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendable, 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.

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.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 10 – NET ASSETS AND FUND BALANCES, continued

C. Encumbrances

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

Encumbrances outstanding as of June 30, 2012 were as listed below:

General Fund	\$ 217,736
	<u>\$ 217,736</u>

D. Contingency Arrangements

The City’s annual budget requires the City to implement and maintain fund balance to handle any unforeseen contingencies in the future, rather than continued reliance on the City’s operating General Fund reserves. These unforeseen contingencies include Economic Uncertainty, major Emergencies and Contingencies. As of June 30, 2012, the following are reported within the unassigned fund balance of the General Fund:

Major Emergencies	\$ 5,000,000
Economic Uncertainty	5,177,251
Compensated Absences	<u>540,062</u>
Total	<u>\$ 10,717,313</u>

E. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’s policy is to apply restricted net assets first. With respect to fund balance, the City considers restricted amounts to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes for which committed, assigned, and unassigned fund balance is available.

F. Minimum fund balance policy.

The governing City Council has adopted a financial policy to maintain a minimum level of unrestricted balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The guidelines call for such designated fund balance to be 20% of the General fund operating expenditures. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 10 – NET ASSETS AND FUND BALANCES, continued

Detailed classifications of the City’s Fund Balances, as of June 30, 2012, are below:

	Major Funds		Non-Major Governmental Funds	Total
	General Fund	Affordable Housing Asset Fund		
Nonspendables:				
Advances to Other Funds	\$ 8,106,392	\$ -	\$ -	\$ 8,106,392
Advance to Successor Agency	2,040,768	-	-	2,040,768
Total Nonspendable Fund Balances	10,147,160	-	-	10,147,160
Restricted for:				
Internship	50,000		-	50,000
Affordable Housing		150,922		150,922
Subtotal	50,000	150,922	-	200,922
Debt Service				
Special Assessment District	-	-	76,447	76,447
San Leandro Public Financing Authority	-	-	879,508	879,508
Subtotal			955,955	955,955
Capital Projects				
Capital Improvement Projects	-	-	5,418,943	5,418,943
GHAD	-	-	18,576	18,576
Subtotal	-	-	5,437,519	5,437,519
Non-Major Governmental Funds				
Business Improvement District	-	-	55,393	55,393
Measure F	-	-	425,278	425,278
Public Education Government	-	-	303,609	303,609
Asset Seizure Fund	-	-	699,394	699,394
C.D.B.C. Fund	-	-	57,211	57,211
Cherrywood Maintenance District Fund	-	-	275,047	275,047
Heron Bay Fund	-	-	761,178	761,178
Housing-In- Lieu Fund	-	-	66,923	66,923
Measure B - Paratransit	-	-	68,113	68,113
Measure B Fund	-	-	2,863,868	2,863,868
Park Development Fee	-	-	572,229	572,229
Parking Fund	-	-	82,039	82,039
Proposition 1B - Local Streets & Roads	-	-	144,163	144,163
Special Gas Tax Fund	-	-	2,133,721	2,133,721
Street/Traffic Improvement	-	-	1,356,926	1,356,926
Underground Utility Fee	-	-	1,400,044	1,400,044
Subtotal	-	-	11,265,136	11,265,136
Total Restricted Fund Balances	50,000	150,922	17,658,610	17,859,532
Assigned to:				
Community Impact	1,200,000		-	1,200,000
Redevelopment Loan Repayment	2,137,273		-	2,137,273
Encumbrances	217,736		-	217,736
Total Assigned Fund Balances	3,555,009		-	3,555,009
Unassigned:				
General fund - Compensated Absences	540,062		-	540,062
General fund - Major Emergencies	5,000,000		-	5,000,000
General fund - Economic Uncertainty	5,177,251		-	5,177,251
General fund - Other				
Special Grants Fund - Deficit	-	-	(131,849)	(131,849)
HOME Fund - Deficit	-	-	(752)	(752)
Total Unassigned Fund Balances	10,717,313		(132,601)	10,584,712
Total Fund Balances	\$24,469,482	\$150,922	\$17,526,009	\$42,146,413

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 11 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficits

At June 30, 2012, the funds below had the following deficit fund balance or net assets:

Governmental Funds:

HOME Fund	\$	752
Special Grant Funds		131,849

Enterprise Funds:

Shoreline		2,817,981
	\$	<u>2,950,582</u>

The HOME and Special Grant funds have a deficit due to the increase in expenditures and will be reviewed and controlled in the next fiscal year. The Shoreline fund deficit has accumulated over the years and will be eliminated through cost containment and revenue enhancement activities associated with the City’s economic development program.

B. Expenditures in Excess of Appropriations

Excess of expenditures over appropriations approved by the City Council occurred in individual funds during the fiscal year 2011-12 as follows:

Fund	Expenditures	Appropriations	Expenditure over Appropriations
Cherrywood Maintenance District	\$ 555	\$ 211	\$ (344)
San Leandro Public Financing Authority	2,479,179	2,474,119	(5,060)
Affordable Housing Asset	367	-	(367)

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 12 - INSURANCE

The City provides workers' compensation benefits under self-insurance programs. Claims outstanding, including claims incurred but not reported, are estimated and recorded as liabilities in the Self Insurance Internal Service Fund. The City's self-insured retention limit for workers' compensation is \$250,000 per claim. The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX). This coverage includes a limit of \$25 million for excess workers compensation and \$4.75 million for employer's liability.

The City is a member of California Joint Powers Risk Management Authority (CJPRMA), which provides annual general liability coverage in an aggregate up to \$40 million. The City is self-insured for the first \$1,000,000 in property and liability losses. The City has had no settlements which exceed insurance coverage in the last five fiscal years, and no changes in insurance coverage from the prior year.

The City's deposits in the CJPRMA equal the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Estimated claims liabilities, as shown below, are presented on a basis of actuarial value as determined by the City's actuary, who determines the expected value of the overall claim based upon certain criteria of the claim.

The following provides a reconciliation of claims and judgments:

	Liability Balance <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims for Payments in Current and Prior <u>Fiscal Years</u>	Liability Balance <u>June 30</u>
2009-10	\$ 6,091,683	\$ 3,182,637	\$ (3,704,468)	\$ 5,569,852
2010-11	5,569,852	5,339,930	(2,978,689)	7,931,093
2011-12	7,931,093	1,219,327	(2,079,197)	7,071,223

Financial statements may be obtained from CJPRMA, 6410 Stoneridge Mall Road, Suite 380, Pleasanton, CA 94596. CJPRMA's audited condensed financial information for the year ended June 30, 2012, is presented below:

Total Assets	\$ 97,281,326
Total Liabilities	<u>(54,603,177)</u>
Equity	<u>\$ 42,678,149</u>
Total Revenue	\$ 20,709,224
Total Expenses	(14,722,343)
Refunds to Member	<u>(4,845,850)</u>
Net Increase (Decrease) in Equity	<u><u>\$ 1,141,031</u></u>

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Alameda at San Leandro Crossing Financing

The Alameda at San Leandro Crossings, a 100-unit affordable rental housing project which will be developed by the nonprofit BRIDGE Housing Corporation, is part of the proposed 300 unit Phase I proposal in the San Leandro Crossings development. Westlake Development Partners LLC will develop the remainder of Phase 1. The City Redevelopment Agency approved a development loan of \$9.1 million in Set-Aside Funds in April 2009. Due to unforeseen factors beyond the developers' control, the Alameda was delayed in April 2011. The RDA will be assisting in financing \$6.9 million (of the \$9.1 million loan) through the future bond financing. The RDA designated the remaining \$2.2 million for eligible pre-development costs for BRIDGE. BRIDGE is expected to apply for low income rental housing tax credits from the State in early 2012 and the Agency will then proceed with bond issuance/financing process.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency. Additional information regarding the dissolution of the Redevelopment Agency is discussed in Note 18.

B. Bayfair Mall Contract Dispute

Bayfair Mall was included within the San Leandro Redevelopment Agency Joint Project Area in 1993. A series of agreements between the Redevelopment Agency, developers, Mall tenancies and property owners (Kings) were entered into to facilitate the development and improvements of the Mall. The Kings are owners of real property located within the footprint of the Mall that is being used for parking pursuant to a 1989 ground lease with the developer, as amended. Amendments to the lease and other agreements have been entered into that purportedly require the Redevelopment Agency to guarantee lease payments to the Kings in the event of default. The developers (Bayfair 580, LLC c/o M & J Wilkow of California, Ltd) gave notice to the parties on July 12, 2011 that Bayfair Sublessee LLC would not be making any further payments of rent to the Kings under the Sublease. The Kings have demanded payment from the parties, including the Redevelopment Agency, as a guarantor of the lease and payments there under. (Note: the validity of the lease is in dispute). If the former Redevelopment Agency (which is no longer in existence), is ultimately responsible to guarantee the lease and make the payments, the potential liability could be in approximately \$800,000 + a year, for a total liability of \$46,000,000 during the life of the lease. The San Leandro Redevelopment Agency is no longer in existence pursuant to state law, effective February 1, 2012 and the Successor Agency does not have the financial capacity to make such a payment. The San Leandro Oversight Board would have to approve any payment or settlement from tax increment funds, and that would have to be approved by the State Department of Finance. The San Leandro successor Agency and the City have filed multiple demurrers to the Complaints based on various legal theories; including dissolution of redevelopment precludes recovery. The parties are in discussions and negotiations to attempt to resolve the issues, without litigation.

C. Former Redevelopment Agency

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 13 - COMMITMENTS AND CONTINGENCIES, Continued

D. Others

The City participates in several Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act of 1984 and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions when finally adjudicated will not have a material adverse effect on the financial position of the City. As discussed in Note 12 to the Financial Statement, the City maintains a Self Insurance Fund which has reserves of \$1,752,614 at the end of June 30, 2012. These reserves are available to satisfy any future liability.

NOTE 14 - EMPLOYEE RETIREMENT PLANS

A. California Public Employees' Retirement System

Plan Description - The City of San Leandro Miscellaneous Plan is an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.

The City of San Leandro Safety Plan is in a cost-sharing multiple-employer plan which is a single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer. A menu of benefit provisions and other requirements are established by State statutes within the Public Employee's Retirement Law. The City of San Leandro selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolutions. The City of San Leandro participates in separate Safety and Miscellaneous (Police, and Miscellaneous) Employee Plans.

Funding Policy - Active plan members are required by state statute to contribute 8% for miscellaneous employees hired before January 1, 2010 and 9% for safety employees of their annual covered salary. The City makes the contributions required for most City employees on their behalf and for their account, which amounted to \$2,535,479 for the year ended June 30, 2012. The city is required to contribute at an actuarially determined rate; the fiscal year 2011-12 rate for miscellaneous employees is 17.55%.

As previously mentioned the safety fund is in a cost-sharing multiple-employer plan and the city's current employer contribution rate required is 25.82% of annual covered payroll. In 2003-04, CalPERS combined the retirement plans for all public agencies with less than 100 active members to reduce the volatility of employer contribution rates. CalPERS also created for each member a side fund to amortize each agency's June 30, 2003 unfunded liability over a fixed term at a fixed interest rate. A negative side fund, which the city incurred at the time, causes the required employer contribution rate to be increased by the amortization of the side fund. The safety side fund is distinct from the City's other CalPERS plans and liabilities. The public safety side fund employer contribution rate is 20.86% which is amortized at 7.75% and scheduled to be fully amortized by June 30, 2024. The total required contribution rate in fiscal year 2011-12 for public safety is 46.68% of annual covered payroll for both side fund and multiple-employer plan, an increase of 9.6% from prior fiscal year.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 14 - EMPLOYEE RETIREMENT PLANS, continued

A. California Public Employees' Retirement System, continued

The safety side fund is distinct from the City's other CalPERS plans. Side funds are retired over a fixed term with a fixed amortization schedule based on CalPERS actuarial earnings assumption rate (7.75%). The City's plan fully amortizes the side fund by June 30 2024. The City's actuary has measured the amortization pay off of the side fund balance to amount to \$24,000,000 as of June 30 2011. In March 2012, the City issued \$18,305,000 taxable Pension Obligation Bonds to save the City money with lower interest rate significantly less than the interest rate the CalPERS charges to amortize the side fund. These bonds are not tax exempt under Federal regulations. The taxable bonds true interest cost rate was 4.72% which is significantly less than the 7.75% charged by CalPERS, represents an expected savings over the life of the bonds. As of June 30, 2012, the City had deposited \$24,971,910 with CalPERS to pay off the side fund. This amount has been recorded as a Prepaid PERS Contribution on the Statement of Assets. The 13-year amortization period for the City's side fund frames the savings opportunity being considered. The new employer rate for public safety was reduced to 25.821% beginning April 2012.

Annual Pension Cost - For fiscal year 2011-12 the City's annual pension costs of \$7,704,456 for CalPERS was equal to the City's required and actual contribution. The required contribution rate for the fiscal year 2011-12 was determined as a part of the June 30, 2009, actuarial valuation which used the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that range from 3.30% to 14.20% for miscellaneous members, and from 3.30% to 14.20% for safety members; (c) an inflation component of 2.75%, and (d) 3% per year cost-of-living adjustments for retirees. The actuarial values of the Miscellaneous and Safety Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability is being amortized at a fixed percentage of projected payroll. The remaining amortization period at June 30, 2012 was 17 years.

<u>Three-Year Information for City of San Leandro Safety Plan</u>		
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/2010	\$ 4,254,064	100%
6/30/2011	4,162,075	100%
6/30/2012	4,106,138	100%

<u>Three-Year Information for City of San Leandro Miscellaneous Plan</u>		
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/2010	\$ 3,085,779	100%
6/30/2011	2,790,203	100%
6/30/2012	3,598,318	100%

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 15 –OTHER POST EMPLOYMENT BENEFITS

The City implemented the provisions of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in fiscal year 2008-09. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pension. The provisions of this Statement are applied prospectively and do not affect prior financial statements. Required disclosures are presented below.

A. Plan Description

The City’s defined benefit Other Post Employment Benefit (OPEB) Plan, which was established by City Council in fiscal year 2009-10 in accordance with GASB Statement No. 45, provides reimbursements to retirees for qualified expenses. Retirees who have at least ten years of service and meet certain criteria based upon retirement date, household income in the most recent calendar year and age are entitled to reimbursements for qualified expenses.

Annual maximum reimbursement amounts differ depending on when an employee retired from City service. The majority of retirees may be eligible for a maximum of \$4,320 in annual reimbursements. Amendments to benefit provisions are negotiated by various bargaining units at the City and must be approved by Council. In fiscal year 2008-09, the City established an irrevocable exclusive agent multi-employer benefit trust which is administered by Public Agency Retirement Services (PARS). The trust will be used to accumulate and invest assets necessary to reimburse retirees. Separate financial reports are issued by PARS for the OPEB plan. The report can be obtained by writing to PARS at 5141 California Avenue, Suite 150, Irvine, CA. 92617-069, or by calling 800-540-6369.

B. Funding Policy

Annual required contributions (ARC) are based upon actuarial valuations. The contribution requirements of the ARC are established and may be amended by the City Council. Plan members do not make contributions to the plan; the plan is funded entirely by the employer contributions.

The City’s annual OPEB cost is calculated based upon the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 1,443,000
Interest on net OPEB obligation	71,000
Adjustment to the annual required contribution	(62,000)
Annual OPEB cost	<u>1,452,000</u>
Less: Contributions made	(1,169,503)
Increase in net OPEB obligation	282,497
NET OPEB obligation - beginning year	1,356,528
NET OPEB obligation - end of year	<u><u>\$ 1,639,025</u></u>

Based upon the valuation dated June 30, 2009, the most recent valuation available, the actuarially required ARC was \$1,443,000, and the City contributed \$1,169,503 in current fiscal year.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 15 –OTHER POST EMPLOYMENT BENEFITS, Continued

The City’s annual OPEB cost, equal to the ARC, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for 2012 and the preceding years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007	N/A		N/A	N/A
2009	1,791,000	1,411,315	79%	379,685
2010	1,870,000	1,359,742	73%	510,258
2011	1,387,000	920,415	66%	466,585
2012	1,452,000	1,169,503	81%	282,497
Total Net OPEB Obligation				\$ 1,639,025

C. Plan Funded Status Information

As of June 30, 2009, the latest valuation date, the funded status of the plan, was as follows:

Actuarial Valuations	
Actuarial accrued liability (AAL)	16,853,000
Actuarial value of plan assets	500,000
Unfunded actuarial accrued liability (UAAL)	16,353,000
Funded ratio (actuarial value of plan assets/AAL)	3%
Covered payroll (active plan members)	29,408,000
UAAL as percentage of covered payroll	55.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Actuarial Methods and Assumptions

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

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include 5.5% investment rate of return, compared to the City’s own year to date investment yield 1.37%. Assets in the plan are invested in a moderately conservative portfolio that will provide current income with capital appreciation as a secondary objective. A 3.0% general rate of inflation was used, as well as 3.25% aggregate payroll increases. Healthcare cost trend rates were 9.5% increases for HMO, and 10% increase for PPO plans respectively.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 15 –OTHER POST EMPLOYMENT BENEFITS, Continued

D. Actuarial Methods and Assumptions, continued

The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over a 30 year closed amortization period. There is no assumed post retirement benefit increase.

