CRA/LA, A DESIGNATED LOCAL AUTHORITY

(Successor Agency to the Former Community Redevelopment Agency of the City of Los Angeles, California)

Financial Statements

For the Fiscal Year Ended June 30, 2013

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(Successor Agency to the Former Community Redevelopment Agency of the City of Los Angeles, California)

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INDEPENDENT AUDITOR'S REPORT

Governing Board of
CRA/LA, A Designated Local Authority
The Successor Agency to The Community Redevelopment Agency of
The City of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the CRA/LA-DLA'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. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 assessment, the auditor considers internal control relevant to the CRA/LA-DLA'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 CRA/LA-DLA'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 CRA/LA-DLA as of June 30, 2013, and 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 management's discussion and analysis and schedule of funding progress - employees' pension plan and other postemployment benefits, 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 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 CRA/LA-DLA's financial statements. As identified in the accompanying table of contents, the other supplementary information including the schedule of third-party indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of third-party indebtedness is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 16, 2014, on our consideration of the CRA/LA-DLA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports 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 CRA/LA-DLA's internal control over financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
May 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), Successor Agency to the Former Community Redevelopment Agency of the City of Los Angeles (Former Agency), we offer readers of the CRA/LA-DLA's financial statements this narrative overview and analysis of the financial activities of CRA/LA-DLA for the year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

On June 29, 2011, Assembly Bill 1X26 was enacted, which dissolved all California's redevelopment agencies and authorized establishment of successor agencies, other designated local authorities and oversight boards to satisfy enforceable obligations and wind down the affairs of the former redevelopment agencies. Legal challenges were raised and the constitutionality of AB 1X26 was subsequently upheld on December 29, 2011 by the California Supreme Court. As a result, all redevelopment agencies were dissolved and ceased to operate as legal entities effective February 1, 2012. Pursuant to State Law, and following a decision by the City of Los Angeles (City) to not become the Successor Agency to the Former Agency, the Governor appointed three residents of the County of Los Angeles (County) to serve as the governing board of a Designated Local Authority (CRA/LA-DLA), as confirmed by Resolution No. 001 adopted on February 3, 2012. The matter is disclosed in more detail in note 1-A on page 9.

Pursuant to AB 1X26, CRA/LA-DLA is required to prepare a Recognized Obligation Payment Schedule (ROPS) for each six month period of each fiscal year. CRA/LA-DLA is further required to submit its ROPS to its Governing and Oversight Boards for review and approval. Following approval by the Oversight Board, the CRA/LA-DLA is to submit the approved ROPS to the Department of Finance (DOF), State Controller and County Auditor-Controller. Following DOF approval, the Successor Agency may pay only those scheduled amounts listed on the approved ROPS.

The accompanying financial statements presents the financial position and changes in the financial position as of and for the year ended June 30, 2013, the first full year of fiscal activities.

- The CRA/LA-DLA's total liabilities exceeded its assets at the close of the year ended June 30, 2013 by $261,476,000. The negative financial position is mainly due to outstanding long-term debt which will be eliminated by debt service funded by the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.
- The CRA/LA-DLA's bonded debt and long-term notes payable at June 30, 2013, net of unamortized premiums/discounts and deferred amounts from refunding, totaled $683,473,000. (page 20)
- The CRA/LA-DLA's extraordinary items resulting from Redevelopment Agency Dissolution as reported in the Statement of Changes in Fiduciary Net Position at June 30, 2013 resulted in a loss of $76,977,000. (page 8)

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the CRA/LA-DLA's financial statements. The CRA/LA-DLA's financial statements consist of two components: 1) financial statements; and, 2) notes to financial statements. The report also contains required and other supplementary information in addition to the financial statements.

Financial statements. There are two financial statements presented by CRA/LA-DLA. The financial statements can be found on pages 7 and 8 of this report.

The *statement of fiduciary net position* provides a snapshot of the account balances at year end and the net position of CRA/LA-DLA to pay enforceable obligations.

The *statement of changes in fiduciary net position* presents information showing the additions to and the deductions from the CRA/LA-DLA's net position during the year ended June 30, 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to financial statements. The notes provide additional information and are essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 9 through 41of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents required supplementary information concerning the funding progress of the employees' pension plan and other postemployment benefits of CRA/LA-DLA on page 42 of this report.

FINANCIAL STATEMENT ANALYSIS

Net position. As of the close of the year ended June 30, 2013, CRA/LA-DLA's liabilities exceeded its assets by $261,476,000. The negative net position is primarily caused by the outstanding long-term liabilities of $689,562,000. This is due to the nature of how redevelopment activities were financed. The Former Agency issued tax allocation bonds or incurred other long-term debt to finance a substantial portion of its activities which included public infrastructure, affordable housing, public parking, commercial and retail projects, and community development activities. While the public infrastructure and land were transferred to the City or to developers, the associated debt remains with CRA/LA-DLA. Acknowledged by the Department of Finance as enforceable obligations, the long-term liabilities will be eliminated with the allocation of future revenues from the Successor Agency's Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

The following table summarizes the CRA/LA-DLA's net position (dollars in thousands):

CRA/LA-DLA's Fiduciary Net Position

Assets	
Current and other assets	$ 333,426
Restricted assets	121,672
Land held for redevelopment	117,989
Capital assets, net of accumulated depreciation and amortization	81,686
Total assets	654,773
Liabilities	
Current and other liabilities	226,687
Long-term liabilities, net of unamortized premium, discount and refunding on refunding	689,562
Total liabilities	916,249
Total Net position	$(261,476)

The following table provides a summary of the CRA/LA-DLA's additions and deductions (dollars in thousands):

CRA/LA-DLA's Changes in Fiduciary Net Position

Additions:	
Redevelopment property tax revenues	$ 59,574
Parking receipts	5,078
Rental income	3,729
Gain on sale of land	1,155
Interest income	3,252
Other	3,768
Total additions	76,556
Deductions:	
Program delivery expense	80,949
Administrative expense	15,460
Litigation, claims, and settlements	368
Interest expense	39,805
Distribution to taxing entities	111,325
Depreciation and amortization	2,831
Total deductions	250,738
Extraordinary items resulting from Redevelopment Agency Dissolution	(76,977)
Change in net assets	(251,159)
Beginning net position	(10,317)
Ending net position (deficit)	$ (261,476)

CAPITAL ASSETS

The CRA/LA-DLA's capital assets net of accumulated depreciation and amortization as of June 30, 2013 totaled $81,686,000. The CRA/LA-DLA's capital assets include land, building and improvements, equipment, leasehold improvements, and a multi-level public parking facility. This 1,725-car public parking facility, located in the Hollywood Redevelopment Project area, was financed by the issuance of $44,235,000 of parking revenue bonds and was opened for business in March 2002.

Additional information on the CRA/LA-DLA's capital assets can be found in note 2-C on page 18 of this report.

DEBT ADMINISTRATION

At June 30, 2013, the CRA/LA-DLA's long-term debt of $683,473,000, net of unamortized bond premium/discount and deferred amounts on refunding is summarized as follows (dollars in thousands):

CRA/LA-DLA's Long-Term Debt

Bonds payable	$ 654,076
Notes payable	22,862
Payable to the City	6,535
Total	$ 683,473

As of June 30, 2013, CRA/LA-DLA had 66 tax allocation bonds and one parking revenue bond outstanding, totaling $654,076,000, net of unamortized bond premiums, discounts, and related items of $16,000. Of the 67 bond issues, 48 are insured. This equates to 86.40 percent of the original principal amount of bonds having been issued with insurance. Investors in insured CRA/LA-DLA bonds are encouraged to contact their respective investment advisor to obtain the latest rating(s) on their insured bonds. The remaining bonds are uninsured and have investment grade ratings.

Additional information on the CRA/LA-DLA's long-term liabilities can be found in note 2-F, 2-G, and 2-H on pages 20 through 26 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the CRA/LA-DLA's finances for all those with an interest in such information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Executive Officer, CRA/LA, A Designated Local Authority, 448 S. Hill Street, Suite 1200, Los Angeles, California 90013.

CRA/LA-DLA's website can be found at www.crala.org.

FINANCIAL STATEMENTS

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Former Community Redevelopment Agency of the City of Los Angeles)

Statement of Fiduciary Net Position

June 30, 2013
(In Thousands)

ASSETS		
Cash and cash equivalents	$	266,655
Unrestricted investments		26,969
Receivables:		
Grants		940
Accrued interest		7
Other, net of uncollectibles of $196		2,123
Loans receivable, net of allowance for market value write-downs and uncollectibles of $84,355		14,323
Restricted assets		121,672
Unamortized bond issuance costs		14,998
Deposits for land acquisition		2,200
Land held for redevelopment		117,989
Capital assets, net of accumulated depreciation and amortization of $39,138:		
Land		53,368
Building and improvements		22,229
Equipment and leasehold improvements		6,089
Other assets		5,211
Total assets		654,773
LIABILITIES		
Accounts payable and accrued liabilities		79,006
Interest payable		16,487
Deferred revenue		73,920
Deposits and other liabilities		57,274
Noncurrent liabilities:		
Due within one year		28,947
Due in more than one year		660,615
Total liabilities		916,249
NET POSITION		
TOTAL	$	(261,476)

See accompanying notes to financial statements.

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Former Community Redevelopment Agency of the City of Los Angeles)

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2013
(In Thousands)

ADDITIONS		
Redevelopment property tax revenues	$	59,574
Parking receipts		5,078
Rental income		3,729
Gain on sale of land		1,155
Interest income		3,252
Other		3,768
Total additions		76,556
DEDUCTIONS		
Program delivery expense		80,949
Administrative expense		15,460
Litigation, claims, and settlements		368
Interest expense		39,805
Distribution to taxing entities		111,325
Depreciation and amortization		2,831
Total deductions		250,738
Exraordinary items resulting from Redevelopment Agency Dissolution		(76,977)
Change in net position		(251,159)
NET POSITION		
Beginning net position		(10,317)
Ending net position	$	(261,476)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CRA/LA, A Designated Local Authority (CRA/LA-DLA) for the fiscal year ended June 30, 2013 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The significant accounting principles and policies utilized by the CRA/LA-DLA are described below.

A. Reporting Entity

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (AB 1X26) that provides for the dissolution of all redevelopment agencies in the State of California. In accordance with the timeline set forth in AB 1X26 (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012.

AB 1X26 provides that upon dissolution of a redevelopment agency, either the city or another unit of local government may agree to serve as the Successor Agency to hold the former agency's assets until they are monetized and/or distributed to other units of state and local government. On January 11, 2012, the City of Los Angeles (City) elected not to become the Successor Agency to The Community Redevelopment Agency of the City of Los Angeles (Former Agency), as part of City Council File 12-0049. Subsequently, and as authorized by State Law, Governor Brown appointed three County residents to serve as the governing board of a Designated Local Authority (CRA/LA-DLA), as confirmed by Resolution No. 001 adopted on February 3, 2012. On February 1, 2012, net assets of the Former Agency in the amount of $97,391,000 were transferred to the newly formed CRA/LA-DLA.

