

CITY OF OAKLAND, CALIFORNIA

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
A COMPONENT UNIT OF THE CITY OF OAKLAND, CALIFORNIA

FOR THE PERIOD FROM INCEPTION (FEBUARY 1, 2012) THROUGH JUNE 30, 2012

OAKLAND REDEVELOPMENT SUCCESOR AGENCY
FINANCIAL REPORT

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OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
For the Period From Inception (February 1, 2012) through June 30, 2012

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Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

Independent Auditor's Report

We have audited the accompanying basic financial statements of the Oakland Redevelopment Successor Agency (ORSA), a component unit of the City of Oakland (City), California, as of June 30, 2012 and for the period from inception (February 1, 2012) through June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the ORSA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ORSA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, and the changes in its financial position for the period from inception (February 1, 2012) through June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the basic financial statements, in connection with uncertainties with the Redevelopment Dissolution Law, it is reasonably possible that a determination may be made at a later date by an appropriate State or judicial authority that would resolve dissolution matters differently than currently reported. The ultimate outcome of these issues cannot presently be determined, accordingly, no provision for any adjustment that may result has been recorded in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 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* and should be considered in assessing the results of our audit.

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 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 conducted for the purpose of forming an opinion on the ORSA's basic financial statements as a whole. The other supplementary information 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. The other supplementary 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 3, 2013

As management of the Oakland Redevelopment Successor Agency of the City of Oakland ("ORSA"), we offer readers of the Agency's basic financial statements this narrative overview and analysis of the financial activities of ORSA for the period from its inception on February 1, 2012 through June 30, 2012. We encourage readers to consider the information presented here in conjunction with the ORSA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Pursuant to AB X1 26, redevelopment agencies in California were dissolved effective February 1, 2012. The legislation, which was upheld by the California Supreme Court in *California Redevelopment Association v. Matosantos*, and subsequently amended by AB 1484 (together, "The Redevelopment Dissolution Law") provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of the redevelopment activity. On January 10, 2012, the City Council affirmed its decision as part of the resolution number 83679 C.M.S to serve as the Successor Agency to the Redevelopment Agency of the City of Oakland overseeing all assets, properties, contracts, leases, books, records, buildings, equipment and liabilities transferred to ORSA on February 1, 2012. ORSA would be responsible for overseeing the dissolution process and the wind down of the former Redevelopment Agency of the City of Oakland's activities.

At February 1, 2012, ORSA recorded the receipt of the former Oakland Redevelopment Agency's assets $179.7 million and liabilities $556.2 million; the receipt of unencumbered cash of the City's Housing Successor Agency Fund funded with the former redevelopment agency's low and moderate income tax increment revenues ($103.5 million) as an extraordinary event (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 period ORSA reported financial activity. In future years, when prior year information is available, a comparative analysis of the ORSA's financial data will be presented.

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. At the close of June 30, 2012, ORSA has a net assets deficit of $269.8 million. Under the former California Redevelopment Law the former agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. (See Note 2 to the basic financial statements).

The former Agency used debt proceeds to finance its redevelopment projects, including 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 assets held in trust:

Statement of Fiduciary Net Assets
June 30, 2012
(In thousands)

	June 30, 2012
Assets	
Current and other assets	$ 271,802
Total Assets	271,802
Liabilities	
Other liabilities	45,580
Long-term liabilities	504,481
Total Liabilities	550,061
Total net assets held in trust	**$ (278,259)**

The ORSA has $108.6 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, their use restricted for a particular purpose.

The ORSA's Property held for resale reflects a total net book value of $38.9 million which majority of the properties are funded by bond proceeds. The property held for resale would be included in the Successor ORSA's Long-Range Management Plan, which will be forwarded to the Oversight Board and DOF for approval upon the receipt of a Finding of Completion from the DOF.

Long-term liabilities total $504.5 million. Long-term liabilities are mainly represented by tax allocation bonds totaling $377.7 million and housing set-aside bonds of $125.9 million issued to finance redevelopment projects.

Operating activities. Over the five-month period ended June 30, 2012, ORSA had deductions over additions in the amount of $5.2 million and an extraordinary item of ($273.0 million) as previously described.