- Healthcare costs trends utilized actual rates for 2009 and a 9.5% increase for HMO and 10% increase for PPO plans. Future years were reduced to an ultimate rate 5% for both HMO and PPO plans by 2021.
- The CPI was assumed to be a constant at 3% per year.
- Assets in the plan are invested in a moderately conservative portfolio that will provide current income with capital appreciation as a secondary objective.
- 5.25% Investment rate of return (net of administrative expenses).

NOTE 16 –SUBSEQUENT EVENTS

A. International Church of the Foursquare Gospel Dispute

Case was filed on July 12, 2007 in federal court, challenged a denial, by the City Council of an application from plaintiff, International Church of the Foursquare Gospel (“ICFG”) and Faith Fellowship Church (FFC) to rezone two parcels of property in the City, from Industrial Part to “Industrial Park/Assembly Use Overlay,” in order to allow FFC to relocate its operations to those two parcels. ICFG and FFC sought injunctive and declaratory relief to its use property for religious assembly purposes and also economic damages. On December 2009, US District Court granted the City’s motion for summary judgment and rejected all of ICFG and FFC claims and found that the City had acted fairly and lawfully in all actions. The Church files and appeal on February 2011, the Court reversed and directed the matter to be remanded to the District Court for further proceedings.

On March 2011 the City filed a petition for rehearing and multiple petitions were filed, denied, and were sent back to US Supreme Court for trial. The Plaintiffs claimed monetary damages in excess of \$20,000,000 for the loss of the value of the property that they purchased without first obtaining the proper zoning clearances from the City, out of pocket expenses and costs, and for loss of contributions from anticipated membership growth and attorney’s fees. The City asserted that monetary damages are not permitted and that they are not entitled to any monetary damage, if the City was found liable. Because the law is unsettled in this area, it was anticipated that litigation, including anticipated appeals, will continue for several years. On September 14, 2012 the parties entered into Court ordered settlement discussion before a Magistrate Judge. A settlement of all claims and actions was mutually agreed upon and approved by the City council on September 24, 2012 in the amount of \$2.3 million.

B. 2012 Pension Obligation Bond Rating

On October 9, 2012, Moody’s Investors Service announced that the City’s 2012 Pension Obligation Bonds (POB) have been downgraded from Aa3 to A1 and that the A1 rating is under review for downgrade. San Leandro was part of a larger review of approximately 100 California cities that began in August. One of the findings of Moody’s review was that pension-obligation bonds should be rated no higher than certain other forms of debt, such as certificates of participation and general obligation (GO) bonds. San Leandro’s POB was originally rated Aa3 while the GO rating is Aa2 thus downgrading the POB to A1 meets Moody’s new rating criteria. Although the decision to downgrade the POB was based on an analysis that determined California cities’ pension obligation bonds carry more risk than previously thought, it was part of a broader move to downgrade eight pension bonds. Standard and Poor’s continues to rate the POB an “A+”.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 16 –SUBSEQUENT EVENTS, Continued

C. Demand for True-up Payment

Pursuant to Health and Safety Code section 34183.5(b), Successor Agencies are required to remit a True-up Payment representing a calculation of tax increment collected in December 2011 by the former Redevelopment Agency in excess of enforceable obligations, as approved by the County Auditor/Controller. On March 2012, the Successor Agency received a Demand from the County Auditor/Controller that had calculated a True-up Payment of \$6,519,397. Management reviewed the calculation and believes it is inaccurate. Management's calculation of the True-up Payment amounted to \$521,589 and on April 2012 the Successor Agency remitted that amount to the County Auditor/Controller. The remaining unpaid balance of the Demand has not been recorded in the accompanying financial statements as management believes its calculation is accurate. This matter is governed by an area of unsettled law and the amount of the unpaid demand, if any cannot be determined at this time.

NOTE 17–JOINTLY GOVERNED ORGANIZATIONS

The City of San Leandro participates in the East Bay Dischargers Authority established on February 15, 1974. The Agency Members of the Joint Powers are the City of Hayward, City of San Leandro, Oro Loma Sanitary District, Castro Valley Sanitary District, and Union Sanitary District. The authority has the powers to plan for, acquire, construct, manage, maintain, operate, and control facilities for the collection, transmission, treatment, reclamation, sale and disposal of waste water. No debt, liability, or obligation of the Authority shall constitute a debt, liability or obligation of any Agency. The Authority shall have the additional power and authority to issue Grant Anticipation Notes and to issue revenue bonds in accordance with the following laws:

- a) Article 2, Chapter 5m Title 1, Division 7 of the California Government Code, commencing with Section 6540.
- b) Chapter 6, Title 5, Division 2 of the California Government Code commencing with Section 54300.

The boundary of the Authority shall be the consolidated boundaries of the Agencies. In the event of withdrawal by an Agency from the agreement, the boundary shall be revised to exclude the area under jurisdiction of said Agency. The Authority shall be governed by the East Bay Dischargers Commission (Commission). The Commission shall consist of five members, one from each Agency. The ownership of the Joint Facilities is as follows: 18.6 %, City of San Leandro; 29.7% Oro Loma/Castro Valley; 33.0% City of Hayward; and 18.7% Union Sanitary District. The City's shares of the expenses are recorded as expenses of the Water Pollution Control Fund.

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Suspension

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 to the California Supreme Court on numerous grounds, including that the ABx1 26 violated certain provisions of the California Constitution. On December 28, 2011, the Court validated the provisions of ABx1 26 and extended the date of dissolution to January 31, 2012.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES, Continued**

A. Redevelopment Suspension, continued

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency was required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allowed it to continue to pay existing obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 23, 2011.

In addition, ABx1 26 directed the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has scheduled, but not yet completed its asset transfer review.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Affordable Housing Successor Special Revenue Fund.

B. Redevelopment Dissolution

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 30, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Housing Successor are reported in the Affordable Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

On February 1, 2012 the Redevelopment Agency's remaining net assets were distributed to the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 6, 2012. A summary of assets distributed and liabilities assumed by the Successor Agency, reported as an Extraordinary Item, are presented below:

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES, Continued**

	Beginning Balance January 31, 2012 (Prior to transfer)	Transfer to RDA Obligation Retirement Successor Agency Trust Fund	Transfer to Affordable Housing Successor	Balance February 1, 2012
ASSETS				
Current assets:				
Cash and investments	\$ 7,234,995	\$ (7,234,995)	\$ -	\$ -
Cash & investments with fiscal agents	13,153,164	(13,153,164)	-	-
Accounts receivable	14,791	(14,791)	-	-
Interest receivable	25,059	(25,059)	-	-
Total current assets	<u>20,428,009</u>	<u>(20,428,009)</u>	<u>-</u>	<u>-</u>
Noncurrent assets:				
Deferred Charges	633,184	(633,184)	-	-
Loans Receivable	10,238,577	(1,247,742)	(8,990,835)	-
Land held for resale	10,163,791	(9,573,791)	(590,000)	-
Capital assets				
Depreciable capital assets, net	4,845,053	(1,458,158)	(3,386,895)	-
Total noncurrent assets	<u>25,880,605</u>	<u>(12,912,875)</u>	<u>(12,967,730)</u>	<u>-</u>
Total assets	<u><u>46,308,614</u></u>	<u><u>(33,340,884)</u></u>	<u><u>(12,967,730)</u></u>	<u><u>-</u></u>
LIABILITIES				
Current Liabilities:				
Accounts payable	25,393	(25,393)	-	-
Interest payable	795,030	(795,030)	-	-
Total current liabilities	<u>820,423</u>	<u>(820,423)</u>	<u>-</u>	<u>-</u>
Noncurrent Liabilities:				
Unearned revenue	9,054,391	(63,556)	(8,990,835)	-
Advances from other funds	2,040,768	(2,040,768)	-	-
Long-term debt due in more than one year	51,539,512	(51,539,512)	-	-
Total noncurrent liabilities	<u>62,634,671</u>	<u>(53,643,836)</u>	<u>(8,990,835)</u>	<u>-</u>
Total liabilities	<u>63,455,094</u>	<u>(54,464,259)</u>	<u>(8,990,835)</u>	<u>-</u>
NET ASSETS (Transferred)	<u>\$ (17,146,480)</u>	<u>\$ 21,123,375</u>	<u>\$ (3,976,895)</u>	<u>\$ -</u>

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, Continued

C. Cash and Investments

Cash and Investments at June 30, 2012, consisted of the following:

Statement of net assets:	
Cash and Investments	\$ 8,960,964
Cash and Investments held by trustee	10,738,134
Total cash and investments	<u>\$ 19,699,098</u>

The Successor Agency pools its cash and investment with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents.

D. Advances from the City

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Successor Agency of the Redevelopment Agency of the City of San Leandro	\$ 2,040,768
		<u>\$ 2,040,768</u>

Plaza Project Area General Fund Loan:

On March 7, 2011 the Executive Board of the San Leandro Redevelopment Agency authorized a payment of \$2,137,273 to the City of San Leandro to retire the full remaining balance of a loan due to the City of San Leandro General Fund from the Plaza Project Area. The loan had an initial balance of \$2,887,617 and was secured by a Promissory Note executed on December 5, 2002. Although the loan was made for legitimate redevelopment purposes and the repayment was entirely consistent with the requirements of the Promissory Note, AB x1 26 require the State Controller's Office to review any transfers of funds from redevelopment agencies to their sponsoring cities that occurred after January 1, 2011. The possibility exists that the City could be required to remit the amount of the repayment, \$2,137,273, to the Alameda County Auditor-Controller for redistribution to the taxing entities although the City does not believe that this would reflect an accurate interpretation of applicable laws. If the City needed to remit these funds, it would, as a taxing entity itself, receive roughly 12% of the funds, or approximately \$250,000.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES, Continued**

Joint Project Area General Fund Loan:

On February 1, 2012, the date the San Leandro Redevelopment Agency was dissolved, the Agency owed the City of San Leandro a balance of \$2,040,767 on a loan made to the City of San Leandro – Alameda County (Joint) Redevelopment Project Area. The loan had an initial balance of \$4,372,774 and was secured by a Promissory Note executed on April 8, 2004. The balance due was included as an enforceable obligation on the Successor Agency’s Enforceable Obligation Payment Schedule (EOPS) and Recognized Obligation Payment Schedule (ROPS) for February 1 through June 30, 2012. On April 11, 2012 the California Department of Finance (DOF) informed the Successor Agency of its objection to this item, citing a prohibition on agreements between RDA’s and their sponsoring cities. On May 10, 2012 the Successor Agency Oversight Board approved, by resolution, an Amended and Restated Promissory Note under the authority provided under California Health and Safety Code Section 34781 (a). Notification of this action was provided to the DOF on May 10, 2012. According to Health and Safety Code Section 34179 (h), the DOF had three business day to notify the Successor Agency if it elected to review this action and no such notification was provided. Nevertheless, the DOF subsequently denied this loan on the ROPS for July through December 2012 and the ROPS for January through June 2013. Therefore, it is not clear at this time if the loan obligation can be enforced. The Successor Agency has requested a meet-and-confer process with the DOF and is presently working to resolve this issue.

LMIHF Balance / Housing Due Diligence Review:

Pursuant to Health and Safety Code Section 34179.6 (c), the San Leandro Successor Agency submitted an Oversight Board approved Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR) to the California Department of Finance (DOF) on October 12, 2012. The DDR found that the City, in its capacity as Housing Successor maintains a LMIHF balance of \$3,923,774 and that those funds are fully encumbered through an Owner Participation Loan Agreement with Alameda Housing Associates. That Agreement, executed in April 2009, pledged \$9.1million in Redevelopment Agency funds to the completion of The Alameda, an affordable housing project in Downtown San Leandro. The DOF indicated in a November 7, 2012 letter that the Housing Successor is required to remit the entirety of the LMIHF balance to the Alameda County Auditor-Controller for redistribution to the taxing entities. This finding was based on a DOF determination from October 19, 2012 that the Alameda Housing Associates agreement does not constitute an enforceable obligation of the former Redevelopment Agency. The Successor Agency disagrees with this determination and has requested a meet-and-confer process with the DOF. No funds are required to be remitted pending the results of the meet and confer process.

Due to the State elimination of redevelopment effective February 2012, the City now serves as Successor Agency to the Redevelopment Agency of the City of San Leandro. BRIDGE is expected to apply for low income rental housing tax credits from the State in 2013 and the Successor Agency to the Redevelopment Agency of the City of San Leandro will then proceed to pay the remaining balance from available funds under the Redevelopment Property Tax Trust Fund and from the remaining housing fund balance from the RDA.

The California Department of Finance (DOF) recently denied the 3rd Recognized Obligation Payment Schedule (ROPS) request for July – December 2013 period by the Success Agency for this project asserting that it was not clear that funds are needed at this time. Additionally, DOF demanded the redistribution of the Successor Agency’s Low and Moderate Income Housing Fund balance of approximately \$3.9 million which had been reserved for the BRIDGE loan obligation. The Successor Agency is in disagreement with DOF and is exploring options to resolve the matter soon so that the Successor Agency may fulfill the loan obligation to BRIDGE Housing Corporation as the \$9.1 million loan was contractually executed between Agency and BRIDGE well before the passage of ABx1 26 and ABx1 27 in June 2011 and reflects a legitimate enforceable obligation.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES, Continued**

E. Long-Term Advances

The City and Redevelopment Agency engage 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 spend these funds in accordance with the City's or Agency's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset by deferred revenue in governmental funds, as they are not expected to be repaid during the next fiscal year.

Plaza project Area	\$	125,473
West San Leandro Project Area		291,322
Redevelopment Agency		296,666
	\$	<u>713,461</u>

F. Capital Assets

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets 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 market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over 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 of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES, Continued**

F. Capital Assets, Continued

At February 1, 2012, the Successor Agency’s capital assets consisted of the following:

	Beginning Balance as of February 1, 2012 (Prior to transfer)	Additions	Deletions	Balance June 30, 2012
Non-depreciable assets:				
Land	\$ 3,423,791	\$ -	\$ -	\$ 3,423,791
Land held for resale	6,150,000	-	-	6,150,000
	<u>9,573,791</u>	<u>-</u>	<u>-</u>	<u>9,573,791</u>
Depreciable Assets:				
Buildings and Improvements	1,713,996	-	-	1,713,996
Total Depreciable Assets	<u>1,713,996</u>	<u>-</u>	<u>-</u>	<u>1,713,996</u>
Accumulated Depreciation:				
Buildings and Improvements	(255,838)	-	(14,284)	(270,122)
Total Accumulated Depreciation	<u>(255,838)</u>	<u>-</u>	<u>(14,284)</u>	<u>(270,122)</u>
Depreciable Assets, Net	<u>1,458,158</u>	<u>-</u>	<u>(14,284)</u>	<u>1,443,874</u>
Total Private Purpose Trust Fund Activity Capital Assets, Net	<u>\$ 11,031,949</u>	<u>\$ -</u>	<u>\$ (14,284)</u>	<u>\$ 11,017,665</u>

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, Continued

G. Property Held For Resale

The Successor Agency assumed the property held for resale of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

H. Long-Term Debt Obligations

The Successor Agency assumed the long-term debt loans of the Redevelopment Agency as of February 1, 2012.

	Transfer from Redevelopment Agency as of February 1, 2012	Retirements	Balance June 30, 2012	Due within one year	Due in more than one year
Bonded Debt:					
2001 Certificates of Participation	\$ 3,610,000	\$ -	3,610,000	\$ 170,000	3,440,000
2002 Tax Allocation Bonds	12,385,000	-	12,385,000	635,000	11,750,000
2004 Tax Allocation Bonds	5,090,000	-	5,090,000	115,000	4,975,000
2008 Tax Allocation Bonds	26,235,000	-	26,235,000	510,000	25,725,000
Total Bonded Debt	47,320,000	-	47,320,000	1,430,000	45,890,000
Bayfair Mall Debt					
with Agency Commitment	450,000	(250,000)	200,000	200,000	-
Owner Participation Agreements with Agency Commitment	2,341,361	(332,615)	2,008,746	79,832	1,928,914
San Leandro USD	1,315,360	(327,072)	988,288	327,072	661,216
Total General Long-Term Obligations	\$ 51,426,721	\$ (909,687)	\$ 50,517,034	\$ 2,036,904	\$ 48,480,130
Plus unamortized:					
Discount (2002 TAB)	\$ (69,822)	\$ -	(69,822)	(4,107)	(65,715)
Premium (2008 TAB)	182,612	-	182,612	6,522	176,090
Total General Long-Term Obligations, net	\$ 51,539,511	\$ (909,687)	\$ 50,629,824	\$ 2,039,319	\$ 48,590,505

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, continued

H. Long-Term Debt Obligations, continued

2001 Certificates of Participation

In 2001, the City issued \$5,020,000 principal amount of 2001 Certificates of Participation (2001 COPs). The purpose of the 2001 COPs was to assist the Successor Agency of the City finance redevelopment activities within the Joint Project Area of the City. The 2001 COPs bear interest rates ranging from 2.10% to 5.10% and are payable semiannually on each June 1 and December 1. Principal payments are payable annually on December 1. The certificates evidence fractional interest of the owners in lease payments to be made by the City for use and occupancy of the City corporation yard and are additionally secured and payable from the property tax increment revenues from the Joint Project Area within the City.

