REDEVELOPMENT AGENCY

of the

CITY OF OAKLAND

CALIFORNIA

(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)

Basic Financial Statements
and
Supplemental Information

Fiscal Year Ended June 30, 2006

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

FINANCIAL REPORT

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REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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The Members of the Redevelopment Agency
of the City of Oakland, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Base Reuse Authority (OBRA), which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

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 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 Agency's internal control over 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 opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2006, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of the Agency'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.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & O'Connell LLP
Certified Public Accountants
Walnut Creek, California

December 1, 2006

MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2006

This section of the Redevelopment Agency of the City of Oakland (“Agency”) Annual Financial Report presents a narrative overview and analysis of the financial activities of the Agency for the year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Agency’s financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The Agency's total assets exceeded its total liabilities by $63.3 million compared to $33.0 million for the previous fiscal year. Net assets grew by $30.3 million or 92%. The net growth is driven by a 16%, or $20.5 million increase in unrestricted pooled cash and investments due to improved property tax receipts and a 43%, or $38.5 million increase in restricted cash and investments due to unspent bond proceeds for redevelopment activities. These increases in assets were offset by a 13%, or $40.2 million increase in long-term liabilities as a result of new debts issued for redevelopment projects activities.

- For the year ended June 30, 2006, the Agency’s governmental fund balances were $324.9 million compared to $271.3 million in the previous fiscal year, an increase of 20%, or $53.6 million. The increase in fund balance is primarily attributable to: (1) the 25%, or $21.0 million increase in revenues driven primarily by property taxes; and (2) the net increase of 77%, or $37.0 million in tax allocation bond proceeds. The fund balance of $324.9 million is distributed by redevelopment project area as follows: 47.5% or $154.5 million for the Central District; 29.0% or $94.2 million for Low and Moderate Housing; 10.9% or $35.3 million for the Coliseum; 9.5% or $31.0 million for Non-major Projects; and 3.1% or $10.2 million for Central East.

- The overall net change in fund balances in the governmental funds resulted in a decrease of 7%, or $3.8 million compared to the prior fiscal year. The decrease is attributed to an increase of 45%, or $33.5 million in expenditures compared to the previous fiscal year, primarily driven by the significant surge of 65%, or $29.7 million in redevelopment activities, which is offset by an increase in tax increment 28%, or $19.5 million and an increase in proceeds from tax allocation bonds issued.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to introduce the Agency’s basic financial statements. The Agency’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, using the accrual basis of accounting, in a manner similar to the financial statements for a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes.

The government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include urban redevelopment and housing. The Agency does not engage in any business-type activities.

The government-wide financial statements include the operations of the various redevelopment areas and low and moderate housing program.

Fund Financial Statements
The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental Funds
Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Agency's basic operations are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements follow the modified accrual basis of accounting and focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Central District Fund, Coliseum Fund, Central City East Fund, Low and Moderate Housing Fund and Debt Service Fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation as nonmajor governmental funds. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements immediately following the notes to the basic financial statements in this report.

Discretely Presented Component Unit – Oakland Base Reuse Authority

The Oakland Redevelopment Agency basic financial statements incorporate the Oakland Base Reuse Authority as a discretely presented component unit. As such, its activities for the fiscal year are reported in a separate column in the Agency's government-wide financial statements. See Note (1) in the basic financial statements for more details.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19-45 of this report.

Other information

In addition to the basic financial statements and the accompanying notes, the combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the footnotes.

Government-wide Financial Statements Analysis

The Agency's financial statements are presented under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. All of the Agency's activities are governmental; therefore, business-type activities are not reported.

		June 30, 2006		June 30, 2005
Assets:				
Current and other assets	$	393,138,140	$	312,189,470
Property held for resale		53,265,943		57,737,856
Total assets		**446,404,083**		**369,927,326**
Liabilities:				
Long-term liabilities		359,531,123		319,308,146
Other liabilities		23,559,824		17,600,374
Total liabilities		**383,090,947**		**336,908,520**
Net assets/(deficit):				
Restricted for:				
Low and moderate housing		94,174,096		38,122,381
Urban redevelopment projects and housing		230,763,503		233,916,862
Unrestricted (deficit)		(261,624,463)		(239,020,437)
Total net assets/(deficit)	**$**	**63,313,136**	**$**	**33,018,806**

Analysis of Net Assets

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by $63,313,136 at the close of the fiscal year ended June 30, 2006.

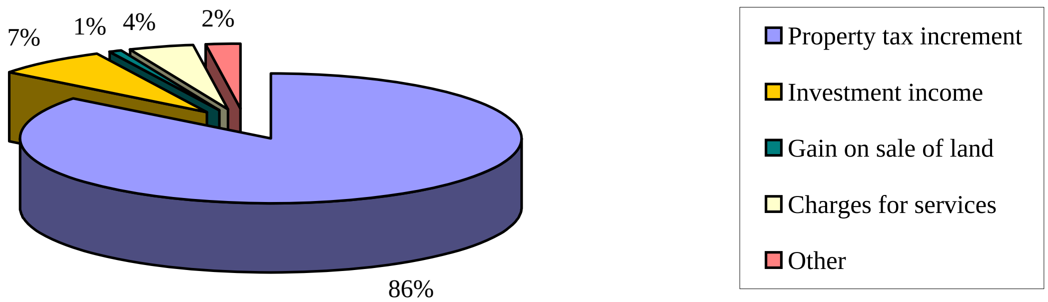
As of the end of the fiscal year, the Agency had restricted net assets of $324,937,599. The net assets include $94,174,096 reserved for Low and Moderate Housing. The balance of $230,763,503 in restricted net assets include an investment of $53,265,943 in Community Development (Property Held for Resale). The Agency uses Property Held for Resale to provide services to citizens; consequently, these assets are not available for future spending. The remaining restricted net assets of $177,497,560 represent resources that are subject to external restrictions on how they may be used. The Agency's deficit in unrestricted net assets of $261,624,463 is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.

Governmental activities. Governmental activities increased the Agency's net assets by 92%, or $30,294,331. Key elements of this increase are as follows:

Changes in Net Assets
Governmental Activities

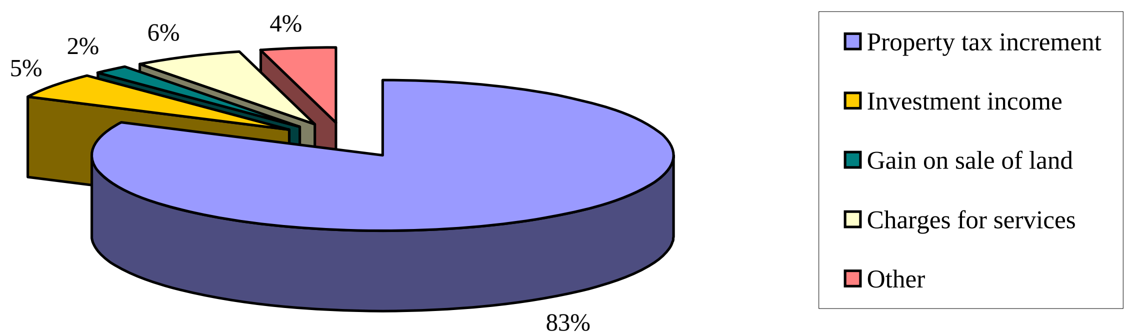
	June 30, 2006	June 30, 2005
Revenues:		
Program revenues:		
Charges for services	$ 4,201,680	$ 5,172,980
General revenues:		
Property tax increment	89,669,068	70,076,503
Investment income	7,319,473	4,580,555
Gain on sale of land	1,033,541	1,664,076
Other	2,460,708	3,656,581
Total revenues	104,684,470	85,150,695
Expenses:		
Urban redevelopment and housing	57,437,938	52,811,520
Interest on long-term debt	16,952,202	15,768,927
Total expenses	74,390,140	68,580,447
Increase in net assets	30,294,330	16,570,248
Net assets, beginning of year	33,018,806	16,448,558
Net assets, end of year	**$ 63,313,136**	**$ 33,018,806**

Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2005-06



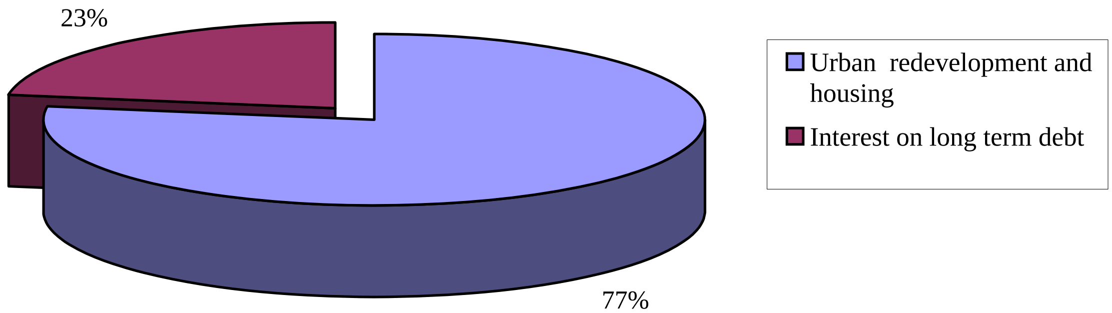
Total Revenues $104,684,470

Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2004-05



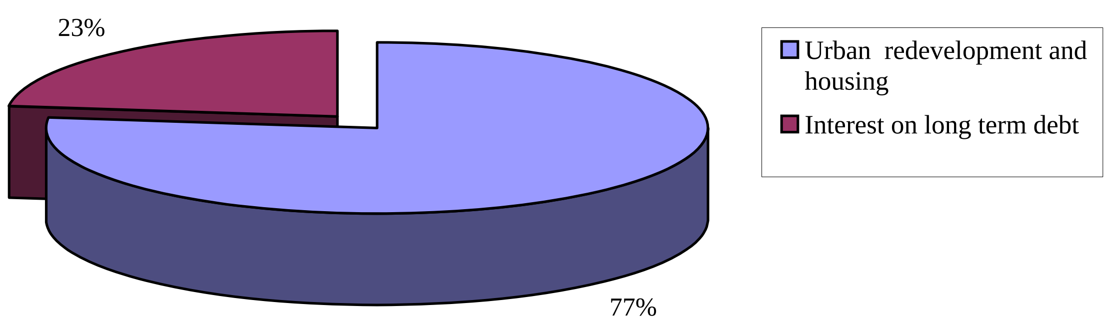
Total Revenues $85,150,695

Redevelopment Agency of the City of Oakland
Functional Expenses
For FY 2005-06



Total Expenditures $74,390,140

Redevelopment Agency of the City of Oakland
Functional Expenses
For FY 2004-05



Total Expenditures $68,580,447

Analysis of Changes in Net Assets

The revenues in governmental activities for the Agency exceeded expenses by $30,294,330 for the year ended June 30, 2006. This represents an increase of 83%, or $13,724,082 compared to the prior year's change in net assets of $16,570,248.

The charts in the preceding pages illustrate the proportional distribution of revenues by source and expenses by function of current year compared to the previous year. Revenues totaled $104,684,470 while expenses totaled $74,390,140 for the year ended June 30, 2006 compared to $85,150,695 and $68,580,447 respectively for the year ended June 30, 2005.

Revenues increased compared to the previous fiscal year by $19,553,775 or 23%. The growth is attributable to property tax increment revenues which increased by $19,592,565 or 28% due to a strong commercial real estate market. Increased investment income of $2,810,918 or 60% is attributed to higher balances in unrestricted and restricted pooled cash and investments.

Government wide expenses increased by $5,809,693 or 8%. The increase is primarily attributable to the 9% surge in redevelopment activities in the low and moderate housing project area and an increase of 8% in interest expense primarily related to the issuance of housing bonds.

Financial Analysis of the Agency's Funds

As of June 30, 2006, the Agency's governmental funds reported combined ending fund balances of $324,937,599, a net increase of 20%, or $53,623,193 compared to the prior fiscal year. The net increase represents (1) a 28% or $19,540,301 increase in property tax increment collections attributed to improved property valuations in the project areas; (2) proceeds from the issuance of Housing Set-Aside Revenue Bonds for the development of low and moderate housing redevelopment project areas; (3) increase in investment income of 182%, or $2,062,628 due to the maintenance of higher cash balances in unrestricted and restricted pooled cash and investments for future redevelopment activities. The combined fund balances of $324,937,599 are distributed as follows: 47.5% for the Central District Project area; 29.0% for the Low and Moderate Housing Project area; 10.9% for the Coliseum Project area; 9.5% for other Non-major Redevelopment Project areas; and 3.1% for the Central City East Project area.

Budgetary Data

Meaningful Agency budgetary data are not presented in the financial statements for capital projects and debt service funds because budgetary allocations are fiscal year specific while Agency project implementation may involve several fiscal years to complete.

Capital Assets and Debt Administration

Capital assets

The Agency does not have any capital assets because its property acquisitions are treated as redevelopment properties held for resale. However, Oakland Base Reuse Authority (OBRA), its discretely presented component unit, shows fully depreciated capital assets as of June 30, 2006.

Long-term debt

At June 30, 2006, the Agency had total long-term debt outstanding of $359,531,123, an increase of 14% over the previous fiscal year. The increase was primarily due to the issuance of Housing Set-Aside Revenue Bonds 2006 Series A and 2006 Series A and T to finance low and moderate housing activities in the redevelopment project areas, and to pay the costs of issuance of the Series 2006 Bonds, including bond insurance and reserve account surety bond premiums.

Bond Ratings

The Agency's bond ratings at June 30, 2006 are as follows:

	Insured By	Rating	Balance Outstanding
Tax allocation	FGIC/MBIA/AMBAC	AAA/Aaa/A-*	$ 224,335,000
Housing set-aside revenue bonds	MBIA	AAA/AAA/Aaa	94,470,000
General obligation bonds	N/A	Not Rated	310,000
TOTAL			$ 319,115,000

*Coliseum Area Redevelopment Tax Allocation Bonds Series 2003 totaling $22,305,000 are not insured and have an A rating. All ratings were done by Fitch, Standard & Poor's and Moody's Investors Service.

Long-term liabilities at June 30, 2006 and June 30, 2005, are comprised of the following:

	FY 2006	FY 2005
Tax allocation bonds payable	$ 224,335,000	$ 233,090,000
Housing set-aside revenue bonds	94,470,000	36,645,000
General obligation bonds	310,000	350,000
SUBTOTAL	319,115,000	270,085,000
Deferred amounts, net	7,334,702	10,506,607
Uptown remediation costs	1,407,872	4,085,600
Advances from City of Oakland	31,673,550	34,630,939
TOTAL	$ 359,531,124	$ 319,308,146

Requests for Information

This financial report is designed to provide a general overview of the Redevelopment Agency of the City of Oakland's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2006

	Oakland Redevelopment Agency	(Component Unit) Oakland Base Reuse Authority
ASSETS		
Cash and investments	$ 149,610,301	$ 6,317,192
Tax increment receivable	8,142,492	-
Accrued interest receivable	35,590	-
Accounts receivable (net of allowance for uncollectibles of $239,980 for the Agency and $513,601 for the Component Unit)	1,258,501	344,475
Grants receivable	-	1,931,335
Due from the City (net of allowance for uncollectibles of $107,109 for the Agency)	33,177,762	-
Deposits	4,892,095	-
Notes receivable (net of allowance for uncollectibles of $38,176,228 for the Agency)	62,334,306	-
Property held for resale	53,265,943	91,283,101
Restricted cash and investments	128,012,457	4,094,626
Deferred charges - bond issuance costs	5,674,636	-
TOTAL ASSETS	$ 446,404,083	$ 103,970,729

(continued)

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2006

	Oakland Redevelopment Agency	(Component Unit) Oakland Base Reuse Authority
(Continued)		
LIABILITIES		
Accounts payable and accrued liabilities	$ 15,305,802	$ 427,708
Accrued interest payable	5,804,169	-
Due to the City	2,120,929	4,239,428
Due to other governments	213,280	-
Deposits and other liabilities	115,644	458,041
Noncurrent liabilities (net of unamortized refunding losses and premiums):		
Due within one year	15,416,105	4,380,584
Due in more than one year	344,115,018	3,114,651
TOTAL LIABILITIES	383,090,947	12,620,412
NET ASSETS (Deficit)		
Restricted for:		
Low and Moderate Housing	94,174,096	-
Urban redevelopment projects and housing	230,763,503	85,033,125
Unrestricted (deficit)	(261,624,463)	6,317,192
TOTAL NET ASSETS	$ 63,313,136	$ 91,350,317

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Activities
For the year ended June 30, 2006

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Assets**	**(Component Unit) Oakland Base Reuse Authority**
Governmental Activities:					
Urban redevelopment and housing	$ 57,437,938	$ 4,201,680	$ -	$ (53,236,258)	$ -
Interest on long-term debt	16,952,202	-	-	(16,952,202)	-
Total governmental activities	$ 74,390,140	$ 4,201,680	$ -	(70,188,460)	-
Component Unit:					
Oakland Base Reuse Authority	$ 8,336,846	$ 7,086,548	$ 2,003,789		753,491
General Revenues:					
Property tax increment				89,669,068	-
Investment income				7,319,473	381,103
Gain on the sale of land				1,033,541	-
Other				2,460,708	63,791
Total general revenues				100,482,790	444,894
Change in net assets				30,294,330	1,198,385
Net assets at beginning of year				33,018,806	89,851,932
Net assets at end of year				$ 63,313,136	$ 91,050,317

See accompanying notes to the basic financial statements.

REDEVLOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2006

	Capital Projects						
	Central District	**Coliseum**	**Central City East**	**Low and Moderate Housing**	**Debt Service**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
ASSETS							
Cash and investments	$ 47,745,853	$ 30,314,142	$ 11,944,393	$ 31,200,130	$ 444,997	$ 27,960,786	$ 149,610,301
Tax increment receivable	2,858,079	1,955,685	2,033,770	-	-	1,294,958	8,142,492
Accrued interest receivable	35,590	-	-	-	-	-	35,590
Accounts receivable (net of allowance for uncollectibles of $239,980)	161,435	6,173	500,500	-	-	590,393	1,258,501
Due from other funds	-	-	-	2,156,441	-	463,812	2,620,253
Advances to the City (net of allowance for uncollectibles of $107,109)	31,302,836	-	-	1,481,045	-	393,881	33,177,762
Deposits	4,892,095	-	-	-	-	-	4,892,095
Notes receivable (net of allowance for uncollectibles of $38,176,228)	10,933,935	-	-	50,206,743	-	1,193,628	62,334,306
Property held for resale	49,700,879	-	-	-	-	3,565,064	53,265,943
Restricted cash and investments	52,492,249	10,220,661	-	64,499,786	564,678	235,083	128,012,457
TOTAL ASSETS	$ 200,122,951	$ 42,496,661	$ 14,478,663	$ 149,544,145	$ 1,009,675	$ 35,697,605	$ 443,349,700

(Continued)

See accompanying notes to the basic financial statements.

REDEVLOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2006

(Continued)	Capital Projects: Central District	Capital Projects: Coliseum	Capital Projects: Central City East	Capital Projects: Low and Moderate Housing	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accrued interest payable	$ -	$ -	$ 68,220	$ -	$ 1,105,562	$ -	$ 1,173,782
Accounts payable and accrued liabilities	1,987,301	5,087,997	2,946,450	2,869,953	-	2,414,101	15,305,802
Due to other funds	545,482	856,108	948,204	-	-	270,459	2,620,253
Due to the City	730,016	864,606	75,831	86,027	161,852	202,597	2,120,929
Due to other governments	213,280	-	-	-	-	-	213,280
Deposits and other liabilities	57,300	-	-	4,284	-	54,060	115,644
Deferred revenue	42,084,440	386,502	242,953	52,409,785	-	1,738,731	96,862,411
TOTAL LIABILITIES	45,617,819	7,195,213	4,281,658	55,370,049	1,267,414	4,679,948	118,412,101
FUND BALANCES							
Reserved for advances and notes receivable	31,302,836	-	-	1,481,045	-	873,167	33,657,048
Reserved for deposits	4,892,095	-	-	-	-	-	4,892,095
Reserved for property held for resale	49,700,879	-	-	-	-	3,565,064	53,265,943
Reserved for approved capital projects/activities	68,609,322	35,301,448	10,197,005	92,693,051	(257,739)	25,331,258	231,874,345
Unreserved - reported in Capital Project Funds	-	-	-	-	-	1,248,168	1,248,168
TOTAL FUND BALANCES	154,505,132	35,301,448	10,197,005	94,174,096	(257,739)	31,017,657	324,937,599
TOTAL LIABILITIES AND FUND BALANCES	$ 200,122,951	$ 42,496,661	$ 14,478,663	$ 149,544,145	$ 1,009,675	$ 35,697,605	$ 443,349,700

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Governmental Funds

Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets for Governmental Activities

June 30, 2006

Fund balance - total governmental funds		$	324,937,599
Amounts reported for governmental activities in the statement of net assets are different because:			
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the government activities on the statement of net assets.			5,674,636
Total accrued interest on long-term debt	(5,804,169)		
Less the amount reported in the funds statements	1,173,782		
Net amount of accrued interest which was not reported in the funds, but rather is recognized as an expenditure when due.			(4,630,387)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds.			96,862,411
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Type	Amount		
Tax Allocation Bonds	(224,335,000)		
Housing Set-Aside Revenue Bonds	(94,470,000)		
General Obligation Bonds	(310,000)		
Issuance premiums	(11,424,411)		
Refunding loss	4,089,710		
Uptown remediation costs	(1,407,872)		
Advances from the City	(31,673,550)		
Subtotal			(359,531,123)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$	63,313,136

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2006

	Capital Projects						
	Central District	Coliseum	Central City East	Low and Moderate Housing	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Tax increment	$ 39,773,654	$ 22,735,430	$ 14,291,334	$ -	$ -	$ 12,536,462	$ 89,336,880
Interest on restricted investments	2,192,236	424,142	-	556,606	24,033	-	3,197,017
Interest on pooled investments	1,439,366	721,752	201,290	789,516	19,988	704,803	3,876,715
Interest on notes receivable	56,270	-	-	158,185	-	31,286	245,741
Rents and reimbursements	3,221,382	12,000	-	-	-	968,298	4,201,680
Gain on sale of land	9,460	-	-	-	-	1,024,081	1,033,541
Other	786,540	-	1,445	1,208,222	-	464,501	2,460,708
TOTAL REVENUES	47,478,908	23,893,324	14,494,069	2,712,529	44,021	15,729,431	104,352,282
EXPENDITURES							
Current:							
Urban redevelopment and housing	32,267,158	12,011,130	5,768,608	18,472,790	-	6,936,498	75,456,184
Debt Service:							
Payment on advances	-	-	-	-	3,688,543	-	3,688,543
Retirement of long-term debt	-	-	-	-	10,325,000	-	10,325,000
Interest	-	-	-	-	16,259,362	-	16,259,362
Bond issuance cost	-	-	-	2,109,247	1,926	-	2,111,173
TOTAL EXPENDITURES	32,267,158	12,011,130	5,768,608	20,582,037	30,274,831	6,936,498	107,840,262
Excess (deficiency) of revenues over expenditures	15,211,750	11,882,194	8,725,461	(17,869,508)	(30,230,810)	8,792,933	(3,487,980)
OTHER FINANCING SOURCES (USES)							
Housing bonds issued	-	-	-	55,000,000	29,840,000	-	84,840,000
Premium on housing bonds issued	-	-	-	-	123,973	-	123,973
Payment to refunding bond escrow agent					(27,852,800)	-	(27,852,800)
Transfers in	350,000	-	808,185	24,454,678	30,058,512	982,417	56,653,792
Transfers out	(30,898,150)	(8,163,242)	(3,572,833)	(5,533,455)	(2,109,246)	(6,376,866)	(56,653,792)
TOTAL OTHER FINANCING SOURCES (USES)	(30,548,150)	(8,163,242)	(2,764,648)	73,921,223	30,060,439	(5,394,449)	57,111,173
Change in fund balances	(15,336,400)	3,718,952	5,960,813	56,051,715	(170,371)	3,398,484	53,623,193
Fund balances at beginning of year	169,841,532	31,582,496	4,236,192	38,122,381	(87,368)	27,619,173	271,314,406
FUND BALANCES AT END OF YEAR	$ 154,505,132	$ 35,301,448	$ 10,197,005	$ 94,174,096	$ (257,739)	$ 31,017,657	$ 324,937,599

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Governmental Funds
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds		$ 53,623,193
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds.		15,672,706
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.		
Principal of bonds issued	(84,840,000)	
Premium on bonds issued	(123,973)	
Bond issuance costs	2,111,173	
Amortization of bond issuance costs	(337,022)	
Retirement of long-term debt	10,325,000	
Payment to refunding escrow agent	27,852,800	
Payment on advances	3,688,543	
Interest on advances	(731,154)	
Amortization of premiums on bonds issue	1,155,639	
Amortization of refunding loss	(227,560)	
Site Clearance and toxics remediation cos	2,677,728	(38,448,826)
Changes in accrued interest on bonds payable		(552,743)
Change in net assets of governmental activities		$ 30,294,330

See accompanying notes to the basic financial statements.

