


CITY OF OAKLAND, CALIFORNIA

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

A COMPONENT UNIT OF THE CITY OF OAKLAND, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2013

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
FINANCIAL REPORT

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CAO – Office of Neighborhood Investment

CAO – Treasury Division

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OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
For the Year Ended June 30, 2013

Table of Contents

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LA/Century City

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Seattle

Independent Auditor's Report

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Oakland Redevelopment Successor Agency (ORSA), a component unit of the City of Oakland (City), California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the ORSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ORSA as of June 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, effective July 1, 2012, the ORSA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ORSA's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of the ORSA'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* in considering the ORSA's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 6, 2013

As management of the Oakland Redevelopment Successor Agency of the City of Oakland ("ORSA"), we offer readers of the ORSA's basic financial statements this narrative overview and analysis of the financial activities of ORSA for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the ORSA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

On May 17, 2013, the California Department of Finance ("DOF") completed its review of ORSA due diligence review ("DDR") and concluded the balance of Non-Low and Moderate Income Housing Asset Fund or Other Funds available for distribution to the affected taxing entities is $32.5 million. In addition, in August 2013, the State Controller's Office (SCO) issued its report on assets transfer review between the City and the former Oakland Redevelopment Agency ("Agency"). As a result of the DOF and SCO reviews, the ORSA recorded the receipt of City assets totaling to $170.0 million and an extraordinary gain of $156.9 million (See Note 2 to the Basic Financial Statements).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the ORSA's basic financial statements. The ORSA's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

This year is the first full year ORSA reported financial activity.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. At the close of June 30, 2013, ORSA has a net negative position of $165.8 million. Under the former California Redevelopment Law, the former Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues (See Note 6 to the basic financial statements).

In general, ORSA's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). These include public projects such as public parking, street improvements, park improvements, transportation improvements, cultural facilities, and community centers. Once redevelopment projects that were public facilities were completed by the former Agency, the responsibilities for their continued maintenance and operations were transferred to the appropriate public entity such as City of Oakland ("City") including the capitalized redevelopment project costs.

In addition, completed projects with private developers were also transferred to the developers in accordance with the Disposition and Development Agreements. Although completed public facilities and Joint Agency-Private Partnership projects were transferred to the City or private entities, the related debt remained with the former redevelopment agency and was transferred to ORSA.

Shown below is a schedule that summarizes the ORSA's net position held in trust:

Statement of Fiduciary Net Position
(In thousands)

Assets	**June 30, 2013**	**June 30, 2012** [1]
Current and other assets	$ 145,875	$ 120,151
Restricted cash and investments	87,282	108,608
Property held for resale	100,271	38,957
Total Assets	333,428	267,716
Deferred Outflows of Resources	2,953	3,210
Liabilities		
Other liabilities	17,839	45,580
Long-term liabilities	484,303	507,691
Total Liabilities	502,142	553,271
Total net position held in trust	**$ (165,761)**	**$ (282,345)**

[1] The June 30, 2012 balances were restated to reflect the impact of implementing GASB Statement No. 65.

ORSA has $87.3 million in restricted cash and investments held in interest and principal reserves for repayment of debt, amounts required to be held in cash reserves per bond indenture, and temporary investments for unexpended bond proceeds. Other funds are held in escrow accounts pursuant to contracts and agreements made by the former Agency and their use is restricted for a particular purpose.

The ORSA's property held for resale reflects a total net book value of $100.3 million, of which a majority of the properties were funded by bond proceeds. The increase from the prior fiscal year is the result of the SCO asset transfer review. On May 29, 2013, ORSA, after making its required payments, received a Finding of Completion from DOF. The Oversight Board also approved the Long-Range Property Management Plan (LRPMP) to address the disposition and use of real property formerly owned by the former Agency, including designating property for future development. The DOF has yet to approve the LRPMP.

Long-term liabilities total $484.3 million. Long-term liabilities are mainly represented by tax allocation bonds totaling $359.0 million and housing set-aside bonds of $122.0 million issued to finance redevelopment projects.

Operating activities. For the year ended June 30, 2013, ORSA had added $156.9 million in assets from the DOF disallowance and the SCO asset transfer review.

Key elements of the ORSA's additions and deductions are presented below:

ORSA's Changes in Fiduciary Net Position
(In thousands)

Additions	**Year Ended June 30, 2013**	**5-month Ended June 30, 2012** [1]
Redevelopment property tax revenues	$ 65,174	$ 36,597
Other revenues	12,322	2,424
Total additions	77,496	39,021
Deductions		
General and administrative	4,595	2,099
Project expenses	52,167	29,787
Payment to the County of Alameda	32,478	-
Interest on debt	28,574	12,374
Total deductions	117,814	44,260
Extraordinary item from		
State Controller's Office Asset Transfer Review	156,902	(273,020)
Change in net position	116,584	(278,259)
Net position held in trust, beginning	(282,345)	-
Adjustment due to implmentation of GASB Statement No. 65	-	(4,086)
Net position held in trust, beginning, as restated	(282,345)	(4,086)
Net position held in trust, end of year	$ (165,761)	$ (282,345)

[1] The June 30, 2012 balances were restated to reflect the impact of implementation of GASB statement No. 65.

