CITY OF OAKLAND
CALIFORNIA

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A COMPONENT UNIT OF THE CITY OF OAKLAND)

FOR THE YEAR ENDED JUNE 30, 2016

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

FINANCIAL REPORT

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City Attorney's Office

Economic & Workforce Development Department

Finance Department – Treasury Bureau

Housing and Community Development (HCD)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
For the Year Ended June 30, 2016

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Independent Auditor's Report

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Oakland Redevelopment Successor Agency (Agency), a component unit of the City of Oakland (City), California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2016, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Oakland, California
December 16, 2016

Management's Discussion and Analysis – Unaudited
For the Year Ended June 30, 2016

As management of the Oakland Redevelopment Successor Agency of the City of Oakland ("ORSA"), we offer readers of the ORSA's basic financial statements this narrative overview and analysis of the financial activities of ORSA for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the ORSA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

On August 11, 2015, the ORSA issued Subordinated Tax Allocation Refunding Bonds, Series 2015-TE and Series 2015-T (the "Series 2015 Bonds") in an aggregate principal amount of $89.2 million to refund all of the outstanding Series 2006A Bonds, Series 2006A-TE Bonds, and Series 2006C-TE Bonds. The Series 2015 Bonds also partially refunded outstanding Series 2006A-T Bonds and Series 2006B-TE Bonds. The Series 2015 Bonds were issued with interest rates ranging from 1.329% to 5.00% and will mature in September 2036. Issuance of the bonds generated approximately $8.0 million or 7.7% in net present value of savings, which is approximately $10.3 million in debt service savings through 2037.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. At the close of June 30, 2016, ORSA has a negative net position of $317.9 million. Under the former California Redevelopment Law, the former Agency issued bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues (See Note 6 to the basic financial statements).

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

In addition, completed projects with private developers were also transferred to the developers in accordance with disposition and development agreements. Although completed public facilities and joint agency-private partnership projects were transferred to the City or private entities, the related debt remained with the former redevelopment agency and was transferred to the ORSA.

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

Statements of Fiduciary Net Position
(In thousands)

Assets	**June 30, 2016**	**June 30, 2015**	**$ Change**
Current and other assets	$ 63,733	$ 56,150	$ 7,583
Restricted cash and investments	21,845	29,759	(7,914)
Notes and loans receivable, net	16,977	13,721	3,256
Property held for resale	2,818	2,818	-
Total assets	105,373	102,448	2,925
Deferred outflows of resources	6,396	2,229	4,167
Liabilities			
Other liabilities	13,922	13,040	882
Long-term liabilities	415,723	437,876	(22,153)
Total liabilities	429,645	450,916	(21,271)
Deferred inflows of resources	-	-	-
Total net position held in trust	**$ (317,876)**	**$ (346,239)**	**$ 28,363**

At June 30, 2016, the ORSA's liabilities exceeded its assets and deferred outflows of resources, resulting in a net deficit of $317.9 million. This represents a $28.4 million deficit reduction compared to the net position at June 30, 2015. The change is mainly due to the following:

- Total assets were $105.4 million, an increase of $3.0 million compared to $102.4 million at June 30, 2015. The increase is mainly due to $5.2 million of increase in cash and investments from increased property tax revenues distributed by the County's Auditor Controller, $2.7 million increase in due from other governments to repay a loan debt to the City pursuant to Resolution No. 84516 C.M.S., and $3.5 million of loan receivables issued to the Fox Oakland Theater, Inc. The increases were offset of $7.9 million of decrease in restricted cash and investments from trustees as the result of scheduled debt service payments.
- Deferred outflows of resources increased by $4.2 million compared to $2.2 million at June 30, 2015 to $6.4 million at June 30, 2016. The increase was due to unamortized refunding loss from debt refinance in FY2016.
- A $0.9 million increase in other liabilities mainly due to the timing of payments for eligible expenditures.
- The $22.2 million decrease in long-term liabilities was primarily due to $26.3 million of scheduled debt service payments net of a $4.1 million increase in the long-term debt principal and premium from debt refinancing.