(1) ACTIVITIES OF THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

The Redevelopment Agency (Agency), a blended component unit of the City of Oakland (City), was activated on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. The Agency is included as a blended component unit in the City's basic financial statements because the Agency's governing body is the same as the City Council. Its principal activities are the acquisition of real property for the purpose of removing or preventing blight, providing for the construction of improvements thereon and the rehabilitation and restoration of existing properties. In addition, the Agency finances numerous low and moderate-income housing projects throughout the City.

The principal sources of funding for the Agency's activities have been:

- Bond issues, notes and other financing sources;
- Advances, loans and grants-in-aid from the City;
- Property tax revenue attributable to increases in the assessed valuations in the associated project areas; and
- Rental income derived from parking and rental of Agency owned properties.

Generally, funding from bond issues, notes, loans and City advances are eventually repayable from incremental property tax revenue. The Agency has entered into repayment agreements with the City or is obligated to do so under the terms of other funding agreements. The amount of incremental property tax revenue received is dependent upon the local property tax assessments and rates, which are outside the control of the Agency. Accordingly, the length of time that will be necessary to repay the City is not readily determinable.

The Agency currently has the following projects: Central District (which is segmented into several action areas including Chinatown, City Center, Uptown and City Hall Plaza); Coliseum; Central City East; Acorn; Broadway/MacArthur/San Pablo; Oakland Army Base; West Oakland; and Other Projects (Oak Center; Stanford/Adeline; and Oak Knoll). Oak Center completed planning for infrastructure improvements and advertised for bids during in FY2005-06.

The Central District Redevelopment Project, which generates the greatest tax revenue for the Agency, provides for the development and rehabilitation of commercial and residential structures for approximately 200 blocks of Oakland's downtown area. At 6,764 acres, the Coliseum Redevelopment Project is physically the largest adopted project area and provides for the development and rehabilitation of significant industrial, commercial, and residential areas in Oakland.

Discretely Presented Component Unit

The Oakland Base Reuse Authority (OBRA) was established in 1995 as a Joint Powers Authority (JPA) by the City, the Agency, and the County of Alameda (County). OBRA was established to assure the effective transition of military facilities in Oakland that have been or may be selected for closure. OBRA currently is assuming the effective transition of the Oakland Army Base (OARB) to the ORA and the Port of Oakland (Port), a discretely presented component unit of the City.

OBRA was governed until June 30, 2003 by a nine-member Governing Body, which consisted of the Mayor of Oakland, four other members of the Oakland City Council, the Mayor of the City of Alameda, the member of the County Board of Supervisors representing the Third District, the member of the United States House of Representatives representing California's Ninth Congressional District, and the Executive Director of the Association of Bay Area Governments. Effective July 1, 2003, the governing body amended the JPA agreement, which among other things, reduced the members to the Mayor of Oakland/Board Chairman and four other members of the Oakland City Council/Board of Directors. In the event the JPA agreement is terminated for any reason, any and all remaining rights, powers and authority together with any property funds or assets of OBRA under the agreement shall be assigned by OBRA to the Agency.

The votes of a majority of the governing body are required to take action on most matters. In addition, prior to July 1, 2003, the majority vote of the governing body required three votes from the members from the City to take action on certain specific issues, including the adoption of a Reuse Plan, adoption of any recommended plan or land use proposal in contradiction to Oakland's land use plan, redevelopment or zoning plan, delegation of any authority to another body by OBRA, adoption of any amendments to OBRA's Bylaws, termination of the JPA Agreement, and selection of the governing body's Chairperson. The revised Joint Powers Agreement requires OBRA to deposit its revenues in the City treasury. The City is responsible for investing and managing such funds. The OBRA is presented in a separate column in the Agency-wide financial statements as a discretely-presented component unit of the Agency. Copies of OBRA's complete financial statements may be obtained from the Accounting Division, Finance & Management Agency, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, CA 94612.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report all the activities of the Agency and its discretely presented component unit. The effect of interfund activity has been removed from these statements. The activities of the Agency are governmental in nature, which normally are supported by taxes and intergovernmental transfers.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include rents, grants, contributions and charges for use of property owned. Taxes and other items not properly included as program revenues are reported as general revenues.

Measurement focus, basis of accounting, and financial statement presentation

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

The Agency's governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as claims related to claims and judgments, are recorded only when the payment is due.

Property taxes and interest associated with the current fiscal period, using the modified accrual basis of accounting as described above, are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. The Agency considers property tax revenues to be available for the year levied if they are collected within 60 days of the end of the current fiscal period. Interest and grant revenues are considered available if they are collected within 60 days of year-end. All other revenues are considered to be measurable and available only when the Agency receives the cash.

OBRA, the Agency's discretely presented component unit, is accounted for using proprietary fund accounting, and its financial statements are prepared on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred. Grants are recognized as revenue when all eligibility requirements have been met.

The Agency reports the following major governmental funds:

Central District Fund – The Central District Fund accounts for the financial resources and the costs of acquisition, construction, improvement and management of commercial and residential facilities in the Central District Project area.

Coliseum Fund – The Coliseum Fund accounts for the financial resources and the costs of acquisition, construction and improvement of commercial, industrial, residential and airport related facilities in the Coliseum Project area.

Central City East Fund – The Central City East Fund accounts for the financial resources and the costs of acquisition, construction, improvement and management of commercial and residential facilities in the Central City East Project area.

Low and Moderate Housing Fund – The Low and Moderate Housing Fund accounts for 20% and 5% set aside from all tax increments received, as mandated by State law and the Oakland Redevelopment Agency board respectively. The fund also accounts for the proceeds from the Subordinated Housing Set Aside Revenue Bonds**,** Series 2000T and 2006A-T, and Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A. These funds are used to increase, improve and preserve the supply of housing within the City of Oakland available at affordable housing cost to persons or families of low and moderate income. The Series 2006A Bonds are used to defease certain amounts of the Redevelopment Agency's Subordinated Housing Set Aside Revenue Bonds, Series 2000T.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term obligation principal, interest and related costs.

For OBRA, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues for Discretely Presented Component Unit

Rental revenue, in general, is recognized when due from tenants. Direct costs of negotiating and consummating a lease are deferred and amortized over the initial term of the related lease. Rental revenue is not accrued when a tenant vacates the premises and ceases to make rent payments or files for bankruptcy.

Utilities revenues are recorded when the services are provided to lessees.

Investments

The Agency's and OBRA's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2006, and reflects the values as if the entities were to liquidate the securities on that date. Money market investments with maturities of one year or less have been stated at amortized cost.

Pooled Cash and Investments

Income on pooled assets is allocated to the individual fund based on the fund's average daily cash balance in relation to total pooled assets.

Restricted Cash and Investments

Proceeds from debt and other funds, which are restricted for the payment of debt or for use in approved projects and held by fiscal agents by agreement, are classified as restricted assets. Also, rental revenues received from the University of California Office of the President (UCOP), Ice Rink, and City Center Garage West, which are restricted for the operation of each of the facilities, are classified as restricted.

Property Held for Resale

Property held for resale is acquired as part of the Agency's and OBRA's redevelopment program. These properties are both residential and commercial. Costs of administering Agency projects are charged to capital outlay expenditures as incurred. A primary function of the redevelopment process is to prepare land for specific private development.

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 estimate of net realizable value of each property parcel based on its current intended use.

Property held for resale may, during the period it is held by the Agency and OBRA, generate rental or operating income. This income is recognized as it is earned in the Agency's and OBRA's statement of activities and generally is recognized in the Agency's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting.

The Agency and OBRA do not depreciate property held for resale, as it is the intention of the Agency and OBRA to only hold the property for a short period of time until it can be resold for development.

Capital Assets

Capital assets are stated at historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of transfer. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and structures	3 to 40 years
Furniture and fixtures	3 to 10 years

Environmental Remediation Costs

Expenditures for environmental remediation of real properties acquired by purchase or donation are added to the recorded amounts when incurred. All estimated environmental remediation costs that would result in the recorded amount of property held for resale exceeding estimated net realizable values are accrued as expenses when such amounts become known.

Fund Equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Agency in its fund financial statements has reserved fund balance as follows:

Reserved for advances and notes receivable – To account for assets owed from the City that will not be collected in time to be considered available for appropriation and for notes receivable related to the Jack London Gateway.

Reserved for deposits – To account for a condemnation deposit made towards the purchase of property. This deposit is not available for appropriation.

Reserved for property held for resale – To account for assets acquired from various funding sources to the Agency and are not available for appropriation.