For the year ended June 30, 2013, the County Auditor-Controller provided total property tax distributions of $65.2 million. In addition, ORSA recognized $11.5 million of federal and state grants revenue, $0.5 million investment incomes and $0.2 million other revenue for the year ended June 30, 2013. Interest expense including accrued interest on ORSA's outstanding debt and amortization of deferred outflows for the period totaled $28.6 million. In May 2013, ORSA made a $32.5 million payment to the County-Auditor Controller for distribution to the taxing entities.

Debt Administration

At June 30, 2013, ORSA had long-term bonds outstanding aggregating to $481.0 million, a decrease of $22.5 million from fiscal year 2012, resulting from debt service payments on outstanding long-term debts (Tax Allocation Bonds and Housing Set-Aside Bonds) which are backed by redevelopment property tax revenues.

Below is a breakdown of the long-term debt is as follows (in thousands):

	June 30, 2013	June 30, 2012 [(1)]
Long-Term Debt		
Tax allocation bonds	$ 358,980	$ 377,665
Housing set-aside bonds	122,015	125,875
Subtotal - Bonds outstanding	480,995	503,540
Unamortized amounts:		
Premiums and discount	3,308	4,152
Total long-term debt	**$ 484,303**	**$ 507,692**

(1) The June 30, 2012 balances were restated to reflect the impact of implementing GASB Statement No. 65.

Bond Ratings

On September 5, 2013, Moody's confirmed the rating on ORSA's tax allocation bonds and subordinated housing set-aside bonds. The ratings reflect the credit strength of ORSA's value and size. The strengths that Moody's takes into account are ORSA's large geographic and total project area, sizable incremental and assessed valuation, and solid high period of debt service coverage.

The table below shows ORSA bond ratings for the outstanding bonds as of June 30, 2013:

	Ratings		
Type of Obligation	**Moody's**	**S & P**	**Fitch**
Tax Allocation Bonds:			
Central District Redevelopment Project			
Senior Tax Allocation Refunding Bonds, Series 1992	Not Rated	Not Rated	Not Rated
Subordinated Tax Allocation Bonds, Series 2003	Not Rated	A	Not Rated
Subordinated Tax Allocation Bonds, Series 2005	Not Rated	Not Rated	Not Rated
Subordinated Tax Allocation Bonds, Series 2006T	Baa1	A	Not Rated
Subordinated Tax Allocation Bond Series 2009T	Not Rated	A-	Not Rated
Coliseum Area Redevelopment Project			
Tax Allocation Bonds, Series 2006B-TE, B-T	Ba1	A	Not Rated
Central City East Redevelopment Project			
Tax Allocation Bonds, Series 2006A-TE, A-T	Ba1	A-	Not Rated
Broadway/MacArthur/San Pablo Redevelopment Project			
Tax Allocation Bonds, Series 2006C-TE, C-T	Ba1	A+	Not Rated
Tax Allocation Bonds, Series 2010T	Not Rated	A-	Not Rated
Subordinated Housing Set-Aside Bonds:			
Revenue Refunding Bonds Series 2006A, A-T	Ba1	A	A-
Revenue Bonds, Series 2011A-T	Ba1	A	Not Rated

REVENUES AND RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE

Pursuant to AB X1 26, ORSA is required to adopt a Recognized Obligation Payments Schedule ("ROPS"). A ROPS, listing all enforceable obligations due and payable in the six month coverage period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund ("Trust Fund"). Management has determined that the ROPS will replace the ORSA's annual budget.

The semi-annual Administrative Budget for ORSA is presented and approved by the Successor Agency governing board and ORSA's Oversight Board, and subsequently approved as part of the ROPS by the DOF.

OUTSTANDING AUDITS AND REPORTING REQUIREMENTS

ORSA staff continues to work closely with the SCO, the DOF, and the Alameda County Auditor-Controller to complete the outstanding audits and reporting requirements for compliance with AB X1 26 and AB 1484.

In August 2013, the SCO issued its review report on various transfers of assets between the City and the former Redevelopment under the authority of Health and Safety Code section 34167.5, and has ordered that a number of cash and real property assets be returned by the City to ORSA. The City and ORSA are in the process of taking steps needed to comply with this order.

In November 2013, DOF approved the bond expenditure agreement between ORSA and the City. ORSA may utilize proceeds derived from bonds issued prior to January 1, 2011 (pre-2011 bond proceeds) in a manner consistent with the original bond covenants. The agreement between ORSA and the City to transfer excess pre-2011 bonds proceeds obligates the City to expend and maintain excess bond proceeds in accordance with the bond covenants. As required by HSC section 34191.4(c) (2) (A), ORSA has listed the excess bond proceeds on the January through June 2014 Recognized Obligation Payment Schedule ("ROPS") in the total amount of $59,911,270 which is approved by DOF.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of ORSA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Administrative Services Department, Controller's Office, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093. Additional financial data may also be found on the ORSA's website (www.oaklandnet.com).

