

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

Financial Statements and
Independent Auditor's Report

As of and For the Five Months Ended June 30, 2012



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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Financial Statements
As of and For the Five Months Ended June 30, 2012

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



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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*

We have audited the accompanying statement of fiduciary net position of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), as of June 30, 2012 and the related statement of changes in fiduciary net position for the five months ended June 30, 2012. These financial statements are the responsibility of the CRA/LA-DLA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of CRA/LA-DLA, as of June 30, 2012, and the changes in net position for the five months ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.A and Note 3.J to the financial statements, 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 a legal entity as of February 1, 2012. On January 11, 2012, the City of Los Angeles (City) elected not to become the Successor Agency to the former redevelopment agency, The Community Redevelopment Agency of the City of Los Angeles. Subsequently, on January 25, 2012, the City Council adopted a resolution to assume only the housing functions and activities of the former redevelopment agency, excluding any amount on deposit in the Low and Moderate Income Housing Fund. CRA/LA-DLA was established on February 3, 2012 to serve as the Successor Agency. On February 1, 2012, the assets and liabilities of the former redevelopment agency were transferred to the newly formed CRA/LA-DLA. The accompanying financial statements of the CRA/LA-DLA as of and for the five months ended June 30, 2012, present the net position and first five months of activities of the newly formed CRA/LA-DLA.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2013 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.





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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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 financial statements. The schedule of third-party indebtedness is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information have 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read 'Simpson & Simpson'.

Los Angeles, California
November 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's Discussion and Analysis

June 30, 2012

As management of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), Successor Agency to The 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 five months ended June 30, 2012.

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 five months ended June 30, 2012.

- The CRA/LA-DLA's total liabilities exceeded its assets at the close of the five months ended June 30, 2012 by \$10,317,000 (deficit). The deficit 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, 2012, net of unamortized premiums/discounts and deferred amounts from refunding, totaled \$722,254,000. (page 20).

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 five months ended June 30, 2012. 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.

CRA/LA, A DESIGNATED LOCAL AUTHORITY
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Management's Discussion and Analysis - (Continued)

June 30, 2012

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 42 of 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 43 of this report.

FINANCIAL STATEMENT ANALYSIS

Net position. As of the close of the five months ended June 30, 2012, CRA/LA-DLA's liabilities exceeded its assets by \$10,317,000 (deficit). The deficit is primarily caused by the outstanding long-term liabilities of \$737,153,000. This is due to the nature of how redevelopment activities were financed, whereby 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 the developers, the associated debt remains with CRA/LA-DLA. As noted earlier, the long-term liabilities will be eliminated with the allocation of future revenues from the 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	\$ 531,499
Restricted assets	159,403
Land held for redevelopment	128,493
Capital assets, net of accumulated depreciation and amortization	<u>69,578</u>
Total assets	<u>888,973</u>
Liabilities	
Current and other liabilities	162,137
Long-term liabilities, net of unamortized premium, discount and refunding on refunding	<u>737,153</u>
Total liabilities	<u>899,290</u>
Net position	
Deficit	<u>\$ (10,317)</u>

CRA/LA, A DESIGNATED LOCAL AUTHORITY
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Management's Discussion and Analysis - (Continued)

June 30, 2012

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:	
Rental income	\$ 3,586
Interest income	1,406
Grants	1,002
Other	<u>1,519</u>
Total additions	<u>7,513</u>
Deductions:	
Program delivery expense	25,864
Administrative expense	8,785
Litigation, claims, and settlements	9,608
Interest expense	17,365
Distribution to taxing entities	51,834
Depreciation and amortization	<u>1,765</u>
Total deductions	<u>115,221</u>
Net position	
Beginning net position	-
Transfer from former redevelopment agency	<u>97,391</u>
Ending net position (deficit)	<u>\$ (10,317)</u>

CAPITAL ASSETS

The CRA/LA-DLA's capital assets net of accumulated depreciation and amortization as of June 30, 2012 totaled \$69,578,000. 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, 2012, the CRA/LA-DLA's long-term debt of \$722,254,000, 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	\$ 680,796
Notes payable	25,654
Payable to the City	<u>15,804</u>
Total	<u>\$ 722,254</u>

CRA/LA, A DESIGNATED LOCAL AUTHORITY
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Management's Discussion and Analysis - (Continued)

June 30, 2012

As of June 30, 2012, CRA/LA-DLA had 68 tax allocation bonds and one parking revenue bond outstanding, totaling \$680,796,000, net of unamortized bond premiums, discounts, and related items of \$294,000. Of the 68 bond issues, 48 are insured. This equates to 84.05 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.

