SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Independent Auditor's Reports and
Basic Financial Statements

For the Year Ended June 30, 2013

MGO Certified Public Accountants.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

For the Year Ended June 30, 2013

Table of Contents

MGO Certified Public Accountants.

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Sacramento

Oakland

LA/Century City

Newport Beach

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Seattle

Independent Auditor's Report

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Successor 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 Successor Agency as of June 30, 2013, and the changes in 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 schedules of funding progress 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 (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 on our consideration of the Successor 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* in considering the Successor Agency's internal control and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 27, 2013

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position

June 30, 2013

Assets	
Cash and investments with the City Treasury	$ 190,780,805
Restricted cash and investments with trustees	170,160,362
Interest and other receivables	4,224,159
Intergovernmental receivables	3,541,157
Deferred charges	13,432,253
Notes and mortgages receivable (net of allowance for uncollectible amounts of $18,082,344)	1,724,469
Capital lease receivable	9,377,340
Capital assets (net of accumulated depreciation):	
Non-depreciable	60,673,200
Depreciable, net	141,009,210
Total assets	594,922,955
Liabilities	
Accounts payable	14,155,385
Accrued interest payable	21,351,360
Other liabilities	1,808,262
Long-term obligations:	
Due within one year	61,827,306
Due in more than one year	952,771,787
Total liabilities	1,051,914,100
Net position (deficit) held in trust	$ (456,991,145)

See accompanying notes to basic financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2013

Additions:	
Redevelopment property tax revenues	$ 113,988,022
Charges for services	16,046,378
Grants	1,831,401
Hotel tax	3,178,900
Investment income	2,275,090
Other	15,632,685
Total additions	152,952,476
Deductions:	
Neighborhood development	70,506,098
Depreciation	5,506,404
Interest on debt	59,889,167
Total deductions	135,901,669
Extraordinary item from Redevelopment Agency Dissolution	190,131,288
Change in net position	207,182,095
Net position (deficit), beginning of year	(664,173,240)
Net position (deficit), end of year	$ (456,991,145)

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

(a) General

The Redevelopment Agency of the City and County of San Francisco (Agency) was a public body, corporate and politic, organized and existed under the Community Redevelopment Law of the State of California. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Project Area."

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind-down of redevelopment activity. On January 24, 2012, the Board of Supervisors of the City and County of San Francisco (City) adopted Resolution No. 11-12 and elected to become the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) and elected to retain the former Agency's housing assets and functions, rights, powers, duties and obligations, effective February 1, 2012.

On June 27, 2012, the Redevelopment Dissolution Law was revised pursuant to Assembly Bill 1484 (AB 1484), in which the State clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency with the legal authority to participate in redevelopment activities only to the extent that it is required to complete the work related to an approved enforceable obligation. Therefore, the Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. However, the City remains the Housing Successor Agency. The Oversight Board is comprised of seven-member representatives from local government bodies: four representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; and one appointee each from the San Francisco Community College District, the Bay Area Rapid Transit District, and the San Francisco Unified School District.

On October 2, 2012, the City's Board of Supervisors adopted Ordinance No. 215-12 creating the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure (Commission), as the policy body of the Successor Agency and delegating to it the authority to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations and the authority to take actions that the Redevelopment Dissolution Law requires or allows on behalf of the Successor Agency.

In general, the Successor Agency'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, the Successor Agency 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 of the City and County of San Francisco (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 the Successor Agency's custodial role, the Successor Agency is reported as a fiduciary fund (private-purpose trust fund).

(1) Summary of Significant Accounting Policies (Continued)

The financial statements present the Successor Agency and its component units, entities for which the Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

(b) Basis of Presentation

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

(c) 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.

(d) New Accounting Standards Implemented

Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2012, the Successor Agency adopted this GASB standard, which did not have a significant impact on its financial statements.

(e) Investments

The Successor Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of year end and reflects the values as if the Successor Agency were to liquidate the securities on that date.

(f) Restricted Cash and Investments with Fiscal Agents

Certain proceeds of the former Agency's bonds, certain resources set aside for their repayment, and developers' deposits, are classified as restricted assets on the statement of fiduciary net position because they are maintained in separate accounts and their use is limited by applicable bond covenants or for debt service payments.

(g) Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

(1) Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	**Years**
Furniture and Equipment	3-20
Buildings and Improvements	15-40

(h) Notes and Mortgages Receivable

During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible.

(i) Accrued Vacation and Sick Leave

It is the Successor Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when earned. For sick leave, all employees are allowed to accumulate up to 1,040 hours (130 days). For vacation, employees are allowed to accumulate up to the limit based on employees' service years as follows:

Employee Service years	**Maximum number of hours**
Less than 5 years	320
Between 5 to 15 years	360
More than 15 years	400

(j) 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 the Successor Agency's Redevelopment Property Tax Trust Fund (RPTTF) administered by the City's Controller for the benefit of holders of enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the RPTTF to the extent not necessary to pay enforceable obligations of the Successor Agency, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area.