Reserved for approved capital projects/activities – To account for assets set aside that have been committed to a specific use by contractual agreement or Agency resolution.

Restricted Net Assets and Revenues

Under various agreements with the United States Department of the Army (Army), the use of substantially all assets of approximately 366 acres of the former Oakland Army Base and related lease income is restricted for the operation, maintenance and economic development of real properties, facilities and improvements from June 16, 1999 to August 7, 2010.

Tax Increment Revenue

Incremental property tax revenues represent taxes collected on the redevelopment areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the year of project inception) property tax assessment. The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the Agency. Incremental property tax are assessed and levied as of July 1, and result in a lien on real property. Incremental property taxes are then due in two equal installments; the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively.

Budgetary Data

The Agency operates on a project basis and each of the capital project funds is for individual redevelopment areas consisting of several individual projects. All of the Agency's budgets are approved by the Agency's governing board. Unexpended budget appropriations are carried forward to the next year.

Deferred Revenue

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met in fund statements. The Agency typically records deferred revenue in the governmental fund financial statements related to notes receivable arising from developers' financing arrangement and long-term receivables.

Long-term Obligations

In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premium, discount and deferred refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount and deferred refunding losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt service issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

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

(3) CASH AND INVESTMENTS

The Agency maintains a common cash and investment pool for use by all funds. Each fund's portion of this pool is reported in the governmental funds balance sheet as unrestricted cash and investments.

The Agency's cash and investments consist of the following at June 30, 2006:

	Fair Value
Cash and investments (unrestricted)	$ 149,610,301
Restricted cash and investments	128,012,457
Total cash and investments	$ 277,622,758

The Agency has adopted the investment policy of the City, which is governed by provisions of the California Government Code and the City's Municipal Code. The Agency also has investments subject to provisions of the bond indentures of its various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the Agency's cash and investment pool, 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.

The Agency maintains all of its unrestricted investments in a cash and investment pool. As of June 30, 2006, the Agency's cash and investment pool totaled $149,610,301. Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

As of June 30, 2006 the Agency's investment in LAIF was $60,396,391 ($39,322,905 in pooled cash and investments and $21,073,386 in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately $16.3 billion. Of that amount, 97.433% is invested in non-derivative financial products and 2.567% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members, as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Custodial Credit Risk:

At June 30, 2006, the carrying amount of the Agency's deposits was $1,323,855 and the bank balance was $1,227,494. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $100,000 was FDIC insured and $1,127,494 was collateralized with securities held by the pledging financial institution in the Agency's name, in accordance with Section 53652 of the California Government Code.

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 nationally recognized statistical rating organizations. The Agency's investment policy has mitigated credit risk by limiting investments to the safest types of securities. Additionally, the Agency pre-qualifies financial institutions, diversifies its portfolio, and establishes monitoring procedures.

The following tables show the Agency's credit risk as rated by Moody's for the Pool and Restricted portfolios as of June 30, 2006.

Pooled Cash and Investments

		Rating as of Fiscal Year Ended June 30, 2006		
	Fair Value	**AAA**	**A-1/P1**	**Not Rated**
U.S. Govt. Agency Securities	$ 69,961,695	$ 69,961,695	$ -	$ -
U.S. Govt. Agency Securities Disc.	2,930,580	2,930,580	-	-
Money Market Funds	21,266,005	21,266,005	-	-
LAIF	39,322,905	-	-	39,322,905
Commerical Paper	14,805,261	-	14,805,261	-
Sub-Total	**148,286,446**	**$ 94,158,280**	**$ 14,805,261**	**$ 39,322,905**
Deposit	1,323,855			
Total	**$ 149,610,301**			

Restricted Investments

		Rating as of Fiscal Year Ended June 30, 2006		
	Fair Value	**AAA**	**Aa**	**Not Rated**
Investment Agreements	$ 104,173,790	$ 95,468,982	$ 8,704,808	$ -
Money Market Funds	2,765,281	2,765,281	-	-
LAIF	21,073,386	-	-	21,073,386
Total	**$ 128,012,457**	**$ 98,234,263**	**$ 8,704,808**	**$ 21,073,386**

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 the Agency. The Agency's investment policy mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than five percent of the total portfolio. However, the same policy stipulates that 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. At June 30, 2006, the Agency has investment agreements with FSA Capital Management, and IXIS Funding

Corporation in the amount of $40,261,907 (14.5% of portfolio), and $55,207,075 (19.9% of portfolio), respectively.

The following table shows the diversification of the Agency's portfolio:

Pooled Cash Investments

	Fair Value	% of Portfolio
U.S. Govt. Agency Securities	$ 69,961,695	47.18%
U.S. Govt. Agency Securities Disc.	2,930,580	1.98%
Money Market Funds	21,266,005	14.34%
LAIF	39,322,905	26.52%
Commerical Paper	14,805,261	9.98%
Total	**148,286,446**	**100%**

Restricted Investments

	Fair Value	% of Portfolio
Investment Agreements	$ 104,173,790	81.38%
Money Market Funds	2,765,281	2.16%
LAIF	21,073,386	16.46%
Total	**128,012,457**	**100%**

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market 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. The average days to maturity of the Agency's pooled portfolio is 252 days. The Agency's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification.

The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2006, the Agency had the following investments and original maturities:

Pooled Cash and Investments

			Maturities	
	Fair Value	Interest Rates	12 Months or Less	1-3 Years
U.S. Govt. Agency Securities	$ 69,961,695	2.95-6.88	$ 30,168,910	$ 39,792,785
U.S. Govt. Agency Securities Disc.	2,930,580	5.31	2,930,580	-
Money Market Funds	21,266,005	4.86-5.10	21,266,005	-
LAIF	39,322,905	4.77	39,322,905	-
Commerical Paper	14,805,261	4.26-5.55	14,805,261	-
Total	**$ 148,286,446**		**$ 108,493,661**	**$ 39,792,785**

Restricted Investments

			Maturities	
	Fair Value	Interest Rates (%)	12 Months or Less	1-3 Years
Investment Agreements	$ 104,173,790	3.61 – 5.02	$ 8,704,808	$ 95,468,982
Money Market Funds	2,765,281	4.68 – 5.00	2,765,281	-
LAIF	21,073,386	4.7	21,073,386	-
TOTAL	**$ 128,012,457**		**$ 32,543,475**	**$ 95,468,982**

Restricted Investments in the Debt Service Funds

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 amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2006, the amounts held by the trustees aggregated $128,012,457 of which $126,164,674 is available to be used for restricted projects and $1,847,783 is held in reserve accounts. All restricted investments held by trustees as of June 30, 2006 were invested in a money market mutual funds and LAIF, and were in compliance with the bond indentures.

Total Agency cash and investments as of June 30, 2006, are as follows:

	Equity in Pooled Cash and Investments	Restricted Cash and Investments With Fiscal Agent	Total Governmental Funds
Central District	$ 47,745,853	$ 52,492,249	$ 100,238,102
Coliseum	30,314,142	10,220,661	40,534,803
Central City East	11,944,393	-	11,944,393
Low and moderate housing	31,200,130	64,499,786	95,699,916
Debt Service	444,997	564,678	1,009,675
Nonmajor governmental funds	27,960,786	235,083	28,195,869
TOTAL	**$ 149,610,301**	**$ 128,012,457**	**$ 277,622,758**

Discretely Presented Component Unit

Oakland Base Reuse Authority

Cash and investments at June 30, 2006 consisted of the following:

	Fair Value
Unrestricted investments	$ 6,317,192
Restricted cash and investments:	
Cash on hand	200
Deposits	2,469,592
Investments	1,624,834
Total	**$ 10,411,818**

Deposits

At June 30, 2006, the carrying amount of the OBRA deposits was $2,469,592 and the bank balance was $3,949,840. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $100,000 was FDIC insured and $3,849,840 was collateralized with securities held by the pledging financial institution in the OBRA name, in accordance with Section 53652 of the California Government Code.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. The collateral must be held by the pledging financial institution's trust department and is considered held in OBRA's name.

Investments

OBRA's Governing Body has adopted the same investment policy as adopted by the Oakland City Council. Accordingly, all cash and investments are invested in accordance with this policy.

Cash and investments consisted of the following at fair value at June 30, 2006:

	Fair Value	Credit Rating	Duration
Money Market funds	$ 6,317,192	Unrated	0
State Local Agency Investment Fund (LAIF)	1,624,834	Unrated	0
Deposits with Banks	2,469,592	N/A	N/A
Total	**$ 10,411,618**		

At June 30, 2006, the OBRA's investment in LAIF is $1,624,834. The total amount invested by all public agencies in LAIF at that date is approximately $16.3 billion. Of that amount, over 97.433% is invested in non-derivative financial products and 2.567% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, that is different than the fair value of the OBRA's position in the pool.