OTHER INFORMATION

Due to the February 1, 2012 dissolution of all redevelopment agencies, the City of Los Angeles requested that an audit be performed for the 7-month period ended January 31, 2012 during which time the Former Agency's financial activities were reported as a component unit of the City. Audited financial statements presenting the financial position and changes in the financial position of the Former Agency were issued as of and for the seven months ended January 31, 2012. This report, which can be accessed through CRA/LA-DLA's website, should be reviewed in conjunction with this report to gain a complete understanding of fiscal year 2012 activities.

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 Community Redevelopment Agency of the City of Los Angeles)

Statement of Fiduciary Net Position

June 30, 2012
(In Thousands)

ASSETS

Cash and cash equivalents	\$ 192,516
Unrestricted investments	176,420
Receivables:	
Grants	1,894
Accrued interest	127
Other, net of uncollectibles of \$196	12,469
Loans receivable, net of allowance for market value write-downs and uncollectibles of \$602,072	125,199
Restricted assets	159,403
Unamortized bond issuance costs	16,160
Deposits for land acquisition	2,200
Land held for redevelopment	128,493
Capital assets, net of accumulated depreciation and amortization of \$27,995:	
Land	41,665
Building and improvements	20,103
Equipment and leasehold improvements	7,810
Other assets	<u>4,514</u>
Total assets	<u>888,973</u>

LIABILITIES

Accounts payable and accrued liabilities	68,890
Interest payable	22,593
Deferred revenue	30,128
Deposits and other liabilities	40,526
Noncurrent liabilities:	
Due within one year	50,048
Due in more than one year	<u>687,105</u>
Total liabilities	<u>899,290</u>

NET POSITION

Deficit	<u>\$ (10,317)</u>
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See accompanying notes to financial statements.

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

Statement of Changes in Fiduciary Net Position

For the Five Months Ended June 30, 2012
(In Thousands)

ADDITIONS	
Rental income	\$ 3,586
Interest	1,406
Grants	1,002
Other	<u>1,519</u>
Total additions	<u>7,513</u>
DEDUCTIONS	
Program delivery expense	25,864
Administrative expense	8,785
Litigation, claims, and settlements	9,608
Interest expense	17,365
Distribution to taxing entities	51,834
Depreciation and amortization	<u>1,765</u>
Total deductions	<u>115,221</u>
Net change in net assets	<u>(107,708)</u>
NET POSITION	
Beginning net position	-
Transfer from former redevelopment agency	<u>97,391</u>
Ending net position (deficit)	<u>\$ (10,317)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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

Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the newly-formed CRA/LA, A Designated Local Authority (CRA/LA-DLA) as of and for the five months ended June 30, 2012 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.

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

Notes to Financial Statements

June 30, 2012

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.

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.

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

CRA/LA, A DESIGNATED LOCAL AUTHORITY
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Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

<u>Capital Assets</u>	<u>Years</u>
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. During the last eight years, the Former Agency acquired numerous 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 where it 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 (note 3-H, Pollution Remediation Obligations).

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, using the straight-line method, 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 using the straight-line method.

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Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is required to remit to CRA/LA-DLA property taxes distributed from the 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. 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.

P. Recent GASB Pronouncements

Pronouncements adopted by CRA/LA-DLA during the five months ended June 30, 2012:

1. *GASB Statement No. 60* – In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this statement generally are required to be applied retroactively for all periods presented. CRA/LA-DLA does not have service concession arrangements. This statement has no impact on CRA/LA-DLA’s financial statements.

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Notes to Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. *GASB Statement No. 62* – In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. This pronouncement has no material impact on CRA/LA-DLA's financial statements.
3. *GASB Statement No. 63* – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. This pronouncement has no material impact on CRA/LA-DLA's financial statements.

Other Recent Pronouncements effective in future periods:

1. *GASB Statement No. 61* – In November 2010, the GASB issued statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012. CRA/LA-DLA has determined there will be no material impact of this pronouncement on its financial statements.
2. *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 of 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.
3. *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.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. *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.
5. *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.
6. *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.
7. *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 specifies 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.