BASIC FINANCIAL STATEMENTS

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Statement of Fiduciary Net Position
June 30, 2013
(Amounts in Thousands)

ASSETS		
Cash and investments	$	75,166
Receivables:		
Accrued interest		380
Accounts receivable (net of allowance for uncollectable of $31)		4,622
Due from the City of Oakland		48,894
Prepaid expenses		3,376
Restricted cash and investments		87,282
Notes and loans receivable (net of allowance for uncollectable of $48,120)		13,437
Property held for resale		100,271
Total assets		333,428
DEFERRED OUTFLOWS		
Unamortized losses on refunding of debts		2,953
LIABILITIES		
Accounts payable		6,637
Accrued interest payable		9,544
Due to the City of Oakland		1,611
Deposits and other payables		47
Long-term liabilities:		
Due within one year		25,667
Due in more than one year		458,636
Total liabilities		502,142
NET POSITION		
Net position held in trust	$	(165,761)

See accompanying notes to the basic financial statements.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013
(Amounts in Thousands)

ADDITIONS:		
Redevelopment property tax revenues	$	65,174
Investment income:		
Investment income		517
Net appreciation in fair value of investments		50
Federal and state grants		11,534
Rent		6
Other		215
Total additions		77,496
DEDUCTIONS:		
General and administrative:		
Salaries, wages and benefits		3,395
Materials, supplies and other services		1,200
Project expenses		52,167
Payment to County-Auditor Controller		32,478
Interest on debt		28,574
Total deductions		117,814
Extraordinary item from State Controller Office's asset transfer review and California Department of Finance disallowances		156,902
Change in net position		116,584
Net position, beginning, as previously reported		(278,259)
Adjustment due to implementation of GASB Statement No. 65		(4,086)
Net position, beginning, as restated		(282,345)
Net position, ending	$	(165,761)

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

The Redevelopment Agency of the City of Oakland ("Agency") was established in 1956 by the Oakland City Council as a public entity legally separate from the City of Oakland ("City"). Until June 28, 2011, the Agency had the authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Area." Redevelopment projects are developed in cooperation with private developers. Public redevelopment projects are also developed under cooperation agreements between the Agency and the City or other public entities that will own the project.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Investments

ORSA records investment transactions on the trade date. Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is defined as the amount that ORSA could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices. Investment income, including unrealized gains and losses, is recognized as revenue.

ORSA follows the practice of pooling cash of all operating funds for investment. Income or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds based on their proportionate share of the average daily cash balance.

Proceeds from debt and other funds which are restricted for the payment of debt or for enforceable obligations in the Recognized Obligation Payment Schedule ("ROPS") and held by fiscal agents by agreement are classified as restricted assets.

Redevelopment Property Tax Revenues

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into ORSA's Redevelopment Property Tax Trust Fund ("Trust Fund") administered by the County's Auditor-Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the County to the local agencies in the project area unless needed to pay enforceable obligations.

Distributions are to be made twice each year on the following cycles:

Distribution Dates	Covers Recognized Obligation Payment Schedules to be Paid
January 2	January 1 through June 30
June 1	July 1 through December 31

The amounts distributed for ROPS are forward looking to the next six month period.

Restricted Assets

Assets are restricted for specified uses by bond debt requirements, grant provisions or other requirements and their use is limited by applicable bond covenants or agreements.

Adoption of New Pronouncements

GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and incorporates these financial measures into the definitions of the required components of the residual measure, which will be renamed as net position, rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the ORSA adopted this statement, which did not have a significant impact on its financial statements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2012, the ORSA adopted the provisions of GASB Statement No. 65 and restated the beginning net position in the amount of $4,086 to write off unamortized bond issuance costs that were previously reported as assets. In addition, the remaining balance of prepaid insurance were reclassified from deferred charges to assets and the remaining unamortized loss on refunding was reclassified from contra liabilities to deferred outflows of resources.

Property Held for Resale

For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management’s estimated of net realizable value of each property parcel based on its current use. The ORSA does not depreciate property held for resale, as it is the intention of the ORSA to only hold the property for a period of time until it can be resold for development. The properties will be held for resale by ORSA until the California Department of Finance (“DOF”) approves a Long-Range Property Management Plan or when the conversion of property for cash is necessary to pay ORSA’s enforceable obligations when due.

Long-term Obligations

The former Agency issued Tax Allocation Bonds and Housing Set-Aside Bonds to finance housing and other redevelopment projects. Long-term debt and other long-term obligations are reported as liabilities.

Issuance costs are expensed in the year of debt issuance. Long-term debt is reported net of the applicable premiums and discounts. The premiums and discounts are amortized as a component of the interest expense on a straight-line basis over the remaining life of the debt instrument.

Extraordinary Item

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

(Amounts in Thousands)

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012. Under this legislation, the DOF and the California State Controller's Office ("SCO") have varying degrees of responsibility and oversight.

Pursuant to Health and Safety (H&S) Code section 34167.5, SCO reviewed all assets transferred made by the former Oakland Redevelopment Agency to the City or any other public agency after January 1, 2011. The review included, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source. In August 2013, the SCO issued its report reviewing various transfers of assets between the City and the former Agency under these requirements, and has ordered that a number of cash and real property assets be returned by the City to ORSA in a total amount of $170.0 million. The City and ORSA are in the process of taking steps needed to comply with this order. The SCO asset transfer review was recorded as of June 30, 2013, as an extraordinary gain in ORSA's financial statements.