AB 1X26 requires the Successor Agency to expeditiously wind down the affairs of the former agency with authority limited to the extent required to implement an orderly wind down of former agency activities. In this regard, CRA/LA-DLA is required to prepare a Recognized Obligation Payment Schedule (ROPS) for each six month period of each fiscal year. CRA/LA-DLA is further required to submit its ROPS to its Governing and Oversight Boards for review and approval. Following approval by the Oversight Board, CRA/LA-DLA is to submit the approved ROPS to the Department of Finance (DOF), State Controller and County Auditor-Controller (County AC). Following DOF approval, only those scheduled amounts listed on the approved ROPS may be paid.

CRFA, Blended Component Unit

On June 5, 1992, and based on a joint powers agreement, the Former Agency and the Former Agency's Industrial Development Authority created the Community Redevelopment Financing Authority (CRFA) for the purpose of issuing one or more pooled bond issues and other financings. By issuing bonds on a pooled basis, issuance costs can be reduced significantly, making previously uneconomic bond financings and refinancings feasible.

The CRFA is an entity legally separate from CRA/LA-DLA but is governed by a board comprised of the same members and officers as that of CRA/LA-DLA. For financial reporting purposes, the CRFA is blended into the CRA/LA-DLA's basic financial statements as if it were part of the CRA/LA-DLA's operations because its purpose was to provide bond financing services for the Former Agency.

B. Basis of Accounting and Financial Statement Presentation

The CRA/LA-DLA's accounts are organized in a private-purpose trust fund, which is used to account for the assets, deferred outflows of resources, liabilities, deferred inflows of resources, additions and deductions for payments of enforceable obligations of the CRA/LA-DLA until all such obligations are paid in full and assets have been liquidated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar non-exchange transactions are recognized as revenues as soon as all eligibility requirements are met.

C. Cash and Investments

Cash includes deposits maintained with various banks within redevelopment project areas or banks that benefit redevelopment activities while cash equivalents represent investments with original maturities of 90 days or less.

Money market investments that have a remaining maturity of one year or less at the time of purchase, including those shown as restricted assets (note 1-E) are carried at amortized cost, provided that the fair value is not significantly affected by the impairment of the credit standing of the issuer or other factors. Other investments are reported at fair value.

D. Loans Receivable

To facilitate the redevelopment process, the Former Agency made loans to developers at below-market interest rates primarily for the rehabilitation and development of low and moderate-income housing and the development of commercial properties. Since these loans were generated to assist various redevelopment project areas, repayment terms are structured to meet requirements established by the Former Agency and the specific project area. Repayment terms on these loans can be classified in the following categories:

> Amortizing loans – loans requiring monthly payments designed to payoff both the principal and interest over a specified period, usually 15-20 years. Included in this category are partially amortizing loans and interest only payment loans requiring balloon payments at maturity date.
>
> Deferred loans – loans requiring repayments only on the earlier of loan due date or when the mortgaged properties are sold or refinanced.
>
> Residual receipts loans – loans requiring repayments only when the project or mortgaged properties have positive cash flows as pursuant to a formula set forth in a specific loan agreement.

In the financial statements, loans receivable are reported net of allowance for market value write-downs and uncollectibles.

E. Restricted Assets

Restricted assets consist primarily of investments maintained by the bond fiscal agents and trustees, under provisions of the bond indentures/trust agreements/fiscal agent agreements/loan agreements, which are considered as pledged collateral for payment of principal and interest on the associated tax allocation and parking revenue bond obligations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Land Held for Redevelopment

As part of its redevelopment activities, the Former Agency acquired land for eventual disposition to developers of housing or commercial projects, often based on the reuse value of the land. These properties will be held until the DOF approves a Long Range Property Management Plan.

In the financial statements, land acquired and subsequently conveyed for redevelopment activities is reported as an asset or reduction from assets.

G. Capital Assets

Assets purchased or acquired with original costs of $150 or more and estimated useful life of more than one year are capitalized at historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of capital assets other than land is provided using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Building and improvements	30 to 40
Vehicles	5
Office equipment	5
Computer software	5
Computer hardware	3

H. Compensated Absences

CRA/LA-DLA employees accumulate vacation pay in varying amounts as services are provided. All outstanding vacation time is payable upon termination of employment. CRA/LA-DLA employees also accumulate sick leave hours with full pay at the rate of 96 hours per fiscal year to a maximum of 800 hours. CRA/LA-DLA pays employees for sick leave as it is used and is not obligated to pay sick leave upon termination of employment. However, CRA/LA-DLA pays 50 percent of the accumulated sick leave in excess of 800 hours as of the end of any fiscal year to active employees and 50 percent of the available sick leave to employees upon retirement.

I. Pollution Remediation

Brownfields (abandoned, under-utilized, and/or blighted properties likely impacted by environmental contamination) exist throughout redevelopment project areas in the City. The Former Agency acquired various brownfields sites which it planned to transform into usable properties that contribute to the economic and/or cultural foundation of the project areas.

Under the provisions of GASB Statement No. 49, CRA/LA-DLA will capitalize the cleanup costs of those brownfields sites it owns and has a legal obligation to cleanup based on a contract, court order, or regulatory order net of any cost recovery. Those cleanup costs will be capitalized when they are incurred rather than recorded as expenses and related liabilities potentially in earlier periods. Only those outlays that are expected to exceed the capitalization limit would be accrued as a liability. For those brownfield sites where legal title has been transferred yet legal obligation to cleanup remains with CRA/LA-DLA, the remediation liability will be estimated based on outside consultants and existing remediation contracts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Long-term Obligations

Long-term debt and other long-term obligations are reported as non-current liabilities in the financial statements. Bond premiums and/or discounts and deferred amounts on refundings are deferred and amortized over the life of the bonds as interest expense. Bonds payable are reported net of the applicable unamortized bond premium or discount and deferred amounts on refundings. Bond issuance costs are amortized over the term of the related debt.

K. Deferred Revenue

Deferred revenue arises when resources are received before the use of the resources is required or first permitted by timing requirements. Deferred revenue also represents resources that have been received, but not yet earned.

L. Construction Disbursements Payable

CRA/LA-DLA uses a Construction Disbursements Payable (CDP) account to handle “escrow like” functions previously performed by private escrow companies. The CDP account enhances control over construction disbursements and allows CRA/LA-DLA to benefit from interest earnings for monies held in the account.

Through the CDP account, CRA/LA-DLA provides a disbursement service for borrowers and grantees. Monies deposited to this account are considered loans receivable in the statement of fiduciary net position. Interest earnings from the CDP account are returned to the original funding source, unless otherwise specified.

M. Property Tax Revenues

Pursuant to AB 1X26, and following DOF approval, the County Auditor-Controller is required to remit to CRA/LA-DLA property taxes distributed from the Successor Agency’s Redevelopment Property Tax Trust Fund to pay for enforceable obligations and/or its administrative allowance as scheduled on the ROPS for each six month period of each fiscal year.

N. Net Position

Net position is the residual of all other amounts presented in the statement of fiduciary net position.

O. Extraordinary Items

Extraordinary items are both unusual in nature and infrequent in occurrence. 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.

During fiscal year 2011, the Former Agency transferred certain revenue-generating commercial properties in repayment of the CDBG no-term obligations and an additional 74 properties to the City in connection with the implemented Council File No. 11-0354 and Council File No. 11-0086-S1. The enactment of AB 1X26, among other things, directed the State Controller to review the propriety of transfers of assets between redevelopment agencies and other public bodies after January 1, 2011. As a result, the State Controller issued a written notice on April 20, 2012 requiring the reversal of prior asset transfers that are not contractually committed. In December 2012, the City returned the properties that were transferred in March 2011.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On January 25, 2012, the City, acting by and through its Housing Department (LAHD), elected to retain the housing assets and functions previously performed by the Former Agency. Pursuant to HSC Section 34176 (a) (2), the Housing Asset Transfer Schedule (HATS) prepared by CRA/LA-DLA staff was submitted by LAHD to DOF on August 1, 2012. DOF issued its final determination letter on March 27, 2013, granting approval of most of housing assets listed on the HATS. Effective May 1, 2013, the CRA/LA-DLA's housing assets including loans receivable, land held for redevelopment, and land inventory, and functions were transferred and assumed by LAHD, the Housing Successor Agency.

The components of the extraordinary loss recognized are as follows (in thousands):

Return of assets from the City	$ 96,427
Transfer of assets to Housing Successor	(173,404)
Total extraordinary loss	$ (76,977)

P. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Actual results could differ from the estimates.

Q. Recent GASB Pronouncements

Recent Pronouncements effective in future periods:

1. *GASB Statement No. 65 – Items Previously Reported as Assets and Liability.* Issued in March 2012, this statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows or resources, certain items that were previously reported as assets and liabilities. It will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement is effective for financial statements for periods beginning after December 15, 2012. CRA/LA-DLA has not completed the process of evaluating the impact of GASB 65 on its financial statements. If deemed applicable, CRA/LA-DLA will implement GASB 65 in the required fiscal year.

2. *GASB Statement No. 66 – Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No.62.* Issued in March 2012, this statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for financial statements for periods beginning after December 15, 2012. CRA/LA-DLA has not completed the process of evaluating the impact of GASB 66 on its financial statements. If deemed applicable, CRA/LA-DLA will implement GASB 66 in the required fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. *GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Issued in June 2012, this statement replaces previously issued statements related to pension plans administered through trusts or similar arrangement that meet certain criteria. It builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position and a statement of changes in fiduciary net position. It also enhances note disclosures and required supplementary information (RSI), including the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement is effective for financial statements for fiscal years beginning after June 15, 2013. CRA/LA-DLA has not completed the process of evaluating the impact of GASB 67 on its financial statements. If deemed applicable, CRA/LA-DLA will implement GASB 67 in the required fiscal year. CRA/LA-DLA has determined there will be no material impact of this pronouncement on its financial statements.

4. *GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Issued in June 2012, this statement replaces previously issued statements related to governments that provide pensions through pensions plans administered as trusts or similar arrangements that meet certain criteria. It requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability. Governments will report a net pension liability that represents the difference between the total pension liability and the pension assets set aside in a trust. It also enhances accountability and transparency through revised and new note disclosures and RSI, including the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used in calculating the pension liability. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. CRA/LA-DLA has not completed the process of evaluating the impact of GASB 68 on its financial statements. If deemed applicable, CRA/LA-DLA will implement GASB 68 in the required fiscal year.

5. *GASB Statement No. 69 – Government Combinations and Disposals of Governing Operations*. Issued in January 2013, this statement provides guidance on determining whether a government combination is a merger, acquisition or transfer of operations. Carrying values is required to use for measuring the assets and liability in a government merger. Conversely, measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values in a government acquisition. This statement also provides guidance on reporting on disposal of operations in a transfer of sale. This statement is effective for financial statements for fiscal years beginning after December 15, 2013. CRA/LA-DLA has not completed the process of evaluating the impact of GASB 69 on its financial statements. If deemed applicable, CRA/LA-DLA will implement GASB 69 in the required fiscal year.

6. *GASB Statement No. 70 – Accounting and Financial Reporting for Non-exchange Financial Guaranties.* Issued in April 2013, this statement provides guidance that offer non-exchange financial guarantees to others and for governments that receive guarantees on their operations. This Statement requires a liability to be recognized on the financial statements of the guarantor when it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also specifics the information required to be disclosed. This statement is effective for financial statements for fiscal years beginning after June 15, 2013. CRA/LA-DLA has not completed the process of evaluating the impact of GASB 70 on its financial statements. If deemed applicable, CRA/LA-DLA will implement GASB 70 in the required fiscal year.