(1) Summary of Significant Accounting Policies (Continued)

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

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

The amounts distributed for Recognized Obligation Payment Schedules (ROPS) are forward looking to the next six month period.

(k) George R. Moscone Convention Center

The City is responsible for the construction management, operation, maintenance, repair and expansion of the George R. Moscone Convention Center, which has been partially financed with lease revenue bonds issued by the Agency. The City has entered into a lease agreement with the Agency whereby the City remits periodic lease rental payments to the Agency to provide for the debt service of the Agency's Moscone Convention Center Lease Revenue Bonds. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds. The bonds are special limited obligations of the Successor Agency and payable solely from the lease payments from the City.

(l) Issuance Costs, Original Issue Discounts, Premiums, and Refundings

Issuance costs are reported as deferred charges and are amortized into the appropriate expense category. Long-term debt is reported net of the applicable premiums, discounts, and deferred amounts on refunding. The premiums, discounts, and deferred amounts on refunding are amortized as a component of the interest expense in a systematic and rational matter over the remaining life of the debt instrument.

(m) Extraordinary Item

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

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the subsequent determinations and guidance from the State Controller's Office (SCO) and the Department of Finance (DOF) prior to the DOF's Finding of Completion (see Note 8(g)) were recorded as an extraordinary item.

(1) Summary of Significant Accounting Policies (Continued)

On February 1, 2012, the City as the Housing Successor obtained $330,689,779 of the former Agency's housing assets and assumed $4,725,717 of related liabilities. During the year ended June 30, 2013, the DOF made determinations regarding other successor agencies and housing successors that after the asset transfer, a housing successor is not eligible to use existing or future funds of the successor agency to fulfill obligations associated with the assets. Upon the City's Board of Supervisors passage of Ordinance No. 215-12, the City delegated the authority to implement the replacement housing obligations to the Successor Agency. As a result, the City returned the housing assets, liabilities and commitments that would require future redevelopment property tax revenues to the Successor Agency to complete the affordable housing projects. The Successor Agency is also updating the Housing Assets Transfer (HAT) list to reflect this change and will present the revisions to the DOF for its approval during the year ended June 30, 2014 (see Note 11).

In addition, during the year ended June 30, 2013, the DOF completed its review of the Due Diligence Reviews on the Successor Agency's "Low and Moderate Income Housing Fund" and "Other Funds and Accounts". On May 17, 2013, the DOF determined that the Successor Agency had $11,538,995 of available funds due to the City Controller for distribution to the taxing entities.

The components of the extraordinary gain recognized are as follows:

Housing assets and liabilities:		
Cash and investments		$ 175,957,099
Interest and other receivables		29,932
Intergovernmental receivables		618,000
Capital assets*:		
Hugo Hotel	$ 4,611,793	
Alice Griffith Parking Lot	5,852,605	
Transbay Block 1	10,034,140	
5800 Third Street	8,520,224	
474 Natoma Gound Lease	1	29,018,763
Accounts payable and other current liabilities		(3,953,511)
City's return of housing assets and liabilities		201,670,283
Distributions to taxing entities from:		
Low and Moderate Income Housing Fund	(10,577,932)	
Other Funds and Accounts	(959,147)	
Interest	(1,916)	(11,538,995)
Extraordinary gain		$ 190,131,288

* On July 1, 2012, the City also returned other undeveloped parcels in the Hunters Point Shipyard, Transbay and Mission Bay South project areas with no book values.

(n) 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 those estimates.

(2) Cash and Investments

The Successor Agency follows the investment policy of the former Agency, which is governed by and is in compliance with the California Government Code (Code). Investment of bond proceeds is limited to those investments permitted in the bond document or provided in the Code. Investments with trustees are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

The table below identifies the investment types that are authorized for the Successor Agency by the California Government Code 53601 or the former Agency's investment policy, where the policy is more restrictive. The former Agency's Investment Policy is more restrictive than the California Government Code in the following areas: 1) reverse repurchase agreements, which requires the specific approval of the Oversight Board; 2) commercial paper, which the maximum maturity is 180 days; and 3) investment in corporate notes may not exceed 15% of the Successor Agency's portfolio. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Successor Agency, rather than the general provisions of the California Government Code or the former Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer
U.S. Treasury Notes, Bonds, or Bills	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
Federal Agency or U.S. Government Sponsored Enterprise Obligations	5 Years	None	None
Repurchase Agreements	92 Days	None	None
Reverse Repurchase Agreements	92 Days	None - approval required	None
State of California Obligations	5 Years	None	None
Notes or Bonds of Other U.S. States	5 Years	None	None
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	180 Days	25%	None
Medium-Term Notes	5 Years	30% in general - 15% for corporate notes	None
Certificates of Deposit	1 Year	None	None
Negotiable Certificates of Deposits	5 Years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program	N/A	None	None
Insured Savings and Money Market Accounts	N/A	None	None
Shares of Beneficial Interest (Money Market Funds)	N/A	20%	10%

* Excludes amounts held by fiscal agents or trustees that are not subject to Code restrictions.