The components of the extraordinary gain recognized are as follows:

	SCO Clawback	Extraordinary Gain
SCO asset transfer review order on:		
Property transferred to City	$ 93,381	$ 93,381
Property purchased from City	35,162	35,162
ORSA's basis of property purchased from City	-	(32,067)
Cash transferred to the City for third-party agreements	41,455	41,455
Notes and loans receivables	49,290	49,290
Less: Allowance for notes and loans receivables	-	(34,950)
Less: Deferred revenue on notes and loans receivables	(49,290)	-
DOF disallowance on unrestricted cash	-	4,631
Extraordinary gain from SCO asset transfer review and DOF disallowance	$ 169,998	$ 156,902

Use of Estimates

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

(Amounts in Thousands)

NOTE 3 – CASH AND INVESTMENTS

The ORSA's cash and investments consist of the following at June 30, 2013

Cash and Investments	Amount
Unrestricted cash and investments	$ 75,166
Restricted cash and investments	87,282
Total cash and investments	$ 162,448

Investments

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

As of June 30, 2013, ORSA invested a total amount of $57.6 million with U.S. government agency securities, which is comprised of $47.6 million from its unrestricted accounts, and $10.0 from the Tax Allocation Bonds and the Housing Set-Aside Bonds reserve and capitalized interest. The remaining balance is invested in money market funds for a total of $86.8 million.

Custodial Credit Risk

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

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

As of June 30, 2013, the carrying amount of the ORSA's deposits was $18.1 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $0.5 million, and the bank balance of $17.6 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA's investment policy has mitigated interest rate risk by establishing policies over liquidity. As of June 30, 2013, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

Type of Investment	Fair Value	Interest Rates (%)	Maturities Less than 1 Year
U.S. Government Agency Securities	$ 15,609	0.16 - 0.62	$ 15,609
U.S. Government Agency Securities (Discount)	31,998	0.03	31,998
Money Market Mutual Funds	9,500	0.03 - 0.09	9,500
Total	57,107		$ 57,107
Deposits	18,059		
	$ 75,166		

Restricted Cash and Investments

Type of Investment	Fair Value	Interest Rates (%)	Maturities Less than 1 Year	Maturities 1 - 3 Years
U.S. Government Agency Securities	$ 4,003	0.30	$ -	$ 4,003
U.S. Government Agency Securities (Discount)	6,000	0.02	6,000	-
Money Market Mutual Funds	77,279	0.01	77,279	-
Total	$ 87,282		$ 83,279	$ 4,003

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. ORSA's investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures.

The following tables show the ORSA's credit risk as rated by Standard & Poor's and Moody's for the pooled and restricted portfolios as of June 30, 2013 (in thousands):

Pooled Cash and Investments

		Ratings as of June 30, 2013	
Type of Investment	**Fair Value**	**Aaa/AAA**	**Aaa/AA**
U.S. Government Agency Securities	$ 15,609	$ 15,609	$ -
U.S. Government Agency Securities (Discount)	31,998	-	31,998
Money Market Mutual Funds	9,500	9,500	-
Total	$ 57,107	$ 25,109	$ 31,998

Restricted Cash and Investments

		Ratings as of June 30, 2013	
Type of Investment	**Fair Value**	**Aaa/AAA**	**Aaa/AA**
U.S. Government Agency Securities	$ 4,003	$ 4,003	$ -
U.S. Government Agency Securities (Discount)	6,000	-	6,000
Money Market Mutual Funds	77,279	77,279	-
Total	$ 87,282	$ 81,282	$ 6,000

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on ORSA. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. The following table shows the diversification of ORSA's portfolio as of June 30, 2013 (in thousands):

	Pooled Cash and Investments		Restricted Cash and Investments	
Type of Investment	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
U.S. Government Agency Securities	$ 15,609	27.33%	$ 4,003	4.59%
U.S. Government Agency Securities (Discount)	31,998	56.03%	6,000	6.87%
Money Market Mutual Funds	9,500	16.64%	77,279	88.54%
Total	$ 57,107	100.00%	$ 87,282	100.00%

The following table shows ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2013 (in thousands):

Investment Type / Issuer	**Amount**	**Percent of ORSA's Investment Portfolio**
U.S. Government Agency Securities:		
Federal National Mortgage Association	$ 18,609	12.9%
Federal Home Loan Bank	22,999	15.9%
Federal Home Loan Mortgage Corporation	16,003	11.1%

(Amounts in Thousands)

Restricted Cash and Investments with Fiscal Agents

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds. As of June 30, 2013, the amounts held by the trustees aggregated $87.3 million. All restricted investments held by trustees as of June 30, 2013 were invested in U.S. Government Agency Securities and money market mutual funds, and were in compliance with the bond indentures.

NOTE 4 – LOANS RECEIVABLE

Composition of loans receivable as of June 30, 2013 is as follows:

Housing development project loans	$	1,462
Economic development loans		60,095
Gross notes and loans receivable		61,557
Allowance for uncollectible		(48,120)
Total notes and loans receivable, net	$	13,437

As of June 30, 2013, ORSA has a total of $13.4 million net notes and loans receivable, which includes the SCO asset transfer review on notes and loans of $49.3 million. The net increase from the transfer compose of $47.0 million in loans receivable, $34.9 million in allowance for uncollectible and $2.3 million in due from the City of Oakland.

NOTE 5 – PROPERTY HELD FOR RESALE

As of June 30, 2013, ORSA has a total $100.3 million for properties held for resale recorded at the lower of cost or net realizable value. The changes represent the State Controller Office asset review demand order dated August 21, 2013. On July 2, 2013, the City approved resolution no 2013-0022 C.M.S approving a Long-Range Property Management Plan (“LRPMP”) addressing the disposition and use of former Agency properties and authorizing the disposition of properties pursuant to the plan, subsequently, the Oversight Board followed suit on July 15, 2013 with approving resolution no. 2013-014 for the same. DOF has yet to approve the LRPMP.