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

ORSA's Changes in Fiduciary Net Assets
For the Five-month Period Ended June 30, 2012
(In thousands)

		5-month Ended June 30, 2012
Additions		
Redevelopment property tax revenues	$	36,597
Other revenues		2,424
Total additions		39,021
Deductions		
General and administrative		2,099
Project expenses		29,787
Interest on debt		12,374
Total deductions		44,260
Extraordinary item from Redevelopment Agency Dissolution		(273,020)
Change in net assets		(278,259)
Net assets held in trust, beginning of period		-
Net assets held in trust, end of year	$	(278,259)

On June 1, 2012, the County Auditor-Controller provided a property tax distribution of $36.6 million. In addition, ORSA recognized $1.6 million of federal and state grants revenue, $0.7 million investment incomes and $0.2 million other revenue for the period ended June 30, 2012. Interest expense including accrued interest on ORSA's outstanding debt for the period totaled $12.4 million, $8.5 million payment to the County-Auditor Controller for distribution to the taxing entities.

Debt Administration

At June 30, 2012, ORSA had long-term bonds and notes outstanding aggregating to $504.5 million, a decrease of $5.9 million from February 1, 2012, resulting from debt service payments on the Tax Allocation Bonds. All outstanding long-term debts (Tax Allocation Bonds and Housing Set-Aside Bonds) are backed by redevelopment property tax revenues.

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

Long-Term Debt		**June 30, 2012**
Tax allocation bonds	$	377,665
Housing set-aside bonds		125,875
Subtotal - Bonds outstanding		503,540
Deferred amounts:		
Premiums and discount		4,152
Refunding loss		(3,211)
Subtotal - deferred amounts		941
Total long-term debt	**$**	**504,481**

Bond Ratings

On June 14, 2012, Moody's Investor Service ("Moody's") downgraded all California tax allocation bonds to Ba1 that are rated Baa3 or higher. All California tax allocation bonds ratings remain on review for possible withdrawal. This action reflects sharply increased uncertainty of continued, timely cash-flow for service payments under the new legislation. Also, Fitch Ratings ("Fitch") placed all California bonds secured by tax increment revenue on negative rating watch on January 24, 2012. Please note that these rating actions will not have any impact on the Agency's debt service payments because the bonds area all fixed rate bonds.

On September 12, 2012, Standard & Poor's ("S&P") removed the CreditWatch from the Oakland Redevelopment Successor Agency's underlying ratings on investment –grade tax allocation bonds and assigned Stable outlooks which were placed on CreditWatch with negative implications on July 5, 2012 after the passage of Assembly Bill 1484. The actions reflects the fact that the City reported sufficient cash to meet debt service and demonstrated sound cash flow management and prudence in addressing future cash flow issues.

The table below shows ORSA bond ratings for the outstanding bonds:

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

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 California State Department of Finance.

OUTSTANDING AUDITS AND REPORTING REQUIREMENTS

ORSA staff continues to work closely with the California State Controller's Office (SCO), California State Department of Finance (DOF) and the County Auditor-Controller (CAC) to complete the outstanding audits and reporting requirements for compliance with AB X1 26 and AB 1484.

Reporting requirements include (1) DOF - Review of Housing Assets, (2) CAC – Review of Former Redevelopment Agency's Assets, Liabilities and Other Indebtedness, (3) SCO – Asset Transfers Review, (4) DOF – Due Diligence Review – Housing, and (5) DOF – Due Diligence Review – Non Housing. Upon completion and approval/certification of these reports/reviews, ORSA will receive a Finding of Completion and be allowed to submit a Property Management Plan for the disposition and sale of its assets. In addition, the Finding of Completion allows ORSA to request approval of the Oversight Board along with DOF confirmation to reinstate loans between ORSA and the City.

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).