Statements of Changes in Fiduciary Net Position
(In thousands)

	Year Ended June 30, 2016	Year Ended June 30, 2015
Additions		
Redevelopment property tax revenues	$ 68,468	$ 61,001
Other revenues	4,509	7,147
Total additions	72,977	68,148
Deductions		
General and administrative	3,923	4,166
Project expenses	17,336	42,602
Interest on debt	22,674	24,641
Bond issuance costs	681	-
Other	-	80
Total deductions	44,614	71,489
Special items from		
Transfer of excess tax allocation bond proceeds	-	(10,243)
Approved asset transfers	-	(97,453)
Total special items	-	(107,696)
Change in net position	28,363	(111,037)
Net position held in trust, beginning	(346,239)	(235,202)
Net position held in trust, end of year	$ (317,876)	$ (346,239)

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

- The ORSA's additions for FY2016 were $73.0 million compared to $68.1 million for FY2015, an increase of $4.9 million. The increase was mainly due to the increases of $7.4 million for redevelopment property tax and $0.5 million of ground lease receipt for Uptown Redevelopment Project, offset by a decrease of $3.0 million in federal and State grants.

- The ORSA's deductions for FY2016 were $44.6 million compared to $71.5 million for FY2015, a decrease of $26.9 million. The decrease was mainly due to the decrease of $2.0 million of interest expense on long-term obligations as the result of reduced outstanding principal balances, and the respective decreases of $0.2 million and $25.3 million of general and administrative costs and project expenses, respectively, contributed to the continuous winding-down of the ORSA, offset by the increase of $0.7 million of debt issuance costs incurred for debt refinance.

- During FY2016, the ORSA did not transfer any assets to the City compared to $107.7 million of asset transfers in FY2015 that were reported as special items.

Debt Administration

At June 30, 2016, the ORSA had long-term bonds outstanding totaling $407.5 million, a decrease of $22.7 million from fiscal year 2015, resulting from debt refundings and debt service payments on outstanding long-term debts (Tax Allocation Bonds and Housing Set-Aside Bonds) which are backed by redevelopment property tax revenues.

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

	June 30, 2016	June 30, 2015
Long-Term Debt		
Tax allocation bonds	$ 362,245	$ 317,575
Housing set-aside bonds	45,225	112,615
Subtotal - bonds outstanding	407,470	430,190
Unamortized amounts:		
Premiums and discounts	8,253	7,686
Total long-term debt	**$ 415,723**	**$ 437,876**

Bond Ratings

Bond ratings reflect the credit strength of the ORSA's value and size. The strengths that Moody's Investors Services takes into account are the ORSA's large geographic and total project area, sizable incremental and assessed valuation, and solid high period of debt service coverage.

The table below shows ORSA bond ratings for the outstanding bonds as of June 30, 2016:

	Ratings		
Type of Obligation	**Moody's**	**S & P**	**Fitch**
Tax Allocation Bonds:			
Subordinated Tax Allocation Refunding Bonds, Series 2015-TE, 2015-T	N/A	AA	N/A
Central District Redevelopment Project			
Subordinated Tax Allocation Bonds, Series 2006T	A3*	AA-	N/A
Subordinated Tax Allocation Bond Series 2009T	N/A	A-	N/A
Subordinated Tax Allocation Refunding Bonds, Series 2013	N/A	A-	N/A
Coliseum Area Redevelopment Project			
Tax Allocation Bonds, Series 2006B-TE, B-T	Baa1	A	N/A
Central City East Redevelopment Project			
Tax Allocation Bonds, Series 2006A-T	Baa1	A	N/A
Broadway/MacArthur/San Pablo Redevelopment Project			
Tax Allocation Bonds, Series 2006C-T	Baa1	A+	N/A
Tax Allocation Bonds, Series 2010T	N/A	A-	N/A
Subordinated Housing Set-Aside Bonds:			
Revenue Refunding Bonds Series 2006A-T	Baa1	A+	A-
Revenue Bonds, Series 2011A-T	Baa1	A+	N/A

* Insured rating

REVENUES AND RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE

Pursuant to State laws and regulations, the ORSA is required to adopt a Recognized Obligation Payments Schedule ("ROPS"). A ROPS, listing all enforceable obligations due and payable currently in the six month coverage period, is prepared in a manner provided by the State of California Department of Finance (the DOF) and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund ("Trust Fund"). The ROPS represents the ORSA's annual budget. The semi-annual Administrative Budget for the ORSA is presented and approved by the Successor Agency governing board and ORSA's Oversight Board, and subsequently approved as part of the ROPS by the State of California Department of Finance.