Interest Rate Risk: Refers to the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Refers to 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.

(2) Cash and Investments (Continued)

The following is a summary of cash and investments as of June 30, 2013:

	Investment and Weighted Average Maturities: Less than 3 months	3 months to 1 year	1 to 5 years	Total Fair Value	Credit Rating	% allocation
Cash and investments with the City Treasury:						
Municipal bonds	$ -	$ -	$ 4,500,000	$ 4,500,000	Not rated	2.36%
Money market mutual funds	87,087,915	-	-	87,087,915	Aaa	45.65%
Investment in the City Treasurer's pool	-	-	99,192,890	99,192,890	Not rated	51.99%
Total unrestricted cash and investments	87,087,915	-	103,692,890	190,780,805		100.00%
Restricted cash and investments with trustees:						
Money market mutual funds	170,160,362	-	-	170,160,362	Aaa	100.00%
Total cash and investments	$ 257,248,277	$ -	$ 103,692,890	$ 360,941,167		

Custodial Credit Risk, Investments: Refers to the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the former Agency's investment policy do not contain a legal or policy requirement that would limit the exposure to custodial credit risk for investments. At June 30, 2013, Successor Agency's investment in the South Beach Harbor Bonds 1986 Issue A in the amount of $4,500,000 was exposed to custodial credit risk because they were separately managed by the City Treasury and registered in the name of the City. In addition, the City Treasurer maintains Citibank money market mutual funds in the amount of $87,087,915 for the Successor Agency.

City's Treasurer's Pool

The Successor Agency maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2013, the Successor Agency's deposits and investments in the Pool is $99,192,890 and the total amount invested by all public agencies in the Pool is approximately $6.1 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 2.4 years. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Successor Agency's shares in the Pool, which may be withdrawn, is based on the book value of the Successor Agency's percentage participation, which is different than the fair value of the Successor Agency's percentage participation in the Pool. At June 30, 2013, the Pool consists of U.S. government and agency securities, commercial paper, negotiable certificates of deposit and public time deposits as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks) may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

(3) Capital Assets

At June 30, 2013, a summary of changes in capital assets was as follows:

	Balance July 1, 2012	Additions	Transfers from the City	Balance June 30, 2013
Capital assets not being depreciated:				
Land held for lease	$ 30,362,660	$ -	$ 29,018,763	$ 59,381,423
Construction in progress	-	1,291,777	-	1,291,777
Total capital assets not being depreciated	30,362,660	1,291,777	29,018,763	60,673,200
Capital assets being depreciated:				
Furniture and equipment	8,143,669	-	-	8,143,669
Building and improvements	223,473,878	1,547,638	-	225,021,516
Total capital assets being depreciated	231,617,547	1,547,638	-	233,165,185
Less accumulated depreciation for:				
Furniture and equipment	(8,028,422)	(27,344)	-	(8,055,766)
Building and improvements	(78,621,149)	(5,479,060)	-	(84,100,209)
Total accumulated depreciation	(86,649,571)	(5,506,404)	-	(92,155,975)
Total capital assets being depreciated, net	144,967,976	(3,958,766)	-	141,009,210
Total capital assets, net	$ 175,330,636	$ (2,666,989)	$ 29,018,763	$ 201,682,410

(4) Long-Term Obligations

(a) Long-Term Obligations Summary

The following is a summary of changes in long-term obligations at June 30, 2013 (in thousands).

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, July 1, 2012	Additions	Retirements	Balance, June 30, 2013	Due Within One Year
Financing Authority bonds:								
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1993B (1)	$ 57,934	2019	4.75% to 5.75%	$ 5,576	$ -	$ (502)	$ 5,074	$ 475
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998C (1)	12,915	2025	5.25% to 5.40%	4,275	-	(1,130)	3,145	1,066
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1)	21,034	2025	5.00% to 5.20%	16,479	-	(465)	16,014	485
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B, C (1)	144,435	2019	4.50% to 5.41%	78,395	-	(12,215)	66,180	12,905
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2004A, C, D (1)	136,610	2031	3.75% to 6.00%	108,465	-	(6,140)	102,325	6,450
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects and Refunding Notes Series 2005A, B, C, D (1)	88,610	2036	3.50% to 5.20%	68,190	-	(4,300)	63,890	3,530
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	47,616	-	(535)	47,081	830
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006B (1)	34,150	2037	4.00% to 5.00%	32,415	-	(685)	31,730	725
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	113,705	-	(1,380)	112,325	1,460
Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1)	94,115	2023	4.00% to 5.00%	68,035	-	(7,030)	61,005	8,225
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1)	75,000	2024	6.55% to 8.25%	67,645	-	(3,885)	63,760	4,325
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009B (1)	17,625	2039	4.00% to 6.63%	16,205	-	(870)	15,335	905
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009C (1)	25,715	2039	4.0% to 6.5%	25,715	-	-	25,715	25
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009D (1)	49,810	2039	4.0% to 6.63%	48,140	-	(745)	47,395	770
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2039	5.12% to 8.41%	72,165	-	(30)	72,135	35