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BASIC FINANCIAL STATEMENTS

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Statement of Fiduciary Net Assets
June 30, 2012
(In Thousands)

Assets	
Cash and investments	$ 108,068
Receivables:	
Accrued interest	218
Other, net	135
Due from City of Oakland	1,690
Prepaid expenses	19
Restricted cash and investments	108,608
Notes and loans receivable (net of allowance for uncollectable of $13,170)	6,375
Property held for resale	38,957
Unamortized bond issuance costs	7,732
Total assets	271,802
Liabilities	
Accounts payable	2,725
Accrued interest payable	9,973
Due to the City of Oakland	2,800
Payable to the County of Alameda	29,985
Deposits and other payables	97
Long-term liabilities:	
Due within one year	23,132
Due in more than one year	481,349
Total liabilities	550,061
Net assets (deficit) held in trust	$ (278,259)

See accompanying notes to the financial statements

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Statement of Changes in Fiduciary Net Assets

For the Period from Inception (February 1, 2012) through June 30, 2012

(In Thousands)

Additions:		
Redevelopment property tax revenues	$	36,597
Investment income:		
Investment income		614
Net appreciation in fair value of investments		84
Federal and state grants		1,575
Rent		45
Other		106
Total additions		39,021
Deductions:		
General and administrative:		
Salaries, wages and benefits		1,141
Materials, supplies and other services		958
Project expenses		29,787
Interest on debt		12,374
Total deductions		44,260
Extraordinary loss item from Redevelopment Agency Dissolution		(273,020)
Change in net assets		(278,259)
Net assets, beginning of period		-
Net assets (deficit), ending	$	(278,259)

See accompanying notes to the 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 broad 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 entity 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 for 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 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).

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 earned 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 Recognized Obligation Payment Schedule 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 Recognized Obligation Payment Schedules (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.

(Amounts in Thousands)

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 Agency does not depreciate property held for resale, as it is the intention of the Agency to only hold the property for a period of time until it can be resold for development. The properties received from the former Agency will be held by ORSA as property held for resale until the State Department of Finance 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 issues 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 reported as deferred charges and are amortized into the appropriate expense categories. Long-term debt is reported net of the applicable premiums, discounts, and deferred amounts on refunding. The premiums, discounts, and deferred amounts on refunding are amortized as a component of the interest expense in a systematic and rational matter 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).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of the assets and liabilities of the former Agency, and the transfer of the City's Low and Moderate Housing Fund's unencumbered assets, as of February 1, 2012 were recorded as an extraordinary loss in ORSA's financial statements.

The components of the extraordinary loss recognized are as follows:

Transfers in of the former Agency's assets as of January 31, 2012	$	179,671
Transfers in of the former Agency's liabilities as of January 31, 2012		(556,177)
Transfers in of cash from the Low and Moderate Housing Fund to pay enforceable obligations		103,486
Extraordinary loss from Redevelopment Agency Dissolution	$	(273,020)

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. 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).

(Amounts in Thousands)

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.

NOTE 3 – CASH AND INVESTMENTS

The ORSA's cash and investments consist of the following at June 30, 2012:

Cash and Investments	Amount
Cash and investments (unrestricted)	$ 108,068
Restricted cash and investments	108,608
Total cash and investments	$ 216,676

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 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, 2012, ORSA invested a total amount of $91.4 million with U.S. Government Agency Securities, which is comprised of $86.8 million from its unrestricted accounts, and $4.6 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 $118 million and Negotiable CD's for $3 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 considered held in the ORSA's name.

As of June 30, 2012, the carrying amount of the ORSA's deposits was $4.2 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $250, and the bank balance of $4.0 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA investment policy has mitigated interest rate risk by establishing policies over liquidity. As of June 30, 2012, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

			Maturities	
Type of Investment	**Fair Value**	**Interest Rates (%)**	**12 Months of Less**	**1 - 3 Years**
U.S. Government Agency Securities	$ 18,832	0.28 - 0.37	$ 3,085	$ 15,747
U.S. Govt. Agency Securities (Discount)	67,990	0.02 - 0.10	67,990	-
Money Market Mutual Funds	14,000	0.15 - 0.16	14,000	-
Negotiable CD's	3,000	0.50	3,000	-
Total	**103,822**		**$ 88,075**	**$ 15,747**
Deposits	4,246			
	$ 108,068			

Restricted Cash and Investments

			Maturities	
Type of Investment	**Fair Value**	**Interest Rates (%)**	**12 Months of Less**	**1 - 3 Years**
U.S. Govt. Agency Securities (Discount)	$ 4,600	0.55	$ 4,600	$ -
Money Market Mutual Funds	104,008	0.06 - 0.10	104,008	-
Total	**$ 108,608**		**$ 108,608**	**$ -**