At June 30, 2012, future debt service requirements for the 2001 Certificates of Participation were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 170,000	\$ 263,419	\$ 433,419
2014	180,000	166,938	346,938
2015	185,000	158,860	343,860
2016	195,000	150,115	345,115
2017	205,000	72,766	277,766
2018-2022	1,175,000	538,118	1,713,118
2023-2027	1,500,000	198,900	1,698,900
Total Debt Service	\$ 3,610,000	\$ 1,549,115	\$ 5,159,115

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 18– REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, continued

H. Long-Term Debt Obligations, continued

2002 Tax Allocation Bonds

In fiscal year 2004, the City’s Redevelopment Agency issued \$15,935,000 principal amount of Tax Allocation Bonds (2002 TABs) to refund the City’s 1993 Tax Allocation Bonds (1993 TABs) used to finance the redevelopment activities within the Plaza Project Area (which have been completed) and to finance new redevelopment projects as set forth in the Redevelopment Plan. The bonds consist of serial bonds that mature annually through 2018 in amounts ranging from \$305,000 to \$860,000 and term bonds maturing in 2020 in the amount of \$1,200,000, 2025 in the amount of \$2,355,000 and 2033 in the amount of \$3,520,000. Interest rates vary from 2.90% to a maximum of 6% and are payable semiannually on September 1 and March 1. The debt is secured and payable from the property tax increment revenues from the Joint Project Area within the City.

The refunding of the outstanding 1993 TABs resulted in a present value loss of \$70,679 or 1.1% of the principal amount of the refunded bonds. The nominal economic loss was necessary in order to raise the \$8,015,000 of new money that was generated through the financing. Because of a prohibitively high additional bonds test on the 1993 TABs (225%) it was necessary to refund the outstanding bonds in order to most efficiently raise the new money. According to the analysis completed by the City’s financial advisor, the Agency raised \$321,000 more through using the refunding than they could have raised using a subordinate lien new money only issue.

At June 30, 2012, future debt service requirements for the 2002 Tax Allocation Bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 635,000	\$ 1,053,739	\$ 1,688,739
2014	670,000	663,483	1,333,483
2015	705,000	627,380	1,332,380
2016	745,000	588,583	1,333,583
2017	790,000	546,348	1,336,348
2018-2022	3,345,000	2,066,448	5,411,448
2023-2027	2,410,000	1,291,966	3,701,966
2028-2032	2,605,000	531,450	3,136,450
2033	480,000	14,400	494,400
Total Debt Service	<u>\$ 12,385,000</u>	<u>\$ 7,383,795</u>	<u>\$ 19,768,795</u>

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES, continued**

H. Long-Term Debt Obligations, continued

2004 Tax Allocation Bonds

In 2004, the City issued \$5,500,000 principal amount of 2004 Tax Allocation Bonds (2004 TABs). The purpose of the 2004 TABs was to assist the Redevelopment Agency of the City finance redevelopment activities within the West San Leandro/MacArthur Boulevard Redevelopment Project Area of the City. The 2004 TABs bear interest rates ranging from 5.00% to 5.75% and are payable semiannually on each March 1 and September 1. Principal payments are payable annually on September 1. The debt is secured and payable from the tax increment revenues from the West San Leandro/MacArthur Boulevard Redevelopment Project area within the City.

At June 30, 2012, future debt service requirements for the 2004 Tax Allocation Bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 115,000	\$ 418,588	\$ 533,588
2014	125,000	274,650	399,650
2015	130,000	263,888	393,888
2016	140,000	256,638	396,638
2017	145,000	249,338	394,338
2018-2022	850,000	1,123,341	1,973,341
2023-2027	1,090,000	867,143	1,957,143
2028-2032	1,430,000	520,024	1,950,024
2033-2035	1,065,000	94,156	1,159,156
Total Debt Service	\$ 5,090,000	\$ 4,067,764	\$ 9,157,764

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

**NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY
ACTIVITIES, continued**

H. Long-Term Debt Obligations, continued

2008 Tax Allocation Bonds

In 2008, the City issued \$27,530,000 principal amount of 2008 Tax Allocation Bond (2008 TABs). The purpose of the 2008 TABs was to provide funds to finance capital projects in the Alameda County-City of San Leandro Redevelopment Project Area. A portion of the 2008 TABs will be used to finance projects that meet the goals and objectives set forth in the Redevelopment Plan. These include, but not limited to, design and construction of a senior center, a proposed parking garage, and infrastructure improvements on East 14th Street. Interest rates vary from 4.70% to a maximum of 5.00% and are payable annually. Principal payments are payable annually on November 1.

At June 30, 2012, future debt service requirements for the 2008 Tax Allocation Bonds were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 510,000	\$ 1,340,438	\$ 1,850,438
2014	530,000	1,314,438	1,844,438
2015	550,000	1,287,438	1,837,438
2016	570,000	1,259,438	1,829,438
2017	595,000	1,230,313	1,825,313
2018-2022	3,380,000	5,677,629	9,057,629
2023-2027	4,235,000	4,760,960	8,995,960
2028-2032	5,420,000	3,547,275	8,967,275
2033-2037	7,070,000	1,904,438	8,974,438
2038-2039	3,375,000	184,545	3,559,545
Total Debt Service	\$ 26,235,000	\$ 22,506,909	\$ 48,741,909

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, continued

H. Long-Term Debt Obligations, continued

Bay Fair Mall Debt with Agency Commitment

On June 15, 1998, the City committed \$4,000,000 to renovate the Bayfair Mall. This debt with City commitment is at 0% interest and has installments ranging between \$200,000 and \$400,000 per year over a 15 year period beginning in July 1998. The debt is secured and payable from Community Redevelopment Agency revenues. An adjustment was made in prior years for an accelerated payment of \$50,000 which is reflected in the table, leaving a debt service balance of \$700,000.

At June 30, 2012, future debt service requirements for the Bay Fair Mall Debt with City Commitment were as follows:

For the Year Ending June 30,	Principal	Total
2013	\$ 200,000	\$ 200,000
Total debt service	\$ 200,000	\$ 200,000

Owner Participation Agreements with Agency Commitment

The Agency entered into the following agreements which represent contingency liabilities for the Agency:

Ford Motor Company	\$ 2,008,747
	<u>\$ 2,008,747</u>

- Ford Motor Company Owner Participation Agreement** - The agreement required the Agency to make annual payment equivalent to 50% of the sales tax generated above a base of \$277,000 by the sale of vehicles as part of the Ford Store San Leandro development. The amount due is \$2,008,747 to be paid over several years depending on the volume of auto sales at no interest.
- Batarse Family Trust Disposition and Development Agreement** – The agreement required the Agency to make annual payments equivalent to 50% of the sales tax generated by the sale of vehicles as part of the development of a proposed Saturn dealership. The amount due is \$332,615 to be paid over several years depending on the volume of auto sales at no interest. In May 2012, the Oversight Board terminated Owner Participation Agreement between the Batarse Family and the Successor Agency to the Redevelopment Agency of the City of San Leandro.

City of San Leandro
Notes to Basic Financial Statements
For the year ended June 30, 2012

NOTE 18 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, continued

H. Long-Term Debt Obligations, continued

2009 San Leandro Unified School District

In February 2009, the City entered into a joint use agreement with the San Leandro Unified School District which provides for the City use of the 9th grade gymnasium during non-school hours and the San Leandro Redevelopment Agency (Agency) agreed to provide for financial contribution to the project from the Agency in the amount of \$2,170,800 with no interest payable by June 30, 2017.

During the fiscal year ended June 30, 2010, annual payments for the 2009-10 and 2010-11 fiscal years were reduced from \$327,072 to \$160,000 as a consequence of the State SERAF requirement, consistent with the terms of the financing agreement between the Agency and the school district. Assuming no additional payments are required by the State in subsequent years, the terms of the agreement was extended to Fiscal 2019 with payments at \$167,072 each fiscal year beginning fiscal year 2015.

For year Ending June 30,	Principal	Total
2013	327,072	327,072
2014	327,072	327,072
2015	327,072	327,072
2016	7,072	7,072
Total debt service	\$ 988,288	\$ 988,288

REQUIRED SUPPLEMENTARY INFORMATION

City of San Leandro
Required Supplementary Information
For the year ended June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Fund
General Fund

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Property and other taxes	\$ 57,762,000	\$ 58,142,000	\$ 60,433,688	\$ 2,291,688
Licenses and permits	5,785,155	5,785,155	6,526,327	741,172
Fines and forfeitures	1,190,000	1,190,000	1,110,669	(79,331)
Service charges	2,381,000	2,686,633	2,971,755	285,122
Intergovernmental	1,064,050	1,499,050	990,464	(508,586)
Use of money and property	1,017,764	1,017,764	972,735	(45,029)
Interdepartment charges	2,295,294	2,295,294	2,276,421	(18,873)
Other	265,233	285,233	796,575	511,342
Total revenues	71,760,496	72,901,129	76,078,634	3,177,505
EXPENDITURES:				
Current:				
General government	9,475,574	9,922,668	10,061,734	(139,066)
Public safety	44,279,435	68,471,500	67,734,689	736,811
Engineering and transportation	6,357,635	6,385,625	6,219,767	165,858
Recreation and culture	8,260,895	8,383,257	8,108,265	274,992
Community development	2,811,787	3,568,359	3,387,554	180,805
Debt service:				
Principal	483,036	483,035	483,035	-
Interest and fees	24,192	291,972	291,972	-
Total expenditures	71,692,554	97,506,416	96,287,016	1,219,400
REVENUES OVER (UNDER) EXPENDITURES	67,942	(24,605,287)	(20,208,382)	4,396,905
OTHER FINANCING SOURCES (USES):				
Transfer in	-	991,727	991,727	-
Transfers out	(67,942)	(298,849)	(298,849)	-
Issuance of Debt	-	18,305,000	18,305,000	-
Total other financing sources (uses)	(67,942)	18,997,878	18,997,878	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(5,607,409)	(1,210,504)	4,396,905
FUND BALANCES:				
Beginning of year	25,679,986	25,679,986	25,679,986	-
End of year	\$ 25,679,986	\$ 20,072,577	\$ 24,469,482	\$ 4,396,905

See Accompanying Notes to Required Supplementary Information

City of San Leandro
Required Supplementary Information
For the year ended June 30, 2012

1. BUDGETS AND BUDGETARY ACCOUNTING

The City adopts a budget annually for all governmental fund types. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. The City Manager is authorized to transfer budgeted amounts between departments and 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, unless otherwise authorized by the City Council and the City Manager, except for capital improvement funds for which appropriations endure until the project is completed.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for capital projects funds, which are adopted on a project length basis, which means budgets, are used until the project's completion for the entire project amount.

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 are carried over to the next fiscal year as part of that year's budget resolution.

GAAP serves as the budgetary basis of accounting.

2. PENSION PLANS SCHEDULE OF FUNDING PROGRESS – PERS

Public Employees Retirement System Pension plan consist of annual actuarial valuation of assets for both safety and miscellaneous employees of the City. Note 14 describes the Employee Retirement Plans including plan description, funding policy and annual pension cost. Since the City has less than 100 active members in the Safety plans since 06/30/2003, the City is required to participate in a risk pool. An actuarial valuation was performed with other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City was not disclosed.

Valuation Date	Actuarial Accrued Liability	Value of Assets	Unfunded Liability	Funded Status	Covered Payroll	as a % of Payroll
Miscellaneous:						
6/30/2009	\$ 205,208,780	\$ 179,247,735	\$ 25,961,045	87.3%	\$ 23,510,790	110.4%
6/30/2010	214,152,551	183,903,259	30,249,292	85.9%	19,694,872	153.6%
6/30/2011	226,836,862	190,211,455	36,625,407	83.9%	19,739,792	185.5%
Safety:						
6/30/2009	\$ 9,721,675,347	\$ 8,027,158,724	\$ 1,694,516,623	82.6%	\$ 973,814,168	174.0%
6/30/2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3%	955,980,815	177.3%
6/30/2011	10,951,745,049	9,135,654,246	1,816,090,803	83.4%	949,833,090	191.2%

* Effective with the 6/30/03 valuation, CalPERS established risk pools for plans containing less than 100 active members. The City's plan is included of the cost-sharing multiple-employer defined benefit variety.

City of San Leandro
Required Supplementary Information
For the year ended June 30, 2012

3. SCHEDULE OF FUNDING PROGRESS – OTHER POST RETIREMENT BENEFIT PLAN

This schedule presents information that shows whether the actuarial value plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/2007	\$ -	\$ 20,977,000	\$ 20,977,000	0%	\$ 32,564,000	64.4%
6/30/2009	500,000	16,853,000	16,353,000	3%	29,408,000	55.6%

SUPPLEMENTARY INFORMATION



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Street/Traffic Improvements - This fund accounts for development fee assessments levied to provide for partial funding of street and traffic improvements associated with commercial and residential growth.

Park Development Fee - This fund accounts for park development fee assessments levied to provide for partial funding for park development needs associated with residential growth.

Underground Utility Fees - This fund accounts for utility conversion project assessments levied to provide for the placement of overhead facilities underground. Assessments shall be expended only for expansion of, maintenance of or construction of Underground Utility Districts and facilities.

Parking - This fund accounts for parking meter and parking lot collections for maintenance of downtown parking facilities and other public parking locations.

Special Gas Tax - This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code. The allocations must be spent for street maintenance and construction and a limited amount for engineering.

Cherrywood Maintenance District - This fund is used to account for the special assessment funding for the ongoing maintenance of public facilities at the Cherrywood development.

Traffic Congestion Relief - This fund is a special state allocation, which was the budget trailer bill for the State transportation finance package distributing funds over a six-year period. Funds are to be used for street and highway maintenance, rehabilitation, preservation, and reconstruction.

Measure B Paratransit - This fund accounts for the City's share of proceeds of a one-half cent sales tax increase originally approved by the voters in November 1986. The program is administered by the Alameda County Transportation Authority. The tax provides funds for AC transit and paratransit operations.

Asset Seizure - This fund accounts for funds received from asset forfeiture and used for public safety purposes. Asset Seizure funds previously reported under General Fund and separated as of FY 2010-11.

Heron Bay - This fund accounts for maintenance assessments to fund ongoing maintenance of wetlands impacted by residential growth.

Proposition IB Local Streets & Roads - This fund accounts for Proposition IB funds for safety improvements and repairs to local streets and roads.

Special Grants - This fund accounts for various grants from the State of California and the Federal Government to be expended for a specific purpose, activity or facility.

NON-MAJOR GOVERNMENTAL FUNDS

Measure B - This fund accounts for the City's share of proceeds on a one-half cent sales tax increase originally approved by the voters in November 1986. The program is administered by the Alameda County Transportation Authority. The tax provides funds for eight specific projects within Alameda County including major freeway improvements and a major rail extension.

Measure F - This fund accounts for the City's share of proceeds on a \$10 increase in Vehicle Registration fees originally approved by the voters in November 2010. The program is administered by the Alameda County Transportation Authority. The tax provides funds for projects to reduce traffic congestion and vehicle related pollution.

C.D.B.G. - This fund accounts for Federally funded grants through the Community Development Block Grant Program from the U.S. Department of Housing and Urban Development.

HOME - This fund accounts for Federally funded grants from the U.S. Department of Housing and Urban Development to provide for community housing renovation programs.

Housing In-Lieu - This fund accounts for Housing In-Lieu assessments levied to provide for partial funding of low/moderate housing projects.

Business Improvement District - This fund accounts for service fees charged to business owners to provide a shuttle service from BART to the downtown business district.

Public Education & Government (PEG) Fund - This fund accounts for the Digital Infrastructure and Video Competition Act (DIVCA) of 2006, collecting 1% of gross revenues from state franchise holders. The fund accounts for user fees charged to cable television customers to provide public education on government programs.

DEBT SERVICE FUNDS

Special Assessment District - This fund accumulates monies for payments of special assessment bonds which are financed by assessments placed on the Alameda County tax roll.

San Leandro Public Financing Authority Debt Service Fund - Accounts for certificates of participation issued in 1993 for the Seismic Retrofit project. The debt will be repaid through receipt of tax increment in future years and includes a sale and leaseback agreement between the City of San Leandro and the Redevelopment Agency. This fund also accounts for the Certificates of Participation issued for the library and fire stations seismic retrofit. The debt will be paid back pursuant to lease agreements between the City of San Leandro and the San Leandro Public Finance Authority.

Redevelopment Agency Debt Service Fund - Accounts for annual debt payments on the 2001 Certificates of Participation and the 2003 Tax Allocation Bonds.

NON-MAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital Improvement Projects Capital Projects Fund - This fund accounts monies for major capital improvement projects not provided for in one the the other capital improvement projects fund.

Redevelopment Agency Capital Projects Fund - Accounts for the planning and implementation of the City's Redevelopment Plan for the three Project Areas located within the City's boundaries. Under Assembly Bill x1 26, redevelopment was eliminated effective February 1, 2012.

Redevelopment Agency Low/Moderate Housing Capital Projects Fund - Accounts for the 20% tax increment revenue set aside legally designated for low and moderate income housing and neighborhood improvement programs. Under Assembly Bill x1 26, redevelopment was eliminated effective February 1, 2012.