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Notes to Financial Statements

June 30, 2012

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, 2012, the carrying amount of the CRA/LA-DLA's cash deposits totaled \$260,686,000 while the bank balances totaled \$262,598,000. The difference of \$1,912,000 is primarily due to outstanding checks and other reconciling items. Of the total bank balances, \$4,897,000 was covered by the Federal Deposit Insurance Corporation and \$257,701,000 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, 2012, unrestricted investments consisted almost entirely 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, 2012, cash and investments are reflected in the statement of fiduciary net position with carrying values as follows (dollars in thousands):

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash	\$ 192,516	\$ -	\$ 192,516
Unrestricted investments	-	176,420	176,420
Restricted assets	<u>68,520</u>	<u>90,883</u>	<u>159,403</u>
Total	<u>\$ 261,036</u>	<u>\$ 267,303</u>	<u>\$ 528,339</u>

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Notes to Financial Statements

June 30, 2012

NOTE 2 - DETAILED NOTES (continued)

CRA/LA-DLA's cash equivalents and investments at June 30, 2012 consisted of the following investment types (dollars in thousands):

<u>Investment Type</u>	<u>Amortized Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments held by CRA/LA-DLA			
Treasury securities	\$ 47,451	\$ 47,494	0.87
Federal securities	128,869	128,966	0.44
Certificates of deposit	100	101	0.58
Total investments held by CRA/LA-DLA	<u>176,420</u>	<u>176,561</u>	
Investments held by fiscal agent or trustee:			
Treasury securities	24,857	24,857	0.13
Money market funds	62,918	62,918	0.27
Repurchase agreement	3,108	3,108	20.02
Total investments held by fiscal agent or trustee	<u>90,883</u>	<u>90,683</u>	
Total investments	<u>\$ 267,303</u>	<u>\$ 267,444</u>	
Portfolio weighted average maturity for investments held by CRA/LA-DLA (excluding investments held by fiscal agent or trustee)			0.55

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, 2012, the CRA/LA-DLA's investments in money market funds at amortized costs of \$62,918,000 were rated in the highest categories of Standard & Poor's "A-1+" and Moody's "P-1".

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Notes to Financial Statements

June 30, 2012

NOTE 2 - DETAILED NOTES (continued)

B. Loans Receivable

A schedule of loans receivable at June 30, 2012 including allowance for market value write-downs and uncollectibles is as follows (dollars in thousands):

	Principal Balance			
	Amortizing	Deferred	Residual Receipts	Total
Outstanding at February 1, 2012	\$ -	\$ -	\$ -	\$ -
Transfer from Former Agency	27,023	132,330	556,785	716,138
Additions:				
New loans	-	-	14,500	14,500
Reductions:				
Principal repayments	(561)	(338)	(126)	(1,025)
Others *	(105)	(3,963)	1,726	(2,342)
Outstanding at June 30, 2012	26,357	128,029	572,885	727,271
Less allowance for market value write-downs and uncollectibles	(15,075)	(115,937)	(471,060)	(602,072)
Balance at June 30, 2012	<u>\$ 11,282</u>	<u>\$ 12,092</u>	<u>\$ 101,825</u>	<u>\$ 125,199</u>

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

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Notes to Financial Statements

June 30, 2012

NOTE 2 - DETAILED NOTES (continued)

C. Capital Assets

Changes in capital assets for the year ended June 30, 2012 were as follows (dollars in thousands):

Description	Balance February 1, 2012	Transfer from Former Agency	Acquisitions/ Dispositions	Depreciation/ Amortization	Balance June 30, 2012
Capital assets, not being depreciated:					
Land	\$ -	\$ 41,665	\$ -	\$ -	\$ 41,665
Capital assets, being depreciated:					
Building and improvements	-	30,034	-	-	30,034
Less accumulated depreciation/ amortization	-	(9,604)	-	(327)	(9,931)
Net building and improvements	-	20,430	-	(327)	20,103
Equipment and leasehold improvements	-	26,199	(325)	-	25,874
Less accumulated depreciation/ amortization	-	(16,951)	325	(1,438)	(18,064)
Net equipment and leasehold improvements	-	9,248	-	(1,438)	7,810
Net capital assets, being depreciated	-	29,678	-	(1,765)	27,913
Net capital assets	<u>\$ -</u>	<u>\$ 71,343</u>	<u>\$ -</u>	<u>\$ (1,765)</u>	<u>\$ 69,578</u>

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Notes to Financial Statements

June 30, 2012

NOTE 2 - DETAILED NOTES (continued)

E. CRFA Bonds

The following table summarizes the CRFA bond transactions for the five months ended June 30, 2012 (dollars in thousands):

Balance, February 1, 2012	\$ -
Transfer from Former Agency	<u>356,585</u>
 Balance, June 30, 2012	 <u><u>\$ 356,585</u></u>