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 Agency's credit risk as rated by Standard & Poor's and Moody's for the Pooled and Restricted portfolios as of June 30, 2012 (in thousands):

Pooled Cash and Investments

	Fair	Ratings as of June 30, 2012		
Type of Investment	**Value**	**Aaa/AAA**	**Aaa/AA**	**A1/P1**
U.S. Govt. Agency Securities	$ 18,832	-	$ 18,832	$ -
U.S. Govt. Agency Securities (Discount)	67,990	-	67,990	-
Money Market Mutual Funds	14,000	14,000	-	-
Negotiable CD's	3,000	-	-	3,000
Total Cash and Investments	**$ 103,822**	**$ 14,000**	**$ 86,822**	**$ 3,000**

Restricted Cash and Investments

	Fair	Ratings as of June 30, 2012	
Type of Investment	**Value**	**Aaa/AAA**	**Aaa/AA**
U.S. Govt. Agency Securities (Discount)	$ 4,600	$ -	$ 4,600
Money Market Mutual Funds	104,008	104,008	-
Total Cash and Investments	**$ 108,608**	**$ 104,008**	**$ 4,600**

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, 2012 (in thousands):

Pooled Cash and Investments

Type of Investment	**Fair Value**	**% of Portfolio**
U.S. Govt. Agency Securities	$ 18,832	18.14%
U.S. Govt. Agency Securities (Discount)	67,990	65.49%
Money Market Mutual Funds	14,000	13.48%
Negotiable CD's	3,000	2.89%
Total	**$ 103,822**	**100%**

Restricted Cash and Investments

Type of Investment	**Fair Value**	**% of Portfolio**
U.S. Govt. Agency Securities (Discount)	$ 4,600	4.24%
Money Market Mutual Funds	104,008	95.76%
Total	**$ 108,608**	**100%**

The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2012 (in thousands):

Investment Type / Issuer	Amount	Percent of ORSA's Investment Portfolio
U.S. Government Agency Securities:		
Federal National Mortgage Association (Fannie Mae)	$ 29,831	14.04%
Federal Home Loan Bank	29,998	14.12%
Federal Home Loan Mortgage Corporation (Freddie Mac)	26,994	12.71%

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, 2012, the amounts held by the trustees aggregated $108.6 million. All restricted investments held by trustees as of June 30, 2012 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, 2012 is as follows:

	Housing Development project Loans	Economic Development loans	Gross notes and Loans receivable	Allowance for uncollectible	Total Notes and Loans receivable, net
Notes and Loans Receivable	$ 1,463	$ 18,082	$ 19,545	$ (13,170)	$ 6,375

As of June 30, 2012, ORSA has a total of $6.4 million net notes and loans receivable, which is not expected to be received in the next twelve months.

NOTE 5 – PROPERTY HELD FOR RESALE

As of June 30, 2012, ORSA has a total of $38.9 million for property held for resale transferred from the former redevelopment agency and booked at the lower of cost or net realizable value. This represents a transfer out of housing related assets into the Housing Successor Agency and Oakland Army Base assets to the City.

NOTE 6 – DEBT

Long-term Debt

The following is a summary of bonds payable of ORSA as of June 30, 2012 (in thousands):

Type of Obligation	Original Issued Amount	Issued Year	Final Maturity Year	Interest Rate Range	June 30, 2012 Principal Balance
Tax Allocation Bonds					
Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992	$ 97,655	1992	2014	2.5% - 6.0%	$ 12,975
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003	120,605	2003	2019	3.0% - 5.50%	87,865
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005	44,360	2005	2022	5.00%	31,970
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T	33,135	2006	2021	5.252% - 5.411%	20,610
Subordinated Tax Allocation Bond Series 2009T	38,755	2009	2021	5.3% - 8.5%	37,370
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE	28,770	2006	2036	4.00% - 5.00%	26,290
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-T	73,820	2006	2035	5.263% - 5.537%	67,430
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE	13,780	2006	2036	5.00%	13,780
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-T	62,520	2006	2034	5.263% - 5.537%	56,150
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE	4,945	2006	2036	5.00%	4,945
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T	12,325	2006	2032	5.283% - 5.587%	10,890
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2010T	7,390	2010	2041	7.200% - 7.400%	7,390
Sub-total	538,060				377,665
Subordinated Housing Set-Aside Bonds					
Subordinated Housing Set Aside Revenue Refunding Bonds Series 2006A	2,195	2006	2018	5.00%	2,195
Subordinated Housing Set Aside Revenue Bonds Series 2006A-T	82,645	2006	2037	5.030% - 5.927%	76,700
Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T	46,980	2011	2042	3.25% - 9.25%	46,980
Sub-total	131,820				125,875
Total Long-term Debt	$ 669,880				$ 503,540