San Leandro Hillside Geological Hazardous Abatement District - This fund is used to account for the finances of the collaborative between the City of San Leandro and the Geological Hazardous Abatement

City of San Leandro
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue					
	Street/Traffic Improvements	Park Development Fee	Underground Utility Fee	Parking	Special Gas Tax	Cherrywood Maintenance District
ASSETS						
Cash and investments	\$ 1,355,174	\$ 570,677	\$ 1,399,109	\$ 86,344	\$ 2,153,879	\$ 238,146
Cash and investments with fiscal agent	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	838	-	-
Federal, State, and local grants	-	-	-	-	-	-
Interest	3,597	1,552	3,969	234	4,141	572
Special assessments	-	-	-	-	-	36,329
Sales Tax	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Total assets	\$ 1,358,771	\$ 572,229	\$ 1,403,078	\$ 87,416	\$ 2,158,020	\$ 275,047
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,845	\$ -	\$ 3,034	\$ 5,377	\$ 24,299	\$ -
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	1,845	-	3,034	5,377	24,299	-
Fund Balances:						
Restricted	1,356,926	572,229	1,400,044	82,039	2,133,721	275,047
Unassigned	-	-	-	-	-	-
Total fund balances	1,356,926	572,229	1,400,044	82,039	2,133,721	275,047
Total liabilities and fund balances	\$ 1,358,771	\$ 572,229	\$ 1,403,078	\$ 87,416	\$ 2,158,020	\$ 275,047

(Continued)

Special Revenue

Traffic	Measure B	Asset		Proposition IB	Special			
Congestion	Paratransit	Seizure	Heron Bay	Local Streets	Grants	Measure B	Measure F	C.D.B.G
Relief				& Roads				
\$ -	\$ -	\$ 697,410	\$ 763,381	\$ 143,174	\$ -	\$ 2,790,203	\$ 356,370	\$ 45,529
-	-	-	-	-	-	-	-	-
-	40,940	-	-	-	336,383	17,531	-	-
-	42,928	-	-	-	915,400	-	-	43,841
-	-	1,984	2,045	1,572	-	6,852	-	62,166
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	227,673	68,908	-
-	-	-	-	-	-	-	-	762,131
<u>\$ -</u>	<u>\$ 83,868</u>	<u>\$ 699,394</u>	<u>\$ 765,426</u>	<u>\$ 144,746</u>	<u>\$ 1,251,783</u>	<u>\$ 3,042,259</u>	<u>\$ 425,278</u>	<u>\$ 913,667</u>

\$ -	\$ 15,755	\$ -	\$ 4,248	\$ 583	\$ 58,163	\$ 178,391	\$ -	\$ 35,346
-	-	-	-	-	958,328	-	-	821,110
-	-	-	-	-	367,141	-	-	-
-	-	-	-	-	-	-	-	-
-	15,755	-	4,248	583	1,383,632	178,391	-	856,456
-	68,113	699,394	761,178	144,163	-	2,863,868	425,278	57,211
-	-	-	-	-	(131,849)	-	-	-
-	68,113	699,394	761,178	144,163	(131,849)	2,863,868	425,278	57,211
<u>\$ -</u>	<u>\$ 83,868</u>	<u>\$ 699,394</u>	<u>\$ 765,426</u>	<u>\$ 144,746</u>	<u>\$ 1,251,783</u>	<u>\$ 3,042,259</u>	<u>\$ 425,278</u>	<u>\$ 913,667</u>

(Continued)

City of San Leandro
Combining Balance Sheet
Non-Major Governmental Funds, (Continued)
June 30, 2012

	Special Revenue				Debt Service
	HOME	Housing In-Lieu	Business Improvement District	Public Education and Government	Special Assessment District
ASSETS					
Cash and investments	\$ -	\$ 66,753	\$ 54,996	\$ 259,653	\$ 257,637
Cash and investments with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	3,658	-	-	43,488	-
Federal, State, and local grants	-	-	-	-	2,215
Interest	-	170	301	561	-
Special assessments	-	-	96	-	-
Sales tax - Measure B	-	-	-	-	-
Loans	3,235,000	637,000	-	-	-
Total assets	\$ 3,238,658	\$ 703,923	\$ 55,393	\$ 303,702	\$ 259,852
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 93	\$ -
Deferred revenue	3,235,000	637,000	-	-	183,405
Due to other funds	4,410	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	3,239,410	637,000	-	93	183,405
Fund Balances:					
Restricted	-	66,923	55,393	303,609	76,447
Unassigned	(752)	-	-	-	-
Total fund balances	(752)	66,923	55,393	303,609	76,447
Total liabilities and fund balances	\$ 3,238,658	\$ 703,923	\$ 55,393	\$ 303,702	\$ 259,852

(Continued)

Debt Service		Capital Projects				Total
San Leandro Public Financing Authority	Redevelopment Agency Debt Service	Capital Improvement Projects Capital Projects	Redevelopment Agency Capital Projects	Redevelopment Agency Low/ Moderate Housing Capital Projects	GHAD	Non-Major Governmental Funds
\$ 5,124	\$ -	\$ 4,286,421	\$ -	\$ -	\$ 18,397	\$ 15,548,377
878,608	-	2,420,908	-	-	-	3,299,516
-	-	-	-	-	-	442,838
-	-	-	-	-	-	1,004,384
836	-	-	-	-	179	90,731
-	-	-	-	-	-	36,425
-	-	-	-	-	-	296,581
-	-	-	-	-	-	4,634,131
<u>\$ 884,568</u>	<u>\$ -</u>	<u>\$ 6,707,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,576</u>	<u>\$ 25,352,983</u>

\$ 5,060	\$ -	\$ 288,386	\$ -	\$ -	\$ -	\$ 620,580
-	-	-	-	-	-	5,834,843
-	-	-	-	-	-	371,551
-	-	1,000,000	-	-	-	1,000,000
5,060	-	1,288,386	-	-	-	7,826,974
879,508	-	5,418,943	-	-	18,576	17,658,610
-	-	-	-	-	-	(132,601)
879,508	-	5,418,943	-	-	18,576	17,526,009
<u>\$ 884,568</u>	<u>\$ -</u>	<u>\$ 6,707,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,576</u>	<u>\$ 25,352,983</u>

(Concluded)

City of San Leandro

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2012

	Special Revenue					
	Street/Traffic Improvements	Park Development Fee	Underground Utility Fee	Parking	Special Gas Tax	Cherrywood Maintenance District
REVENUES:						
Property and other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,557
Licenses and permits	83,218	-	-	199,923	-	-
Service charges	-	-	78,144	-	-	-
Intergovernmental	-	-	-	-	2,396,728	-
Use of money and property	9,247	4,412	8,071	610	10,740	-
Other	-	-	-	-	487	-
Total revenues	92,465	4,412	86,215	200,533	2,407,955	20,557
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Engineering and transportation	191,511	-	243,196	216,124	1,778,174	555
Recreation and culture	-	328,325	-	-	-	-
Community development	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-
Total expenditures	191,511	328,325	243,196	216,124	1,778,174	555
REVENUES OVER (UNDER) EXPENDITURES	(99,046)	(323,913)	(156,981)	(15,591)	629,781	20,002
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	1,557,025	-	-	-
Transfers out	-	-	-	-	-	-
Debt Issuance	-	-	-	-	-	-
Total other financing sources (uses)	-	-	1,557,025	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES BEFORE EXTRAORDINARY ITEMS	(99,046)	(323,913)	1,400,044	(15,591)	629,781	20,002
Extraordinary Item	-	-	-	-	-	-
FUND BALANCES:						
Beginning of year	1,455,972	896,142	-	97,630	1,503,940	255,045
End of year	\$ 1,356,926	\$ 572,229	\$ 1,400,044	\$ 82,039	\$ 2,133,721	\$ 275,047

(Continued)

Special Revenue									
Traffic			Proposition IB						
Congestion Relief	Measure B Paratransit	Asset Seizure	Heron Bay	Local Streets & Roads	Special Grants	Measure B	Measure F	C.D.B.G	
\$ -	\$ -	\$ -	\$ 199,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	333,964	50,798	-	-	3,820,012	1,520,313	425,278	553,501	-
1,733	-	3,382	4,984	5,398	341	18,084	-	3,188	-
-	6,240	-	178,932	-	367,485	96,723	-	-	-
1,733	340,204	54,180	383,151	5,398	4,187,838	1,635,120	425,278	556,689	-
-	-	-	-	-	-	-	-	-	-
-	-	163,241	-	-	1,067,519	-	-	-	-
2,197	-	-	320,911	1,011,877	2,151,507	1,574,467	-	-	-
-	325,394	-	-	-	179,756	-	-	-	-
-	-	-	-	-	10,609	-	-	347,703	-
-	-	-	-	-	-	-	-	131,000	-
-	-	-	-	-	-	-	-	77,464	-
2,197	325,394	163,241	320,911	1,011,877	3,409,391	1,574,467	-	556,167	-
(464)	14,810	(109,061)	62,240	(1,006,479)	778,447	60,653	425,278	522	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(464)	14,810	(109,061)	62,240	(1,006,479)	778,447	60,653	425,278	522	-
-	-	-	-	-	-	-	-	-	-
464	53,303	808,455	698,938	1,150,642	(910,296)	2,803,215	-	56,689	-
\$ -	\$ 68,113	\$ 699,394	\$ 761,178	\$ 144,163	\$ (131,849)	\$ 2,863,868	\$ 425,278	\$ 57,211	\$ -

(Continued)

City of San Leandro

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, (Continued)

For the year ended June 30, 2012

	Special Revenue			Debt Service		
	HOME	Housing In Lieu	Business Improvement District	Public Education and Government	Special Assessment District	San Leandro Public Financing Authority
REVENUES:						
Property and other taxes	\$ -	\$ -	\$ -	\$ 167,894	\$ -	\$ -
Licenses and permits	-	-	131,210	-	-	-
Service charges	-	-	-	-	-	-
Intergovernmental	16,514	-	139,287	-	-	-
Use of money and property	117	437	318	1,098	1,705	2,474,824
Other	-	-	52,953	-	1,562	-
Total revenues	16,631	437	323,768	168,992	3,267	2,474,824
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Engineering and transportation	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-
Community development	17,383	-	280,284	46,290	-	-
Debt service:						
Principal	-	-	-	-	-	1,130,000
Interest and fees	-	-	-	-	7,477	1,349,179
Total expenditures	17,383	-	280,284	46,290	7,477	2,479,179
REVENUES OVER (UNDER) EXPENDITURES	(752)	437	43,484	122,702	(4,210)	(4,355)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	50,000	180,907	-	-
Transfers out	-	-	-	-	-	-
Debt Issuance	-	-	-	-	-	-
Total other financing sources (uses)	-	-	50,000	180,907	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES BEFORE EXTRAORDINARY ITEMS						
	(752)	437	93,484	303,609	(4,210)	(4,355)
Extraordinary Item	-	-	-	-	-	-
FUND BALANCES:						
Beginning of year	-	66,486	(38,091)	-	80,657	883,863
End of year	\$ (752)	\$ 66,923	\$ 55,393	\$ 303,609	\$ 76,447	\$ 879,508

(Continued)

Debt Service		Capital Projects			Total
Redevelopment Agency Debt Service	Capital Improvement Projects	Redevelopment Agency Capital Projects	Redevelopment Agency Low/Moderate Housing Capital Projects	GHAD	Non-Major Governmental Funds
\$ -	\$ -	\$ 5,254,075	\$ 1,313,519	\$ -	\$ 6,955,280
-	-	-	-	-	414,351
-	1,185	-	-	-	79,329
-	-	-	-	-	9,256,395
317	-	76,582	21,663	-	2,647,251
-	3,471,848	63,437	18,286	122	4,258,075
317	3,473,033	5,394,094	1,353,468	122	23,610,681
-	11,823	-	-	-	11,823
-	-	-	-	-	1,230,760
-	950,387	-	-	2,591	8,443,497
-	4,611	-	-	-	838,086
-	1,025,607	3,716,847	404,705	-	5,849,428
1,625,000	-	79,831	63,000	-	3,028,831
1,305,606	-	-	11,372	-	2,751,098
2,930,606	1,992,428	3,796,678	479,077	2,591	22,153,523
(2,930,289)	1,480,605	1,597,416	874,391	(2,469)	1,457,158
2,928,582	321,729	-	-	-	5,038,243
-	(2,498,190)	(2,978,582)	-	-	(5,476,772)
-	-	-	-	-	-
2,928,582	(2,176,461)	(2,978,582)	-	-	(438,529)
(1,707)	(695,856)	(10,739,419)	(3,114,300)	(2,469)	1,018,629
(4,947,256)	-	(9,358,253)	(3,988,691)	-	(18,294,200)
4,948,963	6,114,799	10,739,419	3,114,300	21,045	34,801,580
\$ -	\$ 5,418,943	\$ -	\$ -	\$ 18,576	\$ 17,526,009

(Concluded)

City of San Leandro

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
Non Major Fund**

Street/Traffic Improvements Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 100,000	\$ 100,000	\$ 83,218	\$ (16,782)
Use of money and property	10,619	10,619	9,247	(1,372)
Total revenues	110,619	110,619	92,465	(18,154)
EXPENDITURES:				
Current:				
Engineering and transportation	73,060	856,664	191,511	665,153
Total expenditures	73,060	856,664	191,511	665,153
REVENUES OVER (UNDER) EXPENDITURES	37,559	(746,045)	(99,046)	646,999
FUND BALANCES:				
Beginning of year	843,548	1,455,972	1,455,972	-
End of year	\$ 881,107	\$ 709,927	\$ 1,356,926	\$ 646,999

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Non Major Fund

Park Development Fee Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Use of money and property	\$ 6,000	\$ 6,000	\$ 4,412	\$ (1,588)
Licenses and permits	65,000	65,000	-	(65,000)
Total revenues	71,000	71,000	4,412	(66,588)
EXPENDITURES:				
Current:				
Recreation and culture	17,946	697,550	328,325	369,225
Total expenditures	17,946	697,550	328,325	369,225
REVENUES OVER (UNDER) EXPENDITURES	53,054	(626,550)	(323,913)	302,637
FUND BALANCES:				
Beginning of year	169,242	896,142	896,142	-
End of year	<u>\$ 222,296</u>	<u>\$ 269,592</u>	<u>\$ 572,229</u>	<u>\$ 302,637</u>

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Underground Utility Fees Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under) Variance with Final Budget
	Adopted	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 8,071	\$ 8,071
Charges for current services	-	-	78,144	78,144
Total revenues	-	-	86,215	86,215
EXPENDITURES:				
Current:				
Engineering and transportation	-	657,153	243,196	413,957
Total expenditures	-	657,153	243,196	413,957
REVENUES OVER (UNDER) EXPENDITURES	-	(657,153)	(156,981)	500,172
OTHER FINANCING SOURCES (USES):				
Transfers In	-	1,557,025	1,557,025	-
Total other financing sources (uses)	-	1,557,025	1,557,025	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ 899,872	\$ 1,400,044	\$ 500,172

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Parking Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 193,540	\$ 193,540	\$ 199,923	\$ 6,383
Use of money and property	1,300	1,300	610	(690)
Total revenues	194,840	194,840	200,533	5,693
EXPENDITURES:				
Current:				
Engineering and transportation	238,590	238,590	216,124	22,466
Total expenditures	238,590	238,590	216,124	22,466
REVENUES OVER (UNDER) EXPENDITURES	(43,750)	(43,750)	(15,591)	28,159
FUND BALANCES:				
Beginning of year	47,635	97,630	97,630	-
End of year	\$ 3,885	\$ 53,880	\$ 82,039	\$ 28,159

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Special Gas Tax Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 2,240,133	\$ 2,240,133	\$ 2,396,728	\$ 156,595
Use of money and property	-	-	10,740	10,740
Total revenues	2,240,133	2,240,133	2,407,955	167,822
EXPENDITURES:				
Current:				
Engineering and transportation	3,539,175	3,547,487	1,778,174	1,769,313
Total expenditures	3,539,175	3,547,487	1,778,174	1,769,313
REVENUES OVER (UNDER) EXPENDITURES	(1,299,042)	(1,307,354)	629,781	1,937,135
FUND BALANCES:				
Beginning of year	1,373,219	1,503,940	1,503,940	-
End of year	\$ 74,177	\$ 196,586	\$ 2,133,721	\$ 1,937,135

City of San Leandro

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
Non Major Fund**

**Cherrywood Maintenance District Special Revenue Fund
For the year ended June 30, 2012**

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Property and other taxes	\$ 20,265	\$ 20,265	\$ 20,557	\$ 292
Use of money and property	1,490	1,490	-	(1,490)
Total revenues	21,755	21,755	20,557	(1,198)
EXPENDITURES:				
Current:				
Engineering and transportation	211	211	555	(344)
Total expenditures	211	211	555	(344)
REVENUES OVER (UNDER) EXPENDITURES	21,544	21,544	20,002	(1,542)
FUND BALANCES:				
Beginning of year	254,976	233,611	255,045	-
End of year	\$ 276,520	\$ 255,155	\$ 275,047	\$ (1,542)

City of San Leandro

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
Non Major Fund**

Traffic Congestion Relief Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under) Variance with Final Budget
	Adopted	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,733	\$ 1,733
Total revenues	-	-	1,733	1,733
EXPENDITURES:				
Current:				
Engineering and transportation	-	20,690	2,197	18,493
Total expenditures	-	20,690	2,197	18,493
REVENUES OVER (UNDER) EXPENDITURES	-	(20,690)	(464)	20,226
FUND BALANCES:				
Beginning of year	-	464	464	-
End of year	\$ -	\$ (20,226)	\$ -	\$ 20,226