NOTE 2 - DETAILED NOTES

A. Cash, Cash Equivalents, and Investments

Cash

Cash consists of cash deposits maintained with various banks within redevelopment project areas or banks that benefit redevelopment activities. At June 30, 2013, the carrying amount of the CRA/LA-DLA's cash deposits totaled $332,753,000 while the bank balances totaled $327,072,000. The difference of $5,681,000 is primarily due to outstanding checks, outstanding investment maturity, and other reconciling items. Of the total bank balances, $3,939,000 was covered by the Federal Deposit Insurance Corporation and $323,133,000 was fully collateralized as required by State law and reported to the State Administrator of Local Agency Security to ensure the safety of public deposits.

Under the California Government Code, a financial institution is required to secure deposits in excess of $250,000 made by state or local government units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of those deposits. The collateral must be held at the pledging bank’s trust department or another bank, acting as the pledging bank’s agent, in the CRA/LA-DLA’s name.

Investments

At June 30, 2013, unrestricted investments consisted of U.S. Treasury securities and Federal securities deposited into CRA/LA-DLA safekeeping accounts, which have been established to ensure segregation of CRA/LA-DLA owned securities.

Restricted investments, shown as restricted assets consisted primarily of investments maintained with bond fiscal agents and trustees, which are considered as pledged collateral for payment of principal and interest on the CRA/LA-DLA’s tax allocation bond obligations. Also included in this category were investments held by the trustee for the Cinerama Dome public parking project.

At June 30, 2013, cash and investments are reflected in the statement of fiduciary net position with carrying values as follows (dollars in thousands):

	Deposits	Investments	Total
Cash	$ 266,655	$ -	$ 266,655
Unrestricted investments	-	26,969	26,969
Restricted assets	66,098	55,574	121,672
Total	$ 332,753	$ 82,543	$ 415,296

NOTE 2 - DETAILED NOTES (continued)

CRA/LA-DLA's investments at June 30, 2013 consisted of the following investment types (dollars in thousands):

Investment Type	Amortized Costs	Fair Value	Weighted Average Maturity (Years)
Investments held by CRA/LA-DLA			
Treasury securities	$ 24,969	$ 25,009	0.24
Federal securities	2,000	2,001	0.38
Total investments held by CRA/LA-DLA	26,969	27,010	
Investments held by fiscal agent or trustee:			
Treasury securities	15,283	15,283	0.147
Money market funds	37,183	37,183	0.003
Repurchase agreement	3,108	3,108	19.016
Total investments held by fiscal agent or trustee	55,574	55,574	
Total investments	$ 82,543	$ 82,584	
Portfolio weighted average maturity for investments held by CRA/LA-DLA (excluding investments held by fiscal agent or trustee)			0.25

The CRA/LA-DLA's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would exercise in the management of their own affairs, not for speculation, but for investment considering the general economic conditions and the anticipated needs of CRA/LA-DLA. The core objective is to minimize the interest rate risk and credit risk of each investment. In addition, in order to minimize the total volatility of the portfolio, CRA/LA-DLA maintains a diversified portfolio of investments.

Interest rate risk. In accordance with the CRA/LA-DLA's investment policy, CRA/LA-DLA manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to not more than two years, excluding investments held by a trustee, fiscal agent, or escrow bank in connection with a CRA/LA-DLA bond or note.

Credit rate risk. Investments held by fiscal agent or trustee are invested in accordance with the respective CRA/LA-DLA's bond indenture or similar agreement, and the credit rating of the authorized investments are limited. These bond indenture agreements authorize investments in money market funds having a rating in the highest investment category by Standard & Poor's and/or Moody's. At June 30, 2013, the CRA/LA-DLA's investments in money market funds at amortized costs of $37,183,000 were rated in the highest categories of Standard & Poor's "A-1+" and Moody's "P-1".

NOTE 2 - DETAILED NOTES (continued)

B. Loans Receivable

A schedule of loans receivable at June 30, 2013 including allowance for market value write-downs and uncollectibles is as follows (dollars in thousands):

	Principal Balance			
	Amortizing	Deferred	Residual Receipts	Total
Outstanding at July 1, 2012	$ 26,357	$ 128,029	$ 572,885	$ 727,271
Transfer to Housing Successor	(14,907)	(70,565)	(545,111)	(630,583)
Additions:				
New funding	-	6,565	4,835	11,400
Reductions:				
Principal repayments	(1,269)	(140)	(50)	(1,459)
Others *	(7)	(8,938)	994	(7,951)
Outstanding at June 30, 2013	10,174	54,951	33,553	98,678
Less allowance for market value write-downs and uncollectibles	(3,424)	(53,122)	(27,809)	(84,355)
Balance at June 30, 2013	$ 6,750	$ 1,829	$ 5,744	$ 14,323

* Included in these amounts are loan amendments and service repayments on forgivable loans.

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Notes to Financial Statements

June 30, 2013

NOTE 2 - DETAILED NOTES (continued)

C. Capital Assets

Changes in capital assets for the year ended June 30, 2013 were as follows (dollars in thousands):

Description	Balance June 30, 2012	Others*	Acquisitions/ Dispositions/ Adjustments	Depreciation/ Amortization	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	$ 41,665	$ 11,703	$ -	$ -	$ 53,368
Capital assets, being depreciated:					
Building and improvements	30,034	11,326	-	-	41,360
Less accumulated depreciation/ amortization	(9,931)	(8,090)	-	(1,110)	(19,131)
Net building and improvements	20,103	3,236	-	(1,110)	22,229
Equipment and leasehold improvements	25,874	-	222	-	26,096
Less accumulated depreciation/ amortization	(18,064)	-	(222)	(1,721)	(20,007)
Net equipment and leasehold improvements	7,810	-	-	(1,721)	6,089
Net capital assets, being depreciated	27,913	3,236	-	(2,831)	28,318
Net capital assets	$ 69,578	$ 14,939	$ -	$ (2,831)	$ 81,686

*Amount represents return of properties that were transferred to the City of Los Angeles during fiscal year 2011. (Note 3-G, Other Transactions with the City)

NOTE 2 - DETAILED NOTES (continued)

E. CRFA Bonds

The following table summarizes the CRFA bond transactions for the fiscal year ended June 30, 2013 (dollars in thousands):

Balance, July 1, 2012	$ 356,585
Retirement, various pooled financing bond issues	(14,165)
Balance, June 30, 2013	$ 342,420

CRFA bonds outstanding at June 30, 2013 were as follows (dollars in thousands):

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding
Pooled bonds:					
Pooled Financing Bonds, Series B	8/1/1992	9/1/2014	5.00% - 6.625%	$ 15,820	$ 300
Pooled Financing Refunding Bonds, Series E	8/1/1998	9/1/2014	3.60% - 5.00%	21,805	3,385
Pooled Financing Refunding Bonds, Series F	8/1/1998	9/1/2014	4.05% - 5.00%	12,820	2,175
Pooled Financing Bonds, Series H (taxable)	6/15/2002	9/1/2032	8.25% - 9.75%	9,765	8,185
Pooled Financing Bonds, Series I (taxable)	6/1/2003	9/1/2019	2.625%-5.50%	14,890	7,970
Pooled Financing Bonds, Series J (taxable)	9/17/2003	9/1/2033	4.18% - 6.38%	17,970	15,410
Pooled Financing Bonds, Series J	9/17/2003	9/1/2033	2.00% - 5.00%	4,500	3,680
Pooled Financing Bonds, Series K (taxable)	9/17/2003	9/1/2033	6.98% - 9.38%	4,645	4,080
Pooled Financing Bonds, Series L (taxable)	6/28/2006	9/1/2026	5.74% - 6.15%	32,000	26,110
Pooled Financing Bonds, Series M (taxable)	6/29/2006	9/1/2036	6.10% - 6.70%	34,500	31,990
Pooled Financing Bonds, Series N	6/28/2006	9/1/2026	3.50% - 5.25%	8,000	6,360
Pooled Financing Bonds, Series O (taxable)	6/28/2007	9/1/2037	5.94% - 6.66%	8,000	7,355
Pooled Financing Bonds, Series P (taxable)	6/26/2008	9/1/2038	8.00%	14,250	13,615
Revenue bonds:					
Bunker Hill Project Revenue Bonds, Series 2004A	5/19/2004	12/1/2028	3.00% - 5.50%	181,510	175,405
Bunker Hill Project Revenue Bonds, Series 2004B	5/19/2004	12/1/2017	1.49% - 5.83%	87,550	36,400
Total CRFA bonds					$ 342,420

The source of all payments of outstanding principal and interest on the CRFA pooled financing bonds consists of debt service payments on underlying tax allocation bonds and notes issued by the respective redevelopment project areas.

The CRFA revenue bonds are payable exclusively from the revenues, principally comprised of payments to be made on the Bunker Hill Tax Allocation Refunding Bonds, Series H and Bunker Hill Tax Allocation Refunding Bonds, Series K, and other funds as provided in the CRFA Indenture.

As a blended component unit, CRFA's activities for financial reporting purposes are blended into the CRA/LA-DLA's financial statements. Hence, in the accompanying statement of fiduciary net position, the $342,420,000 receivable/payable between CRFA and CRA/LA-DLA is eliminated.

NOTE 2 - DETAILED NOTES (continued)

F. Long-Term Debt

Notes Payable, Midtown Crossing Project

The Midtown Crossing project is a 318,000 square-foot commercial/retail complex in the Mid-City Corridors project area envisioned in the Owner Participation Agreement (OPA) entered into by the Community Redevelopment Agency of the City of Los Angeles (Former Agency) and CIM/PICO, LP (Developer) on March 12, 2008. The aim was to redevelop the property to aid in alleviating blighting conditions and stimulate economic development within the project area. As part of project financing, the Former Agency was to extend financial assistance to the developer in the form of a reimbursement of project improvements costs and foundation costs.

On January 2, 2013, a Certificate of Occupancy for the project was issued by the City of Los Angeles. As required by the terms of the OPA as amended on June 29, 2010, CRA/LA-DLA issued two promissory notes on March 22, 2013. The Senior Promissory Note of $5,000,000 at 6% per annum, compounded annually, commenced on the Senior Note Date and will end on January 31, 2042, unless paid in full prior to end date. Annual repayment of the Senior Note shall be the lesser of 100% of Net Site Specific Tax Increment (SSTI) or $465,000. The Junior Promissory Note of $5,422,000 at 6% per annum, compounded annually, commenced on the Junior Note Date and will end on January 31, 2042, unless paid in full prior to end date. Annual repayment of the Junior Note shall be the lesser of the residual Net SSTI after payment of the Senior Note obligation or $385,000. To the extent CRA/LA-DLA has not fully repaid any outstanding principal and interest owing under this Junior Note by the expiration of the term, any remaining outstanding balance due on this Junior Note shall be forgiven.