CRFA bonds outstanding at June 30, 2012 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	\$ 435
Pooled Financing Refunding Bonds, Series E	8/1/1998	9/1/2014	3.60% - 5.00%	21,805	4,945
Pooled Financing Refunding Bonds, Series F	8/1/1998	9/1/2014	4.05% - 5.00%	12,820	3,200
Pooled Financing Bonds, Series H (taxable)	6/15/2002	9/1/2032	8.25% - 9.75%	9,765	8,355
Pooled Financing Bonds, Series I (taxable)	6/1/2003	9/1/2019	2.625%-5.50%	14,890	8,890
Pooled Financing Bonds, Series J (taxable)	9/17/2003	9/1/2033	4.18% - 6.38%	17,970	15,755
Pooled Financing Bonds, Series J	9/17/2003	9/1/2033	2.00% - 5.00%	4,500	3,780
Pooled Financing Bonds, Series K (taxable)	9/17/2003	9/1/2033	6.98% - 9.38%	4,645	4,160
Pooled Financing Bonds, Series L (taxable)	6/28/2006	9/1/2026	5.74% - 6.15%	32,000	27,295
Pooled Financing Bonds, Series M (taxable)	6/29/2006	9/1/2036	6.10% - 6.70%	34,500	32,540
Pooled Financing Bonds, Series N	6/28/2006	9/1/2026	3.50% - 5.25%	8,000	6,670
Pooled Financing Bonds, Series O (taxable)	6/28/2007	9/1/2037	5.94% - 6.66%	8,000	7,515
Pooled Financing Bonds, Series P (taxable)	6/26/2008	9/1/2038	8.00%	14,250	13,820
Revenue bonds:					
Bunker Hill Project Revenue Bonds, Series 2004A	5/19/2004	12/1/2028	3.00% - 5.50%	181,510	176,260
Bunker Hill Project Revenue Bonds, Series 2004B	5/19/2004	12/1/2017	1.49% - 5.83%	87,550	<u>42,965</u>
 Total CRFA bonds					 <u><u>\$ 356,585</u></u>

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 \$356,585,000 receivable/payable between CRFA and CRA/LA-DLA is eliminated.

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Notes to Financial Statements

June 30, 2012

NOTE 2 - DETAILED NOTES (continued)

F. Long-Term Debt

Notes Payable, Crown Coach Development Site Project

CRA/LA-DLA currently carries a loan obligation with East West Bank of \$13,032,000, the proceeds of which was used in the acquisition of the Crown Coach Brownfields Demonstration Site located in the Central Industrial Redevelopment Project area.

On its original loan maturity date of May 1, 2011, the Former Agency negotiated a modification with East West Bank to extend the loan maturity date first to February 1, 2012 and subsequently to August 1, 2012. Under the terms of the Modified Loan Agreement, the principal amount outstanding was fixed at \$13,032,000 (includes \$302,000 of interest accreted to the principal balance).

The loan is secured by a first deed of trust on the subject property. Prior to the modification of the loan terms, the loan principal accrued interest at the London Interbank Offered Rate (LIBOR) Based Rate, which is the one-month LIBOR plus 250 basis points. The interest rate on the loan resets on the first business day of each month. Effective May 1, 2011, the loan principal accrues interest at LIBOR plus 350 basis points.

On August 7, 2012, the loan was fully paid with the proceeds from the sale of the subject property to an entity of the Trammel Crow Company.

Changes in Long-term Liabilities

CRA/LA-DLA's long-term liabilities for the five months ended June 30, 2012 are summarized as follows (dollars in thousands):

Description	Balance February 1, 2012	Transfer from Former Agency	Additions	Retirement	Balance June 30, 2012	Due Within One Year
Bonds payable	\$ -	\$ 683,200	\$ -	\$ (2,110)	\$ 681,090	\$ 27,030
Notes payable	-	25,654	-	-	25,654	13,214
Payable to the City	-	15,804	-	-	15,804	9,269
Sub-total before premiums/discounts, and deferred amounts on refunding	-	724,658	-	(2,110)	722,548	49,513
Less unamortized premiums/discounts, and deferred amounts on refunding	-	(423)	-	129	(294)	-
Total bonds and notes	-	724,235	-	(1,981)	722,254	49,513
Compensated absences	-	2,760	262	(1,991)	1,031	535
Other postemployment benefit obligations	-	13,402	466	-	13,868	-
Net long-term liabilities, governmental activities	<u>\$ -</u>	<u>\$ 740,397</u>	<u>\$ 728</u>	<u>\$ (3,972)</u>	<u>\$ 737,153</u>	<u>\$ 50,048</u>