City of San Leandro

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -
Non Major Fund**

Measure B - Paratransit Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 243,066	\$ 243,066	\$ 333,964	\$ 90,898
Other	-	-	6,240	6,240
Total revenues	243,066	243,066	340,204	97,138
EXPENDITURES:				
Current:				
Recreation and Culture	350,876	350,876	325,394	25,482
Total expenditures	350,876	350,876	325,394	25,482
REVENUES OVER (UNDER) EXPENDITURES	(107,810)	(107,810)	14,810	122,620
FUND BALANCES:				
Beginning of year	53,303	53,303	53,303	-
End of year	\$ (54,507)	\$ (54,507)	\$ 68,113	\$ 122,620

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Asset Seizure Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 50,798	\$ 50,798
Use of money and property	-	-	3,382	3,382
Total revenues	-	-	54,180	54,180
EXPENDITURES:				
Current:				
Public Safety	-	262,963	163,241	99,722
Total expenditures	-	262,963	163,241	99,722
REVENUES OVER (UNDER) EXPENDITURES	-	(262,963)	(109,061)	153,902
FUND BALANCES:				
Beginning of year	734,579	808,455	808,455	-
End of year	\$ 734,579	\$ 545,492	\$ 699,394	\$ 153,902

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non Major Fund

Heron Bay Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Property and other taxes	\$ 318,719	\$ 318,719	\$ 199,235	\$ (119,484)
Use of money and property	4,721	4,721	4,984	263
Other	-	-	178,932	178,932
Total revenues	323,440	323,440	383,151	59,711
EXPENDITURES:				
Current:				
Engineering and transportation	474,483	586,292	320,911	265,381
Total expenditures	474,483	586,292	320,911	265,381
REVENUES OVER (UNDER) EXPENDITURES	(151,043)	(262,852)	62,240	325,092
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(151,043)	(262,852)	62,240	325,092
FUND BALANCES:				
Beginning of year	452,284	698,938	698,938	-
End of year	\$ 301,241	\$ 436,086	\$ 761,178	\$ 325,092

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Proposition IB - Local Streets & Roads Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with
				Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 5,398	\$ 5,398
Other	-	-	-	-
Total revenues	-	-	5,398	5,398
EXPENDITURES:				
Current:				
Engineering and transportation	20,690	1,144,496	1,011,877	132,619
Total expenditures	20,690	1,144,496	1,011,877	132,619
REVENUES OVER (UNDER) EXPENDITURES	(20,690)	(1,144,496)	(1,006,479)	138,017
FUND BALANCES:				
Beginning of year	20,690	1,150,642	1,150,642	-
End of year	\$ -	\$ 6,146	\$ 144,163	\$ 138,017

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Special Grants Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 1,418,803	\$ 6,404,662	\$ 3,820,012	\$ (2,584,650)
Use of money and property	-	-	341	341
Other	223,327	3,760	367,485	363,725
Total revenues	1,642,130	6,408,422	4,187,838	(2,220,584)
EXPENDITURES:				
Current:				
Public safety	865,157	1,067,629	1,067,519	110
Engineering and transportation	418,300	11,265,995	2,151,507	9,114,488
Community Development	11,019	11,019	10,609	410
Recreation and culture	211,167	237,807	179,756	58,051
Total expenditures	1,505,643	12,582,450	3,409,391	9,173,059
REVENUES OVER (UNDER) EXPENDITURES	136,487	(6,174,028)	778,447	6,952,475
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	136,487	(6,174,028)	778,447	6,952,475
FUND BALANCES:				
Beginning of year	253,632	(910,296)	(910,296)	-
End of year	\$ 390,119	\$ (7,084,324)	\$ (131,849)	\$ 6,952,475

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Measure B

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 1,255,285	\$ 1,255,285	\$ 1,520,313	\$ 265,028
Use of money and property	20,942	20,942	18,084	(2,858)
Other	80,000	80,000	96,723	16,723
Total revenues	1,356,227	1,356,227	1,635,120	278,893
EXPENDITURES:				
Current				
Engineering and transportation	1,280,245	7,519,499	1,574,467	5,945,032
Total expenditures	1,280,245	7,519,499	1,574,467	5,945,032
REVENUES OVER (UNDER) EXPENDITURES	75,982	(6,163,272)	60,653	6,223,925
FUND BALANCES:				
Beginning of year	(75,982)	1,938,418	2,803,215	-
End of year	\$ -	\$ (4,224,854)	\$ 2,863,868	\$ 6,223,925

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Measure F

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 425,278	\$ 425,278
Other	-	-	-	-
Total revenues	-	-	425,278	425,278
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ 425,278	\$ 425,278

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non Major Fund

C.D.B.G Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 789,272	\$ 789,272	\$ 553,501	\$ (235,771)
Use of money and property	-	-	3,188	3,188
Other	-	-	-	-
Total revenues	789,272	789,272	556,689	(232,583)
EXPENDITURES:				
Current:				
Community development	789,200	896,473	347,703	548,770
Debt service:				
Principal	-	-	131,000	(131,000)
Interest and fees	-	-	77,464	(77,464)
Total expenditures	789,200	896,473	556,167	340,306
REVENUES OVER (UNDER) EXPENDITURES	72	(107,201)	522	107,723
FUND BALANCES:				
Beginning of year	-	56,689	56,689	-
End of year	\$ 72	\$ (50,512)	\$ 57,211	\$ 107,723

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

HOME Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 330,314	\$ 786,976	\$ 16,514	\$ (770,462)
Use of money and property	-	-	117	117
Total revenues	330,314	786,976	16,631	(770,345)
EXPENDITURES:				
Current:				
Community development	327,552	786,976	17,383	769,593
Total expenditures	327,552	786,976	17,383	769,593
REVENUES OVER (UNDER) EXPENDITURES	2,762	-	(752)	(752)
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	\$ 2,762	\$ -	\$ (752)	\$ (752)

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Housing In-Lieu Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 437	\$ 437
Total revenues	-	-	437	437
EXPENDITURES:				
Current:				
Community development	-	65,000	-	65,000
Total expenditures	-	65,000	-	65,000
REVENUES OVER (UNDER) EXPENDITURES	-	(65,000)	437	65,437
FUND BALANCES:				
Beginning of year	66,505	66,486	66,486	-
End of year	\$ 66,505	\$ 1,486	\$ 66,923	\$ 65,437

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non Major Fund

Business Improvement District Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 141,000	\$ 141,000	\$ 131,210	\$ (9,790)
Intergovernmental	150,000	150,000	139,287	(10,713)
Use of money and property	-	-	318	318
Other	-	-	52,953	52,953
Total revenues	291,000	291,000	323,768	32,768
EXPENDITURES:				
Current:				
Community development	365,000	365,000	280,284	84,716
Total expenditures	365,000	365,000	280,284	84,716
REVENUES OVER (UNDER) EXPENDITURES	(74,000)	(74,000)	43,484	117,484
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(24,000)	(24,000)	93,484	117,484
FUND BALANCES:				
Beginning of year	24,000	(38,091)	(38,091)	-
End of year	\$ -	\$ (62,091)	\$ 55,393	\$ 117,484

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Public Education and Government Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under) Variance with Final Budget
	Adopted	Final		
REVENUES:				
Property and other taxes	\$ 150,000	\$ 150,000	\$ 167,894	\$ 17,894
Use of money and property	-	-	1,098	1,098
Total revenues	150,000	150,000	168,992	18,992
EXPENDITURES:				
Current:				
General Government	150,000	150,000	46,290	103,710
Total expenditures	150,000	150,000	46,290	103,710
REVENUES OVER (UNDER) EXPENDITURES	-	-	122,702	122,702
OTHER FINANCING SOURCES (USES):				
Transfers in	-	180,907	180,907	-
Total other financing sources (uses)	-	180,907	180,907	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	180,907	303,609	122,702
FUND BALANCES:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ 180,907	\$ 303,609	\$ 122,702

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual -

Non Major Fund

Special Assessment District Debt Service Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,705	\$ 1,705
Other	-	-	1,562	1,562
Total revenues	-	-	3,267	3,267
EXPENDITURES:				
Current:				
Debt service:				
Interest and fees	25,996	25,996	7,477	18,519
Total expenditures	25,996	25,996	7,477	18,519
REVENUES OVER (UNDER) EXPENDITURES	(25,996)	(25,996)	(4,210)	21,786
FUND BALANCES:				
Beginning of year	62,145	80,657	80,657	-
End of year	\$ 36,149	\$ 54,661	\$ 76,447	\$ 21,786

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non Major Fund

San Leandro Public Financing Authority

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Use of money and property	\$ 2,476,171	\$ 2,476,171	\$ 2,474,824	\$ (1,347)
Total revenues	2,476,171	2,476,171	2,474,824	(1,347)
EXPENDITURES:				
Current				
Debt service:				
Principal	1,130,000	1,130,000	1,130,000	-
Interest and fees	1,344,119	1,344,119	1,349,179	(5,060)
Total expenditures	2,474,119	2,474,119	2,479,179	(5,060)
REVENUES OVER (UNDER) EXPENDITURES	2,052	2,052	(4,355)	6,407
FUND BALANCES:				
Beginning of year	887,916	883,863	883,863	-
End of year	\$ 889,968	\$ 885,915	\$ 879,508	\$ (6,407)

City of San Leandro

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non Major Fund

Redevelopment Agency Debt Service Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual	Over/(Under)
	Adopted	Final		Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 317	\$ 317
Total revenues	-	-	317	317
EXPENDITURES:				
Debt service:				
Principal	1,720,000	1,625,000	1,625,000	-
Interest and fees	2,906,002	1,306,089	1,305,606	483
Total expenditures	4,626,002	2,931,089	2,930,606	483
REVENUES OVER (UNDER) EXPENDITURES	(4,626,002)	(2,931,089)	(2,930,289)	800
OTHER FINANCING SOURCES (USES):				
Transfers in	4,623,282	2,928,582	2,928,582	-
Total other financing sources (uses)	4,623,282	2,928,582	2,928,582	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES BEFORE EXTRAORDINARY ITEMS				
	(2,720)	(2,507)	(1,707)	800
Extraordinary Item	-	-	(4,947,256)	
FUND BALANCES:				
Beginning of year	4,433,788	4,948,963	4,948,963	-
End of year	\$ 4,431,068	\$ 4,946,456	\$ -	\$ 800



NON-MAJOR ENTERPRISE FUNDS

Storm Water Utility - Provides for the City's storm water program in conjunction with the National Pollutant Discharge and Emissions Services Act.

Environmental Services - Accounts for the regulation of hazardous materials, wastewater discharge, storm water runoff, solid waste and recycling, and the landfill at the Marina.

City of San Leandro
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2012

	Storm Water Utility	Environmental Services	Total Non-Major Enterprise Funds
ASSETS			
Current assets:			
Cash and investments	\$ 315,046	\$ 1,296,171	\$ 1,611,217
Receivables:			
Accounts	50	239,263	239,313
Interest	76	11,139	11,215
Other assets	-	1,409	1,409
Total current assets	<u>315,172</u>	<u>1,547,982</u>	<u>1,863,154</u>
Total assets	<u>315,172</u>	<u>1,547,982</u>	<u>1,863,154</u>
LIABILITIES			
Current liabilities:			
Accounts payable	24,599	36,929	61,528
Deferred revenue	-	12,564	12,564
Total current liabilities	<u>24,599</u>	<u>49,493</u>	<u>74,092</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	19,565	111,422	130,987
Total noncurrent liabilities	<u>19,565</u>	<u>111,422</u>	<u>130,987</u>
Total liabilities	<u>44,164</u>	<u>160,915</u>	<u>205,079</u>
NET ASSETS			
Unrestricted	<u>271,008</u>	<u>1,387,067</u>	<u>1,658,075</u>
Total net assets	<u>\$ 271,008</u>	<u>\$ 1,387,067</u>	<u>\$ 1,658,075</u>

City of San Leandro

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Non-Major Enterprise Funds

For the year ended June 30, 2012

	Storm Water Utility	Environmental Services	Total Non-Major Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 1,078,285	\$ 352,356	\$ 1,430,641
Licenses and permits	-	273,954	273,954
Other operating revenue	170	32,638	32,808
Total operating revenues	1,078,455	658,948	1,737,403
OPERATING EXPENSES:			
Salaries and benefits	468,948	817,605	1,286,553
Contractual and other services	228,908	121,782	350,690
Materials and supplies	15,250	30,103	45,353
Other operating costs	206,892	253,053	459,945
Total operating expenses	919,998	1,222,543	2,142,541
OPERATING INCOME (LOSS)	158,457	(563,595)	(405,138)
NONOPERATING REVENUES (EXPENSES):			
Investment income	943	8,854	9,797
Intergovernmental	-	418,969	418,969
Total nonoperating revenues (expenses)	943	427,823	428,766
INCOME (LOSS) BEFORE TRANSFERS	159,400	(135,772)	23,628
Transfers in	-	264,107	264,107
Transfers out	(133,383)	-	(133,383)
Total transfers	(133,383)	264,107	130,724
Change in net assets	26,017	128,335	154,352
NET ASSETS:			
Beginning of year	244,991	1,258,732	1,503,723
End of year	\$ 271,008	\$ 1,387,067	\$ 1,658,075

City of San Leandro
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the year ended June 30, 2012

	Storm Water Utility	Environmental Services	Total Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,178,953	\$ 610,481	1,789,434
Cash payments to suppliers and service providers	(314,269)	(151,957)	(466,226)
Cash payments to employees for services	(484,797)	(842,106)	(1,326,903)
Cash payments to other funds for service provided	(206,892)	(254,319)	(461,211)
Net cash provided (used) by operating activities	172,995	(637,901)	(464,906)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental revenue received	-	418,969	418,969
Transfers in from other funds	-	264,107	264,107
Transfers out to other funds	(133,383)	-	(133,383)
Net cash provided (used) by noncapital financing activities	(133,383)	683,076	549,693
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	943	8,854	9,797
Net cash provided (used) by investing activities	943	8,854	9,797
Net increase (decrease) in cash and cash equivalents	40,555	54,029	94,584
CASH AND CASH EQUIVALENTS:			
Beginning of year	274,491	1,242,142	1,516,633
End of year	\$ 315,046	\$ 1,296,171	\$ 1,611,217
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 158,457	\$ (563,595)	\$ (405,138)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	15,248	(57,999)	(42,751)
(Increase) decrease in prepaid items	-	454	454
(Decrease) increase in accounts payable	15,137	7,740	22,877
(Decrease) increase in compensated absences	(15,847)	(24,501)	(40,348)
Total adjustments	14,538	(74,306)	(59,768)
Net cash provided (used) by operating activities	\$ 172,995	\$ (637,901)	\$ (464,906)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

Building Maintenance - This fund accounts for the City's custodial maintenance and minor building modifications performed on various City complexes. The source of revenue is reimbursement of costs for services performed to the departments.

Information Management Services - This fund accounts for centralized data processing and the maintenance, acquisition and replacement of computerized systems. Source of revenue for this fund is reimbursement of costs for services and equipment purchased by other departments.

Self-Insurance - This fund accounts for the administration of the City's self-insurance programs, payment of workers' compensation and liability claims payments.

Equipment Maintenance - This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. Source of revenue for this fund is reimbursement of costs for services and supplies purchased by other departments.