Changes in Long-term Liabilities

CRA/LA-DLA's long-term liabilities for the fiscal year ended June 30, 2013 are summarized as follows (dollars in thousands):

Description	Balance June 30, 2012	Additions	Retirement	Balance June 30, 2013	Due Within One Year
Bonds payable	$ 681,090	$ -	$ (27,030)	$ 654,060	$ 28,421
Notes payable	25,654	10,422	(13,214)	22,862	245
Payable to the City	15,804	-	(9,269)	6,535	-
Sub-total before premiums/discounts, and deferred amounts on refunding	722,548	10,422	(49,513)	683,457	28,666
Less unamortized premiums/discounts, and deferred amounts on refunding	(294)	-	310	16	-
Total bonds and notes	722,254	10,422	(49,203)	683,473	28,666
Compensated absences	1,031	468	(892)	607	281
Other postemployment benefit obligations	13,868	-	(8,386)	5,482	-
Net long-term liabilities, governmental activities	$ 737,153	$ 10,890	$ (58,481)	$ 689,562	$ 28,947

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Notes to Financial Statements

June 30, 2013

NOTE 2 - DETAILED NOTES (continued)

Outstanding Long-term Debt

Long-term debt outstanding at June 30, 2013 is comprised of the following (dollars in thousands):

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Tax allocation bonds:					
Adelante Eastside, Series A (taxable)	6/27/2002	9/1/2032	8.00% - 9.25%	$ 4,750	$ 4,250
Adelante Eastside, Series B (taxable)	7/1/2005	9/1/2035	5.625% - 5.90%	7,000	6,525
Adelante Eastside, Series C (taxable)	6/20/2007	9/1/2037	6.490%	10,040	9,485
Adelante Eastside, Series D	12/3/2009	9/1/2039	1.75% - 6.50%	10,000	9,385
Beacon Street, Refunding Series B*	8/1/1998	9/1/2014	4.05% - 5.00%	4,350	740
Beacon Street, Series C (taxable)	7/1/2005	9/1/2019	5.625%	2,680	2,535
Broadway/Manchester, Series A (taxable) *	6/28/2007	9/1/2037	5.940% - 6.660%	1,500	1,415
Bunker Hill, Grand Central Square Multifamily Housing, Refunding Series 2007A	6/21/2007	12/1/2026	4.00% - 5.00%	11,345	9,720
Bunker Hill, Refunding Series H *	12/1/1993	12/1/2028	5.60% - 6.50%	202,175	202,175
Bunker Hill, Refunding Series K *	5/19/2004	12/1/2013	1.49% - 4.990%	56,885	6,790
Bunker Hill, Refunding Subordinate Lien 2004L	5/19/2004	3/1/2019	3.50% - 5.10%	30,955	15,510
CD 9 Corridors, Series A (taxable)	6/26/2001	9/1/2023	8.50% - 8.875%	2,000	1,425
CD 9 Corridors, Series B	6/26/2001	9/1/2031	5.875% - 6.00%	2,000	2,000
CD 9 Corridors, Series C (taxable) *	9/17/2003	9/1/2033	4.18% - 6.38%	5,500	4,810
CD 9 Corridors, Series D (taxable)	3/30/2005	9/1/2034	3.20% - 5.65%	6,500	5,595
CD 9 Corridors, Series E (taxable)	6/6/2007	9/1/2037	5.875% - 6.05%	12,500	11,620
Crenshaw, Refunding Series C *	8/1/1998	9/1/2014	4.05% - 5.00%	3,895	660
Crenshaw/Slauson, Series A (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	1,135	1,015
Crenshaw/Slauson, Series B (taxable) *	6/28/2007	9/1/2037	5.94% - 6.66%	3,000	2,875
East Hollywood/Beverly-Normandie, Series A (taxable) *	9/17/2003	9/1/2033	6.98% - 9.38%	1,885	1,690
East Hollywood/Beverly-Normandie, Series B (taxable) *	6/28/2006	9/1/2026	5.74% - 6.15%	8,000	6,528
Hollywood, Refunding Series C	3/1/1998	7/1/2022	4.10% - 5.50%	35,840	26,170
Hollywood, Refunding Series D (taxable)	11/25/2003	7/1/2022	1.50% - 6.00%	23,000	12,555
Hollywood, Series E (taxable)	5/9/2006	7/1/2036	6.25%	16,500	16,500
Hollywood, Series F	6/19/2008	7/1/2028	3.20% - 4.75%	15,565	13,355
Hoover, Refunding Series C	11/1/1995	9/1/2014	4.75% - 5.50%	5,040	550
Exposition/University Park, Refunding Series E (taxable)	6/7/2007	9/1/2032	5.45% - 6.00%	5,905	4,365
Laurel Canyon Commercial Corridor, Refunding Series B (taxable) *	9/17/2003	9/1/2030	6.98% - 9.38%	2,760	2,390
Laurel Canyon Commercial Corridor, Series C (taxable) *	6/28/2007	9/1/2037	5.94% - 6.66%	2,000	1,950
Little Tokyo, Refunding Series D	12/18/2003	7/1/2020	4.30% - 4.75%	11,430	10,785
Los Angeles Harbor, Refunding Series C *	8/1/1998	9/1/2014	3.60% - 5.00%	5,345	920

NOTE 2 - DETAILED NOTES (continued)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Mid-City Recovery, Refunding Series B (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	6,500	5,385
Mid-City Recovery, Series C (taxable)*	6/26/2008	9/1/2032	8.00%	6,500	6,325
Monterey Hills, Refunding Series C *	8/1/1998	9/1/2014	3.60% - 5.00%	12,930	2,015
Monterey Hills, Series D (taxable)	5/9/2002	9/1/2020	6.60%	4,500	4,500
Normandie 5, Refunding Series C *	8/1/1992	9/1/2014	5.00% - 6.625%	6,320	300
Normandie 5, Refunding Series D *	8/1/1998	9/1/2014	3.60% - 5.00%	3,530	450
Normandie 5, Series E (taxable) *	6/1/2003	9/1/2019	2.625% - 5.50%	4,330	2,315
North Hollywood, Series E	10/1/2000	7/1/2024	4.20% - 7.50%	5,800	4,620
North Hollywood, Series F	5/1/2002	7/1/2024	2.75% - 5.125%	17,120	15,720
North Hollywood, Refunding Series G	5/18/2006	7/1/2029	3.50% - 4.625%	11,340	8,045
North Hollywood, Series H	6/26/2008	7/1/2029	5.125% - 5.250%	5,815	5,815
Pacific Corridor, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	5,000	4,635
Pacoima/Panorama City, Series A (taxable) *	9/17/2003	9/1/2033	4.18% - 6.38%	4,265	3,625
Pacoima/Panorama City, Series B (taxable) *	6/28/2006	9/1/2026	5.74% - 6.15%	8,000	6,528
Pacoima/Panorama City, Series C *	6/28/2006	9/1/2026	3.50% - 5.25%	8,000	6,360
Pacoima/Panorama City, Series D	11/4/2009	9/1/2039	5.00% - 5.625%	20,000	18,900
Pico Union 1, Refunding Series B*	8/1/1998	9/1/2014	4.05% - 5.00%	4,575	775
Pico Union 1, Series C (taxable) *	6/1/2003	9/1/2019	2.625% - 5.50%	3,250	1,745
Pico Union 2, Series A (taxable) *	6/1/2003	9/1/2019	2.625% - 5.50%	7,310	3,910
Pico Union 2, Series B (taxable) *	6/26/2008	9/1/2026	8.00%	5,500	5,075
Reseda/Canoga Park, Series A *	9/17/2003	9/1/2033	2.00% - 5.00%	4,500	3,680
Reseda/Canoga Park, Series B (taxable) *	9/17/2003	9/1/2033	4.18% - 6.38%	8,205	6,975
Reseda/Canoga Park, Series C (taxable) *	6/28/2006	9/1/2026	5.74% - 6.15%	16,000	13,054
Reseda/Canoga Park, Series D (taxable)	11/9/2010	9/1/2040	7.30% - 7.500%	8,980	8,980
Reseda/Canoga Park, Series E	11/9/2010	9/1/2040	5.00% - 5.375%	11,020	11,020
Vermont/Manchester, Series A (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	1,130	1,010
Vermont/Manchester, Series B (taxable) *	6/26/2008	9/1/2038	8.00%	2,250	2,215
Watts, Series A (taxable) *	6/28/2007	9/1/2021	5.94% - 6.39%	1,500	1,115
Watts Corridors Recovery, Series A (taxable) *	6/15/2002	9/1/2032	8.25% - 9.75%	1,000	775
Western/Slauson, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	2,500	2,315
Westlake, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	11,000	10,200
Westlake, Series B (taxable)	6/26/2008	9/1/2038	5.49% - 7.75%	12,500	12,060
Wilshire/Koreatown, Series A (taxable) *	6/29/2006	9/1/2036	6.10% - 6.70%	16,000	14,840
Wilshire/Koreatown, Series B (taxable)	6/26/2008	9/1/2018	6.00% - 6.50%	22,580	15,095
Wilshire/Koreatown, Series C	6/26/2008	9/1/2040	5.10% - 5.50%	11,050	11,050
Total tax allocation bonds payable before unamortized discount and deferred charges					617,715

*Purchased by and payable to CRFA.

***Unless otherwise noted, tax allocation bonds are tax-exempt.*

NOTE 2 - DETAILED NOTES (continued)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Revenue bonds:					
Parking System Revenue Bonds, Series A					
before unamortized premium (discount)	8/18/2000	7/1/2032	4.60%-5.80%	44,235	36,345
Total tax allocation and revenue bonds					
before unamortized premium (discount)					654,060
Project notes payable:					
Hollywood, Developer Letter of Credit	12/30/2002	7/1/2032	10.00%	4,037	4,037
Mid-City Recovery, Midtown Crossing					
Senior Note	3/22/2013	1/31/2042	6.00%	5,000	5,000
Junior Note	3/22/2013	1/31/2042	6.00%	5,422	5,422
North Hollywood, NOHO Commons	8/27/2004	Until Paid	6.00%	9,043	8,403
Total project notes payable					22,862
Payable to the City (note 2-H)					6,535
Total long-term debt					$ 683,457

The bond indentures/fiscal agent agreements contain various limitations and restrictions which require performance of duties in accordance with State redevelopment law and the redevelopment plan for the respective project and to not invest, reinvest, or expend the proceeds from any tax exempt bond issue in such a manner as to result in the loss of exemption from Federal income taxation of bond interest. CRA/LA-DLA is in compliance with all covenants, restrictions, and limitations of these bond issues.

Pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (Continuing Disclosure Rule), CRA/LA-DLA, or its authorized Dissemination Agent, is required to file an annual financial report for all fixed interest rate bonds issued on or after July 1, 1995. The Dissemination Agent files copies of the annual report(s) with each Nationally Recognized Municipal Securities Information Repository approved by the Securities and Exchange Commission, and the appropriate state information depository, if any.

The annual reports on the tax allocation bonds, consist of, but are not limited to, a copy of the CRA/LA-DLA's most recent audited financial statements and information updating particular tables in each bond issue's Official Statement. Other types of information are required for third-party supported bond issues (note 3-I, Third-Party Indebtedness), such as housing revenue bonds. Furthermore, if any of eleven enumerated events occur, CRA/LA-DLA is required to promptly notify and instruct the Dissemination Agent to report the occurrence.

NOTE 2 - DETAILED NOTES (continued)

Annual Debt Service Requirements

Annual requirements to amortize all long-term debt outstanding as of June 30, 2013 are reflected in the following table (dollars in thousands).