(Continued on next page)

(4) Long-Term Obligations (Continued)

(Continued from previous page)	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, July 1, 2012	Additions	Retirements	Balance, June 30, 2013	Due Within One Year
Financing Authority bonds:								
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009F (1)	$ 6,610	2039	4.00% to 5.75%	$ 6,535	$ -	$ (10)	$ 6,525	$ 20
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2010A (1)	40,055	2041	2.92% to 7.13%	40,055	-	(325)	39,730	310
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011A (1)	22,370	2042	3.50% to 9.00%	22,370	-	(240)	22,130	220
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2011B (1)	16,020	2042	6.13% to 6.63%	16,020	-	-	16,020	-
Tax Allocation Revenue Bonds, Mission Bay North Redevelopment Project Series 2011C (1)	27,335	2042	3.00% to 6.75%	27,335	-	(460)	26,875	470
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2011D (1)	36,485	2042	3.00% to 7.00%	36,485	-	(340)	36,145	390
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011E (1)	9,455	2032	3.00% to 8.63%	9,455	-	(10)	9,445	-
Agency Revenue Bonds:								
Moscone Convention Center Lease, Series 1992 (2)	100,275	2015	7.05%	7,478	-	(3,131)	4,347	2,921
Hotel Tax Revenue Bonds, Series 2011 (3)	43,780	2025	2.0% to 5.0%	42,930	-	(1,180)	41,750	1,115
Financing Authority Refunding Bonds:								
Variable Rate Demand Refunding Bond 1986 Issue A (4)	23,900	2017	3.5%	5,690	-	(1,190)	4,500	1,230
Subtotal Bonds Payable				987,374	-	(46,798)	940,576	48,887
Unamortized issuance premiums				7,165	-	(842)	6,323	-
Unamortized issuance discounts				(5,461)	-	255	(5,206)	-
Unamortized deferred loss on refunding				(3,851)	-	463	(3,388)	-
Subtotal Bonds Payable, including unamortized premium, discounts, and deferred loss on refunding				985,227	-	(46,922)	938,305	48,887
Accreted interest payable *				52,121	6,042	(11,881)	46,282	12,183
Cal Boating loans payable (5)				7,673	-	(191)	7,482	199
Advances from the City and County of San Francisco				16,551	5,741	(2,225)	20,067	-
Other postemployment benefit obligation				921	1,306	(1,006)	1,221	-
Accrued vacation and sick leave				988	812	(558)	1,242	558
Total long-term obligations				$ 1,063,481	$ 13,901	$ (62,783)	$ 1,014,599	$ 61,827

*Amount represents interest accretion on Capital Appreciation Bonds.

(4) Long-Term Obligations (Continued)

Debt service payments for long-term obligations are made from the following sources:

(1) Property tax increment revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay and Mission Bay North project areas.

(2) Capital lease payments from the City and existing debt service funds.

(3) Hotel tax revenues from the occupancy of guest rooms in the hotels within the City.

(4) South Beach Harbor Project cash reserves, property tax increment revenues and project revenues transferred from the capital projects fund.

(5) South Beach Harbor Project revenues (subordinated to Variable Rate Demand Refunding Bonds 1986 Issue A).

The proceeds from the issuance of Financing Authority bonds were immediately loaned to the former Agency. Loan payments to the Financing Authority are equal to the debt service requirements of the underlying debt. The bonds are secured by property tax increment revenues. Since the loan transactions are entirely within the financial reporting entity, they have been eliminated in the financial statements.

Pledged Revenues for Bonds

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1,662,210,000. The redevelopment property tax revenues recognized during the year ended June 30, 2013 was $113,988,022 as against the total debt service payment of $94,771,880.

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the fiscal year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately $19,525,000. The lease payments received during the year ended June 30, 2013 was $12,820,000 which equaled to the total debt service payment.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $56,317,000. The hotel tax revenue recognized during the year ended June 30, 2013 was $3,178,900 as against the total debt service payment of $3,172,400.