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Notes to Financial Statements

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NOTE 2 - DETAILED NOTES (continued)

Outstanding Long-term Debt

Long-term debt outstanding at June 30, 2012 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	\$ 4,325
Adelante Eastside, Series B (taxable)	7/1/2005	9/1/2035	5.625%-5.90%	7,000	6,610
Adelante Eastside, Series C (taxable)	6/20/2007	9/1/2037	6.490%	10,040	9,635
Adelante Eastside, Series D	12/3/2009	9/1/2039	1.75%-6.50%	10,000	9,545
Beacon Street, Refunding Series B*	8/1/1998	9/1/2014	4.05%-5.00%	4,350	1,090
Beacon Street, Series C (taxable)	7/1/2005	9/1/2019	5.625%	2,680	2,555
Broadway/Manchester, Series A (taxable) *	6/28/2007	9/1/2037	5.940%-6.660%	1,500	1,440
Bunker Hill, Grand Central Square Multifamily Housing, Refunding Series 2007A	6/21/2007	12/1/2026	4.00%-5.00%	11,345	10,210
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	13,260
Bunker Hill, Refunding Subordinate Lien 2004L	5/19/2004	3/1/2019	3.50%-5.10%	30,955	17,705
CD 9 Corridors, Series A (taxable)	6/26/2001	9/1/2023	8.50%-8.875%	2,000	1,500
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	4,905
CD 9 Corridors, Series D (taxable)	3/30/2005	9/1/2034	3.20%-5.65%	6,500	5,725
CD 9 Corridors, Series E (taxable)	6/6/2007	9/1/2037	5.875%-6.05%	12,500	11,820
Crenshaw, Refunding Series C *	8/1/1998	9/1/2014	4.05%-5.00%	3,895	975
Crenshaw/Slauson, Series A (taxable) *	6/15/2002	9/1/2032	8.25%-9.75%	1,135	1,030
Crenshaw/Slauson, Series B (taxable) *	6/28/2007	9/1/2037	5.94%-6.66%	3,000	2,910
East Hollywood/Beverly-Normandie, Series A (taxable) *	9/17/2003	9/1/2033	6.98%-9.38%	1,885	1,715
East Hollywood/Beverly-Normandie, Series B (taxable) *	6/28/2006	9/1/2026	5.74%-6.15%	8,000	6,824
Hollywood, Refunding Series C	3/1/1998	7/1/2022	4.10%-5.50%	35,840	28,140
Hollywood, Refunding Series D (taxable)	11/25/2003	7/1/2022	1.50%-6.00%	23,000	13,475
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	13,950
Hoover, Refunding Series C	11/1/1995	9/1/2014	4.75%-5.50%	5,040	805
Exposition/University Park, Refunding Series E (taxable)	6/7/2007	9/1/2032	5.45%-6.00%	5,905	4,620
Laurel Canyon Commercial Corridor, Refunding Series B (taxable) *	9/17/2003	9/1/2030	6.98%-9.38%	2,760	2,445
Laurel Canyon Commercial Corridor, Series C (taxable) *	6/28/2007	9/1/2037	5.94%-6.66%	2,000	1,960
Little Tokyo, Refunding Series D	12/18/2003	7/1/2020	4.30%-4.75%	11,430	11,430
Little Tokyo, Series E (taxable)	12/18/2003	7/1/2012	2.00%-5.40%	8,140	455
Los Angeles Harbor, Refunding Series C *	8/1/1998	9/1/2014	3.60%-5.00%	5,345	1,355