A summary of the changes in long-term debt during the period from inception (February 1, 2012) through June 30, 2012 follows (in thousands):

	February 1, 2012	Additions	Deductions	June 30, 2012	Due within One Year
Bonds Payable:					
Tax allocation bonds	$ 383,590	$ -	$ (5,925)	$ 377,665	18,685
Housing set-aside bonds	125,875	-	-	125,875	3,860
Less deferred amounts:					
Issuance premiums	7,104	-	(429)	6,675	980
Issuance discount	(2,580)	-	57	(2,523)	(136)
Refunding loss	(3,322)	-	111	(3,211)	(257)
TOTAL	$ 510,667	$ -	$ (6,186)	$ 504,481	23,132

Tax Allocation 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 the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2012, 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 $2,949,756,000. 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, 2012 is estimated at 599,700,000, which is 20.3 percent of the total projected redevelopment property tax revenues. The pledge redevelopment property tax revenues recognized during the reporting period February 1, 2012 through June 30, 2012 was $36,597,000 of which $16,782,730 (principal and interest) was used to pay debt service.

Historically, upon receipt of property tax increment, the 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 Health and Safety Code and the 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 Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the Redevelopment Property Tax Trust Fund ("RPTTF") pursuant to Health and Safety Code 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Housing Set-Aside Bonds

The Housing set-aside bonds, which is comprised of Series 2006A, Series 2006A-T and Series 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, 2012, 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 $779,962,000. These revenues have been pledged until the year 2037, the final maturity date of the bonds. The total principal and interest remaining on these Housing Set-Aside Bonds as of June 30, 2012 is estimated at $252,046,000, which is 32.3 percent of the total projected tax increment revenues. The pledge redevelopment property tax revenues recognized during the reporting period February 1, 2012 through June 30, 2012 was zero. The total interest debt service payment for the reporting period was $4,174,793. The Agency used 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 Recognized Obligation Payment Schedule (ROPS) from the RPTTF pursuant to Health and Safety Code 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, 2012, including mandatory sinking fund payments, are as follows (in thousands):

Year ending June 30:	Principal	Interest	Total
2013	$ 22,545	$ 29,313	$ 51,858
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 - 2022	165,425	89,791	255,216
2023 - 2027	56,270	55,591	111,861
2028 - 2032	56,195	40,591	96,786
2033 - 2037	73,315	22,767	96,082
2038 - 2042	28,155	6,446	34,601
TOTAL	$ 503,540	$ 348,207	$ 851,747

Conduit Debt

The following long-term debt has been issued by the former redevelopment 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, 2012 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2012
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 former redevelopment agency's advanced-refunded debt is considered defeased and therefore removed as a liability from ORSA's statement of fiduciary net assets. Cumulatively, the defeased bonds had an outstanding debt balance of $32.8 million at June 30, 2012.

NOTE 7 – REDEVELOPMENT PROPERTY TAX TRUST FUND

On June 1, 2012, the County Auditor-Controller made the first distribution of funds from the Redevelopment Property Tax Trust Fund to ORSA, in the amount of $36.6 million and deposited to the Redevelopment Obligation Retirement Fund as required by AB X1 26.

NOTE 8 –TRANSACTIONS WITH THE CITY OF OAKLAND

City Expenses

ORSA incurred $2.1 million of general and administrative costs and $3.8 million for project related overhead and operational cost for support services of designated City employees allocated to ORSA administrative activities.