In September 2015, the State passed the Senate Bill 107, which authorizes successor agencies to submit a Last and Final ROPS, which shall list the remaining enforceable obligations of the successor agency and the total outstanding obligation and a schedule of remaining payments for each enforceable obligation, for approval by the oversight board and the DOF. Upon approval by the DOF, the Last and Final ROPS will establish the maximum amount of Redevelopment Property Tax Trust Funds to be distributed to the ORSA.

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

Statement of Fiduciary Net Position
June 30, 2016
(Amounts in Thousands)

ASSETS	
Current assets:	
Cash and investments	$ 56,197
Accrued interest receivable	395
Due from City of Oakland	2,311
Due from other governments	2,705
Prepaid expenses	2,125
Restricted investments	21,845
Total current assets	85,578
Noncurrent assets:	
Notes and loans receivable (net of allowance for uncollectable of $46,675)	16,977
Property held for resale	2,818
Total noncurrent assets	19,795
Total assets	105,373
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized losses on refunding of debts	6,396
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	202
Accrued interest payable	7,648
Due to the City of Oakland	6,025
Deposits and other liabilities	47
Total current liabilities	13,922
Long-term liabilities:	
Due within one year	30,299
Due in more than one year	385,424
Total long-term liabilities	415,723
Total liabilities	429,645
NET POSITION	
Restricted for redevelopment	$ (317,876)

See accompanying notes to the basic financial statements.

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

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016
(Amounts in Thousands)

ADDITIONS		
Redevelopment property tax revenues	$	68,468
Investment income:		
Interest on investments		314
Net appreciation in fair value of investments		21
Federal and State grants		3,019
Other		1,155
Total additions		72,977
DEDUCTIONS		
General and administrative:		
Salaries, wages and benefits		3,619
Materials, supplies and other services		304
Project expenses		17,336
Interest on debt		22,674
Other		681
Total deductions		44,614
Change in net position		28,363
Net position, beginning of year		(346,239)
Net position, ending of year	$	(317,876)

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

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

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

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

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

In September 2015, the State passed the Senate Bill 107 (the Bill) which contains additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill includes specific language to ORSA that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the Redevelopment Property Tax Trust Fund that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill declares that the Central District Subordinated Tax Allocations Refunding Series 2013 and Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T are finally and conclusively approved as enforceable obligations. The Bill required that remaining principal amount of any of the loans that were previously unpaid after September 2015 shall be recalculated from the date of original of the loan on the basis at a simple interest rate of 3%.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Basis of Accounting

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

Investments

ORSA records investment transactions on the trade date. Investments are reported at fair value or at net asset value. ORSA measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, using observable market transactions or available market information. Investment income, including unrealized gains and losses from investments, is recognized as revenue.

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

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

Redevelopment Property Tax Revenues

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

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

Distribution Dates	Covers ROPS to be Paid
January 2	January 1 through June 30
June 1	July 1 through December 31

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

Restricted Assets

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

Property Held for Resale

For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimated of net realizable value of each property parcel based on its current use. The ORSA does not depreciate property held for resale, as it is the intention of the ORSA to only hold the property for a period of time until it can be resold for development. California DOF has approved ORSA's Long-Range Property Management Plan (LRPMP) of its use or disposition of properties on May 29, 2014, as discussed in Note 5.

Long-term Debt

The former Agency issued Tax Allocation Bonds and Housing Set-Aside Bonds to finance housing and other redevelopment projects. Bonds payable are reported at face value, net of applicable premiums and discounts. The premiums and discounts are amortized as a component of the interest expense on a straight-line basis over the remaining life of the debt instrument. Costs related to the issuance of bonds are reported as an expense. Deferred charge on refunding from advance refundings of bonds are classified as a deferred outflows of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

New GASB Pronouncements Adopted

During the year ended June 30, 2016, the OSRA implemented the following accounting standards:

- Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement requires additional disclosures and did not have a significant impact to the ORSA's financial statements. Please refer to Note 3 for more information.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, clarifies the hierarchy of GAAP, and reduces the GAAP hierarchy to two catalogues categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. This statement did not have a significant impact to the ORSA's financial statements.

(Amounts in Thousands)

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

The ORSA's cash and investments consist of the following at June 30, 2016:

Unrestricted cash and investments:		
Demand deposits	$	5,508
Investments		50,689
Total unrestricted cash and investments		56,197
Restricted investments		21,845
Total cash and investments	$	78,042

Investments

The ORSA follows the City's Investment Policy, which is governed by provisions of the California Government Code 53600 and the City's Municipal Code. The ORSA also has investments subject to provisions of the bond indentures of the former Agency's various bond issues. According to the Investment Policy and bond indentures, the ORSA is permitted to invest in the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. government agencies, time deposits, money market mutual funds invested in U.S. government securities, along with various other permitted investments. Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and temporary investments for unexpended bond proceeds.