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Property held for resale	$ 38,957	$ 93,381	$ 32,067	$ 100,271

NOTE 6 – DEBT

Long-term Debt

The following is a summary of bonds payable of ORSA as of June 30, 2013 (in thousands):

Type of Obligation	Original Issued Amount	Issued Year	Final Maturity Year	Interest Rate Range	June 30, 2013 Principal Balance
Tax Allocation Bonds:					
Central District Redevelopment Project					
Senior Tax Allocation Refunding Bonds, Series 1992	$ 97,655	1992	2014	2.50% - 6.00%	$ 6,680
Subordinated Tax Allocation Bonds, Series 2003	120,605	2003	2019	3.00% - 5.50%	82,720
Subordinated Tax Allocation Bonds, Series 2005	44,360	2005	2022	5.00%	31,970
Subordinated Tax Allocation Bonds, Series 2006T	33,135	2006	2021	5.25% - 5.41%	18,015
Subordinated Tax Allocation Bond Series 2009T	38,755	2009	2021	5.30% - 8.50%	36,370
Coliseum Area Redevelopment Project					
Tax Allocation Bonds, Series 2006B-TE	28,770	2006	2036	4.00% - 5.00%	25,755
Tax Allocation Bonds, Series 2006B-T	73,820	2006	2035	5.26% - 5.54%	66,055
Central City East Redevelopment Project					
Tax Allocation Bonds, Series 2006A-TE	13,780	2006	2036	5.00%	13,780
Tax Allocation Bonds, Series 2006A-T	62,520	2006	2034	5.26% - 5.54%	54,770
Broadway/MacArthur/San Pablo Redevelopment Project					
Tax Allocation Bonds, Series 2006C-TE	4,945	2006	2036	5.00%	4,945
Tax Allocation Bonds, Series 2006C-T	12,325	2006	2032	5.28% - 5.59%	10,580
Tax Allocation Bonds, Series 2010T	7,390	2010	2041	7.20% - 7.40%	7,340
Subtotal	538,060				358,980
Subordinated Housing Set-Aside Bonds:					
Revenue Refunding Bonds Series 2006A	2,195	2006	2018	5.00%	2,195
Revenue Bonds Series 2006A-T	82,645	2006	2037	5.03% - 5.93%	73,690
Revenue Bonds, Series 2011A-T	46,980	2011	2042	3.25% - 9.25%	46,130
Subtotal	131,820				122,015
Total Long-term Debt	$ 669,880				$ 480,995

A summary of the changes in long-term debt for the year ended June 30, 2013 follows (in thousands):

	July 1, 2012 (As Restated)	Additions	Deductions	June 30, 2013	Due within One Year
Bonds Payable:					
Tax allocation bonds	$ 377,665	$ -	$ (18,685)	$ 358,980	$ 20,460
Housing set-aside bonds	125,875	-	(3,860)	122,015	4,410
Less unamortized amounts:					
Issuance premiums	6,675	-	(980)	5,695	933
Issuance discount	(2,523)	-	136	(2,387)	(136)
Total	$ 507,692	$ -	$ (23,389)	$ 484,303	$ 25,667

Tax Allocation Bonds and Housing Set-Aside Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each of the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at $2,856,580. These revenues have been pledged until the year 2041, the final maturity date of the bonds. The total principal and interest remaining on these TABs as of June 30, 2013 is estimated at $559,959, which is 19.6 percent of the total projected redevelopment property tax revenues. The pledged redevelopment property tax revenue recognized as of June 30, 2013 was $65,174, of which $39,742 (principal and interest) was used to pay debt service.

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

Housing Set-Aside Bonds

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

As of June, 30, 2013, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at $758,182. These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these Housing Set-Aside Bonds as of June 30, 2013 is estimated at $239,930, which is 31.6 percent of the total projected tax increment revenues. The pledged redevelopment property tax revenue recognized as of June 30, 2013 was zero. The principal and interest debt service payment for the fiscal year was $12,116. The ORSA used ROPS and restricted fund balance on the Low and Moderate Housing Fund to pay the debt service for the subject reporting period.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the ROPS from the Trust Fund pursuant to H&S Code section 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Debt Service Requirements

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and housing set-aside bonds outstanding as of June 30, 2013, including mandatory sinking fund payments, are as follows (in thousands):

Year ending June 30:	Principal	Interest	Total
2014	$ 24,870	$ 28,053	$ 52,923
2015	19,865	26,651	46,516
2016	27,140	25,334	52,474
2017	29,760	23,670	53,430
2018	30,570	21,848	52,418
2019 - 2023	153,070	80,428	233,498
2024 - 2028	48,265	52,447	100,712
2029 - 2033	59,120	37,371	96,491
2034 - 2038	65,240	18,927	84,167
2039 - 2042	23,095	4,165	27,260
TOTAL	$ 480,995	$ 318,894	$ 799,889

Conduit Debt

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

The conduit debt issued and outstanding at June 30, 2013 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2013
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	$160,000	10/01/50	$160,000

Outstanding Defeased Bonds

For financial reporting purposes, the ORSA's advance-refunded debt is considered defeased and therefore removed as a liability from ORSA's statement of fiduciary net position. Cumulatively, the defeased bonds had an outstanding debt balance of $13.6 million at June 30, 2013.