Due from the City

As of June 30, 2012, ORSA has a total due from the City in the amount of $1.7 million which included $990 thousand grants receivable for the Tiger II Grant from the former Agency's Oakland Army Base Project Fund to the City in January 2012. ORSA will be repaid when grant is collected.

Due to the City

At June 30, 2012, ORSA has a payable to the City in the amount of $2.8 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 Agency of the City and payable of $1.2 million to the City for support services.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Redevelopment Dissolution Law

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

A review of ORSA's property during the five-month period ended June 30, 2012 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 (the "Ambac"), 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 continues to provide policy coverage for the Agency's bonds listed in the table below. Also, Ambac's obligation to honor claims in accordance with the terms of the policies has not been affected by the bankruptcy of Ambac Financial Group, Inc.

Type of Bond		Original Par Amount
Tax Allocation Bonds:		
Central District Senior Tax Allocation Refunding Bonds, Series 1992	$	97,655
Central District Subordinated Tax Allocation Refunding Bonds, Series 2005		44,360
Central City East Tax Allocation Refunding Bonds, Series 2006A-TE, A-T		76,300
Coliseum Area Tax Allocation Refunding Bonds, Series 2006B-TE , B-T		102,590
Broadway/MacArthur/San Pablo Tax Allocation Refunding Bonds, Series 2006C-TE, C-T		17,270
Subordinated Housing Set-Aside Bonds:		
Subordinated Housing Set-Aside Revenue Refunding Bonds, Series 2006A, A-T		84,840

Encumbrances

At June 30, 2012, ORSA had encumbered $1.4 billion for contracted obligations, per the Required Obligation Payment Schedule (ROPS) covering the July 1, 2012 through December 31, 2012 period, which was approved by the California Department of Finance on May 24, 2012.

NOTE 10 – LITIGATION

Litigation/Unpaid Claims

ORSA is subject to various other 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

Dissolution Legislation "True up" Process

The provisions of AB1484, which was a trailer bill to the FY 2012-13 State Budget, required that the County Auditor Controller determine if the tax revenues received by the Agency in January 2012 (before dissolution) were in excess of the amount spent by the former Agency and the Oakland Redevelopment Successor Agency ("ORSA") on enforceable obligations as defined by the Redevelopment Dissolution Law during the period from January 1 through June 30, 2012. If there was an excess, the ORSA must remit the residual amounts to the County by July 12, 2012, for allocation to the taxing entities. This is referred to as the "true up" process. Due to the manner in which some of the former Agency's bond obligations were categorized on the Recognized Obligation Payment Schedule (ROPS) during this period, the County Auditor-Controller's calculations indicated a $21.5 million "overpayment" of tax revenues to the Successor Agency. On July 12, 2012, the Successor Agency issued a payment of $21.5 million of residual amount to the County-Auditor Controller to be deposited into the Redevelopment Property Tax Trust Fund ("Trust Fund") for distribution to the taxing entities.

Findings of the Agreed-Upon Procedures Report

Pursuant to the California Health and Safety Code section 34182, the County Auditor-Controller was responsible to cause the performance of procedures to establish the former Agency's assets and liabilities, to document pass-through obligations, and to document the amount and terms of indebtedness incurred by the former Agency. The County issued its Agreed-Upon Procedures Report (AUP) on October 5, 2012 and submitted it to the California State Controller's Office (SCO) and the California State Department of Finance (DOF). Other than as a reference for the DOF and the SCO, the AUP has no consequence in the dissolution process.

Low and Moderate Income Housing Fund Due Diligence Review

The provisions of AB1484, which was a trailer bill to the FY 2012-13 State Budget, required that the Successor Agency must provide Department of Finance an Oversight Board approved Due Diligence Review (DDR) that has been prepared by a licensed accountant. The DDR will list all encumbered and unencumbered low and moderate income housing fund (LMIHF) assets, and will state whether or not those assets are encumbered by Enforceable Obligations. On November 5, 2012, 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 November 30, 2012, DOF completed its review of ORSA DDR and adjusted $4.3 million in non-cash and cash equivalents assets and $8.5 million in cash and cash equivalents. Therefore, the balance of LMIHF available for distribution to the affected taxing entities is $8.5 million. ORSA has issued a payment of $8.5 million to the County-Auditor Controller to be deposited into the trust fund for distribution to the taxing entities.