The ORSA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2016, the ORSA does not have any of its investments using Level 1 and 3 inputs. The ORSA has the following recurring fair value measurements as of June 30, 2016:

	Significant other observable inputs (Level 2)	Investments measured at the net asset value (NAV)
Unrestricted investments:		
U.S. Government Agency Securities (Discount)	$ 41,989	$ -
Money Market Mutual Funds *	-	8,700
Restricted investments:		
U.S. Government Agency Securities (Discount)	3,498	
Money Market Mutual Funds *	-	18,347
Sub-total	$ 45,487	$ 27,047

* Based on weighted average maturity.

Custodial Credit Risk

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

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

As of June 30, 2016, the carrying amount of the ORSA’s deposits was $5.5 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $0.25 million, and the remaining bank balance of $5.25 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

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

Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA Investment Policy has mitigated interest rate risk by establishing policies over liquidity.

(Amounts in Thousands)

As of June 30, 2016, ORSA had the following investments, credit risk ratings, and maturities:

Type of Investment	Current Yield (%)	Credit Ratings (S&P)	Maturities Less than 1 Year
Unrestricted investments:			
U.S. Government Agency Securities (Discount)	0.17-0.25	AA	$ 41,989
Money Market Mutual Funds	0.10-0.11	AAA	8,700
Total unrestricted investments			$ 50,689
Restricted investments:			
U.S. Government Agency Securities (Discount)	0.33	AA	$ 3,498
Money Market Mutual Funds	0.28	AAA	18,347
Total restricted investments			$ 21,845

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on ORSA. Investments issued by or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. The following table shows ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolios at June 30, 2016:

Type of Investment/Issuer	Amount	% of Unrestricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank	$ 35,991	71.0%
Freddie Mac	5,998	11.8%

Type of Investment/Issuer	Amount	% of Restricted Portfolio
U.S. Government Agency Securities		
Federal Home Loan Bank	$ 3,498	16.0%

NOTE 4 – LOANS RECEIVABLE

Composition of loans receivable as of June 30, 2016 is as follows:

Housing development project loans	$ 1,576
Economic development loans	62,076
Gross notes and loans receivable	63,652
Allowance for uncollectible	(46,675)
Total notes and loans receivable, net	$ 16,977

(Amounts in Thousands)

NOTE 5 – PROPERTY HELD FOR RESALE

As of June 30, 2016, ORSA has a total $2.8 million for properties booked at the lower of cost or estimated conveyance value. On May 29, 2014, pursuant to HSC Section 34191.4, the DOF approved the ORSA's LRPMP addressing the disposition and use of former Agency properties and authorizing the disposition of properties pursuant to the plan.

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt as of June 30, 2016:

Type of Obligation	Original Issued Amount	Issued Year	Maturity Fiscal Year	Interest Rate Range	June 30, 2016 Principal Balance
Tax Allocation Bonds:					
Central District Redevelopment Project					
Subordinated Tax Allocation Bonds, Series 2006T	$ 33,135	2006	2022	5.25% - 5.41%	$ 11,555
Subordinated Tax Allocation Bond Series 2009T	38,755	2009	2021	8.00% - 8.50%	28,250
Subordinated Tax Allocation Refunding Bonds, 2013	102,960	2013	2023	4.00% - 5.00%	85,575
Coliseum Area Redevelopment Project					
Tax Allocation Bonds, Series 2006B-TE	28,770	2006	2037	4.00% - 5.00%	19,270
Tax Allocation Bonds, Series 2006B-T	73,820	2006	2036	5.26% - 5.54%	61,490
Central City East Redevelopment Project					
Tax Allocation Bonds, Series 2006A-T	62,520	2006	2035	5.26% - 5.54%	50,185
Broadway/MacArthur/San Pablo Redevelopment Project					
Tax Allocation Bonds, Series 2006C-T	12,325	2006	2033	5.28% - 5.59%	9,545
Tax Allocation Bonds, Series 2010T	7,390	2010	2041	7.20% - 7.40%	7,190
Subtotal	359,675				273,060
Subordinated Housing Set-Aside Bonds:					
Revenue Bonds Series 2006A-T	82,645	2006	2017	5.38%	3,705
Revenue Bonds, Series 2011A-T	46,980	2011	2042	7.50% - 9.25%	41,520
Subtotal	129,625				45,225
ORSA Subordinated Tax Allocation Refunding Bonds:					
Series 2015-TE	22,510	2015	2037	5.00%	22,510
Series 2015-T (federally taxable)	66,675	2015	2036	1.33% - 4.92%	66,675
Subtotal	89,185				89,185
Total long-term debt	$ 578,485				$ 407,470