Advances from the City and County of San Francisco

In January 2003, the City and the Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. For the year ended June 30, 2013, the City advanced $5,686,700 in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of $53,922 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of $2,224,650 to the City.

(4) Long-Term Obligations (Continued)

(b) Repayment requirements

As of June 30, 2013, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows (in thousands):

June 30,	Tax Allocation Revenue Bonds Principal	Tax Allocation Revenue Bonds Interest *	Moscone Convention Center Lease Revenue Bonds Principal	Moscone Convention Center Lease Revenue Bonds Interest *	Hotel Tax Revenue Bonds Principal	Hotel Tax Revenue Bonds Interest
2014	$ 43,621	$ 51,588	$ 2,921	$ 9,899	$ 1,115	$ 1,969
2015	47,435	48,446	1,426	5,279	3,165	1,935
2016	48,845	44,716	-	-	3,210	1,809
2017	50,440	42,187	-	-	3,265	1,680
2018	53,470	39,543	-	-	3,280	1,550
2019-2023	189,522	187,422	-	-	19,040	4,967
2024-2028	117,558	167,506	-	-	8,675	657
2029-2033	128,093	112,023	-	-	-	-
2034-2038	134,175	67,781	-	-	-	-
2039-2042	76,820	11,019	-	-	-	-
TOTAL	$ 889,979	$ 772,231	$ 4,347	$ 15,178	$ 41,750	$ 14,567

June 30,	Refunding Bond 1986 Issue A Principal	Refunding Bond 1986 Issue A Interest	California Deptartment of Boating and Waterway Loan Principal	California Deptartment of Boating and Waterway Loan Interest
2014	$ 1,230	$ 147	$ 199	$ 337
2015	1,275	103	208	328
2016	1,320	58	218	318
2017	675	12	227	309
2018	-	-	238	298
2019-2023	-	-	1,358	1,321
2024-2028	-	-	1,693	987
2029-2033	-	-	2,110	570
2034-2037	-	-	1,231	100
TOTAL	$ 4,500	$ 320	$ 7,482	$ 4,568

* Including payment of accreted interest.

(c) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Successor Agency has evaluated each bond issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2013.

(5) Retirement Plan

Plan Description – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's retirement plan. The Successor Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and approved by the Commission. Copies of the PERS' annual financial report may be obtained from their Executive Office: 400 Q Street, Sacramento, CA 95814.

Funding Policy – For classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the PERS system), participants are required to contribute 7% of their monthly salaries to PERS. For new employees (employees hired after January 1, 2013 and are new entrants to the PERS system), participants are required to contribute 6.25% of their monthly salaries to PERS. The Successor Agency is required to contribute at an actuarially determined rate. The employer contribution rate was 12.47% of annual covered payroll for both classic and new employees for the year ended June 30, 2013. The contribution requirements of the plan members and the Successor Agency are established and may be amended by PERS.

Annual Pension Cost – The Successor Agency's pension cost of $498,000 for PERS was equal to the Agency's required and actual contributions which was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions used for the June 30, 2010 actuarial valuation included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected annual salary increases ranging from 3.55% to 14.45% depending on age, service and type of employment, (c) 3.25% per year cost-of-living adjustments, and (d) inflation rate of 3.0%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains or losses each year.

Three-year historical trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC) (in 000s)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011 *	$ 1,147	100%	$ -
1/31/2012 **	903	100%	-
6/30/2012 ***	294	100%	-
6/30/2013	498	100%	-

* Represents trend information for the former Agency for the fiscal year.
** Represents trend information for the former Agency for the period July 1, 2011 through January 31, 2012.
*** For the period February 1, 2012 through June 30, 2012

(5) Retirement Plan (Continued)

Funded Status and Funding Progress: The significant actuarial assumptions used to prepare the Agency's June 30, 2011 actuarial valuation include the following:

Valuation date:	June 30, 2011
ARC:	Determined for fiscal year 2013/2014
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Level percent of payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method:	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return:	7.50% (net of administrative expenses)
Projected Salary Increases:	3.30% to 14.20% depending on age, service, and type of employment
Inflation:	2.75%
Payroll Growth:	3.00%
Individual Salary Growth:	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

As of June 30, 2011, the most recent actuarial valuation date, the Successor Agency's plan was 95.8% funded. For the Successor Agency's plan, the actuarial accrued liability for benefits was $96.7 million, and the actuarial value of assets was $92.6 million, resulting in an underfunded actuarial accrued liability (UAAL) of $4.1 million. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2010-11 was $10.8 million, and the ratio of the UAAL to the covered payroll was 37.7%.

The schedule of funding process, presented as required supplementary information (RSI) following the notes of the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(6) Postemployment Healthcare Plan

Plan Description – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by PERS, providing the following monthly retiree medical benefit contributions.