OTHER SUPPLEMENTARY INFORMATION

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Combining Schedule of Fiduciary Net Assets

June 30, 2012

(In Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal & State Grant	Debt Service	Elimination	TOTAL
Assets							
Cash and investments	$ 36,563	$ 433	$ 71,070	$ -	$ 2	$ -	$ 108,068
Accrued interest receivable	74	1	143	-	-	-	218
Accounts receivable (net of allowance for uncollectable of $31)	-	-	135	-	-	-	135
Due from other funds	-	557	-	-	-	(557)	-
Due from City of Oakland	-	-	1,474	216	-	-	1,690
Prepaid expenses	-	-	19	-	-	-	19
Restricted cash and investments	-	-	99,532	-	9,076	-	108,608
Notes and loans receivable, net	-	35	6,340	-	-	-	6,375
Property held for resale	-	-	38,957	-	-	-	38,957
Unamortized bond issuance costs	-	-	-	-	7,732	-	7,732
Total assets	36,637	1,026	217,670	216	16,810	(557)	271,802
Liabilities							
Accounts Payable	-	544	2,181	-	-	-	2,725
Accrued interest payable	-	-	-	-	9,973	-	9,973
Due to other funds	-	-	-	557	-	(557)	-
Due to the City	-	-	2,800	-	-	-	2,800
Due to other governments	-	-	29,985	-	-	-	29,985
Deposits and other liabilities	-	6	91	-	-	-	97
Long-term Liabilities:							
Due within one year	-	-	-	-	23,132	-	23,132
Due in more than one year	-	-	-	-	481,349	-	481,349
Total Non-Current Liabilities	-	-	-	-	504,481	(557)	504,481
Total liabilities	-	550	35,057	557	514,454	(557)	550,061
Fund balance /Net assets (deficit) held in trust	$ 36,637	$ 476	$ 182,613	$ (341)	$ (497,644)	$ -	$ (278,259)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Changes in Fiduciary Net Assets
For the Period from Inception (February 1, 2012) through June 30, 2012
(In Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal and State Grants	Debt Service	TOTAL
Additions:						
Tax increment	$ 36,597	$ -	$ -	$ -	$ -	$ 36,597
Investment income:						
Interest on investments	12	78	496	-	28	614
Net appreciation in fair value of investments	28	1	55	-	-	84
Federal Grants	-	-	-	-	122	122
State Grants	-	-	-	1,453	-	1,453
Rents and reimbursements	-	-	45	-	-	45
Other	-	4	102	-	-	106
Total additions	36,637	83	698	1,453	150	39,021
Deductions:						
General and administrative:						
Salaries, wages and benefits	-	-	1,141	-	-	1,141
Materials, supplies and other services	-	-	958	-	-	958
Project expenses	-	3,170	25,163	1,454	-	29,787
Debt Service:						
Interest on long-term debt	-	-	-	-	12,374	12,374
Total deductions	-	3,170	27,262	1,454	12,374	44,260
Net increase (decrease) before transfers	36,637	(3,087)	(26,564)	(1)	(12,224)	(5,239)
Transfers in	-	3,169	4,856	-	14,377	22,402
Transfers out	-	-	(22,402)	-	-	(22,402)
Total transfers	-	3,169	(17,546)	-	14,377	-
Extraordinary item from Redevelopment Agency Dissolution		394	226,723	(340)	(499,797)	(273,020)
Change in net assets	36,637	476	182,613	(341)	(497,644)	(278,259)
Net assets at beginning of period	-	-	-	-	-	-
Net assets (deficit), ending	$ 36,637	$ 476	$ 182,613	$ (341)	$ (497,644)	$ (278,259)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Combining Schedule of Fiduciary Net Assets for Capital Project Sub-Funds

June 30, 2012

(In Thousands)