A summary of the changes in long-term debt for the year ended June 30, 2016 follows (in thousands):

	July 1, 2015	Additions	Deductions	June 30, 2016	Due within One Year
Bonds Payable:					
Tax allocation bonds	$ 317,575	$ -	$ (44,515)	$ 273,060	$ 23,171
Housing set-aside bonds	112,615	-	(67,390)	45,225	5,505
Subordinated tax allocation refunding bonds	-	89,185	-	89,185	440
Subtotal	430,190	89,185	(111,905)	407,470	29,116
Less unamortized amounts:					
Issuance premiums	9,801	2,498	(2,067)	10,232	1,319
Issuance discount	(2,115)	-	136	(1,979)	(136)
Total	$ 437,876	$ 91,683	$ (113,836)	$ 415,723	$ 30,299

Current Year Long-Term Debt Activities

On August 11, 2015, the ORSA issued Subordinated Tax Allocation Refunding Bonds, 2015-TE (tax-exempt) and Series 2015-T (taxable) (the "Series 2015 Bonds") in the aggregate principal amount of $89.2 million and original issue premium of $2.5 million. The Series 2015-TE Bonds has interest rates at 5.0% and principal maturing from September 2035 through September 2036 and the Series 2015-T has interest rates ranging 1.329% to 4.916% and principal maturing from September 2016 through September 2035. The proceeds of the Series 2015 Bonds will be used to pay the costs associated with the issuance of the Series 2015 Bonds, purchase the 2015 Reserve Policy for deposit in the Reserve Account to satisfy the Reserve Requirement for the 2015 Series Bonds, purchase the 2015 Insurance Policy to guarantee payment of principal and interest on the 2015 Bonds, and refund all or a portion of the outstanding bonds as follows:

Description of Refunded Bonds	Amount Refunded
Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A	$ 2,195
Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T	59,955
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE	13,780
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE	4,745
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE	4,945
Total refunded bonds	$ 85,620

In September 2015, a portion of the proceeds of the 2015 Series Bonds were deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent for the subordinated housing set aside revenue refunding bonds, and Wells Fargo Bank, National Association, as escrow agent for the tax allocation bonds. The funds deposited and held with the escrow agents are sufficient, together with investment earnings thereon, to pay principal and interest on the refunded bonds to be redeemed on September 1, 2016. The amounts deposited were invested in direct noncallable obligations of, or unconditionally guaranteed by, the United States of America (Federal Securities) and/or senior debt obligations of the Federal Home Loan Bank system. Upon such deposit, all obligations of the OSRA with respect to the advance refunded bonds were legally defeased except for the ORSA's obligation to pay the principal and interest on the advance refunded bonds from such funds deposited with the escrow agents. Accordingly, the liability for the refunded bonds has been removed from the statement of fiduciary net position.

The refunding resulted in the recognition of accounting loss of $6.1 million for the year ended June 30, 2016. The ORSA in effect reduced its aggregate debt service payments by $10.3 million and obtained a net present value savings of $8.0 million or 7.7% of the refunded bonds.

Tax Allocation Bonds and Housing Set-Aside Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 2006T, Series 2009T, Series 2006A-T, Series 2006B TE/T, Series 2006C-T, Series 2010T, and Bond Series 2013 are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each of the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2016, the total principal and interest remaining on these TABs was estimated at $394.0 million and the property tax revenues are pledged until the year 2041, the final maturity date of the bonds. The former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

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

Housing Set-Aside Bonds

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

As of June 30, 2016, the total principal and interest remaining on the Housing Set-Aside Bonds was estimated at $102.3 million and the property tax revenues are pledged until the year 2042, the final maturity date of the bonds. The former Agency's debt service payments are requested through the ROPS as enforceable obligations until the debt obligations have been satisfied.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the ORSA plans to request the funds through the ROPS from the Trust Fund pursuant to HSC Section 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

(Amounts in Thousands)

Subordinated Tax Allocation Refunding Bonds

The 2015 Bonds are limited obligations of the ORSA and payable from and secured by pledged tax revenues. Pledged tax revenues are tax increment revenues that were eligible for allocation to the former Agency and are allocated to the ORSA, excluding (i) tax revenues required to pay debt service on the existing bonds, (ii) certain amounts required to be paid under the Uptown Ground Lease and the 17th Street Garage Disposition and Development Agreement, and (iii) amounts required to be paid to taxing entities pursuant to the Dissolution Act, unless such payments are subordinated.