City of San Leandro
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2012

	Building Maintenance	Information Management Services	Self- Insurance	Equipment Maintenance	Total
ASSETS					
Cash and investments	\$ 1,432,912	\$ 1,421,109	\$ 8,317,360	\$ 1,054,248	\$ 12,225,629
Receivables:					
Accounts	-	99	565,938	-	566,037
Interest	3,765	3,070	20,150	2,531	29,516
Inventory	9,565	13,032	-	101,832	124,429
Other assets	-	1,259	17,655	-	18,914
Capital assets:					
Depreciable	14,765	5,403,846	-	6,397,579	11,816,190
Less accumulated depreciation	(4,326)	(3,766,740)	-	(4,588,702)	(8,359,768)
Net capital assets	10,439	1,637,106	-	1,808,877	3,456,422
Total assets	1,456,681	3,075,675	8,921,103	2,967,488	16,420,947
LIABILITIES					
Current Liabilities:					
Accounts payable	124,784	124,469	92,043	24,508	365,804
Claims and judgments - due in one year	-	-	3,800,000	-	3,800,000
Compensated absences payable - due in one year	8,170	11,189	296	6,403	26,058
Total current liabilities	132,954	135,658	3,892,339	30,911	4,191,862
Noncurrent liabilities:					
Claims and judgements - due in more than one year	-	-	3,271,223	-	3,271,223
Compensated absences - due in more than one year	73,532	100,705	4,927	57,625	236,789
Total noncurrent liabilities	73,532	100,705	3,276,150	57,625	3,508,012
Total liabilities	206,486	236,363	7,168,489	88,536	7,699,874
NET ASSETS					
Net investments in capital assets	10,439	1,637,106	-	1,808,877	3,456,422
Unrestricted	1,239,756	1,202,206	1,752,614	1,070,075	5,264,651
Total net assets	\$ 1,250,195	\$ 2,839,312	\$ 1,752,614	\$ 2,878,952	\$ 8,721,073

City of San Leandro
Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
For the year ended June 30, 2012

	Building Maintenance	Information Management Services	Self- Insurance	Equipment Maintenance	Total
OPERATING REVENUES:					
Service charges	\$ 2,719,281	\$ 3,441,147	\$ 2,624,388	\$ 1,531,580	\$ 10,316,396
Other operating revenues	1,480	64	253,836	30,778	286,158
Total operating revenues	2,720,761	3,441,211	2,878,224	1,562,358	10,602,554
OPERATING EXPENSES:					
Salaries and benefits	905,304	1,647,086	168,511	525,187	3,246,088
Contractual and other services	1,223,337	1,126,657	1,219,327	96,134	3,665,455
Materials and supplies	181,415	64,876	18	616,348	862,657
Depreciation	537	472,610	-	545,199	1,018,346
Other operating costs	324,446	567,453	97,730	320,542	1,310,171
Total operating expenses	2,635,039	3,878,682	1,485,586	2,103,410	10,102,717
OPERATING INCOME (LOSS)	85,722	(437,471)	1,392,638	(541,052)	499,837
NONOPERATING REVENUES (EXPENSES):					
Interest income	9,382	7,762	51,872	6,941	75,957
Total nonoperating revenues (expenses)	9,382	7,762	51,872	6,941	75,957
INCOME (LOSS) BEFORE TRANSFERS	95,104	(429,709)	1,444,510	(534,111)	575,794
TRANSFERS:					
Transfers out	(20,000)	-	-	-	(20,000)
Total transfers	(20,000)	-	-	-	(20,000)
Net income (loss)	75,104	(429,709)	1,444,510	(534,111)	555,794
NET ASSETS:					
Beginning of the year	1,175,091	3,269,021	308,104	3,413,063	8,165,279
End of the year	\$ 1,250,195	\$ 2,839,312	\$ 1,752,614	\$ 2,878,952	\$ 8,721,073

City of San Leandro
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2012

	Building Maintenance	Information Management Services	Self- Insurance	Equipment Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 838	\$ 15,062	\$ 301,604	\$ 6,170	\$ 323,674
Receipts from interfund charges	2,719,281	3,423,106	2,624,388	1,527,835	10,294,610
Cash payments to suppliers and service providers	(1,392,421)	(1,322,626)	(2,082,544)	(765,958)	(5,563,549)
Cash payments to employees for services	(905,513)	(1,647,677)	(167,503)	(524,659)	(3,245,352)
Cash payments to other funds for services provided	(321,973)	(405,819)	(97,730)	(246,928)	(1,072,450)
Net cash provided (used) by operating activities	100,212	62,046	578,215	(3,540)	736,933
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Preceeds from the sale of assets	-	-	-	29,518	29,518
Transfers out to other funds	(20,000)	-	-	-	(20,000)
Net cash provided (used) by noncapital financing activities	(20,000)	-	-	29,518	9,518
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of fixed assets	-	(16,573)	-	(251,676)	(268,249)
Net cash provided (used) by capital and related financing activities	-	(16,573)	-	(251,676)	(268,249)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Income	9,382	7,762	51,872	6,941	75,957
Net cash provided (used) by investing activities	9,382	7,762	51,872	6,941	75,957
Net increase (decrease) in cash	89,594	53,235	630,087	(218,757)	554,159
CASH AND CASH EQUIVALENTS:					
Beginning of year	1,343,318	1,367,874	7,687,273	1,273,005	11,671,470
End of year	\$ 1,432,912	\$ 1,421,109	\$ 8,317,360	\$ 1,054,248	\$ 12,225,629
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 85,722	\$ (437,471)	\$ 1,392,638	\$ (541,052)	\$ 499,837
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	537	472,610	-	545,199	1,018,346
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	172	597	(9,959)	1,166	(8,024)
(Increase) decrease in inventory	2,522	(1,308)	-	6,701	7,915
(Increase) decrease in prepaid items	-	(852)	-	-	(852)
(Decrease) increase in accounts payable	11,510	29,061	54,399	(16,082)	78,888
(Decrease) increase in claims and judgements payable	-	-	(859,870)	-	(859,870)
(Decrease) increase in compensated absences	(251)	(591)	1,007	528	693
Total cash provided (used) by operating activities	\$ 100,212	\$ 62,046	\$ 578,215	\$ (3,540)	\$ 736,933

FIDUCIARY FUND FINANCIAL STATEMENTS

AGENCY FUNDS

Deposits Fund - Accounts for all deposits held on behalf of other persons and businesses under the control of City departments.

Cherrywood - Accounts for monies accumulated for payments of special assessment bonds which are financed by assessments placed on the Alameda County tax roll for the Cherrywood housing development.

City of San Leandro
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Deposits	Cherrywood	Total
ASSETS			
Cash and investments	\$ 1,041,796	\$ 962,314	\$ 2,004,110
Cash and investments with fiscal agents	-	448,960	448,960
Accounts receivable	-	758	758
Total assets	\$ 1,041,796	\$ 1,412,032	\$ 2,453,828
LIABILITIES			
Accounts payable	\$ 32,601	\$ -	\$ 32,601
Deposits payable	1,009,195	-	1,009,195
Due to bondholders	-	1,412,032	1,412,032
Total liabilities	\$ 1,041,796	\$ 1,412,032	\$ 2,453,828

City of San Leandro
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the year ended June 30, 2012

	<u>Deposits</u>			Balance June 30, 2012
	Balance July 1, 2011	Additions	Deductions	
Assets:				
Cash and investments	\$ 899,945	\$ 5,801,436	\$ (5,659,585)	\$ 1,041,796
Accounts receivable	318	614	(932)	-
Total assets	\$ 900,263	\$ 5,802,050	\$ (5,660,517)	\$ 1,041,796
Liabilities:				
Accounts payable	\$ 5,279	\$ 2,726,779	\$ (2,699,457)	\$ 32,601
Deposits payable	894,984	3,245,231	(3,131,020)	1,009,195
Total liabilities	\$ 900,263	\$ 5,972,010	\$ (5,830,477)	\$ 1,041,796

Cherrywood

Assets:				
Cash and investments	\$ 939,659	\$ 1,728,822	\$ (1,706,167)	\$ 962,314
Cash and investments with fiscal agent	448,960	-	-	448,960
Accounts receivable	1,192	758	(1,192)	758
Special assessments receivable	4,516	459,127	(463,643)	-
Total assets	\$ 1,394,327	\$ 2,188,707	\$ (2,171,002)	\$ 1,412,032
Liabilities:				
Due to bondholders	\$ 1,394,327	\$ 2,188,707	\$ (2,171,002)	\$ 1,412,032
Total liabilities	\$ 1,394,327	\$ 2,188,707	\$ (2,171,002)	\$ 1,412,032

All Agency Funds

Assets:				
Cash and investments	\$ 1,839,604	\$ 7,530,258	\$ (7,365,752)	\$ 2,004,110
Cash and investments with fiscal agent	448,960	-	-	448,960
Accounts receivable	1,510	1,372	(2,124)	758
Special assessments receivable	4,516	459,127	(463,643)	-
Total assets	\$ 2,294,590	\$ 7,990,757	\$ (7,831,519)	\$ 2,453,828
Liabilities:				
Accounts payable	\$ 5,279	\$ 2,726,779	\$ (2,699,457)	\$ 32,601
Deposits payable	894,984	3,245,231	(3,131,020)	1,009,195
Due to bondholders	1,394,327	2,188,707	(2,171,002)	1,412,032
Total liabilities	\$ 2,294,590	\$ 8,160,717	\$ (8,001,479)	\$ 2,453,828



STATISTICAL SECTION

This section of the City of San Leandro's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	157
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	162
These schedules contain information to help the reader assess the city's most significant local revenue sources, sales tax and property tax.	
Debt Capacity	169
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	172
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	174
the information in the city's financial report relates to the services the city provides and the activities it performs.	



**City of San Leandro
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets	\$ 275,539,820	\$ 282,335,707	\$ 271,398,035	\$ 291,400,560	\$ 287,403,594	\$ 288,812,935	\$ 281,144,018	\$ 268,302,013	\$ 256,542,629	\$ 251,252,877
net of related debt	34,740,460	44,389,814	41,926,633	31,717,316	36,307,422	39,410,231	32,178,863	31,353,698	37,489,289	17,947,666
Restricted	16,480,000	2,785,163	9,245,677	9,290,497	20,105,122	10,029,629	1,326,448	(2,174,686)	(3,737,046)	42,585,608
Unrestricted	\$ 326,760,280	\$ 329,510,684	\$ 322,570,345	\$ 332,408,373	\$ 343,816,138	\$ 338,252,795	\$ 314,649,329	\$ 297,481,025	\$ 290,294,873	\$ 311,786,151
Total governmental activities net assets										
Business-Type Activities:										
Invested in capital assets	\$ 6,595,397	\$ 9,445,171	\$ 14,040,265	\$ 11,028,943	\$ 11,074,087	\$ 11,197,748	\$ 12,992,419	\$ 20,162,046	\$ 26,832,033	\$ 30,737,068
net of related debt	7,015,805	6,222,818	6,406,958	13,364,147	16,526,068	20,001,036	20,122,930	17,044,724	15,133,537	13,097,006
Restricted	\$ 13,611,202	\$ 15,667,989	\$ 20,447,223	\$ 24,393,090	\$ 27,600,155	\$ 31,198,784	\$ 33,115,349	\$ 37,206,770	\$ 41,965,570	\$ 43,834,074
Total business-type activities net assets										
Primary government:										
Invested in capital assets	\$ 282,135,217	\$ 291,780,878	\$ 285,438,300	\$ 302,429,503	\$ 298,477,681	\$ 300,010,683	\$ 294,136,437	\$ 288,464,059	\$ 283,374,662	\$ 281,989,945
net of related debt	34,740,460	44,389,814	41,926,633	31,717,316	36,307,422	39,410,231	32,178,863	31,353,698	37,489,289	17,947,666
Restricted	23,495,805	9,007,981	15,652,635	22,654,644	36,631,190	30,030,665	21,449,378	14,870,038	11,396,491	55,682,614
Unrestricted	\$ 340,371,482	\$ 345,178,673	\$ 343,017,568	\$ 356,801,463	\$ 371,416,293	\$ 369,451,579	\$ 347,764,678	\$ 334,687,795	\$ 332,260,443	\$ 355,620,225
Total primary government net assets										

**City of San Leandro
Program Revenues by Function/Program
Last Ten Fiscal Years**

Program/Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
General government	\$ 3,446,599	\$ 4,417,189	\$ 4,458,257	\$ 4,328,363	\$ 6,597,981	\$ 5,208,888	\$ 4,871,544	5,342,619	5,242,934	7,367,750
Public safety	5,194,687	2,979,181	4,045,135	5,480,658	6,588,624	6,038,357	5,111,223	3,475,388	3,423,176	4,585,001
Engineering and transportation	9,542,893	10,929,637	8,583,331	13,157,731	11,789,460	10,797,882	11,376,411	13,195,059	7,469,186	10,661,253
Recreation and culture	1,803,286	3,366,714	3,476,619	3,470,771	4,576,105	4,353,066	3,414,103	3,614,696	4,368,731	4,551,617
Community development	4,975,147	10,118,875	1,750,940	3,741,298	3,470,491	8,867,688	3,279,368	1,995,686	6,923,466	2,036,922
Subtotal governmental activities	24,962,612	31,811,596	22,314,282	30,178,821	33,022,661	35,265,880	28,052,650	27,623,449	27,427,494	29,202,544
Business-type activities:										
Water Pollution Control Plant	9,115,046	8,530,652	9,306,736	10,267,776	10,647,063	11,016,298	10,445,163	10,081,964	10,478,066	11,189,362
Shoreline	1,971,297	1,721,631	2,379,343	2,234,105	2,303,029	2,134,271	2,062,949	1,941,119	1,944,513	1,968,839
San Leandro Housing Finance Corp	-	-	-	913,662	-	-	-	-	-	-
Storm Water Utility	1,098,687	1,074,565	1,048,228	1,055,105	1,054,947	1,059,667	1,052,608	1,079,178	1,098,114	1,078,455
Environmental Services	703,052	644,644	626,282	630,344	621,502	622,052	714,415	614,347	746,965	658,948
Subtotal business-type activities	12,888,082	11,971,492	13,360,589	15,100,992	14,626,541	14,832,288	14,275,135	13,716,608	14,267,658	14,895,604
Total primary government	\$ 37,850,694	\$ 43,783,088	\$35,674,871	\$ 45,279,813	\$ 47,649,202	\$ 50,098,168	\$ 42,327,785	\$ 41,340,057	\$ 41,695,152	\$ 44,098,148

**City of San Leandro
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government	\$ 22,918,852	\$ 25,530,287	\$ 22,013,602	\$ 22,864,200	\$ 11,546,534	\$ 17,379,663	\$ 16,572,072	\$ 11,989,774	10,759,754	10,238,787
Public safety	35,703,556	33,414,314	35,819,441	37,415,908	41,972,128	44,061,645	44,229,183	45,063,334	45,936,832	43,574,011
Engineering & Transportation	11,477,536	7,592,091	9,108,518	2,600,498	11,989,696	16,292,698	15,101,806	18,209,182	22,720,292	23,903,746
Recreation & Culture	14,311,154	10,720,541	11,688,705	12,714,017	15,937,218	15,064,531	11,416,088	9,906,448	11,042,582	9,894,015
Community Development	11,203,292	9,212,795	7,509,785	11,238,106	15,937,218	15,725,787	28,119,209	24,202,918	17,541,521	8,178,377
Interest on long-term debt	4,530,711	4,217,408	3,766,213	3,924,447	4,275,336	3,237,381	5,349,826	4,525,710	4,182,409	2,317,753
Total governmental activities expenses	100,145,101	90,687,436	89,906,264	90,417,175	95,072,895	111,761,705	120,788,184	113,897,366	112,183,390	98,106,689
Business-type activities:										
Water Pollution Control	8,620,442	7,759,280	7,467,822	6,979,509	9,247,290	9,093,554	9,248,677	6,231,639	5,856,452	8,395,692
Shoreline	2,267,019	1,910,506	3,025,760	2,470,221	2,139,089	2,355,311	2,244,002	2,180,794	1,997,753	1,848,428
San Leandro Housing Finance Corp	590,425	600,094	669,147	946,776	-	-	-	-	-	-
Storm Water Utility	992,544	1,030,222	1,056,165	921,120	928,752	896,951	993,330	886,379	844,604	919,998
Environmental Services	1,307,149	1,235,675	1,171,903	1,453,306	1,189,664	1,460,466	1,544,564	1,348,181	1,333,145	1,222,543
Total business-type activities expenses	13,777,579	12,535,777	13,390,797	12,770,932	13,504,795	13,806,282	14,030,573	10,646,993	10,031,954	12,386,661
Total primary government expenses	113,922,680	103,223,213	103,297,061	103,188,107	108,577,690	125,567,987	134,818,757	124,544,359	122,215,344	110,493,350
Program revenues:										
Governmental activities:										
General government	14,257,571	15,456,837	18,883,832	21,167,178	24,742,722	26,200,221	27,654,817	27,087,224	26,720,790	22,357,186
Property taxes	20,680,473	20,089,952	20,704,782	22,144,559	23,407,407	22,251,900	19,095,799	17,594,934	21,811,494	24,126,105
Sales taxes	3,329,375	3,605,261	3,597,465	3,362,681	4,496,415	4,142,284	4,005,464	4,124,846	4,231,420	4,231,420
Franchise Fees	9,298,100	9,531,377	10,018,039	10,175,460	10,175,460	10,420,171	10,103,090	9,783,055	9,932,893	9,968,546
Utility Users Tax	3,851,858	5,106,985	5,891,509	6,417,694	4,539,402	2,924,656	2,870,441	2,297,145	2,528,604	2,981,685
Property Transfer Tax	174,031	311,522	323,466	315,382	322,160	361,261	294,496	2,711,671	2,694,149	2,684,591
911 Communication Access Tax	4,680,544	3,705,763	530,076	530,525	472,542	320,508	278,615	242,416	506,280	555,988
Motors Vehicle License Fees	2,335,395	2,033,764	2,506,853	3,150,513	4,498,742	3,836,259	3,025,658	1,419,378	1,300,123	42,294
Investment	2,651,075	2,750,995	1,920,545	826,816	873,742	657,731	1,597,574	599,189	1,158,044	988,126
Community Impact Reimbursement	4,041	(79,051)	(147,114)	516,633	11,621	(82,214)	85,874	(67,942)	20,914	3,353
Miscellaneous	(316,945)	9,734,159	10,899,821	12,501,369	16,452,204	20,126,325	15,971,619	12,568,443	240,484	234,349
Gain on sale of assets	9,365,768	11,114,089	8,944,136	13,005,869	11,455,259	9,303,323	8,590,057	10,830,576	17,062,792	12,200,726
Charges for Service	10,257,395	10,963,348	2,470,325	4,603,121	5,115,198	5,836,232	3,490,973	4,224,429	6,581,532	11,416,356
Capital grants and contributions	5,339,449	94,325,001	86,543,735	98,875,422	106,480,660	106,198,362	97,184,718	96,729,061	3,783,171	5,585,461
Operating grants and contributions	85,908,130	11,971,492	13,360,589	15,100,992	14,626,541	14,832,288	14,275,135	13,716,608	14,267,658	14,895,604
Total Governmental activities program revenues	12,888,082	293,754	213,520	299,126	298,633	342,189	233,880	257,977	257,977	323,430
Business-type activities:	791,459	795,829	577,242	723,250	1,378,939	1,616,038	928,796	454,893	167,407	141,980
Charges for services	290,912	444,232	293,756	542,837	325,532	431,887	532,897	265,091	338,196	418,969
Other taxes	316,945	79,051	147,114	50,594	82,214	182,509	(85,874)	67,942	(240,484)	(1,290,470)
Gain or loss on sale of assets	14,581,152	13,572,976	14,592,221	16,716,799	16,711,859	17,404,911	15,947,138	14,738,414	14,790,754	14,255,164
Transfers	100,489,282	107,897,977	101,135,956	115,592,221	123,192,519	123,603,273	113,131,856	111,467,475	113,637,992	112,729,756
Total Business activities program revenues	14,581,152	13,572,976	14,592,221	16,716,799	16,711,859	17,404,911	15,947,138	14,738,414	14,790,754	14,255,164
Total primary government program revenues	100,489,282	107,897,977	101,135,956	115,592,221	123,192,519	123,603,273	113,131,856	111,467,475	113,637,992	112,729,756
Extraordinary items										21,123,375
Net revenues (expenses):										
Governmental Activities	(14,236,971)	3,637,565	(3,362,529)	8,458,247	11,407,765	(5,563,343)	(23,603,466)	(17,168,305)	(13,336,152)	367,903
Business-type activities	803,573	1,037,199	1,201,424	3,945,867	3,207,064	3,598,629	1,916,565	4,091,421	4,758,800	1,868,503
Total net revenues (expenses)	(13,433,398)	4,674,764	(2,161,105)	12,404,114	14,614,829	(1,964,714)	(21,686,901)	(13,076,884)	(8,577,352)	2,236,406

Notes: The City implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation is not available.