(5) NOTES RECEIVABLE

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2006, as follows:

	Central District	Low and Moderate Housing	Nonmajor Governmental Funds	Total Governmental Funds
Housing development projects	$ -	$ 83,952,999	$ 1,545,158	$ 85,498,157
Development loans	13,654,702	-	419,286	14,073,988
Small business loans	666,047	-	272,342	938,389
Gross notes receivables	14,320,749	83,952,999	2,236,786	100,510,534
Less: Allowance for uncollectible accounts	(3,386,814)	(33,746,256)	(1,043,158)	(38,176,228)
Net notes receivable	$ 10,933,935	$ 50,206,743	$ 1,193,628	$ 62,334,306

(6) PROPERTY HELD FOR RESALE

A summary of changes in property held for resale follows:

	July 1, 2005	Sales	June 30, 2006
Property held for resale	$57,737,856	($4,471,913)	$53,265,943

The decrease in the property held for resale represents the sale of the Acorn Shopping Center located at 900 Market Street, Oakland, California, the sale of 1072 and 1074 55th street, and conveyance of a portion of the block bounded by 8th Street, 9th Street, Jefferson Street and Clay Street in Oakland to a certain developer. The sales of these properties produced a gain in the amount of $1,024,081.

Discretely Presented Component Unit

Oakland Base Reuse Authority

Following is a summary of changes in property held for resale:

	July 1, 2005	Increases	June 30, 2006
Property held for resale	$ 89,408,216	$ 1,874,885	$ 91,283,101

During the fiscal year ended June 30, 2006, environmental remediation costs of approximately $1.9 million were incurred and added to property held for resale.

(7) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due From/Due To:

Receivable Fund	Payable Fund	Amount
Low and Moderate Housing	Central District	$ 545,482
	Coliseum	856,108
	Central City East	484,390
	Nonmajor Funds	270,461
		2,156,441
Nonmajor Funds	Central City East	463,812
TOTAL		$ 2,620,253

The composition of interfund balances as of June 30, 2006, represents "due to" and "due from" balances recorded when funds overdraw their share of pooled cash and investments.

Interfund Transfers:

Transfers out	Central District	Central City East	Low and Moderate Housing	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Central District	$ -	$ -	$ 9,954,624	$ 20,943,526	$ -	$ 30,898,150
Coliseum	-	-	5,683,857	1,496,968	982,417	8,163,242
City Central East	-	-	3,572,833	-	-	3,572,833
Low and Moderate Housing	350,000	808,185	-	4,375,270	-	5,533,455
Debt Service	-	-	2,109,246	-	-	2,109,246
Nonmajor Funds	-	-	3,134,118	3,242,748	-	6,376,866
TOTAL	$ 350,000	$ 808,185	$ 24,454,678	$ 30,058,512	$ 982,417	**$ 56,653,792**

The Central District, Coliseum, Low and Moderate Housing, and Nonmajor Governmental Funds transferred funds to the Debt Service Fund for payment of City advances and principal and interest on the tax allocation debt. The transfers to the Low and Moderate Housing Fund, as reflected above, represent the 20% tax increment allocation in accordance with sections 33334.2 and 33334.3 of the California Community Redevelopment Law plus an additional 5% as mandated by City Council Resolution. The transfer of $982,417 to Nonmajor Governmental Funds from the Coliseum Fund represents the 10% school set aside based from tax increment received in the Coliseum project area, net of the housing set aside and the AB1290 mandatory pass through. The transfer from the Low and Moderate Housing Fund to Central District Fund is for repayment of $350,000 Henry Robinson Multi-Service Center as provided in the adopted budget for fiscal year 2006. The transfer of $808,185 from Low and Moderate Housing Fund to Central City East Fund represents portion of the funding gap provided to a developer for the construction of certain homeownership projects in the Central City East Project Area.

(8) CAPITAL ASSETS

Discretely Presented Component Unit

Oakland Base Reuse Authority

OBRA's capital assets as of June 30, 2006 and capital asset activity for the year then ended consisted only of capital assets being depreciated. Capital asset activity during the year ended June 30, 2006 consisted of the following:

	July 1, 2005	Increases	June 30, 2006
Capital assets, being depreciated:			
Facilities and structures	$ 1,000,000	$ -	$ 1,000,000
Furniture and equipment	457,611	(800)	456,811
Total capital assets, being depreciated	1,457,611	(800)	1,456,811
Less accumulated depreciation for:			
Facilities and structures	(657,143)	(342,857)	(1,000,000)
Furniture and equipment	(310,257)	(146,554)	(456,811)
Total accumulated depreciation	(967,400)	(489,411)	(1,456,811)
Total capital assets, being depreciated, net	$ 490,211	$ (490,211)	$ -

(9) LONG-TERM DEBT

General Long-Term Obligations

On April 4, 2006, the Agency issued $2,195,000 of Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A ("Series 2006A Bonds") and $82,645,000 of Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T ("Series 2006A-T Bonds"). All of the Series 2006A Bonds and a portion of the 2006A-T Bonds were issued for the purpose of providing funds to establish an irrevocable escrow to refund and defease certain of the Agency's Subordinated Housing Set Aside Revenue Bonds, Series 2000T. The remaining portion of the Series 2006A-T Bonds were issued to finance or refinance various redevelopment activities, including the development of low and moderate income housing within the Agency's project areas. The Series 2006A Bonds are tax-exempt with a final maturity of September 1, 2018; the interest rate of these bonds is 5.000%. The Series 2006A-T Bonds are federally taxable with a final maturity of September 1, 2036; the interest rates of these bonds range from 5.030% to 5.927%.

The refunding portion of this financing resulted in a gross cash flow savings of approximately $2,800,968. The net economic gain on the refunding portion of this financing is $2,033,773.

Long-term liability activity for the year ended June 30, 2006, was as follows:

	July 1, 2005	Additions	Deductions	June 30, 2006	Due within One Year
Tax Allocation Bonds	$ 233,090,000	$ -	$ (8,755,000)	$ 224,335,000	$ 9,225,000
Housing Set-Aside Revenue Bonds	36,645,000	84,840,000	(27,015,000)	94,470,000	2,770,000
General Obligation Bond	350,000	-	(40,000)	310,000	45,000
Total Bonds Payable	270,085,000	84,840,000	(35,810,000)	319,115,000	12,040,000
Deferred amounts**:**					
Issuance premiums	12,456,077	123,973	(1,155,639)	11,424,411	1,135,280
Refunding loss	(1,949,470)	(2,367,800)	227,560	(4,089,710)	(286,783)
Subtotal	280,591,607	82,596,173	(36,738,079)	326,449,701	12,888,497
Uptown remediation costs	4,085,600	-	(2,677,728)	1,407,872	1,407,872
Advances from City of Oakland	34,630,939	731,154	(3,688,543)	31,673,550	1,119,736
TOTAL	**$ 319,308,146**	**$ 83,327,327**	**$ (43,104,350)**	**$ 359,531,123**	**$ 15,416,105**

General Long-Term Obligations consist of the following:

	Year ending June 30 Maturity	Interest Rates	Balance at June 30, 2006
TAX ALLOCATION BONDS			
Acorn Refunding Series1988			
Term bonds	2007	7.40%	$ 375,000
Central District Senior Tax Allocation			
Refunding Series 1992:			
Serial bonds	2007-2008	6.00%	11,305,000
Term bonds	2009-2014	5.50%	35,910,000
			47,215,000
Central District Subordinated Tax Allocation Bonds Series 2003:			
Serial bonds	2007-2009	4.00%	9,245,000
Serial bonds	2010-2012	5.00%	12,970,000
Serial bonds	2013-2020	5.50%	87,865,000
			110,080,000
Central District Subordinated Tax Allocation Bonds Series 2005:			
Serial bonds	2007-2022	5.00%	44,360,000
Coliseum Area Tax Allocation Bonds Series 2003:			
Term bonds	2007-2009	2.50%-4.00%	1,265,000
Term bonds	2010-2014	3.40%-4.30%	2,440,000
Term bonds	2015-2019	4.50%-4.90%	3,035,000
Term bonds	2020-2023	5.00%-5.125%	3,045,000
Term bonds	2028-2034	5.25%	12,520,000
			22,305,000
TOTAL TAX ALLOCATION BONDS			224,335,000
GENERAL OBLIGATION BOND-Tribune Tower	2007-2012	5.643%	310,000
SUBORDINATED HOUSING SET-ASIDE BONDS			
Revenue Series 2000T:			
Term bonds	2007-2011	7.82%	9,630,000
Revenue Series 2006A:			
Term bonds	2007-2018	5.00%	2,195,000
Refunding Series 2006A-T:			
Term bonds	2007	5.030%	1,120,000
Term bonds	2008	5.153%	460,000
Term bonds	2009	5.182%	475,000
Term bonds	2010	5.219%	500,000
Term bonds	2011	5.248%	530,000
Term bonds	2012	5.268%	2,860,000
Term bonds	2013	5.308%	3,010,000
Term bonds	2014	5.344%	3,170,000
Term bonds	2015-2017	5.383%	10,565,000
Term bonds	2018-2022	5.653%	19,635,000
Term bonds	2023-2026	5.827%	12,525,000
Term bonds	2027-2037	5.927%	27,795,000
			82,645,000
TOTAL SUBORDINATED HOUSING SET-ASIDE REVENUE BONDS			94,470,000
TOTAL BONDS PAYABLE			$319,115,000

Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. As of June 30, 2006 the total outstanding balance was $31,673,550, comprised of the following:

	July 1, 2005	Additions	Deductions	June 30, 2006	Due within One Year
Acorn	$ 2,641,352	$ -	$ (2,641,352)	$ -	$ -
Central District	18,348,884	-	(505,907)	17,842,977	538,179
Oak Center	13,085,582	731,154	(478,897)	13,337,839	512,573
Stanford/Alameda	355,121	-	(52,807)	302,314	59,810
West Oakland	200,000	-	(9,580)	190,420	9,174
TOTAL	$ 34,630,939	$ 731,154	$ (3,688,543)	$ 31,673,550	$ 1,119,736

Payments to the City are contingent upon the availability of funds from the Projects.

Outstanding Defeased Bonds

For financial reporting purposes, the Agency's advanced-refunded debt is considered defeased and therefore removed as a liability from the Agency's government-wide financial statements. Cumulatively, the defeased bonds had an outstanding debt balance of $66.1 million at June 30, 2006.

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures. The Agency believes it is in compliance with all significant limitations and restrictions.

Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2006.

Year Ending	Governmental Activities	
June 30:	Principal	Interest
2007	$ 12,040,000	$ 17,758,884
2008	11,625,000	18,628,186
2009	12,250,000	17,967,134
2010	11,630,000	17,280,214
2011	13,565,000	16,464,292
2012-2016	71,495,000	60,581,059
2017-2021	96,925,000	37,824,166
2022-2026	49,995,000	15,211,082
2027-2031	16,880,000	9,100,526
2032-2036	19,155,000	3,702,861
2037	3,555,000	115,352
TOTAL	**$ 319,115,000**	**$ 214,633,756**

Conduit Debt

The Agency issued Certificates of Participation to fund the acquisition of the Oakland Museum. The debt is secured by the Museum's building and the annual lease payments made by the City of Oakland to fund the debt service. As of June 30, 2006, there were two series of certificates outstanding with an aggregate principal amount payable of $18,901,229. The Agency is not obligated to make the debt payments. The Agency has, therefore, not recorded either the Museum as an asset or the related debt. The City has recorded both the Museum and the debt on its government-wide statement of net assets.

Discretely Presented Component Unit

Note Payable

OBRA has a non-interest bearing note payable for $8,200,000, which has been discounted at the rate of 3.37% to a principal amount of $7,495,235. The discounting resulted in the reduction of $704,765 against Property Held for Resale. In addition, OBRA accrued interest expense of $261,310 for the year ended June 30, 2006 and $156,553 for the year ended June 30, 2005 related to above liability.

Principal and interest payments are due on the following dates:

Date	Principal	Interest	Total
November 17, 2006	$ 1,481,909	$ 518,091	$ 2,000,000
May 17, 2007	2,898,675	101,325	3,000,000
November 17, 2007	2,147,518	52,482	2,200,000
November 17, 2008	967,133	32,867	1,000,000
	$ 7,495,235	$ 704,765	$ 8,200,000

The note payable is collateralized by 19.32 acres of property described in Note 6. Payments are applied first to any expenses in connection with the Note before the principal is reduced. There are no prepayment penalties and the Note is not assumable.

There was no activity for notes payable during the year ended June 30, 2006 which had a balance owed of $7,495,235.

(10) TRANSACTIONS WITH THE CITY OF OAKLAND

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represents reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2006, the Agency reimbursed the City $15,272,997 for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City $4,818,183 for the fiscal year ended June 30, 2006, of which $3,688,543 in principal and $1,129,640 in interest.

(11) COMMITMENTS AND CONTINGENCIES

As of June 30, 2006, the Agency has entered into contractual commitments of approximately $48,785,204 for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2006, the Agency was committed to fund $40,548,443 in loans and had issued $1,648,000 in letters of credit in connection with several low and moderate income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. In May 2006, the Agency paid $4,669,336 to Alameda County for the fiscal year 2005-06 ERAF shift.

Uptown Project Environmental Remediation

The Uptown Project area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2006, the total liability outstanding in connection with the Agency's environmental remediation activities was $1,407,872.

Discretely Presented Component Unit

Environmental Remediation

Land conveyed to OBRA from the Army may be subject to environmental remediation as required by the *Comprehensive Environmental Response, Compensation and Liability Act.* If and when such environmental remediation is required, OBRA is responsible for the first $13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA has received a federal grant of $13.0 million to pay for the above-mentioned environmental remediation costs. Of this grant amount, $5.0 million has been received.

The next $11.5 million of environmental remediation costs are to be shared equally by OBRA and the Port. The next $9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30 million in additional environmental remediation-related costs. OBRA and the Port have agreed to share equally in any environmental remediation-related costs above $21.0 million that are not covered by insurance. OBRA management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values. Accordingly, no provisions have been made in the financial statements for any related environmental remediation liabilities.

Oakland Army Base Workforce Development Collaborative

Under a separate agreement between OBRA and the Port dated July 31, 2003, the two parties each agreed to pay fifty percent (50%) of certain EDC property-related acquisition and remediation costs. Accordingly, OBRA has recorded a $5,400,000 payable to reflect its share of the total $10,800,000 payable. As of June 30, 2006, OBRA's share of the remaining liability to the Workforce Collaborative is $456. The Port paid in full its 50% share of $5.4 million as of August 7, 2006.

Lease Revenues

OBRA entered into a Master Lease with the Army on June 16, 1999 to lease approximately 366 acres plus related facilities and improvements at the Oakland Army Base (the "Leased Premises") for the period that commenced on June 19, 1999 and ended on August 7, 2003. OBRA had no minimum lease payments for the use of the Leased Premises, but was responsible for its operation and maintenance for the benefit of the United States and the general public. OBRA sub-leased certain of the Leased Premises to various tenants for terms ranging from one month to four years. All of these subleases expired on August 7, 2003, when the OARB was conveyed to OBRA.

Tenants with subleases immediately prior to the conveyance entered into new leases with OBRA on August 7, 2003. The longest term of these leases is from August 7, 2003 to 90 days prior to the reconveyance of the property, with the reconveyance date currently set at August 6, 2006. All of OBRA's lease revenues for the year ended June 30, 2006 are from the lease/sub-lease of these properties, facilities and improvements.

OBRA entered into operating leases with members of the Oakland Army Base Workforce Development Collaborative ("Workforce Collaborative") on December 14, 2004 in which the members occupy certain buildings on the former OARB property and pay OBRA no minimum payments throughout the lease terms, which are retroactive to January 1, 2003 and expire on various dates through August 2005. Accordingly, OBRA has not recognized any minimum lease payment revenues from these leases since December 31, 2002.

After June 30, 2006, there are no longer any non-cancelable operating leases having an initial term in excess of one year.

(12) SUBSEQUENT EVENT

Discretely Presented Component Unit

On August 7, 2006 OBRA was dissolved and as well as its assets and obligations were transferred to and were accepted by the Agency. Also transferred were the rights and obligations with respect to the balance of $1.05 million of a $2.4-million public works grant awarded by the United States Department of Commerce Economic Development Administration.