NOTE 7 – PAYMENT TO COUNTY-AUDITOR CONTROLLER

The provisions of AB1484, which was a trailer bill to the FY 2012-13 State Budget, required that the Successor Agency must provide DOF an Oversight Board-approved DDR that has been prepared by a licensed accountant. The DDR listed all encumbered and unencumbered assets, and stated whether or not those assets are encumbered by enforceable obligations. On February 5, 2013, ORSA submitted DOF an approved Oversight Board DDR with no cash and cash equivalents available for distribution to the affected taxing entities. In a letter dated May 17, 2013, DOF completed its review of ORSA's DDR and adjusted $182.8 million in non-cash and restricted cash and cash equivalents assets and $32.5 million in non-restricted cash and cash equivalents. Therefore, the balance available for distribution to the affected taxing entities is $32.5 million. On May 22, 2013, ORSA issued a payment of $32.5 million to the County-Auditor Controller to be deposited into the Trust Fund for distribution to the taxing entities.

NOTE 8 – TRANSACTIONS WITH THE CITY OF OAKLAND

City Expenses

ORSA and the Housing Successor incurred a total of $11.3 million expenditures in general administration and project-related overhead. Of this amount, $4.4 million of project-related overhead and operational costs for support services were provided by designated City employees. ORSA reimbursed the City $3.7 million of general and administrative overhead costs and $0.7 million administrative overhead cost associated with Housing Successor,

Due from the City of Oakland

As of June 30, 2013, ORSA has a total due from the City in the amount of $48.9 million, an increase of $47.2 million compared to the $1.7 million at June 30, 2012. The increase is primary due to SCO asset transfer review.

Due to the City of Oakland

At June 30, 2013, ORSA has a payable to the City in the amount of $1.6 million which included the former Agency's Low and Moderate Housing Fund loan of $1.4 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor and a payable of $0.2 million to the City for support services.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Long-Range Property Management Plan ("LRPMP")

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012, and replaced with successor agencies. Under this legislation, the Oversight Board, the DOF and the SCO have varying degrees of responsibility and oversight over the dissolution process and successor agency activities. H&S Code section 34179.7 provides that DOF will issue a finding of completion to a successor agency that makes required payments of available cash assets for distribution to taxing entities. On May 29, 2013, the ORSA, after making its required payments, received its Finding of Completion from DOF.

H&S Code section 34191.5(b) requires a successor agency to prepare and submit for approval LRPMP within six months of receiving a finding of completion. On July 2, 2013, ORSA approved Resolution No. 2013-0022 approving a LRPMP addressing the disposition and use of former Redevelopment Agency properties and authorizing the disposition of properties pursuant to the Plan. The Plan has been approved by the Oversight Board on July 15, 2013 and has been submitted to DOF for review. DOF has yet to approve the Plan and the ultimate outcome cannot presently be determined and, accordingly, no provision for any liability that may result has been recorded in the financial statements.

Environmental Land Remediation Obligation

As of June 30, 2013, a review of ORSA's property reveals that there is no current pollution remediation required based on their current uses (i.e. surface parking and other uses). If in the future when a land remediation obligation occurs to a property due to a change in the purpose (i.e. convert to housing or retail project), ORSA will prepare estimates and comply with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

Ambac Bankruptcy

On November 9, 2010, Ambac Financial Group Inc. (the "Ambac Financial") filed for bankruptcy protection under Chapter 11 Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Ambac Financial is a holding company whose affiliates provide financial guarantees and financial services to its customers. Ambac Assurance Corporation ("Ambac Assurance"), a subsidiary of Ambac Financial, has issued a financial guaranty insurance policy for payment of principal and interest when due and a reserve fund surety bond for the former Agency's tax allocation bonds.

(Amounts in Thousands)

Ambac Assurance continues to provide policy coverage for the Agency's bonds listed in the table below. Also, Ambac Assurance's obligation to honor claims in accordance with the terms of the policies has not been affected by the bankruptcy of Ambac Financial.

Type of Obligation	Original Par Amount
Tax Allocation Bonds:	
Central District Redevelopment Project	
Senior Tax Allocation Refunding Bonds, Series 1992	$ 97,655
Subordinated Tax Allocation Bonds, Series 2005	44,360
Coliseum Area Redevelopment Project	
Tax Allocation Bonds, Series 2006B-TE	28,770
Tax Allocation Bonds, Series 2006B-T	73,820
Central City East Redevelopment Project	
Tax Allocation Bonds, Series 2006A-TE	13,780
Tax Allocation Bonds, Series 2006A-T	62,520
Broadway/MacArthur/San Pablo Redevelopment Project	
Tax Allocation Bonds, Series 2006C-TE	4,945
Tax Allocation Bonds, Series 2006C-T	12,325
Subordinated Housing Set-Aside Bonds:	
Revenue Refunding Bonds Series 2006A, A-T	84,840

On May 1, 2013, Ambac Financial emerged from bankruptcy protection which had been filed under Chapter 11 of the Bankruptcy Code in November 2010. Ambac Assurance remains subject to rehabilitation proceedings undertaken by the Wisconsin Office of the Commissioner of Insurance. No assurance can be made regarding the claims paying ability of Ambac Assurance on the surety bonds described above.