Year Ending	Bonds Payable		Notes Payable		Payable to the City (note 2-H)		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$ 28,421	$ 37,625	$ 245	$ 1,654	$ -	$ 1,573	$ 28,666	$ 40,852
2015	31,325	36,037	162	1,161	-	315	31,487	37,513
2016	31,040	34,290	171	1,152	-	315	31,211	35,757
2017	32,830	32,465	207	1,139	-	315	33,037	33,919
2018	34,110	30,567	220	1,126	-	315	34,330	32,008
2019-2023	165,231	124,077	1,313	5,420	6,535	1,235	173,079	130,732
2024-2028	165,198	77,318	1,758	4,976	-	-	166,956	82,294
2029-2033	95,985	35,669	14,081	2,229	-	-	110,066	37,898
2034-2038	57,500	12,847	386	1,539	-	-	57,886	14,386
2039-2042	12,420	1,152	4,319	1,139	-	-	16,739	2,291
Total	$ 654,060	$ 422,047	$ 22,862	$ 21,535	$ 6,535	$ 4,068	$ 683,457	$ 447,650

G. Prior Years Defeasance of Debt

In prior years, the Former Agency defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities, which were placed in the trust funds held by the respective escrow agents. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called for redemption or matures.

The trust account assets and corresponding liabilities for the defeased bonds are not reflected on the accompanying basic financial statements. At June 30, 2013, there were no outstanding defeased bonds.

H. Payable to the City of Los Angeles

CDBG Regular Program Year Allocations

The Former Agency's Community Development Block Grant (CDBG) allocations from the City have been structured as either grants with no definite due dates, or deferred loans. Under various contracts with the City, the Former Agency has recorded 20-year loans of $17,194,000. These loans are to be repaid from certain sources such as tax increment revenues of the respective redevelopment projects as they become available as defined in the contracts. In addition to the tax increment revenues, the program income earned on the 20-year loan funds is applied as repayments to the 20-year loans.

NOTE 2 - DETAILED NOTES (continued)

Pursuant to a City Council authorization, new promissory notes were issued in February 2003 amending the 20-year loans from amortizing notes to deferred notes to cure a technical default by the Former Agency on these notes. These notes as amended continue to accrue interest at the existing rate and any principal and interest due under the existing notes are deferred until maturity, with an option to extend loan maturity dates for another five years for each respective note.

At June 30, 2013, the outstanding balance of the 20-year loan amounted to $1,590,000. Interest accrued at June 30, 2013 on the 20-year loan in the amount of $33,000 is reported as interest payable in the financial statements.

Hollywood UDAG Loan

On December 1, 2002, the Former Agency signed a promissory note at 5.50 percent simple interest involving receipt of $4,250,000 Urban Development Action Grant (UDAG) funds from the City, to pay for a portion of the Former Agency's acquisition costs associated with the Live Broadcast Theater (now the Dolby Theater) in the Hollywood Redevelopment Project area. These loaned funds were provided to the Former Agency by means of a cooperation agreement in which the loan was to be paid out of "community improvement fees" from the developer in accordance with a disposition and development agreement. The cooperation agreement required the return of the Former Agency's loan repayments back to the Former Agency to finance qualifying block grant expenditures. On July 25, 2003, the City Council authorized the amendment of the repayment terms to allow the Former Agency to repay this loan by making City approved qualifying block grant expenditures in the Hollywood Redevelopment Project area. During the fiscal year ended June 30, 2013, $4,000 in qualifying block grant expenditures were applied towards interest on this loan. To date, a cumulative total of $1,249,000 in interest payments has been applied to service this loan.

Beacon Street LADOT Loan

On July 19, 2005, the City Department of Transportation (LADOT) loaned the Former Agency $960,000 from the LADOT's Special Parking Revenue funds for the design and construction of 40 public parking spaces to be located in the Centre Street Lofts mixed-use project in the Beacon Street Redevelopment Project area. Repayment of the loan was to come from a combination of (a) Former Agency/City participation in surplus profits as described in the project's disposition and development agreement and/or (b) from Beacon Street Project tax increment. In the event the Former Agency's share of surplus profits prove to be insufficient to repay the entire loan amount, the remaining balance will be amortized over a ten-year period from project completion at the City's "average pooled fund" interest rate. The Certificate of Completion for the project was executed on September 15, 2009. This date marks the loan start date and sets the loan maturity on September 15, 2019

During the fiscal year ended June 30, 2013, no repayment on this loan was made due to the limitation imposed by the Department of Finance on loan agreements entered into between a redevelopment agency and the city, and/or county that formed the redevelopment agency. Health and Safety Code Section 34191.4 (2A) states, "No loan repayments shall be made prior to the 2013-2014 fiscal year". Thus, the principal outstanding remains unchanged at $695,000 at June 30, 2013.

NOTE 2 - DETAILED NOTES (continued)

The following is a schedule of amounts payable to the City at June 30, 2013 (dollars in thousands).

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
CDBG 20-year loan, various projects	2/6/2003	6/30/2021	5.00%	$ 1,590	$ 1,590
UDAG loan, Hollywood	12/1/2002	12/1/2022	5.50%	4,250	4,250
LADOT loan, Beacon Street	7/19/2005	9/15/2019 *	Variable**	960	695
Total payable to the City					$ 6,535

* The Certificate of Completion for the project was executed on September 15, 2009. This date marks the loan start date and sets the loan maturity on September 15, 2019, 10 years from the project completion date.

**According to the loan agreement with the LADOT, interest rate is determined based on the City's pooled fund interest rate for the year that the repayment is made. However, for purposes of projecting future annual debt service requirements for this loan, the interest is calculated at the Local Agency Investment Fund (LAIF) rate of .26 percent at June 30, 2013 to comply with HSC Section 34191.4 (b)(2) guidelines.

Annual debt service requirements for the payable to the City are contained in note 2-F, Annual Debt Service Requirements.

I. Negative Net Position

As of June 30, 2013, CRA/LA-DLA's negative net position amounted to $261,476,000. Pursuant to AB 1X26, CRA/LA-DLA's enforceable obligations as listed on the approved ROPS will be paid by property tax distributed from the Redevelopment Property Tax Trust Fund administered by the County.

NOTE 3 - OTHER INFORMATION

A. Employees' Retirement System

Plan Description

CRA/LA-DLA contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 authorized by CRA/LA-DLA. Copies of CalPERS' annual financial report may be obtained from their Executive Office at 400 P Street, Sacramento, California, 95814.

The pension plan covers all full-time employees of CRA/LA-DLA. Under the provision of CalPERS, pension benefits fully vest after five years of service. A vested employee may retire at age 50 and receive annual pension benefits equal to a predetermined percentage of the employee's salary earned during the highest 12 consecutive months of employment multiplied by the number of years of service. Effective July 1, 1997, the Former Agency amended its contract with CalPERS changing the retirement formulation from two percent at age 60 to two percent at age 55 as part of collective bargaining negotiations for a multi-year agreement. As a result, under the amended plan, the service requirement benefits now vary from 1.426 percent at age 50 to 2.418 percent at age 63 and over multiplied by the number of years of service. The CRA/LA-DLA modified its contract with CalPERS on February 17, 2013 to reflect the entity change.

CalPERS prepared CRA/LA-DLA's pension plan actuarial valuation as of June 30, 2012, received on January 6, 2014. The valuation indicated that CalPERS has moved the pension plan into a "2% at 55" risk pool, given that CRA/LA-DLA's headcount had declined to fewer than 50 fulltime employees. While this change does not affect payments to retirees, it has resulted in an increase in the employer's normal cost contributions due to several adjustments. In turn, the plan's unfunded liability, on both an actuarial and market value bases, has also been increased.

Funding Policy

The contribution requirements of plan members and CRA/LA-DLA are established and may be amended by CalPERS. Plan members are required to contribute seven percent of their annual covered salary, which pursuant to a collective bargaining agreement are made by CRA/LA-DLA on behalf and for the account of the plan members. As employer, CRA/LA-DLA is required to contribute at an actuarially determined rate; the rate for 2013 was 15.851 percent of covered payroll.

NOTE 3 - OTHER INFORMATION (continued)

Pension Cost and Actuarial Methods and Assumptions

For fiscal year ended June 30, 2013, the CRA/LA-DLA's pension cost of $988,000 was equal to CRA/LA-DLA's annual required and actual contribution. Below is a summary of principal assumptions and methods used to determine the annual required contribution for the year ended June 30, 2013.

Actuarial valuation date	June 30, 2012
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%

Three-year Trend Information (dollars in thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 3,298	100%	$ -
6/30/2012	3,172	100%	-
6/30/2013	988	100%	-

Funded Status and Funding Progress

As of June 30, 2012 (the most recent actuarial valuation date available), the plan was 79.3 percent funded. The accrued liability for benefits was $216,815,000, and the value of assets was $145,517,000, resulting in an unfunded accrued liability (UAL) of $71,298,000. The covered payroll at June 30, 2012 was $20,615,000 and the ratio of the UAL to the covered payroll was 217.7 percent.

The schedule of funding progress, presented as Required Supplementary Information of this report presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 3 - OTHER INFORMATION (continued)

B. Other Postemployment Benefits (OPEB)

Plan Description

CRA/LA-DLA provides medical (including vision care) and dental benefits to all employees who retired on or after January 1, 1993 and had at least 10 years of service. In accordance with collective bargaining agreements with various represented employee units, CRA/LA-DLA subsidizes health care benefits starting at 40 percent of maximum monthly subsidy to retirees for the first 10 years of service and increases at the rate of four percent per year for each additional year of service. Eligible retirees pay premiums in excess of the CRA/LA-DLA monthly subsidy. At 25 years of service and at least 50 years of age, the retiree health care benefit is 100 percent subsidized by CRA/LA-DLA. The OPEB Plan is administered by CRA/LA-DLA.

Since at least 1993, the health plans have been administered by the Los Angeles City Employees Retirement System (LACERS) under an agreement with the Former Agency. In February 2012, LACERS advised CRA/LA-DLA that, due to the enactment of the Dissolution Legislation, which invalidates all agreements with the City, the health plan administration would cease by December 31, 2012.

On March 19, 2013, CRA/LA-DLA management was authorized by its Governing Board to execute agreements to enroll in the Prefunding Plan, also referred to as the California Employers' Retirement Benefit Trust (CERBT), which will administer prefunding of OPEB costs. Accordingly, an agreement was fully executed by the CRA/LA-DLA and CalPERS (on behalf of CERBT), effective March 28, 2013.

The Prefunding Plan is a trust fund that is intended to perform as an agent multi-employer plan with pooled administrative and investment functions.

Funding Policy

The agreement with CalPERS allows CRA/LA-DLA to contribute funds to be identified annually by an independent actuary and prudently invested by CalPERS for the purposes of funding retiree healthcare obligations. The Governing Board also authorized the transfer to CERBT of up to $10,000,000 from the funds previously set-aside and funds scheduled on the ROPS. A total of $8,699,000 was transferred to CERBT on April 30, 2013. Also, for fiscal year ended June 30, 2013, CRA/LA-DLA contributed $1,915,000 for current health care subsidies.

Annual OPEB Cost and Net OPEB Obligation

The CRA/LA-DLA's annual OPEB Cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined biennially in accordance with the parameters of GASB Statement No. 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 surplus over a period not to exceed 30 years. The rate for the fiscal year 2013 was 33.8 percent of the covered payroll.