CITY OF OAKLAND VS. PACIFIC RENAISSANCE ASSOCIATES, II SETTLEMENT

On September 19, 2006, the Agency resolution #2006-0065 C.M.S. and the Oakland City Council resolution #80120 C.M.S. authorized the Agency Administrator and the Agency legal counsel to settle the litigation in the matter of the City of Oakland versus the Pacific Renaissance Associates II, and related cases. The lawsuits concerned the Pacific Renaissance Plaza, a mixed-use commercial and residential complex in the 300 block on 9th Street between Franklin and Webster. The settlement includes: (1) a six-month option for the Agency to purchase all of the property and improvements, the right to assign all or part of its right to purchase to a third party, and at the its sole discretion, may choose not to exercise its option to purchase; (2) the issuance of a Certificate of Compliance for the Marriott Courtyard Hotel by the Agency; (3) an executed settlement agreement and dismissal with prejudice of the complaint and cross-complaint by the Hom Litigation upon closure of the case; (4) the Agency, the City, and defendants to each bear their own attorneys' fees; (5) in return for certain side agreements among the Agency, the City, and the Hom Litigation, the plaintiffs agree to release their hold on the subject property; and (6) in the event that the Agency does not exercise its option or, if the Agency exercises the option and the defendants default, the City or Agency to have the right to enforce performance of the settlement agreement and/or to restore the matter to the active trial calendar.

TAX ALLOCATION BONDS

Central City East Redevelopment Project Tax Allocation Bonds Series 2006A-TE & Series 2006A-T (Federally Taxable)

On October 12, 2006, the Agency issued $13,780,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE (the "Series 2006A-TE Bonds") and $62,520,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-T (Federally Taxable) (the "Series 2006A-T Bonds"). The collective Series 2006A-TE Bonds and Series 2006A-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central City East Redevelopment Project Area. The Series 2006A-TE Bonds are tax-exempt with a final maturity of September 1, 2036. The interest rate of these bonds is 5.000%. The Series 2006A-T Bonds are federally taxable with a final maturity of September 1, 2034; the interest rates of these bonds range from 5.263% to 5.537%.

The Series 2006A-TE Bonds and Series 2006A-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central City East Redevelopment Project Area.

Coliseum Area Redevelopment Project Tax Allocation Bonds Series 2006B-TE & Series 2006B-T (Federally Taxable)

On October 12, 2006, the Agency issued $28,770,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE (the "Series 2006B-TE Bonds") and $73,820,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-T (Federally Taxable) (the "Series 2006B-T Bonds"). The collective Series 2006B-TE Bonds and Series 2006B-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Coliseum Area Redevelopment Project Area as well as to refund all of the outstanding Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2003. The Series 2006B-TE Bonds are tax-exempt with a final maturity of September 1, 2036. The interest rates of these bonds range from 4.000% to 5.000%. The Series 2006B-T Bonds are federally taxable with a final maturity of September 1, 2035; the interest rates of these bonds range from 5.263% to 5.537%.

The Series 2006B-TE Bonds and Series 2006B-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Coliseum Area Redevelopment Project Area.

Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds Series 2006C-TE & Series 2006C-T (Federally Taxable)

On October 12, 2006, the Agency issued $4,945,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the "Series 2006C-TE Bonds") and $12,325,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the "Series 2006C-T Bonds"). The collective Series 2006C-TE Bonds and Series 2006C-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Broadway/MacArthur/San Pablo Redevelopment

Project Area. The Series 2006C-TE Bonds are tax-exempt with a final maturity of September 1, 2036. The interest rate of these bonds is 5.000%. The Series 2006C-T Bonds are federally taxable with a final maturity of September 1, 2032. The interest rates of these bonds range from 5.283% to 5.587%.

The Series 2006C-TE Bonds and Series 2006C-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Broadway/MacArthur/San Pablo Redevelopment Project Area.

REDEVLOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Acorn	Broadway/Mac Arthur/San Pablo	Oakland Army Base	West Oakland	Other Projects	Redevelopment Planning Fund	Total Nonmajor Governmental Funds
ASSETS							
Cash and investments	$ 1,190,110	$ 3,126,856	$ 5,152,375	$ 2,318,774	$ 14,542,220	$ 1,630,451	$ 27,960,786
Tax increment receivable	46,166	355,851	90,571	699,536	102,834	-	1,294,958
Accounts receivable, net	30,000	-	-	-	560,393	-	590,393
Due from other funds	-	-	-	-	463,812	-	463,812
Advances to the City	-	-		17,878	-	376,003	393,881
Notes receivable, net	479,286	-	-	-	714,342	-	1,193,628
Property held for resale	-	-	-	-	3,565,064	-	3,565,064
Restricted cash and investments	-	-	-	-	235,083	-	235,083
TOTAL ASSETS	$ 1,745,562	$ 3,482,707	$ 5,242,946	$ 3,036,188	$ 20,183,748	$ 2,006,454	$ 35,697,605

(Continued)

REDEVLOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Acorn	Broadway/Mac Arthur/San Pablo	Oakland Army Base	West Oakland	Other Projects	Redevelopment Planning Fund	Total Nonmajor Governmental Funds
LIABILITIES							
Accounts payable and accrued liabilities	$ 2,315	# $ 677,765	# $ 788,284	$ 663,360	$ 282,377	# $ -	# $ 2,414,101
Due to other funds	7,413	76,490	5,892	160,802	19,862	-	270,459
Due to the City	51,163	21,898	91,783	-	37,753	-	202,597
Deposits and other liabilities	12,250	35,000	-	-	530	6,280	54,060
Deferred revenue	76,515	49,889	67,004	56,328	1,112,992	376,003	1,738,731
TOTAL LIABILITIES	149,656	861,042	952,963	880,490	1,453,514	382,283	4,679,948
FUND BALANCES							
Reserved for advances and notes receivable	479,286	-	-	17,878	-	376,003	873,167
Reserved for property held for resale	-	-	-	-	3,565,064	-	3,565,064
Reserved for approved capital projects/activities	1,116,620	2,621,665	4,289,983	2,137,820	15,165,170	-	25,331,258
Unreserved	-	-	-	-	-	1,248,168	1,248,168
TOTAL FUND BALANCES	1,595,906	2,621,665	4,289,983	2,155,698	18,730,234	1,624,171	31,017,657
TOTAL LIABILITIES AND FUND BALANCES	$ 1,745,562	$ 3,482,707	$ 5,242,946	$ 3,036,188	$ 20,183,748	$ 2,006,454	$ 35,697,605

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
Year ended June 30, 2006

	Acorn	Broadway/Mac Arthur/San Pablo	Oakland Army Base	West Oakland	Other Projects	Redevelopment Planning Fund	TOTAL
REVENUES							
Tax increment	$ 971,480	$ 2,934,619	$ 3,941,420	$ 3,313,417	$ 1,375,526	$ -	$ 12,536,462
Interest on pooled cash and investments	36,385	67,249	107,443	34,670	403,842	55,214	704,803
Interest on notes receivable	-	-	-	-	21,138	10,148	31,286
Rents and reimbursements	-	-	-	-	968,298	-	968,298
Gain from sale of land	268,132	-	-	-	755,949	-	1,024,081
Other	-	120,279	157,509	-	103,131	83,582	464,501
TOTAL REVENUES	1,275,997	3,122,147	4,206,372	3,348,087	3,627,884	148,944	15,729,431
EXPENDITURES							
Current:							
Urban redevelopment and housing	221,773	1,343,238	1,467,725	990,650	2,836,696	76,416	6,936,498
TOTAL EXPENDITURES	221,773	1,343,238	1,467,725	990,650	2,836,696	76,416	6,936,498
Excess (deficiency) of revenues over expenditures	1,054,224	1,778,909	2,738,647	2,357,437	791,188	72,528	8,792,933
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	982,417	-	982,417
Transfers out	(3,397,845)	(733,655)	(985,355)	(841,788)	(418,223)	-	(6,376,866)
TOTAL OTHER FINANCING SOURCES (USES)	(3,397,845)	(733,655)	(985,355)	(841,788)	564,194	-	(5,394,449)
Change in fund balances	(2,343,621)	1,045,254	1,753,292	1,515,649	1,355,382	72,528	3,398,484
Fund balances at beginning of year	3,939,527	1,576,411	2,536,691	640,049	17,374,852	1,551,643	27,619,173
FUND BALANCES AT END OF YEAR	$ 1,595,906	$ 2,621,665	$ 4,289,983	$ 2,155,698	$ 18,730,234	$ 1,624,171	$ 31,017,657

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To the Members of the Redevelopment Agency
of the City of Oakland, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the fiscal year ended June 30, 2006, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 1, 2006. 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. We did not audit the financial statements of the Oakland Base Reuse Authority (OBRA), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon had been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by Agency staff in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies,* issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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*.

This report is intended solely for the information and use of the Board of Directors, the finance and management committee, the Agency's management and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants
Walnut Creek, California

December 1, 2006