Encumbrances

At June 30, 2013, ORSA had encumbered $1.25 billion for contracted obligations, per the ROPS covering the July 1, 2013 through December 31, 2013 period, which was approved by the DOF on May 24, 2013.

NOTE 10 – LITIGATION

Litigation/Unpaid Claims

ORSA is subject to various claims and from time to time is involved in lawsuits in which damages are sought. As litigation is subject to many uncertainties and as the outcome of litigated matters cannot be predicted with certainty, it is reasonably possible that some of these legal actions could be decided unfavorably against ORSA.

NOTE 11 – SUBSEQUENT EVENTS

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2013

On September 18, 2013, the City issued the Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the "Series 2013 TABs") in the principal amount of $102,960. The proceeds were used to refund the Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003 and its Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005. The issuance of the Series 2013 TABs produced approximately $10,139 in debt service savings.

The Series 2013 TABs were issued with interest rates ranging from 3.00% to 5.00% which yielded an effective rate of 0.63% to 3.66% with a final maturity on September 1, 2022.

DOF Approval of Bond Spending Plan

Upon receiving the Finding of Completion from the DOF on May 29, 2013, the ORSA developed a Bond Spending Plan and drafted a Bond Expenditure Agreement for the use of unspent pre-2011 bond proceeds. Pursuant to H&S Code section 34179 (h), the DOF reviewed the Oversight Bond action on the Bond Spending Plan and approved the Bond Spending Plan on November 6, 2013. The Bond Spending Plan allows ORSA to utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants. As required by H&S Code section 34191.4(c) (2) (A), ORSA has included excess bond proceeds in the total amount of $59.9 million on the ROPS for January through June 2014, which has been approved by the DOF.

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OTHER SUPPLEMENTARY INFORMATION

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Combining Schedule of Fiduciary Net Position
June 30, 2013
(Amounts in Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal & State Grant	Debt Service	Elimination	TOTAL
ASSETS							
Current Assets:							
Cash and investments	$ 35,372	$ 490	$ 38,589	$ 80	$ 635	$ -	$ 75,166
Accrued interest receivable	187	2	188	-	3	-	380
Accounts receivable (net of allowance for uncollectable of $31)	-	167	7	4,448	-	-	4,622
Due from other funds	3,296	-	-	-	-	(3,296)	-
Due from the City of Oakland	-	-	48,894	-	-	-	48,894
Prepaid expenses	-	-	7	-	3,369	-	3,376
Restricted cash and investments	-	-	78,211	-	9,071	-	87,282
Total Current Assets	38,855	659	165,896	4,528	13,078	(3,296)	219,720
Non-Current Assets:							
Notes and loans receivable (net of allowance for uncollectable of $48,120)	-	35	13,402	-	-	-	13,437
Property held for resale	-	-	100,271	-	-	-	100,271
Total Non-Current Assets	-	35	113,673	-	-	-	113,708
Total assets	38,855	694	279,569	4,528	13,078	(3,296)	333,428
DEFERRED OUTFLOWS							
Unamortized losses on refunding of debts	-	-	-	-	2,953	-	2,953
LIABILITIES							
Current Liabilities:							
Accounts Payable	-	-	2,189	4,448	-	-	6,637
Accrued interest payable	-	-	-	-	9,544	-	9,544
Due to other funds	-	-	3,296	-	-	(3,296)	-
Due to the City of Oakland	-	-	1,611	-	-	-	1,611
Deposits and other liabilities	-	6	41	-	-	-	47
Total Current Liabilities	-	6	7,137	4,448	9,544	(3,296)	17,839
Long-term Liabilities:							
Due within one year	-	-	-	-	25,667	-	25,667
Due in more than one year	-	-	-	-	458,636	-	458,636
Total Non-Current Liabilities	-	-	-	-	484,303	-	484,303
Total liabilities	-	6	7,137	4,448	493,847	(3,296)	502,142
NET POSITION							
Net position held in trust	$ 38,855	$ 688	$ 272,432	$ 80	$ (477,816)	$ -	$ (165,761)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Combining Schedule of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013
(Amounts in Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal and State Grants	Debt Service	Elimination	TOTAL
ADDITIONS:							
Redevelopment property tax revenues	$ 65,174	$ -	$ -	$ -	$ -	$ -	$ 65,174
Investment income:							
Interest on investments	56	6	435	(4)	24	-	517
Net appreciation in fair value of investments	39	-	8	1	2	-	50
Federal Grants	-	-	-	-	244	-	244
State Grants	-	-	276	11,014	-	-	11,290
Rent	-	-	6	-	-	-	6
Other	-	13	202	-	-	-	215
Total additions	65,269	19	927	11,011	270	-	77,496
DEDUCTIONS:							
General and administrative:							
Salaries, wages and benefits	-	-	3,395	-	-	-	3,395
Materials, supplies and other services	-	-	1,038	-	162	-	1,200
Project expenses	-	2,275	39,302	10,590	-	-	52,167
Payment to County-Auditor Controller	-	-	32,478	-	-	-	32,478
Debt Service:							
Interest on debt	-	-	-	-	28,574	-	28,574
Total deductions	-	2,275	76,213	10,590	28,736	-	117,814
Net increase (decrease) before transfers	65,269	(2,256)	(75,286)	421	(28,466)	-	(40,318)
OTHER FINANCING SOURCES (USES):							
Transfers in	-	2,468	8,996	-	52,380	(63,844)	-
Transfers out	(63,051)	-	(793)	-	-	63,844	-
Total Other Financing Sources (Uses)	(63,051)	2,468	8,203	-	52,380	-	-
Extraordinary item from State Controller's Asset Transfer Review and California Department of Finance disallowances	-	-	156,902	-	-	-	156,902
Change in net position	2,218	212	89,819	421	23,914	-	116,584
Net position, beginning, as previously reported	36,637	476	182,613	(341)	(497,644)	-	(278,259)
Adjustment due to implementation of GASB Statement No. 65	-	-	-	-	(4,086)	-	(4,086)
Net position, beginning, as restated	36,637	476	182,613	(341)	(501,730)	-	(282,345)
Net position, ending	$ 38,855	$ 688	$ 272,432	$ 80	$ (477,816)	$ -	$ (165,761)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Combining Schedule of Fiduciary Net Position for Capital Project Sub-Funds
June 30, 2013
(Amounts in Thousands)