	Calendar Year		
Coverage	2011	2012	2013
Employee only	$ 542	$ 566	$ 622
Employee + 1	1,030	1,074	1,183
Family	1,326	1,382	1,515

Premiums in excess of the above Successor Agency contributions are paid by the retirees. Benefits provisions are established and may be amended by the Successor Agency.

(6) Postemployment Healthcare Plan (Continued)

The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by PERS and is an agent multiple-employer trust. Copies of PERS' financial report may be obtained from PERS website at www.calpers.ca.gov or from PERS at 400 "Q" Street, Sacramento, California 95811.

Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement 45. During the year ended June 30, 2013, the Successor Agency contributed $1,006,000 for current benefit payments.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed. The Successor Agency's annual required contribution for the year ended June 30, 2013 is the sum of (a) normal cost and (b) a 25-year level percentage amortization of the June 30, 2013 unfunded liability.

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2013, and the changes in the net OPEB obligation (in thousands):

Annual required contribution	$ 1,320
Interest on OPEB obligation	67
Adjustment to annual required contribution	(81)
Annual OPEB cost (expense)	1,306
Contributions made	(1,006)
Increase in net OPEB obligation	300
Net OPEB obligation, beginning of year	921
Net OPEB obligation, end of year	$ 1,221

(6) Postemployment Healthcare Plan (Continued)

Three-year historical trend information for the annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC) (in 000s)	Percentage of AOC Contributed	Net OPEB Obligation (in 000s)
6/30/2011 *	$ 1,346	113%	$ 470
1/31/2012 **	747	65%	733
6/30/2012 ***	533	65%	921
6/30/2013	1,306	77%	1,221

* Represents trend information for the former Agency for the fiscal year.
** Represents trend information for the former Agency for the period July 1, 2011 through January 31, 2012.
*** For the period February 1, 2012 through June 30, 2012

Funded Status and Funding Progress–The funded status of the plan of the Successor Agency as of June 30, 2011, the plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 14,390
Actuarial value of plan assets	1,856
Unfunded actuarial accrued liability (UAAL)	$ 12,534
Funded ratio (actuarial value of plan assets/AAL)	12.9%
Covered payroll (active plan memebers)	$ 4,185
UAAL as a percentage of covered payroll	299.5%

The schedule of funding process, presented as RSI following the notes of the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The annual required contribution of the plan was determined based on the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) a discount rate of 7.25%, (b) PERS 1997–2007 Experience Study for Males and Females, (c) actual PEMCHA premiums,

(6) Postemployment Healthcare Plan (Continued)

(d) pre-Medicare healthcare cost increases: 8.5% for 2014 graded down to 5.0% over 7 years, (e) post-Medicare healthcare cost increases: 8.9% graded down to 5.0% over 7 years, (e) 3.25% for projected payroll growth. The Agency's unfunded actuarial accrued liability is being amortized as a level dollar amount over 26 years remaining on June 30, 2011.

(7) Mortgage Revenue Bonds and Other Conduit Debt

In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $358 million as of June 30, 2013 have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

(8) Commitments and Contingent Liabilities

(a) Insurance, Claims and Litigation

During the fiscal year ending June 30, 2013, the Successor Agency carried property insurance with a $250,000 deductible (reduced to $50,000 beginning July 1, 2013) and workers compensation insurance through the State Compensation Insurance Fund up to statutorily determined limits. Prior to dissolution in 2012, the Successor Agency obtained liability insurance through the Agency's membership in the Bay Cities Joint Powers Insurance Authority. During the fiscal year ending June 30, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, the Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10,000,000 per occurrence ($5,000,000 for employment practices liability) and a $25,000 deductible per occurrence.

The Successor Agency has been named as defendant in several legal actions. In the opinion of the Successor Agency's management and legal counsel, the outcome of these actions will not have a material adverse effect on the financial position of the Successor Agency.

(b) Federal Grants

The Successor Agency participates in federal grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs have not yet been completed. Accordingly, the Successor Agency's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. Management believes that disallowances, if any, would not have a material effect on the financial statements.

(c) Operating Leases

The Successor Agency has entered into operating leases for its office sites and a Master Lease Option Agreement (through the City) with the San Francisco Port Commission, which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2013, the Successor Agency has exercised several of the lease options.

(8) Commitments and Contingent Liabilities (Continued)

Total future minimum operating lease payments are as follows:

Year ending June 30:		
2014	$	1,311,159
2015		870,159
2016		870,159
2017		870,159
2018		870,159
2019-2023		4,350,795
2024-2028		4,350,795
2029-2033		4,350,795
2034-2038		4,350,795
2039-2043		4,350,795
2044-2048		4,350,795
2049-2051		1,957,857
	$	32,854,422

Total rent payments for operating leases totaled $869,000 for the year ended June 30, 2013.