Due to the enactment of the Dissolution Act (AB 1X26 and AB1484), CRA/LA-DLA was required to reduce its workforce to 57 Full Time Employees (FTE's) in fiscal year 2013 and again from 57 FTE's to 35 FTE's in fiscal year 2014. The anticipated reduction in workforce in fiscal year 2013 was taken into consideration in the actuarial valuation of July 1, 2012 in determining the ARC for fiscal year 2013.

NOTE 3 - OTHER INFORMATION (continued)

The following table shows the components of the CRA/LA-DLA's OPEB cost for fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the CRA/LA-DLA's net OPEB obligation (dollars in thousands):

Required contribution (ARC) for fiscal year ended June 30, 2013	$ 2,106
Interest on net OPEB obligation	634
Adjustment to ARC	(512)
OPEB cost (expense) for fiscal year ended June 30, 2013	2,228
Contributions made	(10,614)
Decrease in net OPEB obligation	(8,386)
Net OPEB obligation transferred from Former Agency	13,868
Net OPEB obligation, June 30, 2013	$ 5,482

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by CRA/LA-DLA and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between CRA/LA-DLA and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions used to determine the annual required contributions for fiscal year 2013 were as follows:

Actuarial valuation date	July 1, 2012
Actuarial cost method	Entry age normal cost method
Amortization method	Closed 30-year period as a level percentage of payroll
Remaining amortization period	26 years as of the valuation date
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.25%
Healthcare inflation rate	5.00%
Payroll growth	3.25%
Individual salary growth	3.25%

NOTE 3 - OTHER INFORMATION (continued)

Three-year Trend Information (dollars in thousands):

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 4,595	20.70%	$ 12,788
6/30/2012	2,340	53.84%	13,868
6/30/2013	2,228	476.39%	5,482

Funded Status and Funding Progress

The funded status of the OPEB Plan as of June 30, 2012 based on the actuarial valuation date of July 1, 2012 was as follows (dollars in thousands):

Actuarial accrued liability	$ 41,822
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	$ 41,822
Funded ratio	0.0%
Projected covered payroll	$ 20,615
Unfunded actuarial accrued liability as a percentage of projected covered payroll	202.87%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subjected to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Health Care Reform

The Patient Protection and Affordable Care Act was signed into law in March 2010. One of the key provisions is the assessment of a 40% excise tax on the cost of health plans that exceed certain annual thresholds beginning in 2018. The thresholds in 2018 for non-Medicare retirees aged 55 through 64 are $11,850 for single coverage and $30,950 for family coverage. For all other retirees, the thresholds in 2018 are $10,200 for single coverage and $27,500 for family coverage. The impact of this potential excise tax imposed by the Act was included in the July 1, 2012 OPEB actuarial valuation.

C. Deferred Compensation

CRA/LA-DLA offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all full-time employees, allows them to defer a portion of their compensation for income tax shelter purposes. The current maximum annual deferral, which is indexed to inflation, is $17,500 ($22,500 if age 50 or older) for the 2013 tax year.

NOTE 3 - OTHER INFORMATION (continued)

The Plan is administered by independent financial institutions (Plan Administrators) that have fiduciary responsibilities over the plan assets. They invest the deferred amounts as directed by participants, maintain detailed accounting records of individual participant's deferrals and earnings, and disburse funds to the plan participants under the terms of the deferred compensation agreements.

The Plan assets are not considered the property and rights of CRA/LA-DLA; therefore, the assets are not reflected in the accompanying basic financial statements.

D. Early Retirement Incentive Package in 2010

Due to the continuing effects of the prolonged economic downturn and other factors, the Former Agency Board and City Council approved an early retirement incentive program (ERIP) in September 2010 aimed at reducing 20 percent of staff costs over the next two years. The ERIP estimated savings was capped at $6.4 million in staff costs. Employees with at least 15 years of qualifying CalPERS service were eligible to apply for the full ERIP package consisting of (1) reimbursement for up to three years of service credit; (2) cash payment of $1,000 for every year of service with a minimum of $25,000 and a maximum of $40,000; and, (3) 100 percent subsidy for health care (employees qualify for four percent health care subsidy for every year of service, i.e. it takes 25 years of service to qualify for 100 percent health subsidy). Employees with at least five years of qualifying CalPERS service were eligible to retire with an additional two years of service credit (Partial ERIP). Employees taking advantage of the Partial ERIP were given priority. To the extent that the Partial ERIP staff costs savings did not exceed the $6.4 million cap, the Full ERIP was then made available to eligible employees based on seniority.

The enrollment period ended on December 16, 2010 and a total of 43 eligible employees participated. The estimated costs of the ERIP of $7,400,000 will be paid by employee contributions calculated at 2.25% of gross wages. All employees were required to make the 2.25% contribution as of July 1, 2010 and such contributions will continue until the end of their employment or June 30, 2030.

Due to the enactment of the Dissolution Act (AB 1X26 and AB1484), CRA/LA-DLA was required to reduce its workforce from 216 Full Time Employees (FTE's) to 57 FTE's in fiscal year 2013 and again from 57 FTE's to 35 FTE's in fiscal year 2014. CRA/LA-DLA agreed to include in the ROPS the amount representing the difference in ERIP withholdings between what the 216 employees would have contributed and what the current employees will contribute based on the agreed upon 2.25% of gross wages. As a result, CRA/LA-DLA has estimated its share of the ERIP costs to be $2,722,000 as of June 30, 2013, which was included in deposits and other liabilities of the statement of fiduciary net position. The $2,722,000 represents the difference in ERIP withholdings between what employees would have contributed and what the post reduction in force employees will contribute.

E. Risk Management

CRA/LA-DLA is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which CRA/LA-DLA carries commercial insurance policies. During the last three fiscal years, insurance claims have not exceeded commercial insurance coverages. Potential and actual claims, if any against CRA/LA-DLA not covered by commercial insurance are disclosed in note 3-I.

NOTE 3 - OTHER INFORMATION (continued)

F. Pledges of Future Revenues

Prior to its dissolution, the Former Agency pledged a portion of its future tax increment revenues to repay $617,715,000 in outstanding tax allocation bonds which had been issued to finance various redevelopment activities. These bonds are payable solely from the respective redevelopment project area's tax increment. Total principal and interest remaining on these bonds is $1,013,990,000 payable through fiscal year 2041. For the year ended June 30, 2013, CRA/LA-DLA's principal and interest paid on these bonds were $26,050,000 and $36,905,000 respectively.

Project site-specific and area-wide tax increment revenues have also been pledged using various debt instruments to finance certain redevelopment projects. These pledges are subordinate to senior-lien tax allocation bonds and limited to the amounts available. In accordance with AB 1X26, revenue pledges are to be honored. The County will have to continue to separately account for the property tax revenues generated by each project area in order to allow the CRA/LA-DLA to honor enforceable obligations created by the pledges.

Under the terms of the Cinerama Dome Parking System Revenue Bonds Series 2000A issued by the Former Agency on August 18, 2000, the primary source of payment for the bonds is the parking facility revenues net of operating and maintenance costs. However, in the event actual net revenue is insufficient to cover debt service, the shortfall could be funded from draws against a $9,325,000 letter of credit provided by the developer and/or the Development Tax Increment account funded by a pledge of Hollywood tax increment revenues up to $1,000,000 annually. The pledge of Hollywood tax increment revenues is subordinate to the obligation to pay debt service on Hollywood tax allocation bonds, housing set-aside, and pass-through payments. This pledge will be released upon the parking facility operations reaching "stabilization", which is defined as two consecutive twelve-month periods during which net revenues equal 1.35 times maximum annual debt service on the bonds.

While this pledge provides for a contingent payment, the Oversight Board and DOF approved the CRA/LA-DLA's request to fund the pledge with Reserved Funds during the ROPS 2 period. To further secure the pledge and in lieu of listing the pledge on the ROPS on an ongoing basis, the $1,000,000 was recorded as a liability and offset by other assets until called upon or released.

In prior years, due to insufficient net revenues of the parking facility, the Former Agency has drawn against the developer's letter of credit to meet the required debt service payments. The outstanding balance against the developer letter of credit is $4,037,000 plus accrued interest of $3,757,000 at June 30, 2013.

G. Other Transactions with the City

Transfer of Properties

On March 8, 2011, the City Council approved the transfer of certain revenue-generating commercial properties (with historical cost of $3,664,000) from the Former Agency to the City in repayment of CDBG no-term obligations in the amount of $50,671,000 (Council File 11-0354). The transfer included the fee interests in the California Plaza Towers One and Two, Omni Hotel and the Martin Luther King, Jr. Shopping Center. The ground lease revenues generated from these properties are approximately $3.3 million annually.

NOTE 3 - OTHER INFORMATION (continued)

On March 22, 2011, the City Council authorized the transfer of an additional 74 properties from the Former Agency to the City, in connection with the implementation of a Cooperation Agreement (Council File 11-0086-S1). Since some properties have more than one assessor parcel number (APN), the City Attorney reviewed the Council Motion and identified 130 parcels based on their discrete APN. As of February 1, 2012, 52 grant deeds, including 106 parcels, with the historical cost of $93,410,000 were transferred from the Former Agency to the City.

The enactment of AB 1X26, among other things, directed the State Controller to review the propriety of transfers of assets between redevelopment agencies and other public bodies after January 1, 2011. As a result, the State Controller issued a written notice on April 20, 2012 requiring the reversal of prior asset transfers that are not contractually committed. In December 2012, the City returned the properties transferred in March 2011. Following the return of the properties, the City submitted a claim to CRA/LA-DLA for the repayment of the $50,900,000. CRA/LA-DLA reviewed the City's claim and based on the specific requirements of AB 1X26 and AB1484 determined the claim not an enforceable obligation.

Return of CRA/LA-DLA Funds Deposited with the City

In September 2009, the City Council approved the sale of a surplus City-owned property to the Former Agency. Escrow was opened and the Former Agency deposited $2,200,000 with the City. The Former Agency was unable to secure additional funding and the escrow subsequently lapsed and the sale was not completed. This amount is reported as deposits for land acquisition in CRA/LA-DLA's statement of fiduciary net position. CRA/LA-DLA has since requested the City to return the $2,200,000. The City remitted payment to CRA/LA-DLA on October 1, 2013 for the full amount.

Housing Assets Transfer

On January 25, 2012, the City, acting by and through its Housing Department (LAHD), elected to retain the housing assets and functions previously performed by the Former Agency. Pursuant to HSC Section 34176 (a) (2), the Housing Asset Transfer Schedule (HATS) prepared by CRA/LA-DLA staff was submitted by LAHD to DOF on August 1, 2012. DOF issued its final determination letter on March 27, 2013, granting approval of most of housing assets listed on the HATS. Effective May 1, 2013, the CRA/LA-DLA's housing assets including loans receivable, land held for redevelopment, and land inventory (historical value totaling $726,684,000) and functions were transferred and assumed by LAHD, the Housing Successor Agency.

Payable to the City

As noted in note 2-H, the payable to the City consists of loans from the City involving federal funds. These notes were to be repaid from available sources including tax increment. AB 1X26 acknowledges that payments to the federal government are enforceable obligations and such contracts were not invalidated and therefore remain in effect. In its determination letter dated December 26, 2012 wherein DOF approved the affected ROPS line items and authorized RPTTF to repay these obligations, DOF noted that the Successor Agency had provided it with copies of loan agreements and promissory notes which indicated that the Former Agency was the party responsible for payment of the loans. Further, that the promissory notes were entered into at the time of the agreements and for the purpose of repaying the loans. Future ROPS will include interest payments for the remaining outstanding loan, with a final payment of principal and interest due upon maturity in 2021.