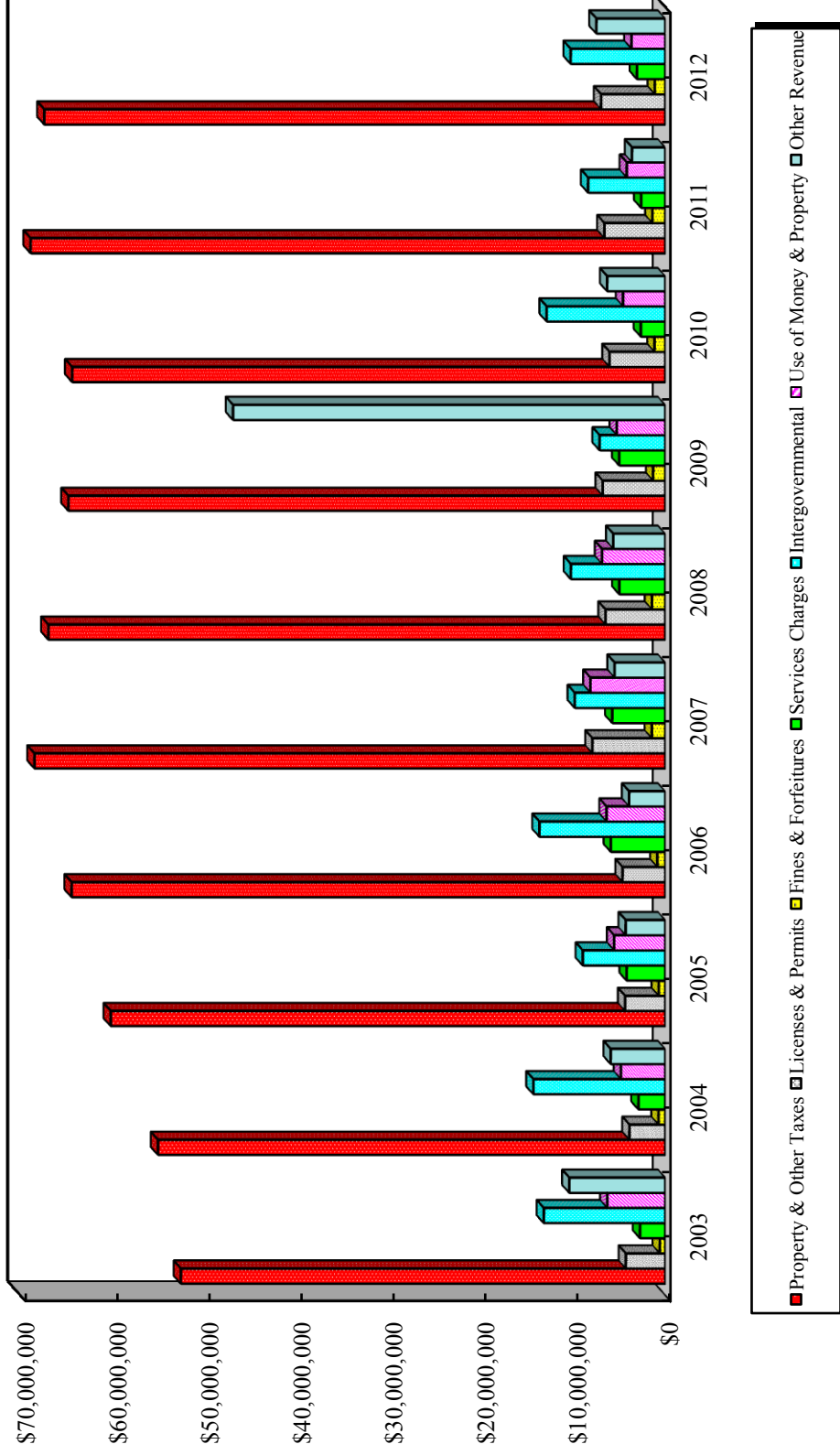
City of San Leandro
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ 20,224,965	\$ 19,132,113	\$ 18,843,168	\$ 19,835,830	\$ 17,904,586	\$ 18,149,255	\$ 14,614,515	\$ 13,730,510	\$ -	\$ -
Unreserved	18,179,490	15,528,675	13,936,704	16,962,489	25,319,167	19,152,403	15,074,450	12,672,277	-	-
Nonspendable	-	-	-	-	-	-	-	-	10,377,840	10,147,160
Restricted	-	-	-	-	-	-	-	-	50,000	50,000
Assigned	-	-	-	-	-	-	-	-	3,437,827	3,555,009
Unassigned	-	-	-	-	-	-	-	-	11,814,319	10,717,313
Total General Fund	38,404,455	34,660,788	32,779,872	36,798,319	43,223,753	37,301,658	29,688,965	26,402,787	25,679,986	24,469,482
All other governmental funds:										
Reserved	11,183,159	32,703,722	15,974,817	20,344,382	21,797,518	20,775,067	33,916,323	21,700,213	-	-
Unreserved, designated	593,697	300,000	4,842,210	491,396	-	-	-	-	-	-
Unreserved, undesignated, reported in:										
Special revenue funds	5,396,061	6,333,411	4,028,438	4,684,942	7,013,915	6,907,672	5,760,645	6,827,714	-	-
Capital projects funds	16,516,912	-	14,935,095	-	333,153	337,211	3,973,218	4,803,372	-	-
Nonspendable	-	-	-	-	-	-	-	-	2,475,000	-
Restricted	-	-	-	-	-	-	-	-	33,274,967	17,809,532
Assigned	-	-	-	-	-	-	-	-	(948,387)	-
Unassigned	-	-	-	-	-	-	-	-	-	(132,601)
Total all other governmental funds	\$ 33,689,829	\$ 39,337,133	\$ 39,780,560	\$ 25,520,720	\$ 29,144,586	\$ 28,019,950	\$ 43,650,186	\$ 33,331,299	\$ 34,801,580	\$ 17,676,931

City of San Leandro
 Changes in Fund Balance of Governmental Funds
 Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Property and other taxes	\$ 52,564,439	\$ 55,045,102	\$ 60,174,541	\$ 64,418,048	\$ 68,452,345	\$ 66,945,559	\$ 64,771,891	\$ 64,359,726	68,879,116	67,388,968
Licenses and permits	4,255,912	3,863,441	4,333,781	4,612,703	7,884,927	6,461,407	6,768,204	6,027,904	6,585,076	6,940,678
Fines and forfeitures	568,776	704,309	685,984	837,602	1,431,689	1,418,732	1,296,568	1,149,193	1,377,230	1,110,669
Service charges	2,717,804	2,883,357	4,163,570	5,885,823	5,732,825	4,965,783	4,977,492	2,627,851	2,593,610	3,051,084
Intergovernmental	13,159,024	14,285,821	8,929,406	13,635,816	9,798,718	10,224,260	7,106,997	12,853,697	8,351,105	10,246,859
Use of money and property	6,268,966	4,789,470	5,528,100	6,351,559	8,102,189	6,841,974	5,244,637	4,558,887	4,152,296	3,645,827
Intergovernmental	5,027,499	1,750,728	1,675,142	1,783,790	1,734,385	1,799,108	1,858,477	2,272,568	2,295,293	2,401,869
Other	5,366,291	4,149,621	2,595,829	2,117,855	3,734,825	3,824,523	5,542,756	4,012,703	1,294,092	5,054,650
Total revenues	89,928,711	87,471,849	88,086,353	99,643,196	106,883,903	102,481,346	97,567,022	97,862,529	95,527,818	99,840,604
Expenditures:										
Current:										
General government	10,358,506	11,504,089	10,480,346	10,242,278	10,027,035	10,996,927	10,866,088	10,353,861	9,684,293	9,943,871
Public safety	38,039,189	33,942,876	37,694,476	39,807,817	41,571,598	44,084,646	45,409,707	45,420,060	43,727,641	68,789,652
Engineering and transportation	13,440,168	11,791,157	13,805,174	15,798,762	12,329,183	16,521,818	15,641,026	18,203,786	12,231,307	9,778,421
Recreation and culture	14,272,330	14,205,666	13,316,923	19,367,598	15,968,022	15,408,155	12,100,517	9,854,633	9,560,878	8,373,427
Community development	11,790,168	9,434,428	7,460,908	12,120,215	9,528,638	16,002,716	27,126,823	24,397,598	11,342,937	9,236,773
Capital Outlay	2,701,044	3,945,005	3,274,784	6,952,452	1,781,883	232,636	-	-	-	5,763,826
Debt service:										
Principal	1,887,323	2,535,740	2,485,071	2,959,219	2,150,594	2,610,861	3,372,481	3,305,968	3,175,797	3,511,866
Interest and fees	3,744,219	3,896,137	3,837,316	3,947,868	4,403,856	3,448,347	4,917,152	4,578,463	4,247,973	3,043,070
Total expenditures	96,232,947	91,253,098	92,354,998	111,196,209	97,760,809	109,306,106	119,433,794	116,114,369	93,970,826	118,440,906
Excess (deficiency) of revenues over (under) expenditures	(6,304,236.00)	(3,783,249)	(4,268,645)	(11,553,013)	9,123,094	(6,824,760)	(21,866,772)	(18,251,840)	1,556,992	(18,600,302)
Other financing Sources (uses):										
Issuance of capital lease	-	-	3,048,260	-	-	-	-	-	-	-
Proceeds from refunding of bonds	28,485,000	5,500,000	-	-	23,425,000	-	-	-	-	-
Payment to refunded bonds escrows agents	(16,880,000)	-	-	-	(24,731,033)	-	-	-	-	-
Transfers in	22,164,743	15,033,258	6,738,067	3,240,998	4,693,117	5,895,216	11,774,023	8,598,106	8,290,220	6,029,970
Transfers out	(22,523,688)	(15,146,268)	(6,955,181)	(3,309,159)	(4,405,832)	(6,117,186)	(9,615,363)	(6,913,048)	(9,099,736)	(5,775,621)
Bonds Proceeds	-	-	-	-	-	-	27,725,655	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	2,500,000	-	-
Lease Proceeds	-	-	-	-	-	-	-	461,717	-	-
Issuance of Debt	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	11,246,055	5,386,990	2,831,146	(68,161)	(1,018,748)	(221,970)	29,884,315	4,646,775	(809,516)	18,305,000
Prior period restatement	(1,000,000)	-	-	1,379,781	1,944,954	-	-	-	-	-
Net change in fund balances	\$ 3,941,819	\$ 1,603,741	\$ (1,437,499)	\$ (10,241,393)	\$ 10,049,300	\$ (7,046,730)	\$ 8,017,543	\$ (13,605,065)	\$ 747,476	\$ (40,953)
Debt Services as a percentage of noncapital expenditures	6.7%	8.9%	8.0%	9.0%	8.1%	6.3%	8.1%	8.4%	8.8%	6.2%

**City of San Leandro
General Governmental Revenues By Source
All Government Fund Types
Last Ten Fiscal Years**



Fiscal Year	Property & Other Taxes	Licenses & Permits	Fines & Forfeitures	Service Charges	Intergovernmental	Use of Money & Property	Other Revenue	Total
2003	\$ 52,564,439	\$4,255,912	\$ 568,776	\$2,717,804	\$13,159,024	\$ 6,268,966	\$10,393,790	\$ 89,928,711
2004	55,045,012	3,863,441	704,309	2,883,357	14,285,821	4,789,470	5,900,349	87,471,759
2005	60,174,541	4,333,781	685,984	4,163,570	8,929,406	5,528,100	4,270,971	88,086,353
2006	64,418,048	4,612,703	837,602	5,885,823	13,635,816	6,351,559	3,901,645	99,643,196
2007	68,452,345	7,884,927	1,431,689	5,732,825	9,798,718	8,102,189	5,481,210	106,883,903
2008	66,945,559	6,461,407	1,418,732	4,965,783	10,224,260	6,841,974	5,623,631	102,481,346
2009	64,771,891	6,768,204	1,296,568	4,977,492	7,106,997	5,244,637	46,900,911	137,066,700
2010	64,359,726	6,027,904	1,149,193	2,627,851	12,853,697	4,558,887	6,285,271	97,862,529
2011	68,879,116	6,585,076	1,377,230	2,593,610	8,351,105	4,152,296	3,589,385	95,527,818
2012	67,388,968	6,940,678	1,110,669	3,051,084	10,246,859	3,645,827	7,456,519	99,840,604

City of San Leandro
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended June 30	City				Redevelopment				Total Direct Tax Rate
	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	
2003	\$ 6,181,159	\$ 544,303	\$ (165,818)	\$ 6,559,644	\$ 2,370,358	\$ 386,932	\$ (33,177)	\$ 2,724,113	1.00%
2004	6,676,341	536,497	(166,799)	7,046,038	2,534,206	358,306	(42,206)	2,850,306	1.00%
2005	7,221,647	526,799	(182,526)	7,565,920	2,738,684	346,422	(63,818)	3,021,288	1.00%
2006	7,752,095	538,060	(201,155)	8,089,000	2,902,768	357,620	(73,877)	3,186,511	1.00%
2007	8,490,385	577,326	(193,142)	8,874,569	3,174,542	396,648	(65,057)	3,506,133	1.00%
2008	9,065,717	568,195	(180,546)	9,453,366	3,337,069	396,034	(66,847)	3,666,256	1.00%
2009	9,525,308	556,811	(207,657)	9,874,462	3,593,007	393,869	(87,613)	3,899,263	1.00%
2010	9,102,245	570,588	(218,845)	9,453,988	3,599,645	395,243	(110,812)	3,884,076	1.00%
2011	9,094,918	559,970	(238,681)	9,416,207	3,568,829	406,084	(208,631)	3,766,282	1.00%
2012	9,109,542	532,437	(224,006)	9,417,973	3,570,284	382,532	(123,831)	3,828,985	1.00%

Notes:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of the property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to limitations described above.

**City Of San Leandro
Direct and Overlapping Property Tax Rates
(Rate per \$1,000 of assessed value)
Last Ten Fiscal Years**

Fiscal Year	City Direct Rates			Overlapping Rates			Total
	Alameda County Wide Levy	Bay Area Rapid Transit District	East Bay Regional Park District	Chabot Las-Positas Community College Bonds	San Leandro Unified School District Bonds		
2003	1.0000	0.0000	0.0065	0.0000	0.0369		1.0434
2004	1.0000	0.0000	0.0057	0.0000	0.0331		1.0388
2005	1.0000	0.0000	0.0057	0.0186	0.0363		1.0606
2006	1.0000	0.0048	0.0057	0.0158	0.0358		1.0621
2007	1.0000	0.0076	0.0080	0.0164	0.0767		1.1087
2008	1.0000	0.0076	0.0080	0.0164	0.0767		1.1087
2009	1.0000	0.0090	0.0100	0.0183	0.0699		1.1072
2010	1.0000	0.0057	0.0108	0.0195	0.0771		1.1131
2011	1.0000	0.0031	0.0084	0.0211	0.0897		1.1223
2012	1.0000	0.0041	0.0071	0.0214	0.1108		1.1434

Notes:
In 1978 California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the property tax resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of San Leandro Unified School District and Chabot/Las Positas Community College bonds.