Debt Service Requirements

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and housing set-aside bonds outstanding as of June 30, 2016, including mandatory sinking fund payments, are as follows:

Year Ending June 30:	Tax Allocation Bonds Principal	Tax Allocation Bonds Interest	Housing Set-Aside Bonds Principal	Housing Set-Aside Bonds Interest	Subordinate Refunding Tax Allocation Bonds Principal	Subordinate Refunding Tax Allocation Bonds Interest
2017	$ 23,171	$ 14,712	$ 5,505	$ 3,637	$ 440	$ 3,752
2018	23,521	13,366	1,935	3,389	4,340	3,710
2019	25,384	11,973	2,075	3,239	4,425	3,622
2020	26,557	10,479	2,235	3,077	4,515	3,509
2021	28,027	8,871	2,400	2,897	4,645	3,373
2022 - 2026	53,906	31,129	7,310	12,073	15,980	14,717
2027 - 2031	40,694	20,516	1,030	10,583	12,285	12,079
2032 - 2036	40,957	8,489	35	10,507	20,045	7,909
2037 - 2041	10,843	1,369	17,325	7,469	22,510	337
2042	-	-	5,375	249	-	249
TOTAL	$ 273,060	$ 120,904	$ 45,225	$ 57,120	$ 89,185	$ 53,257

Outstanding Defeased Bonds

For financial reporting purposes, the ORSA's advance-refunded debt is considered defeased and therefore removed as a liability from ORSA's statement of fiduciary net position. Cumulatively, the defeased bonds had an outstanding debt balance of $94.3 million at June 30, 2016.

NOTE 7 – TRANSACTIONS WITH THE CITY

City Expenses

In FY 2016, ORSA incurred a total of $7.1 million expense in general administration and project-related overhead. Of this amount, $1.9 million reimbursed the City for general and administrative overhead and $5.2 million paid for project-related overhead and operational costs for support services provided by designated City employees.

Due from the City

As of June 30, 2016, ORSA has a total due from the City in the amount of $2.3 million, which has no change compared to the $2.3 million at June 30, 2015. The ending balance is composed of the former Agency's assets transferred to Housing Successor, which include the former Agency's Central District Project Area Fund loan receivable from the City in the amount of $1.5 million, land sale receivable of $0.3 as well as the former Agency's Coliseum Project Area Fund loan receivable from the City in the amount of $0.5 million.

Due to the City

At June 30, 2016, ORSA has a payable to the City in the amount of $6.0 million, which included the former Agency's Low and Moderate Housing Fund loan of $1.5 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor, a loan of $2.7 million from the Capital Project Fund to the West Oakland Project for public improvements and a payable of $1.8 million to the City for support services.

NOTE 8 – COMMITMENTS

Encumbrances

As of June 30, 2016, the ORSA had encumbered $877.5 million for contracted obligations, per the ROPS covering the period July 1, 2016 through June 30, 2017, which was approved by the DOF on May 19, 2016.

NOTE 9 – LITIGATION

Litigation/Unpaid Claims

The ORSA is subject to various claims and from time to time is involved in lawsuits in which damages are sought. As litigation is subject to many uncertainties and as the outcome of litigated matters cannot be predicted with certainty, it is reasonably possible that some of these legal actions could be decided unfavorably against the ORSA. In the opinion of the City Attorney's Office for the ORSA, none of these claims are expected to have a significant impact on the financial position or changes in financial position of the ORSA.