NOTE 3 - OTHER INFORMATION (continued)

H. Commitments

Operating Leases

Prior to its dissolution, the Former Agency had several operating leases for its central office facilities and regional offices. These leases are not included in capital assets. The total rent expense for operating leases for the year ended, June 30, 2013 was $1,930,000.

CRA/LA-DLA has the following contractual agreements for future rental payments at June 30, 2013 (dollars in thousands):

Fiscal Year Ending June 30		Amount
2014	$	1,770
2015		1,684
2016		1,684
2017		1,819
2018-2021		3,966
Total	$	10,923

Pollution Remediation Obligations

CRA/LA-DLA has estimated cleanup costs at five brownfields redevelopment sites to be approximately $5,060,000 as of June 30, 2013. The estimate is based on a reasonable range of potential outlay and their probability of occurring. The amount expected to be recovered from external sources or retained escrow funds is $4,415,000, leaving a net estimated cost to CRA/LA-DLA of $645,000. No costs were capitalized nor accrued as a liability during the fiscal year due to the immateriality of the cleanup costs incurred by CRA/LA-DLA (note 1-I).

I. Contingencies

Hollywood and Highland Project

The Former Agency helped to facilitate public improvement financing for the Hollywood and Highland commercial development by the TrizecHahn Corporation (developer). Public financing consisted of taxable certificates of participation issued by the Municipal Improvement Corporation of Los Angeles (MICLA) for the live broadcast theater (Theater) and tax-exempt parking revenue bonds issued by the City for a subterranean parking structure.

The debt service requirements for the Theater certificates of participation are paid from the annual lease rental payments from the City’s General Fund. To the extent that the transient occupancy tax generated by the hotel project at the site is less than the annual debt service requirement, the developer (or its successor) has guaranteed up to 74 percent of the shortfall. Under certain conditions, the developer may be released from the guarantee after the eleventh year (year 2010). In a cooperation agreement executed in February 2004, the Former Agency agreed to guarantee the remaining 26 percent, net of certain exclusions, payable from tax increment revenues or other legally available funds from the Hollywood Redevelopment Project area. The Former Agency will be released from this guaranty when the developer is released from its guaranty as described above. Unless subordination is approved by the City Council, the pledge of tax increment is senior to all future pledges of tax increment from the Hollywood Redevelopment Project area (note 3-F).

NOTE 3 - OTHER INFORMATION (continued)

The parking revenue bonds are payable from and secured by a pledge of the parking revenues deposited into the City's Special Parking Revenue Fund. The February 2004 cooperation agreement does not require CRA/LA-DLA to provide a back-up reimbursement mechanism should parking revenues be insufficient to pay for the debt service on the parking bonds.

The obligation to pay Hollywood Redevelopment Project tax increment revenues to the City, under certain conditions, is subject to prior and senior obligations to pay tax allocation bond debt service, housing set-asides as required by State law, and pass-through payments arising from agreements with the County, the Los Angeles Unified School District, and the Los Angeles Community College District.

Marlton Square Limited Recourse Obligations

In September 2008, the Former Agency and the City's Community Development Department (CDD) entered into a funding agreement under which City, through CDD, agreed to provide Community Development Block Grant (CDBG) funds to the Former Agency in an aggregate amount of $19,175,000 for acquisition, relocation, and related hazardous materials remediation costs for the Marlton Square Retail Acquisition Project (Retail Project) in the Crenshaw Redevelopment Project area. The CDBG funds were in the form of Section 108 Loan Guarantee (Section 108) funds for $15,175,000, Brownfields Economic Development Initiative (BEDI) funds for $2,000,000, and Economic Development Initiative (EDI) funds for $2,000,000.

Until and unless the Section 108 funding is assumed by a private developer, CDD shall pay debt service for the Section 108 for 16 years using up to $1,220,000 per year or a total of $19.52 million in future program year CDBG funds and the City's share of Assembly Bill (AB) 1290 funds from a total of seven project areas in the South Los Angeles Region with the minimum amount of AB1290 funds pledged to be $229,000 per year (approximately $3.7 million) and the maximum to be $356,000 per year (up to $4.6 million), subject to the annual allocations by the Mayor and City Council, and the guarantees by the Former Agency. CDD retained $2,428,000 of the federal funds to service an Interest Reserve Account to pay the interest only on the Section 108 funds for a period of about four years and to pay for costs of issuance fees upon conversion of the Section 108 from currently variable interest rate to a fixed interest rate.

Pursuant to the agreement, the Former Agency had provided a first deed of trust in the acquired properties as collateral. The Former Agency had also agreed to replenish the Interest Reserve Account in the event the Interest Reserve Account balance is reduced below $243,000. At the request of CDD, the Former Agency shall deposit funds with CDD, within 30 days of CDD's written request thereof, in the amount of four quarters of estimated interest payments calculated at the then current three-month LIBOR rate plus the pass-through of the HUD required spread. The Former Agency's obligation to replenish the Interest Reserve Account shall terminate upon the earlier of CDD's conversion of the Section 108 funds to a fixed rate loan or the repayment of the outstanding Section 108 funds.

Pursuant to the same agreement, the Former Agency guaranteed to make available Annual AB1290 Pledge in the event the South Los Angeles Project areas fail to generate sufficient AB1290 funds. The Former Agency shall pay CDD an amount equal to the difference between the Annual AB1290 Pledge amount and the AB1290 funds actually paid to CDD for such year. The obligation to make payments under the agreement shall terminate upon the earlier of the repayment by CDD or private developer of the outstanding Section 108 funds or City Council's approval of an alternative funding source to the AB1290 funds.

NOTE 3 - OTHER INFORMATION (continued)

The total Section 108 funds spent for acquisition of the Project sites amounted to $11,023,000. Since the obligations are limited to the above guarantees and collateral, the Section 108 funds were not reflected as long-term debt in the statement of fiduciary net position.

North Hollywood HUD Section 108 Loan

The City provided the Former Agency in fiscal year 2004, a $14,000,000 Section 108 loan to partially fund acquisition and relocation costs on the NOHO Commons in the North Hollywood Redevelopment Project area. The loan agreement allows the Former Agency to assign the loan to the developer.

Subsequently, the loan assignment was effected retroactively to August 27, 2004. As a condition of the developer's assumption of the loan, the Former Agency conveyed Subarea B of the NOHO Commons and executed a note payable to the developer, at an interest rate of six percent. The note, which is secured by a pledge of the NOHO Commons' site-specific tax increment revenues, was executed to reimburse certain project costs paid for in advance by the developer. In addition, the Former Agency has pledged to the developer the site-specific tax increment revenues on the NOHO Commons to the extent that the developer's annual return on investment rate is less than 10 percent. These pledges to the developer are subordinate to the North Hollywood Project's existing and future senior-lien bonds and the area-wide tax increment pledge to the City.

Although there has been an assignment of the loan to the developer, the Former Agency will maintain its pledge to the City of area-wide tax increment revenues as security for the full $14,000,000 loan. However, this area-wide tax increment pledge is subordinate to the North Hollywood Project's existing and future senior-lien bonds. The loan is further secured by an unconditional guaranty of payment not to exceed $12,307,000. J.H. Snyder Company, a company related to the developer issued the guaranty.

Slauson Shopping Center

The Disposition and Development Agreement for the development of the Slauson Shopping Center (Center) between Slauson Central LLC (the developer) and the Former Agency provides for the developer to enter into a loan agreement with the City in the amount of $2,005,000 as a condition of conveyance of the property to be acquired by the Former Agency and conveyed to the developer. This loan will be secured by deed of trust on the property from the developer to the City, subordinate only to the permanent financing on the property. The Former Agency had executed a cooperation agreement with the City for use of Section 108 funds and had also pledged site-specific tax increment on the Center to the City for use in repayment of Section 108 Loan funds borrowed by the developer for the Center (note 3-F). This pledge is subordinate to the redevelopment project area's existing and future senior-lien tax increment bonds. The developer will be responsible for the annual repayment of this loan if City site-specific tax revenue allocated to the Center and the CRA/LA-DLA's pledged site-specific tax increment revenue are insufficient to service the loan.

CalPERS Service Credit Prior to Membership

In 2007, the Former Agency received a claim from 17 former temporary employees alleging they were not timely and properly enrolled in CalPERS; there are currently 39 claimants as of June 30, 2013. Management has engaged in extensive discussions with Union representatives to resolve this matter. The service cost has been determined to be $229,000 for eight current/former employees; management intends to reimburse these eight individuals for their prior purchases of service credit. The remaining individuals are in the process of verifying service credit with CalPERS. The potential exposure is believed to be under $500,000 for these remaining employees.

NOTE 3 - OTHER INFORMATION (continued)

Los Angeles Unified School District and Los Angeles Community College School District

The Los Angeles Unified District (LAUSD) filed a Writ of Mandate in which it named the County of Los Angeles, more than 50 cities, former redevelopment agencies (now successor agencies), and special districts as defendants and real parties in interest. LAUSD alleged that the County incorrectly apportioned tax increment pass throughs paid by former redevelopment agencies pursuant to the HSC. The Superior Court heard the case on October 17, 2008 and issued its judgment in favor of the County. LAUSD filed its notice of appeal. In January 2010, the Court of Appeals reversed the Superior Court's decision.

The case was returned to the Superior Court for the determination of the proper method for apportioning tax increment funds and LAUSD's claim for damages. On July 3, 2012, the Superior Court issued a Writ of Mandate Granting Retrospective Relief and a judgment was entered. The Writ and Judgment require the County and successor agencies, including CRA/LA-DLA, to recalculate the amount of property tax funds to which LAUSD is entitled from fiscal year 2004 through January 31, 2012. To date the recalculation by successor agencies has not been done since the County's calculation and supporting information is required; LAUSD has objected to the methodology adopted by the Superior Court in the Judgment. By statute, the unpaid balances accrue interest at the rate of 7% per year. The recalculated payments are to be made through the ROPS. Los Angeles Community College School District has also filed a similar case addressing the same issues as LAUSD. This case is presently pending before the same Court and has been stayed pending resolution of the LAUSD case. CRA/LA-DLA has retained $9,000,000 through the Other Funds and Accounts (OF&A) Due Diligence Review (DDR) process to pay any contingent liability related to the LAUSD and Los Angeles Community College School District cases.

Independent Living Center of Southern California

Independent Living Center of Southern California and its co-plaintiffs sued the City and the Former Agency based on the City's and Former Agency's purported failure to provide adequate accessible housing to the disabled in alleged violation of Section 504 of the Rehabilitation Act, Title II of the Americans with Disabilities Act ("ADA"), and California Government Code section 11135. The case involves a portfolio of sixty-one housing projects which received federal funding from the City and Former Agency. The sixty-one project owners have been joined in the suit as necessary parties. Plaintiffs have requested injunctive relief from the court through which the CRA/LA-DLA and the City would be required to ensure that any of the sixty-one federally funded housing projects not currently meeting federally accessibility standards would be brought into compliance with the federal standards. If the court finds for plaintiffs, payment for the costs of any required retrofitting may be shared between the City and CRA/LA-DLA, as well as potentially including contributions from the housing project owners. At this point, any cost for retrofitting accessible units is speculative in that each housing development needs to be surveyed to assess its compliance and costs for remediation need to be determined. CRA/LA-DLA's portion of any costs for required retrofitting cannot be determined as of the date of this report.