Source: Alameda County Auditor-Controller's Office

**City of San Leandro
Principal Property Tax Payers
June 30, 2012
Current Year and Ten Years Ago**

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Valuation
Kaiser Foundation Hospitals	\$ 100,581,148	1	0.81%			
Ghiradelli Chocolate Company	96,545,060	2	0.78%	49,912,268	4	1.05%
Madison Bay Fair	76,181,847	3	0.62%			1.07%
BCI Coca Cola Bottling Co	67,384,151	4	0.55%	50,654,373	3	1.05%
General Foods Corp	66,119,648	5	0.54%	52,372,149	2	1.07%
AMB Property LP	52,914,465	6	0.43%	-		-
SKB Westgate Investments LLC	47,284,996	7	0.38%	-		-
Batarse Anthony A JR	35,808,973	8	0.29%	-		-
Emerald Properties	29,365,143	9	0.24%	31,570,517	8	1.11%
Lakeside Properties	26,449,764	10	0.21%	22,537,393	9	1.55%
Lucky Stores, Incorporated	-	-	0.00%	62,792,812	1	1.52%
Peterson Tractor	-	-	0.00%	37,910,368	6	1.05%
SLCO , Inc	-	-	0.00%	-		-
San Leandro Investors LLC	-	-	0.00%	14,634,058		4.29%
Gateway Buena Park, Inc.	-	-	0.00%	-		-
AMB Property LP	-	-	0.00%	34,448,632	7	1.08%
San Leandro Hospital	-	-	0.00%	41,551,627	5	1.05%
Totals	\$ 598,635,195		4.85%	\$ 398,384,497		10.64%

Source: Alameda County Tax Assessor's Office

Notes: The amounts shown above include assessed value data for both the City. Top ten taxpayers are based on secured property taxes.

**City of San Leandro
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy			Collections in Subsequent Years	Residual Distribution	Total Collections to Date	
		Amount	Percent of Levy	Percent of Levy			Amount	Percent of Levy
2003	7,212,155	7,002,239	97.09%	-	-	7,002,239	97.09%	
2004	7,629,957	7,255,988	95.10%	-	-	7,255,988	95.10%	
2005	8,151,531	7,610,802	93.37%	165,308	-	7,776,110	95.39%	
2006	8,720,537	8,105,748	92.95%	210,562	-	8,316,310	95.36%	
2007	9,483,392	8,908,943	93.94%	393,199	-	9,302,142	98.09%	
2008	10,093,368	9,370,261	92.84%	424,812	-	9,795,074	97.04%	
2009	10,425,968	9,686,655	92.91%	322,758	-	10,009,413	96.00%	
2010	9,857,438	9,303,586	94.38%	378,646	-	9,682,232	98.22%	
2011	9,800,011	9,307,532	94.97%	230,948	-	9,538,480	97.33%	
2012	9,676,693	9,190,945	94.98%	261,132	266,242	9,718,319	100.43%	

Source: Alameda County Auditor-Controller's Office

**City of San Leandro
Sales Tax Remittance By Category
Last Ten Calendar Years
(in thousands)**

Tax Remitter	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Department Stores	\$ 3,685	\$ 3,759	\$ 3,541	\$ 3,253	\$ 3,158	\$ 2,847	\$ 3,161	\$ 3,093	\$ 3,149	\$ 702
Auto Sales - New	2,395	2,443	2,557	2,440	2,171	1,957	1,343	1,476	1,882	538
Building Materials - Wholesale	2,211	2,255	2,557	2,643	2,171	1,779	1,150	1,192	1,393	318
Light Industry	1,290	1,503	1,377	1,830	1,777	1,246	809	708	766	176
Building Materials - Retail	1,106	1,128	1,180	1,220	987	890	901	886	918	218
Heavy Industry	921	940	983	1,220	1,184	1,246	1,138	1,156	1,374	281
Restaurants	921	940	983	1,016	1,184	1,068	1,097	1,100	1,150	300
Miscellaneous Retail	737	564	590	813	790	712	680	605	642	158
Apparel Stores	737	564	983	1,016	987	1,068	1,057	1,157	1,232	298
Service Stations	737	940	787	1,016	987	1,068	865	1,007	1,178	333
Food Markets	553	564	-	407	-	534	453	437	452	108
Leasing	-	-	590	-	-	-	281	120	187	51
Auto Parts/Repair	-	-	-	-	592	-	479	540	587	187
All Others	3,132	3,195	3,541	3,456	3,751	3,381	2,550	2,828	2,829	615
	\$ 18,425	\$ 18,794	\$ 19,670	\$ 20,330	\$ 19,740	\$ 17,794	\$ 15,964	\$ 16,305	\$ 17,739	\$ 4,283

Source: Muni Financial Services

Notes: For Calendar year 2012 information is only available for the first quarter.

**City of San Leandro
Sewer Rates
Last Ten Fiscal Years**

Fiscal Year	Sewer			Non-Residential		
	Single Family	Multi-Family		Commercial	Institutional	
2003	17.90	12.70		2.23 - 4.56	1.75 - 2.17	
2004	19.99	14.18		2.45 - 5.02	1.93 - 2.39	
2005	22.32	15.84		2.70 - 5.52	2.42 - 2.63	
2006	24.93	17.69		2.97 - 6.07	2.33 - 2.89	
2007	26.29	18.65		3.13 - 6.40	2.45 - 3.05	
2008	26.29	18.65		3.13 - 6.40	2.45 - 3.05	
2009	26.29	18.65		3.13 - 6.40	2.45 - 3.05	
2010	27.60	19.59		3.04 - 6.36	2.50 - 4.63	
2011	26.29	18.65		2.45 - 6.40	2.45 - 3.05	
2012	28.97	20.56		3.19 - 6.67	2.62 - 4.87	

Notes: Commercial and Institutional charge is based upon the volume of water used.

Source: City of San Leandro Public Works Department

**City of San Leandro
Direct and Overlapping Debt
June 30, 2012**

2011-12 Assessed Valuation	\$9,525,782,803
Redevelopment Incremental Valuation	1,463,639,209
Adjusted Assessed Valuation	<u>\$8,062,143,594</u>

	Total Debt 6/30/2012	% Applicable (1)	City's Share of Debt 6/30/12
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Bay Area Rapid Transit District	\$412,540,000	1.849%	\$7,627,865
Chabot-Las Positas Community College District	445,918,869	10.440	46,553,930
San Leandro Unified School District	165,326,387	89.921	148,663,140
San Lorenzo Unified School District	94,760,000	27.059	25,641,108
East Bay Regional Park District	129,525,000	2.872	3,719,958
City of San Leandro Cherrywood Community Facilities District	4,035,000	100	4,035,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			\$236,241,001

Ratios to 2011-12 Assessed Valuation:
Total Overlapping Tax And Assessment Debt.....2.48%

		%
DIRECT GENERAL FUND DEBT:		
City of San Leandro Certificates of Participation	33,125,000	100
City of San Leandro Pension Obligations	18,305,000	100
TOTAL DIRECT GENERAL FUND DEBT		\$ 51,430,000

		%
OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	\$669,510,500	4.775
Alameda County Pension Obligations	131,540,555	4.775
Alameda-Contra Costa Transit District Certificates of Participation	34,485,000	5.795
Chabot-Las Positas Community College District General Fund Obligations	4,320,000	10.44
San Leandro Unified School District Certificates of Participation	20,665,000	27.059
TOTAL OVERLAPPING GENERAL FUND DEBT		\$46,291,344

SUB-TOTAL DIRECT DEBT	\$ 55,465,000
SUB-TOTAL OVERLAPPING DEBT	<u>278,497,345</u>
	\$ 333,962,345 (2)

GRAND TOTAL DIRECT AND OVERLAPPING DEBT (2)

1. Percentage of overlapping agency's assessed valuation located within boundaries of the city.
2. Exclude tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocations bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to Adjusted Assessed Valuation:	
Total Direct Debt (\$51,430,000)	0.64%
Combined Total Debt	4.14%

State School Building Aid Repayable as 6/30/12 : \$0

Source: California Municipal Statistics

**City of San Leandro
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Special Assessment Bonds				Coverage
	Special Assessment Collections	Principal	Debt Service Interest		
2003	\$ 319,723	\$ 205,000	\$ 83,804		0.90
2004	429,881	466,915	216,647		1.59
2005	239,560	230,000	61,698		1.22
2006	92,235	250,000	49,338		3.25
2007	175,866	130,000	35,775		0.94
2008	80,036	135,000	26,441		2.02
2009	66	145,000	16,416		2,445.70
2010	-	155,000	5,592		-
2011	-	-	-		-
2012	-	-	-		-

Notes: The City implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation is not available.

During Fiscal Year 2009-10 no assessments were necessary due to the availability of funds to pay the debt.

Source: City of San Leandro

**City of San Leandro
Computation of Legal Debt Margin
Last Ten Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Valuation:										
Secured property assessed value	\$ 6,016,771,705	\$ 7,043,305,510	\$ 7,554,407,513	\$ 8,300,642,672	\$ 8,886,531,894	\$ 9,318,787,490	\$ 8,890,723,914	\$ 8,864,732,304	\$ 8,893,409,893	\$ 9,359,287,988
Addback: exempt real property	164,387,247	178,341,424	197,687,046	190,742,425	179,186,095	206,520,301	211,520,769	230,185,749	216,131,933	226,783,107
Total Assessed Valuation	\$ 6,181,158,952	\$ 7,221,646,934	\$ 7,752,094,559	\$ 8,491,385,097	\$ 9,065,717,989	\$ 9,525,307,791	\$ 9,102,244,683	\$ 9,094,918,053	\$ 9,109,541,826	\$ 9,586,071,095
Bonded debt (15% of Assessed Value)	\$ 927,173,843	\$ 1,083,247,040	\$ 1,162,814,184	\$ 1,273,707,765	\$ 1,359,857,698	\$ 1,428,796,169	\$ 1,365,336,702	\$ 1,364,237,708	\$ 1,366,431,274	\$ 1,437,910,664
Total Bonded Debt	59,105,000	64,605,000	66,183,260	64,234,740	62,180,004	60,138,458	85,302,265	82,973,241	80,112,833	98,071,722
Less:										
Special assessment bonds	(1,045,000)	(1,045,000)	(815,000)	(565,000)	(435,000)	(300,000)	(155,000)	-		
Certificates of Participation	(42,125,000)	(42,125,000)	(41,200,000)	(40,245,000)	(39,085,000)	(38,015,000)	(37,015,000)	(35,660,000)	(34,420,000)	(29,515,000)
Lease CAD/RMS/Fire Truck	-	-	(3,048,260)	(2,609,740)	(2,175,004)	(1,683,458)	(1,237,265)	(1,238,241)	(772,883)	(287,790)
Amount of Debt subject to Limit	15,935,000	21,435,000	21,120,000	20,815,000	20,485,000	20,140,000	46,895,000	46,075,000	44,919,950	68,268,932
Legal Debt Margin	\$ 911,238,843	\$ 1,061,812,040	\$ 1,141,694,184	\$ 1,252,892,765	\$ 1,339,372,698	\$ 1,408,656,169	\$ 1,318,441,702	\$ 1,318,162,708	\$ 1,321,511,324	\$ 1,369,641,732

**City of San Leandro
Demographic and Economic Statistics
Last Ten Fiscal Years**

Calendar Year	Population	Personal Income Million of Dollars	Per Capita Personal Income	Median Age	School Enrollment	Median Home Price	Consumer Price Index	Unemployment Rate
2003	81,101	-	-	37.70	8,749	427,500	196,300	7.2%
2004	81,352	204,246	49,276	38.40	8,654	450,000	199,000	6.0%
2005	81,013	215,791	51,964	40.00	8,727	527,500	201,200	5.1%
2006	80,928	233,248	59,600	37.70	8,724	552,500	209,100	4.6%
2007	81,273	259,428	62,000	36.70	8,729	477,500	216,120	5.0%
2008	81,851	265,954	62,500	37.70	8,722	363,000	225,180	6.9%
2009	82,472	259,043	57,600	38.00	8,855	305,000	225,692	10.3%
2010	83,183	265,969	59,300	38.90	8,801	334,194	227,697	10.8%
2011	85,490	-	-	39.54	9,000	309,800	232,082	10.0%
2012	86,053	-	-	37.60	8,776	320,000	228,110	9.3%

Notes: Personal and Per Capita Bureau of Economic- San Francisco -Oakland-Fremont Metropolitan Statistical Area 2011-2012 are not available
The City implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation is not available.

Sources: Population provided by the State Department of Finance. Personal income provided by the Bureau of Economic Analysis.
Median Age provided by the US Census Bureau. Median Home Price provided by Cyberhomes the
Unemployment Rate provided by the Bureau of Labor Statistics.

**City of San Leandro
Principal Employers
Current Year and Ten Years Ago**

Employer	2012			2002		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
San Leandro Unified School District	1,119	1	3.98%	800	2	2.99%
American Medical Response West	468	2	1.67%			0.00%
City of San Leandro	409	3	1.46%	465	7	1.74%
North Face, Inc	395	4	1.41%	480	6	1.80%
Ghirardelli Chocolate, Co.	375	5	1.33%			-
Wal - Mart Store 2648	362	6	1.29%			-
Kindred Hopital-SF Bay Area	268	7	0.95%			0.00%
Costco Wholesale	264	8	0.94%	350	10	1.31%
OSI Soft, Inc	253	9	0.90%			0.00%
Wal-Mart sotr 5434	239	10	0.85%			-
Safeway	-	-	-	1,000	1	3.74%
Albertson	-	-	-	800	2	2.99%
San Leandro Hospital	-	-	-	670	3	2.51%
Winterland	-	-	-	500	4	1.87%
Otis Spunkmeyer	-	-	-	400	8	1.50%
Peterson Tractor Co.				370	9	1.38%

Source: City of San Leandro
San Leandro Unified School District

**City of San Leandro
Full-Time and Part-Time City Employees by Function
Last Ten Fiscal Years**

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	64	62	58	59	57	59	62	55	49	51
Police	151	150	151	142	141	147	150	142	133	136
Engineering & Transportation	28	29	32	31	30	29	30	30	25	25
Development Services	34	34	24	24	24	24	23	19	18	19
Public Works Services	115	119	121	123	118	120	122	113	104	103
Other Agencies	8	6	6	6	8	9	8	9	8	8.5
Library	40	40	37	37	45	46	49	40	33	33
Recreation & Human Services	54	54	54	54	57	73	57	45	35	33
Total	494	494	483	476	480	507	501	453	405	409

Notes:
Numbers represent Full-Time equivalents. Fire Services contracted with the Alameda County Fire Department.

Source: City of San Leandro

**City of San Leandro
Operating Indicators by Function
Last Ten Fiscal years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Police Department:</u>										
Arrests	4,678	4,853	4,775	4,769	3,769	3,939	4,026	3,722	3,486	3,299
<u>Building Department:</u>										
Permits Issued	4,029	3,976	3,957	4,014	2,791	3,569	2,541	2,507	2,446	2,503
<u>Public Works Department:</u>										
Street resurfacing (miles)	3	2	2	3	-	2	2	3	4.5	1.54
<u>Parks and Recreation:</u>										
Number of registrants	20,393	20,372	17,848	13,203	18,033	21,850	18,413	16,584	17,099	20,236
Number of facility rentals	683	645	634	542	602	746	752	705	1,190	1,282
<u>Golf Course:</u>										
Golf rounds played	132,000	112,000	109,000	106,000	110,104	102,182	101,760	98,000	98,000	97,310

Notes:

Fire Services are contracted with the Alameda County Fire Department.

Source: City of San Leandro Recreation Department, Police Department, and Building Regulations.

**City of San Leandro
Capital Asset Statistics by Function
Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Police:</u>										
Stations	1	1	1	1	1	1	1	1	1	1
<u>Fire:</u>										
Fire Stations	5	5	5	5	5	5	5	5	5	5
<u>Park and Recreation:</u>										
Parks	16	16	16	16	16	16	16	16	16	16
Community Center	1	1	1	1	1	1	1	2	2	2
<u>Public works:</u>										
Streets (miles)	175	175	180	180	180	180	180	180	180	180
Streetlights	5,000	5,000	5,000	5,000	5,000	5,005	5,005	5,005	5,005	5,005
Traffic signals	8,500	8,500	8,500	8,500	8,500	8,600	8,600	8,600	8,600	8,600
<u>Wastewater:</u>										
Sanitary Sewer Lines (miles)	130	130	130	130	130	130	130	130	130	130
Storm Drainage Lines In the City (miles)	175	175	175	175	175	175	175	175	175	175
<u>Golf Course:</u>										
Courses	2	2	2	2	2	2	2	2	2	2

Sources: City of San Leandro: Public Works Department, Engineering & Transportation Department, Recreation

City of San Leandro
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Redevelopment Owners Participation	Total		
2003	\$ 28,485,000	\$ 30,450,000	\$ 4,862,061	\$ 63,797,061	0.69%	\$ 59.95
2004	37,360,000	26,200,000	4,016,345	67,576,345	0.68%	49.37
2005	36,565,000	25,765,000	3,699,287	66,029,287	0.62%	45.66
2006	35,745,000	25,315,000	5,256,610	66,316,610	0.59%	64.95
2007	34,720,000	24,850,000	4,490,020	64,060,020	0.52%	55.25
2008	33,790,000	24,365,000	3,964,006	62,119,006	0.47%	48.43
2009	32,780,000	51,130,000	3,505,859	87,415,859	0.63%	42.83
2010	31,730,000	50,005,000	4,688,993	86,423,993	0.65%	57.29
2011	30,645,000	48,695,000	4,436,553	83,776,553	0.64%	54.20
2012	47,820,000	47,320,000	4,106,723	99,246,723	0.74%	50.17

Sources: Taxable value of property provided by the Alameda County Tax Collector. All other information provided by the City of San Leandro.