(d) Standby Payment Agreements

The Successor Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Successor Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is $47.7 million. As of June 30, 2013, management has assigned approximately $4,766,000 for the standby payment agreements. It is management's intent to assign 10% of the estimated maximum obligation.

(e) Transbay Transit Center Agreements

In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. As of June 30, 2013, the Successor Agency acquired Parcel B for construction of 120 units of affordable housing ("Rene Cazenave Apartments") and for public open space.

(8) Commitments and Contingent Liabilities (Continued)

(f) Encumbrances

The Successor Agency uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to execute contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to allocate a portion of applicable appropriations. Encumbrances still open at period end are not accounted for as expenses and liabilities. At June 30, 2013, the Successor Agency had outstanding encumbrances totaling approximately $2,782,000.

(g) Finding of Completion

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with the following:

- Place loan agreements between the former Agency and the City on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC.
- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan (“LRPMP”) to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within 6 months of receipt of the Finding of Completion. On July 22, 2013, the Successor Agency submitted Part 1 of the LRPMP to request approval for the disposition of the property located at 706 Mission Street with a book value of $1 at June 30, 2013. On October 4, 2013, the DOF approved Part 1 of the LRPMP. The property will be transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement in fiscal year 2013-2014. The Successor Agency will submit Part 2 of the LRPMP for all other Successor Agency properties prior to the deadline of November 29, 2013 (see Note 11).

(9) Rental Income

(a) Noncancelable Operating Leases

The Successor Agency has noncancelable operating leases within project areas. The initial terms of these leases will expire in years ranging from 2013 to 2050. The Successor Agency also has three noncancelable operating subleases at Pier 40, in the South Beach Harbor project area. The initial terms of these leases will expire in years ranging from 2013 to 2023. The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2013:

Year ending June 30:		
2014	$	4,221,521
2015		4,280,363
2016		4,239,712
2017		3,984,712
2018		3,866,417
2019-2023		19,682,034
2024-2028		22,507,981
2029-2033		22,626,006
2034-2038		21,582,152
2039-2043		19,904,440
2044-2048		14,444,086
2049-2050		988,032
	$	142,327,456

For the year ended June 30, 2013, operating lease rental income from noncancelable operating leases was $9,678,000. Within the operating lease rental income, $5,396,000 represents contingent rental income received. The lease rental income was recorded as charges for services in the basic financial statements. At June 30, 2013, the leased assets had a net book value of $41.2 million.

(b) Capital Lease

The former Agency has entered into a capital lease with the City for use of land and facility space pertaining to the George R. Moscone Convention Center. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds that were issued by the former Agency to finance the construction and expansion of the George R. Moscone Convention Center. The capital lease is recorded as a receivable and the corresponding lease revenue bonds are recorded as liabilities of the Successor Agency. The principal portion of the lease payments is recorded as a reduction of the capital lease receivable, and the principal payments on the lease revenue bonds are recorded as a reduction of the debt. The interest portion of the lease is recognized as rental income, and the interest payments on the lease revenue bonds are recognized as interest expense. The lease capital lease will expire during fiscal year 2015.

The lease agreement for the George R. Moscone Convention Center provides for deferred base rental payments commencing in May 1996 at a rate of $870,000 per year until the termination date of the lease during fiscal year 2018. Deferred base rental represents a portion of the fair rental value of the project, which has been deferred by the agreement, to a date when monies are anticipated to be available.

(9) Rental Income (Continued)

Amounts to be provided from the capital lease are as follows:

Year ending June 30:		
2014	$	7,575,000
2015		870,000
2016		870,000
2017		870,000
2018		870,000
Total minimum lease payments		11,055,000
Less amounts representing interest		(1,677,660)
Present value of maximum lease payments	$	9,377,340

Total lease receipts from capital leases totaled $14,560,000 for the year ended June 30, 2013.

(10) Related Party Transactions

(a) Due from the City and County of San Francisco

At June 30, 2013, the Successor Agency has a receivable in the amount of $280,037 from the City's Low and Moderate Income Housing Asset Special Revenue Fund for rents received on transferred properties.

(b) Due to the City and County of San Francisco

At June 30, 2013, the Successor Agency has a payable to the City in the amount of $2,415,818, which consist of $922,547 for Jessie Square cost reimbursements and $1,493,271 for services provided.

(c) Payments to the City and County of San Francisco

A variety of City departments provide administrative services to the Successor Agency and charge amounts designed to recover costs. These charges, totaling $1,493,271 for the year ended June 30, 2013, have been included in neighborhood development expenses.

(11) Subsequent Event

Long Range Property Management Plan

The Commission and the Oversight Board approved on November 19, 2013 and November 25, 2013, respectively, the submission of the LRPMP and the updated Housing Asset Transfer (HAT) list to the DOF to review and approve the assets planned to be transferred to the City.