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OTHER SUPPLEMENTARY INFORMATION

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

Combining Schedule of Fiduciary Net Position
June 30, 2016
(Amounts in Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal and State Grants	Debt Service	Elimination	Total
ASSETS							
Current assets:							
Cash and investments	$ 27,655	$ 3,723	$ 24,097	$ 4	$ 718	$ -	$ 56,197
Accrued interest receivable	193	27	168	2	5	-	395
Due from other funds	8,621	-	-	-	-	(8,621)	-
Due from City of Oakland	-	-	2,311	-	-	-	2,311
Due from other governments	-	-	2,705	-	-	-	2,705
Prepaid expenses	-	-	-	-	2,125	-	2,125
Restricted investments	-	-	7,841	-	14,004	-	21,845
Total current assets	36,469	3,750	37,122	6	16,852	(8,621)	85,578
Non-current assets:							
Notes and loans receivable (net of allowance for uncollectable of $46,675)	-	35	16,942	-	-	-	16,977
Property held for resale	-	-	2,818	-	-	-	2,818
Total non-current assets	-	35	19,760	-	-	-	19,795
Total assets	36,469	3,785	56,882	6	16,852	(8,621)	105,373
DEFERRED OUTFLOWS OF RESOURCES							
Unarmortized losses on refunding of debts	-	-	-	-	6,396	-	6,396
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	-	-	202	-	-	-	202
Accrued interest payable	-	-	-	-	7,648	-	7,648
Due to other funds	-	-	8,621	-	-	(8,621)	-
Due to the City of Oakland	-	264	5,761	-	-	-	6,025
Deposits and other liabilities	-	6	41	-	-	-	47
Total current liabilities	-	270	14,625	-	7,648	(8,621)	13,922
Long-term liabilities:							
Due within one year	-	-	-	-	30,299	-	30,299
Due in more than one year	-	-	-	-	385,424	-	385,424
Total long-term liabilities	-	-	-	-	415,723	-	415,723
Total liabilities	-	270	14,625	-	423,371	(8,621)	429,645
NET POSITION							
Restricted for redevelopment	$ 36,469	$ 3,515	$ 42,257	$ 6	$ (400,123)	$ -	$ (317,876)

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

Combining Schedule of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016
(Amounts in Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal and State Grants	Debt Service	Elimination	Total
ADDITIONS							
Redevelopment property tax revenues	$ 68,468	$ -	$ -	$ -	$ -	$ -	$ 68,468
Investment income:							
Interest on investments	52	12	188	2	60	-	314
Net appreciation (depreciation) in fair value of investments	20	2	3	-	(4)	-	21
Federal grants	-	-	-	-	222	-	222
State grants	-	-	-	2,797	-	-	2,797
Other	-	-	1,155	-	-	-	1,155
Total additions	68,540	14	1,346	2,799	278	-	72,977
DEDUCTIONS							
General and project administration:							
Salaries, wages and benefits	-	3,619	-	-	-	-	3,619
Materials, supplies and other services	-	304	-	-	-	-	304
Project expenses	-	-	14,461	2,875	-	-	17,336
Interest on long-term debt	-	-	-	-	24,345	(1,671)	22,674
Other	-	-	-	-	681	-	681
Total deductions	-	3,923	14,461	2,875	25,026	(1,671)	44,614
Net increase (decrease) before other financing sources (uses)	68,540	(3,909)	(13,115)	(76)	(24,748)	1,671	28,363
OTHER FINANCING SOURCES (USES):							
Tax allocation refunding bonds issued	-	-	-	-	89,185	(89,185)	-
Premium on bonds issued	-	-	-	-	2,498	(2,498)	-
Payment to refunding bond escrow agent	-	-	-	-	(90,012)	90,012	-
Transfers in	-	3,982	10,988	-	50,177	(65,147)	-
Transfers out	(65,147)	-	-	-	-	65,147	-
Total other financing sources (uses)	(65,147)	3,982	10,988	-	51,848	(1,671)	-
Change in net position	3,393	73	(2,127)	(76)	27,100	-	28,363
Net position, beginning of year	33,076	3,442	44,384	82	(427,223)	-	(346,239)
Net position, ending of year	$ 36,469	$ 3,515	$ 42,257	$ 6	$ (400,123)	$ -	$ (317,876)

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

Combining Schedule of Fiduciary Net Position for Capital Project Sub-Funds
June 30, 2016
(Amounts in Thousands)