	Capital Projects							
	Central District	**Coliseum**	**Central City East**	**Low and Moderate Housing**	**Broadway MacArthur San Pablo**	**Oakland Army Base**	**Other Projects**	**Total Project Funds**
Assets								
Cash and investments	$ 2,445	$ 11,936	$ 7,788	$ 37,762	$ 7,416	$ -	$ 3,723	$ 71,070
Accrued interest receivable	5	24	16	76	15	-	7	143
Accounts receivable	135	-	-	-	-	-	-	135
Due from other funds	-	-	-	-	-	-	489	489
Advances to the City	420	5	-	-	-	1,049	-	1,474
Prepaid Expenses	-	19	-	-	-	-	-	19
Restricted cash and investments	19,901	2,662	10,896	58,722	7,351	-	-	99,532
Notes receivable, net	5,010	641	50	-	6	-	633	6,340
Property held for resale	17,685	8,228	13,044	-	-	-	-	38,957
Total assets	45,601	23,515	31,794	96,560	14,788	1,049	4,852	218,159
Liabilities								
Accounts payable and accrued liabilities	368	-	11	1,695	89	17	1	2,181
Due to other funds	-	-	-	-	-	489	-	489
Due to the City	377	227	1,551	365	67	174	39	2,800
Due to other governments	8,112	5,707	1,255	8,480	1,362	2,880	2,189	29,985
Deposits and other liabilities	3	-	-	-	25	50	13	91
Total liabilities	8,860	5,934	2,817	10,540	1,543	3,610	2,242	35,546
Fund balance /Net assets (deficit) held in trust	$ 36,741	$ 17,581	$ 28,977	$ 86,020	$ 13,245	$ (2,561)	$ 2,610	$ 182,613

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Changes in Fiduciary Net Assets for Capital Project Sub-Funds
For the Period from Inception (February 1, 2012) through June 30, 2012
(In Thousands)

	Capital Projects							
	Central District	**Coliseum**	**Central City East**	**Low and Moderate Housing**	**Broadway MacArthur San Pablo**	**Oakland Army Base**	**Other Projects**	**Total Project Funds**
Additions:								
Investment income:								
Interest on investments	$ 274	$ 34	$ 21	$ 137	$ 20	$ -	$ 10	$ 496
Net appreciation in fair value of investments	2	9	6	29	6	-	3	55
Rents and reimbursements	40	5	-	-	-	-	-	45
Other	102	-	-	-	-	-	-	102
Total additions	418	48	27	166	26	-	13	698
Deductions:								
General and administrative:								
Salaries, wages and benefits	370	191	119	319	66	47	29	1,141
Materials, supplies and other services	311	160	100	268	55	40	24	958
Project expenses	4,453	820	472	17,052	1,744	199	423	25,163
Total deductions	5,134	1,171	691	17,639	1,865	286	476	27,262
Net decrease before transfers	(4,716)	(1,123)	(664)	(17,473)	(1,839)	(286)	(463)	(26,564)
Transfers in	-	-	-	4,856	-	-	-	4,856
Transfers out	(8,630)	(4,086)	(2,658)	(5,060)	(1,065)	(557)	(346)	(22,402)
Total transfers	(8,630)	(4,086)	(2,658)	(204)	(1,065)	(557)	(346)	(17,546)
Extraordinary item from Redevelopment Agency Dissolution	50,087	22,790	32,299	103,697	16,149	(1,718)	3,419	226,723
Change in net assets	36,741	17,581	28,977	86,020	13,245	(2,561)	2,610	182,613
Net assets at beginning of period	-	-	-	-	-	-	-	-
Net assets (deficit), ending	$ 36,741	$ 17,581	$ 28,977	$ 86,020	$ 13,245	$ (2,561)	$ 2,610	$ 182,613

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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

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*

We have audited the accompanying basic financial statements of the Oakland Redevelopment Successor Agency (ORSA), a component unit of the City of Oakland (City), California, as of June 30, 2012 and for the period from inception (February 1, 2012) through June 30, 2012, and have issued our report thereon dated January 3, 2013. Our report includes an emphasis of a matter paragraph referring to Note 9 of the basic financial statements relating to uncertainties with the Redevelopment Dissolution Law. 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.

Internal Control Over Financial Reporting

Management of the ORSA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the ORSA's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ORSA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ORSA's financial statements are free of 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 or our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the ORSA's Board of Directors, Oversight Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 3, 2013