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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	5,510
Mid-City Recovery, Series C (taxable)*	6/26/2008	9/1/2032	8.00%	6,500	6,395
Monterey Hills, Refunding Series C *	8/1/1998	9/1/2014	3.60%-5.00%	12,930	2,925
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	435
Normandie 5, Refunding Series D *	8/1/1998	9/1/2014	3.60%-5.00%	3,530	665
Normandie 5, Series E (taxable) *	6/1/2003	9/1/2019	2.625%-5.50%	4,330	2,585
North Hollywood, Series E	10/1/2000	7/1/2024	4.20%-7.50%	5,800	4,735
North Hollywood, Series F	5/1/2002	7/1/2024	2.75%-5.125%	17,120	15,880
North Hollywood, Refunding Series G	5/18/2006	7/1/2029	3.50%-4.625%	11,340	9,425
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	4,715
Pacoima/Panorama City, Series A (taxable) *	9/17/2003	9/1/2033	4.18%-6.38%	4,265	3,710
Pacoima/Panorama City, Series B (taxable) *	6/28/2006	9/1/2026	5.74%-6.15%	8,000	6,824
Pacoima/Panorama City, Series C *	6/28/2006	9/1/2026	3.50%-5.25%	8,000	6,670
Pacoima/Panorama City, Series D	11/4/2009	9/1/2039	5.00%-5.625%	20,000	19,225
Pico Union 1, Refunding Series B*	8/1/1998	9/1/2014	4.05%-5.00%	4,575	1,135
Pico Union 1, Series C (taxable) *	6/1/2003	9/1/2019	2.625%-5.50%	3,250	1,945
Pico Union 2, Series A (taxable) *	6/1/2003	9/1/2019	2.625%-5.50%	7,310	4,360
Pico Union 2, Series B (taxable) *	6/26/2008	9/1/2026	8.00%	5,500	5,195
Reseda/Canoga Park, Series A *	9/17/2003	9/1/2033	2.00%-5.00%	4,500	3,780
Reseda/Canoga Park, Series B (taxable) *	9/17/2003	9/1/2033	4.18%-6.38%	8,205	7,140
Reseda/Canoga Park, Series C (taxable) *	6/28/2006	9/1/2026	5.74%-6.15%	16,000	13,647
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	1,025
Vermont/Manchester, Series B (taxable) *	6/26/2008	9/1/2038	8.00%	2,250	2,230
Watts, Series A (taxable) *	6/28/2007	9/1/2021	5.94%-6.39%	1,500	1,205
Watts Corridors Recovery, Series A (taxable) *	6/15/2002	9/1/2032	8.25%-9.75%	1,000	790
Western/Slauson, Series A (taxable) *	6/29/2006	9/1/2036	6.10%-6.70%	2,500	2,355
Westlake, Series A (taxable) *	6/29/2006	9/1/2036	6.10%-6.70%	11,000	10,375
Westlake, Series B (taxable)	6/26/2008	9/1/2038	5.49%-7.75%	12,500	12,215
Wilshire/Koreatown, Series A (taxable) *	6/29/2006	9/1/2036	6.10%-6.70%	16,000	15,095
Wilshire/Koreatown, Series B (taxable)	6/26/2008	9/1/2018	6.00%-6.50%	22,580	17,120
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					643,765

*Purchased by and payable to CRFA.

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

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Notes to Financial Statements

June 30, 2012

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	<u>37,325</u>
Total tax allocation and revenue bonds before unamortized premium (discount)					<u>681,090</u>
Project notes payable:					
Central Industrial, Crown Coach Development Site Project	4/11/2008	2/1/2012	Variable*	10,043	13,032
Hollywood, Developer Letter of Credit	12/30/2002	7/1/2032	10.00%	4,037	4,037
North Hollywood, NOHO Commons	8/27/2004	Until Paid	6.00%	9,043	<u>8,585</u>
Total project notes payable					<u>25,654</u>
Payable to the City (note 2-H)					<u>15,804</u>
Total long-term debt					<u>\$ 722,548</u>

* Prior to the modification of the loan terms, the loan principal accrued interest at the one month LIBOR plus 250 basis points. The interest rate on the loan resets on the first business day of each month. Effective May 1, 2011, the loan principal will accrue interest at LIBOR plus 350 basis points.

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.

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Notes to Financial Statements

June 30, 2012

NOTE 2 - DETAILED NOTES (continued)

Annual Debt Service Requirements

Annual requirements to amortize all long-term debt outstanding as of June 30, 2012 are reflected in the following table (dollars in thousands).

Year Ending June 30	Bonds Payable		Notes Payable		Payable to the City (note 2-H)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 27,030	\$ 39,030	\$ 13,214	\$ 4,094	\$ 9,269	\$ 8,048	\$ 49,513	\$ 51,172
2014	28,421	37,626	-	915	-	316	28,421	38,857
2015	31,325	3,037	-	915	-	316	31,325	37,268
2016	31,040	34,290	-	717	-	316	31,040	35,523
2017	32,830	32,464	-	915	-	316	32,830	33,695
2018-2022	166,166	133,528	-	4,575	2,285	1,492	168,451	139,595
2023-2027	164,503	86,896	-	4,575	4,250	98	168,753	91,569
2028-2032	113,860	42,140	8,403	2,871	-	-	122,263	45,011
2033-2037	65,285	16,767	4,037	404	-	-	69,322	17,171
2038-2041	20,630	2,301	-	-	-	-	20,630	2,301
Total	\$ 681,090	\$ 461,079	\$ 25,654	\$ 20,181	\$ 15,804	\$ 10,902	\$ 722,548	\$ 492,162

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, 2012, 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.