	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Other Projects	Total Capital Project Funds
ASSETS								
Current assets:								
Cash and investments	$ -	$ 8,879	$ 8,453	$ 3,977	$ 817	$ -	$ 1,971	$ 24,097
Accrued interest receivable	-	61	59	28	6	-	14	168
Due from City of Oakland	1,779	532	-	-	-	-	-	2,311
Due from other governments	-	-	-	-	-	-	2,705	2,705
Restricted investments	334	67	184	6,487	769	-	-	7,841
Total current assets	2,113	9,539	8,696	10,492	1,592	-	4,690	37,122
Non-current asssets:								
Notes and loans receivable (net of allowance for uncollectable of $46,675)	14,779	710	-	-	820	-	633	16,942
Property held for resale	2,818	-	-	-	-	-	-	2,818
Total non-current assets	17,597	710	-	-	820	-	633	19,760
Total assets	19,710	10,249	8,696	10,492	2,412	-	5,323	56,882
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	202	-	-	-	-	-	-	202
Due to other funds	6,292	-	-	-	-	2,329	-	8,621
Due to the City of Oakland	591	176	1,454	589	118	127	2,706	5,761
Deposits and other liabilities	3	-	-	-	25	-	13	41
Total liabilities	7,088	176	1,454	589	143	2,456	2,719	14,625
NET POSITION								
Restricted for development	$ 12,622	$ 10,073	$ 7,242	$ 9,903	$ 2,269	$ (2,456)	$ 2,604	$ 42,257

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

Combining Schedule of Changes in Fiduciary Net Position for Capital Project Sub-Funds
For the Year Ended June 30, 2016
(Amounts in Thousands)

	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Other Projects	Total Capital Project Funds
ADDITIONS								
Investment income:								
Interest on investments	$ 104	$ 25	$ 22	$ 26	$ 5	$ 1	$ 5	$ 188
Net change in fair value of investments	(2)	5	4	2	-	(7)	1	3
Other	1,011	144	-	-	-	-	-	1,155
Total additions	1,113	174	26	28	5	(6)	6	1,346
DEDUCTIONS								
Project expenses	4,552	852	86	7,734	1,222	-	15	14,461
Total deductions	4,552	852	86	7,734	1,222	-	15	14,461
Net decrease before other financing sources	(3,439)	(678)	(60)	(7,706)	(1,217)	(6)	(9)	(13,115)
OTHER FINANCING SOURCES (USES):								
Transfers in	7,777	707	81	1,934	474	-	15	10,988
Change in net position	4,338	29	21	(5,772)	(743)	(6)	6	(2,127)
Net position, beginning of year	8,284	10,044	7,221	15,675	3,012	(2,450)	2,598	44,384
Net position, ending of year	$ 12,622	$ 10,073	$ 7,242	$ 9,903	$ 2,269	$ (2,456)	$ 2,604	$ 42,257

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

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oakland Redevelopment Successor Agency (Agency), a component unit of the City of Oakland (City), California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of finding and response as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Oakland, California
December 16, 2016

Comment 2016-001 Significant Deficiency Over Financial Reporting Accounting for Non-Routine Transactions and Preparation of Audit

The Oakland Redevelopment Successor Agency (ORSA)'s financial records should be maintained in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board.

In fiscal year 2016, the ORSA refunded three of its outstanding bonds: 2006A Subordinated Housing Set Aside Revenue Refunding Bonds; the 2006A-TE Central City East Redevelopment Project Tax Allocation Bonds; and the 2006C-TE Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds. The ORSA also partially refunded two of its outstanding bonds: the 2006A-T Subordinated Housing Set Aside Revenue Bonds and the 2006B-TE Coliseum Area Redevelopment Project Tax Allocation Bonds. These are non-routine transactions of the ORSA. Due to the current financial system upgrade project and other changes in the allocation of personnel, the ORSA did not have adequate time to familiarize themselves with the accounting and financial reporting requirements associated with these types of transactions, which resulted in audit adjustments reducing ORSA's net position in the amount of $1.4 million. In addition, the ORSA provided a trial balance for the year-end audit that did not include the ORSA's closing journal entries related to the unearned revenue and notes and loans receivable accounts. These errors were subsequently corrected during the audit.

Management has the responsibility to ensure the entity's financial statements are presented fairly in accordance with GAAP. With the recent financial system upgrades and other changes in the allocation of personnel, we recommend that the ORSA provide adequate resources to properly prepare the ORSA's financial records for audit and to provide adequate financial reporting training to its personnel.

Management's Response:

Management acknowledges that its decision to redeploy staff to the City's financial system upgrade caused certain oversights in timely classification of revenues and costs resulting from the bond refunding as insufficient staff were assigned to these tasks. Management is actively working on maintaining a sound internal control system over ORSA's financial reporting. This will include, but not be limited to, ensuring appropriate level of management reviews, improving communication and transparency over the annual audit, and providing training to staff. It is management's expectation that the weaknesses will be corrected for future audits.