Plaintiffs have also made an attorneys' fee claim and have asserted a damage claim due to a need to "divert resources" to assist their clients in finding accessible housing. The amount of any attorneys' fees CRA/LA-DLA may be required to pay cannot be determined until the case is resolved. In the event CRA/LA-DLA's defenses are unsuccessful, any attorneys' fees claim from plaintiffs will be fully documented as well as potentially shared between the City and CRA/LA-DLA. Plaintiffs' damage claim is speculative and also cannot be assessed until plaintiffs have documented their alleged activities.

NOTE 3 - OTHER INFORMATION (continued)

Other Litigation

A number of claims are pending against the CRA/LA-DLA for writs of mandamus, injunctive relief and related fees, and for alleged damages to persons and/or property for other alleged liabilities arising out of matters usually incident to the operation of a large redevelopment agency. Included among such claims are actions under Housing and Urban Development and Americans with Disabilities Act regulations and related federal investigations concerning compliance with such regulations. Outcome of these lawsuits and claims are subjected to uncertainties and the potential liability cannot be determined as of the date of this report.

Third-Party Indebtedness

Prior to its dissolution, it was the Former Agency's policy to encourage redevelopment activities undertaken by the private sector. To this end, the Former Agency had authorized the issuance of tax-exempt long-term financing for activities which promote redevelopment within the City. Such debt instruments are collateralized by private sector assets and are payable solely from the respective revenues generated thereon. Since this indebtedness is not a liability of CRA/LA-DLA it does not appear in the accompanying financial statements. As of June 30, 2013, the balance of long-term tax-exempt third-party indebtedness was $112,315,000 as shown on page 43.

J. California Redevelopment Agencies Dissolution

As discussed in Note 1, on December 29, 2011, the California Supreme Court upheld AB 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. AB 1X26 provides that upon dissolution of a redevelopment agency, either the city or another unit of local government may agree to serve as the Successor Agency to hold the assets until they are monetized and/or distributed to other units of state and local government. On January 11, 2012, the City Council elected not to become the Successor Agency for the former redevelopment agency as part of City Council File No. 12-0049. On January 25, 2012, the City Council instead adopted Council File 12-0002-S3, to assume only the housing functions and activities of the Former Agency, excluding any amount on deposit in the Low and Moderate Income Housing Fund. Subsequently, and as authorized by State Law, the Governor appointed three County residents to serve as the Designated Local Authority (DLA) and CRA/LA-DLA was duly established on February 3, 2012 to serve as the Successor Agency. On February 1, 2012, net assets of the Former Agency in the amount of $97,391,000 were transferred to the newly formed CRA/LA-DLA.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California are prohibited from entering into new agreements, obligations or commitments. Subject to the control of a newly established oversight board, remaining 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, Successor Agencies will only be allocated property taxes in the amount that is necessary to pay approved scheduled payments until all enforceable obligations of the Former Agency have been paid in full and all assets have been liquidated.

AB 1X26 further directs the State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the Successor Agency.

NOTE 3 - OTHER INFORMATION (continued)

Furthermore, pursuant to AB 1X26, all agreements between the City and the Former Agency are invalidated and are not enforceable obligations [HSC Section 34171(d)(2)]. To the extent that any of the invalidated City agreements were loan agreements, AB 1X26 provides a process for such loan agreements to be reinstated as enforceable obligations on a future ROPS. However, CRA/LA-DLA must first secure a finding of completion from DOF and subsequently, the Oversight Board must adopt a resolution (subject to DOF approval) that the loan agreements to be reinstated were for legitimate redevelopment purposes. Such reinstated loan agreements are required to be redocumented, with the accumulated interest recalculated from the origination at the Local Agency Investment Fund rate and payment terms subject to additional conditions [HSC Section 34191.4(b)].

Outcome of the True-up Process

HSC Section 34183.5(b) requires that residual property tax distributed to the Former Agency in the months of November 2011, December 2011 or January 2012 be subject to distribution through a "true-up" process set forth in AB 1X26. As a result, the County AC conducted a review and calculated residual balance amounts owed by the Successor Agency to the affected taxing entities. The County AC determined that the total residual property tax due by CRA/LA-DLA was $51,834,000. A Notice of Demand for Payment for this amount was issued on July 9, 2012.

Results of the Due Diligence Reviews

In connection with the dissolution of the former redevelopment agencies, new procedures were implemented for reviewing available cash assets in accordance with HSC Section 34179.5. The DDR is to be conducted during Fiscal Year 2012-13 for 1) the Low and Moderate Income Housing Fund (LMIHF) and 2) the OF&A by each successor agency. The DDR is intended to determine the amount of unrestricted cash and cash equivalents available for distribution to the affected taxing entities.

The CRA/LA-DLA submitted the Oversight Board-approved LMIHF DDR to DOF on October 12, 2012. DOF issued a final determination letter on December 15, 2012; CRA/LA-DLA remitted a payment of $35,674,000 to the County AC on December 21, 2012.

The Oversight Board-approved OF&A DDR was submitted by the CRA/LA-DLA to DOF on January 29, 2013. DOF completed its review and issued a final determination letter on August 19, 2013. CRA/LA-DLA remitted a payment of $75,651,000 to the County AC on August 21, 2013. This amount was accrued in fiscal year 2013 and reported as accounts payable in the statement of fiduciary net position.

Grant Funding

In its previous capacity, the Former Agency successfully secured a variety of federal, state, local and private grant resources to support redevelopment activities throughout the City. At the time of dissolution, the Former Agency had an active grant portfolio that included 86 awarded grants totaling approximately $164.9 million in external resources. These grant resources supported vital investments in public infrastructure and open space, commercial and residential development, environmental remediation, planning efforts and other critical activities and projects.

In order to serve the dual purpose of winding down the Former Agency's redevelopment activities and reducing administrative costs in an expeditious manner, while also preserving the external grant resources within the City, CRA/LA-DLA's staff identified City departments capable of assuming the responsibility to implement these grants if transferred.

NOTE 3 - OTHER INFORMATION (continued)

Following a discussion with representatives from CRA/LA-DLA and the City, DOF issued a letter on January 20, 2013, confirming that external grant proceeds (not withstanding any Former Agency matching funds) were restricted assets, and not available for distribution to the affected taxing entities. Per DOF, the transfer of these grant proceeds, along with the grant administration responsibilities, to another entity would be consistent with the wind down of the former redevelopment agency. CRA/LA-DLA was successful in resolving the assignment of 16 projects that had executed agreements in place prior to dissolution.

K. Subsequent Events

Subsequent events were evaluated through May 16, 2014, which is the date the financial statements were available to be issued.

Tax Allocation Bond Refunding

On June 27, 2013, the California Legislature passed Assembly Bill 1484, which clarified the Dissolution Legislation to expressly permit Successor Agencies to refund the outstanding bonds of a former redevelopment agency to achieve cost savings. Subsequently, the County of Los Angeles developed its Redevelopment Bond Refunding Program to assist local Successor Agencies with the refinancing of their outstanding bonds. On August 1 and 8, 2013, the Governing and Oversight Boards, respectively, approved CRA/LA-DLA's participation in the County's inaugural 2013 refunding bond pool. CRA/LA-DLA identified seven tax allocation bonds with original par value of $104,440,000 for immediate refunding. In December 2013, the County successfully closed the first pool of refunding bonds which included CRA/LA's seven tax allocation bonds. The gross debt service savings, net present value, is $8,152,000 and will be realized over the life of the bonds. The savings will benefit the local taxing entities that receive a share of the property tax associated with the Successor Agency's Redevelopment RPTTF.

Long Range Property Management Plan

Pursuant to Health & Safety Code Section 34191.5(b), the Successor Agency must prepare a long range property management plan which addresses the disposition and use of the real properties of the Former Agency and submit the board approved plan to DOF for approval no later than six months following the issuance of a Finding of Completion by DOF. The DOF issued a Finding of Completion on September 10, 2013. On November 7, 2013 and November 12, 2013, the Governing Board and Oversight Board, respectively, approved the submission of the Long Range Property Management Plan (LRPMP) to the DOF to review and approve the plan to dispose of real property interests. On February 27, 2014, DOF partially approved the plan to dispose of the assets of governmental purpose and approved the plan to dispose of certain properties and property interests pursuant to enforceable obligations.

Legal Action by the City

On August 6, 2013, the City filed a claim for repayment of approximately $50,700,000 in no-term CDBG obligations. The claim was denied by CRA/LA-DLA on September 5, 2013. CRA/LA-DLA has been made aware of a suit filed on March 5, 2014 in the Sacramento Superior Court by the City naming CRA/LA-DLA as the defendant. CRA/LA-DLA has not been served in this matter and as such an analysis of any potential liability of CRA/LA-DLA is premature.

REQUIRED SUPPLEMENTARY INFORMATION

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Former Community Redevelopment Agency of the City of Los Angeles)

Required Supplementary Information
Schedule of Funding Progress

June 30, 2013
(In Thousands)

Employees' Pension Plan

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Funded Ratio	Projected Covered Payroll	(Overfunded) Unfunded AAL as a Percentage of Projected Covered Payroll
6/30/10	$ 158,726	$ 184,648	$ 25,922	86.0%	$ 26,228	98.8%
6/30/11	170,087	205,091	35,004	82.9%	22,391	156.3%
6/30/12	145,517	216,815	71,298	67.1%	20,615	217.7%

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL	Funded Ratio	Projected Covered Payroll	(Overfunded) Unfunded AAL as a Percentage of Projected Covered Payroll
7/1/2010 *	$ -	$ 55,374	$ 55,374	0.0%	$ 26,640	207.86%
7/1/2011	-	58,979	58,979	0.0%	22,391	263.40%
7/1/2012	-	41,822	41,822	0.0%	20,615	202.87%

* Actuarial Valuation for fiscal year 2011 was based on the valuation study prepared by the actuary dated January 18, 2011.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Former Community Redevelopment Agency of the City of Los Angeles)

Schedule of Third-Party Indebtedness

June 30, 2013
(In Thousands)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding	
Qualified Redevelopment Bonds, 2002 Refunding Series A - Grand Central Square	4/15/2002	12/1/2026	2.50% - 5.375%	$ 20,825	$ 15,085	1/
Lease Revenue Bonds, Series 2005 Vermont Manchester Social Services Project	7/28/2005	9/1/2037	5.00%	98,920	90,685	
Multifamily Housing Revenue Refunding Bonds 2007 Series B Grand Central Square	6/21/2007	12/1/2026	4.00-5.00%	8,615	6,545	1/
Total				$ 128,360	$ 112,315	

1/ Bonds are 100% secured by Proposition A sales tax revenues received by the MTA.

See accompanying independent auditor's report.

COMPLIANCE SECTION

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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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*

Governing Board of
CRA/LA, A Designated Local Authority
The Successor Agency to The Community Redevelopment Agency of
The City of Los Angeles, 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 CRA/LA, A Designated Local Authority (CRA/LA-DLA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise CRA/LA-DLA's basic financial statements, and have issued our report thereon dated May 16, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CRA/LA-DLA'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 CRA/LA-DLA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA/LA-DLA's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA/LA-DLA'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.

Simpson & Simpson

May 16, 2014
Los Angeles, California