	Capital Projects							
	Central District	**Coliseum**	**Central City East**	**Low and Moderate Housing**	**Broadway MacArthur San Pablo**	**Oakland Army Base**	**Other Projects**	**Total Capital Project Funds**
ASSETS								
Current Assets:								
Cash and investments	$ 2,967	$ 6,564	$ 8,375	$ 13,661	$ 5,194	$ -	$ 1,828	$ 38,589
Accrued interest receivable	21	33	36	68	26	-	4	188
Accounts receivable	-	-	7	-	-	-	-	7
Due from the City of Oakland	7,754	11,411	28,455	225	-	1,049	-	48,894
Prepaid Expenses	-	7	-	-	-	-	-	7
Restricted cash and investments	14,258	1,169	9,304	46,778	6,702	-	-	78,211
Total Current Assets	25,000	19,184	46,177	60,732	11,922	1,049	1,832	165,896
Non-Current Assets:								
Notes and loans receivable (net of allowance for uncollectable of $48,120)	11,385	1,339	45	-	-	-	633	13,402
Property held for resale	44,949	44,295	11,027	-	-	-	-	100,271
Total Non-Current Assets	56,334	45,634	11,072	-	-	-	633	113,673
Total assets	81,334	64,818	57,249	60,732	11,922	1,049	2,465	279,569
LIABILITIES								
Current Liabilities:								
Accounts payable	201	107	1,393	324	124	24	16	2,189
Due to other funds	-	-	-	-	-	3,296	-	3,296
Due to the City of Oakland	-	-	1,434	-	-	177	-	1,611
Deposits and other liabilities	3	-	-	-	25	-	13	41
Total liabilities	204	107	2,827	324	149	3,497	29	7,137
NET POSITION								
Net position held in trust	$ 81,130	$ 64,711	$ 54,422	$ 60,408	$ 11,773	$ (2,448)	$ 2,436	$ 272,432

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Combining Schedule of Changes in Fiduciary Net Position for Capital Project Sub-Funds
For the Year Ended June 30, 2013
(Amounts in Thousands)

	Capital Projects							
	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Other Projects	Total Capital Project Funds
ADDITIONS:								
Investment income:								
Interest on investments	$ 141	$ 47	$ 16	$ 175	$ 37	$ -	$ 19	$ 435
Net appreciation (depreciation) in fair value of investments	9	2	9	(5)	3	(8)	(2)	8
State Grants	276	-	-	-	-	-	-	276
Rent	-	-	6	-	-	-	-	6
Other	201	-	-	-	1	-	-	202
Total additions	627	49	31	170	41	(8)	17	927
DEDUCTIONS:								
General and administrative:								
Salaries, wages and benefits	1,202	618	387	728	214	153	93	3,395
Materials, supplies and other services	466	240	150	3	83	60	36	1,038
Project expenses	7,730	1,207	2,315	25,784	1,522	221	523	39,302
Payment to County-Auditor Controller	19,285	8,229	2,197	-	1,756	-	1,011	32,478
Total deductions	28,683	10,294	5,049	26,515	3,575	434	1,663	76,213
Net decrease before transfers	(28,056)	(10,245)	(5,018)	(26,345)	(3,534)	(442)	(1,646)	(75,286)
OTHER FINANCING SOURCES (USES):								
Transfers in	4,449	951	1,829	733	306	555	173	8,996
Transfers out	-	-	-	-	-	-	(793)	(793)
Total Other Financing Sources (Uses)	4,449	951	1,829	733	306	555	(620)	8,203
Extraordinary item from State Controller's Office asset transfer review and California Department of Finance disallowances	67,996	56,424	28,634	-	1,756	-	2,092	156,902
Change in net position	44,389	47,130	25,445	(25,612)	(1,472)	113	(174)	89,819
Net position, beginning	36,741	17,581	28,977	86,020	13,245	(2,561)	2,610	182,613
Net position, ending	$ 81,130	$ 64,711	$ 54,422	$ 60,408	$ 11,773	$ (2,448)	$ 2,436	$ 272,432

MGO Certified Public Accountants.

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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

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

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oakland Redevelopment Successor Agency (ORSA), a component unit of the City of Oakland (City), California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the ORSA's basic financial statements, and have issued our report thereon dated December 6, 2013. Our report includes an emphasis of matter paragraph indicating that the ORSA adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Walnut Creek, California
December 6, 2013