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SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited)

Schedules of Funding Progress - Former Redevelopment Agency of the City and County of San Francisco

California Public Employees' Retirement System – Pension Retirement Plan

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
6/30/2009	$ 88,787,845	$ 93,255,742	$ 4,467,897	95.2%	$ 11,213,328	39.8%
6/30/2010	90,465,637	94,760,046	4,294,409	95.5%	11,023,711	39.0%
6/30/2011	92,615,179	96,675,164	4,059,985	95.8%	10,770,732	37.7%

See note 5 in the financial statements for actuarial assumptions and other information related to the schedule of funding progress.

Postemployment Healthcare Plan

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
6/30/2007	$ -	$ 13,829,000	$ 13,829,000	0.0%	$ 9,634,000	143.5%
6/30/2009	493,000	13,790,000	13,297,000	3.6%	10,515,000	126.5%
6/30/2011	1,856,000	14,390,000	12,534,000	12.9%	4,185,000	299.5%

See note 6 in the financial statements for actuarial assumptions and other information related to the schedule of funding progress.

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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*

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco , California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor 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 Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor 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

Walnut Creek, California
November 27, 2013

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO
Status of Prior Year Finding
For the Year Ended June 30, 2013

Material Weakness - Finding 2012-1 – Internal Control Over Financial Reporting -Preparation of Financial Statements

On June 28, 2011, the Governor signed AB X1 26, which amended the Community Redevelopment Law California to, among other things, direct the dissolution of all redevelopment agencies in California. On December 29, 2011, the California Supreme Court (Court) issued a decision that upheld the constitutionality of AB Xl 26. As a result of the Court decision, as of February 1, 2012, by implementation of AB X1 26, the Redevelopment Agency of the City and County of San Francisco (Agency) was dissolved and the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) came into existence as a separate legal entity. The City and County of San Francisco serves as the Successor Agency and will be referred to as the City hereafter.

The dissolution of the Agency severely impacted the organization's internal controls over financial reporting. In 2011, the Agency had 5 individuals who were involved with accounting, fiscal and financial analysis and financial reporting. During the Agency's close-out audit and the Successor Agency's initial audit, the Agency only had 2 individuals assigned to perform these tasks. In addition to these two financial statement audits, the Agency has been responding to and providing information to numerous other auditors, rating agencies and consultants. The current staffing complement is not configured to adequately support the Successor Agency's financial reporting responsibilities resulting in a deficiency in internal controls that provide reasonable assurance that closing transactions (capital assets, accruals, deferred revenue, etc.) and financial statements are accurately prepared under generally accepted accounting principles.

With the increasing audit requests related to the Successor Agency's activities, it is essential that the City has sufficient accounting and fiscal personnel to adequately meet and maintain accurate financial records of the former Agency and subsequent Successor Agency. We recommend that the City provide additional assistance to reduce the likelihood that errors may occur and not be detected or corrected on a timely basis and therefore improve internal controls over financial reporting. Areas where the City could provide additional support include:

- Evaluating the cost basis for redevelopment capital assets for proper reporting.
- Recording of close-out entries (e.g., interest receivable on loans, intergovernmental payables, and deferred revenue) in the financial statements.
- Recording year-end accrual closing entries (e.g., unearned revenue adjustments, capital asset activity, and interest payable).

Status of Prior Year Finding

This recommendation has been implemented. During fiscal year 2013, the Successor Agency increased financial administration capacity and improved internal controls as follows:

- Contracted with the City for a Deputy Director for Finance and Administration who recently worked for the City Controller's Office and is experienced in the City's financial management information system.
- Worked with the City Controller's Office to complete the transfer majority of the financial activity into the City's financial management information system, which provided improved internal controls.

Material Weakness - Finding 2012-1 –
Internal Control Over Financial Reporting -Preparation of Financial Statements (Continued)

- Worked with the City Treasurer's Office to move a majority of the Successor Agency's bank accounts under the oversight of the City Treasurer, resulting in improved segregation of duties compared to the prior year.
- Reorganized the Successor Agency's organizational structure and provided additional resources (up to 6 FTEs) under the supervision of the Deputy Director for Finance and Administration.
- Contracted with the City Controller's Office to provide additional accounting and financial reporting assistance throughout the fiscal year and to support fiscal year-end financial reporting.

In addition to these activities, the Successor Agency successfully concluded the Due Diligence Review processes for "Low and Moderate Income Housing Fund" and "Other Funds and Accounts" required by California Health and Safety Code (HSC) section 34179.5 and reached agreement with the California Department of Finance to remit $11.5 million in unobligated funds for distribution to taxing entities. The completion of these reviews improved financial staff's capacity for day-to-day operations and year-end financial reporting.