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Notes to Financial Statements

June 30, 2012

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, 2012, the outstanding balance of the 20-year loans amounted to \$10,859,000. Interest accrued at June 30, 2012 on the 20-year loans in the amount of \$7,478,000 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 five months ended June 30, 2012, there were no qualifying block grant expenditures applied towards interest on this loan. As a result, a total of \$1,245,000 in interest payments to service this loan remains unchanged from FY2011.

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 five months ended June 30, 2012, a principal payment for \$87,000 was made reducing the principal outstanding to \$695,000 at June 30, 2012.

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Notes to Financial Statements

June 30, 2012

NOTE 2 - DETAILED NOTES (continued)

The following is a schedule of amounts payable to the City at June 30, 2012 (dollars in thousands).

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
CDBG 20-year loan, various projects	2/6/2003	6/30/2011 ***	5.00%	\$ 7,200	\$ 3,043
CDBG 20-year loan, various projects	2/6/2003	3/31/2012 ***	5.00%	3,294	3,144
CDBG 20-year loan, various projects	4/1/2003	5/15/2012 ***	5.00%	1,699	1,699
CDBG 20-year loan, various projects	2/6/2003	6/30/2021	5.00%	1,590	1,590
CDBG 20-year loan, various projects	4/1/2003	4/26/2013	5.00%	1,383	1,383
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					<u>\$ 15,804</u>

* 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 .358 percent at June 30, 2012 to comply with HSC Section 34191.4 (b)(2) guidelines.

*** CRA/LA is currently in negotiations with the City to extend the maturity date.

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

Pursuant to AB 1X26 and HSC Section 34171(d)(2), not all agreements between the City and the Former Agency are enforceable obligations. To the extent that any of the invalidated City agreements were loan agreements, AB 1X26 provides 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 reinstated loan agreements were for legitimate redevelopment purposes. Such reinstated loan agreements are required to be redocumented, with the accumulated interest recalculated from the origination at the LAIF rate and payment terms subject to additional conditions [HSC Section 34191.4(b)]. Because the loan agreements with the City involve the use and repayment of federal funds, there is legal uncertainty as to whether AB 1X26 invalidates these agreements. To date, the DOF has approved funding to the CRA/LA-DLA for repayment of the 20-year loans.

I. Deficit Net Position

As of June 30, 2012, CRA/LA-DLA's deficit amounted to \$10,317,000. 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.

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Notes to Financial Statements

June 30, 2012

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.

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 2012 was 15.387 percent of covered payroll.

Pension Cost and Actuarial Methods and Assumptions

For five months ended June 30, 2012, the CRA/LA-DLA's pension cost of \$1,255,000 was equal to 40% of the annual required and actual contribution. Below is a summary of principal assumptions and methods used to determine the annual required contribution for the five months ended June 30, 2012.

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Average remaining period	22 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%

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

Three-year Trend Information (dollars in thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2010	\$ 3,604	100%	\$ -
6/30/2011	3,298	100%	-
6/30/2012	3,172	100%	-

Funded Status and Funding Progress

As of June 30, 2011 (the most recent actuarial valuation date available), the plan was 82.9 percent funded. The actuarial accrued liability for benefits was \$205,091,000, and the actuarial value of assets was \$170,087,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$35,004,000. The projected covered payroll at June 30, 2011 was \$22,391,000, and the ratio of the UAAL to the projected covered payroll was 156.30 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.

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 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. CRA/LA-DLA management initiated discussions with CalPERS to assume administration of the health plan effective January 1, 2013.

The Plan is a single employer defined benefit plan that is not administered as a trust or equivalent arrangement and, therefore, does not have separate financial statements.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

Funding Policy

CRA/LA-DLA currently funds the retiree health care benefits on a pay-as-you-go basis. For the five months ended June 30, 2012, CRA/LA-DLA contributed \$509,000 for current health care subsidies. On June 16, 2005, the Former Agency obtained approval from the Former Agency's Board and City Council to negotiate and execute a cooperation agreement with the Los Angeles City Employees' Retirement System (LACERS) or another qualified trustee to manage the postemployment health care benefits of the Former Agency retirees and to deposit up to \$3,000,000 into a trust fund as its initial funding for the Former Agency's OPEB liability. This authorized amount was deposited in a liability account and will be transferred to a future OPEB trust fund. Additional information is disclosed in note 3-K.

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 2012 was 11.35 percent of the covered payroll. The following table shows the components of the CRA/LA-DLA's OPEB cost for the five months ended June 30, 2012, 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 the five months ended June 30, 2012	\$	975
Interest on net OPEB obligation		239
Adjustment to ARC		(239)
OPEB cost (expense) for the five months ended June 30, 2012		975
Contributions made		(509)
Increase in net OPEB obligation		466
Net OPEB obligation transferred from Former Agency		13,402
Net OPEB obligation, June 30, 2012	\$	<u>13,868</u>

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.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

Significant methods and assumptions used to determine the annual required contributions for fiscal year 2012 were as follows:

Actuarial valuation date	June 30, 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%

Three-year Trend Information (dollars in thousands):

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 4,281	17.87%	\$ 9,144
2011	4,595	20.70%	12,788
2012	2,340	53.84%	13,868

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012 based on the most recent 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.

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NOTE 3 - OTHER INFORMATION (continued)

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 \$17,000 (\$22,500 if age 50 or older) for the 2012 tax year.

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. Additional information on this matter is disclosed in note 3-K.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

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.

F. Pledges of Future Revenues

Prior to its dissolution, the Former Agency pledged a portion of its future tax increment revenues to repay \$643,765,000 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 \$1,076,947,000 payable through fiscal year 2041. For the five months ended June 30, 2012, CRA/LA-DLA's principal and interest paid were \$2,110,000 and \$15,762,000, 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 million 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.

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 \$3,352,000 at June 30, 2012.

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.

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June 30, 2012

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. Additional information regarding this matter is disclosed in note 3-K.

Other Cooperation Agreements with Various City Departments

Prior to its dissolution, the Former Agency entered into memoranda of understanding and cooperation agreements with various City Departments for street and sidewalk construction, design and construction services, design and construction of street lighting, and general construction services in support of redevelopment activities. In accordance with the agreements, the Former Agency transferred funds to the City for approved projects. At June 30, 2012, the unspent amount remaining with the City under these agreements is \$2,578,000. This amount due from the City is reported as an other receivable in CRA/LA-DLA's statement of fiduciary net position at June 30, 2012. The City remitted payment to CRA/LA-DLA in the amount of \$2,565,000 on June 27, 2013.

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.

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 five months ended, June 30, 2012 was \$791,000.

CRA/LA-DLA has the following contractual agreements for future rental payments at June 30, 2012 (dollars in thousands):

Fiscal Year Ending June 30	Amount
2013	\$ 1,818
2014	1,512
2015	1,583
2016	1,627
2017-2021	5,624
Total	\$ 12,164

As a result of AB1X 26, CRA/LA-DLA has initiated lease buyout negotiations. The future rental payments listed above will be revised (note 3-K).

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

Pollution Remediation Obligations

CRA/LA-DLA has estimated cleanup costs at five brownfields redevelopment sites to be approximately \$1,486,000 as of June 30, 2012. 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 is \$999,000, leaving a net estimated cost to CRA/LA-DLA of \$487,000. No costs were capitalized during the fiscal year due to the immateriality of the cleanup costs incurred by CRA/LA-DLA (note 1-K).

I. Contingencies

Buckingham Place Senior Housing

The Former Agency provided the original developer of the Buckingham Place Senior Housing (Original Project) with a predevelopment loan of \$8,500,000. The Original Project was a three-building 180-unit senior housing project within the Marlton Square mixed-use development in the Crenshaw Redevelopment Project area. The loan, which was used for acquisition, relocation, and pre-development costs of the Original Project, was in the form of federally funded HOME funds granted to the Former Agency by the Los Angeles Housing Department (LAHD). Terms of that grant required that the first 70 units of the Original Project be completed by December 31, 2008. Due to the Original Project's developer's failure to complete the Original Project as agreed and (and the subsequent filing of a petition to the court to commence an involuntary bankruptcy action), development on the subject property was stayed by the Bankruptcy Court. The Court subsequently lifted its stay and permitted the Former Agency to acquire the property at a trustee sale in June 2009 under the Settlement Agreement terms with the principal lender and contractor of the Original Project. The Settlement Agreement created a process for completion of a downsized 70-unit senior housing project on the property utilizing the approximately 80% completed building of the Original Project (New Project). The New Project received federal Neighborhood Stabilization Program funds, 4% tax credits and bond financing.

An audit of the Original Project in 2009 conducted by the Department of Housing and Urban Development (HUD) recommended that the Former Agency reimburse LAHD for the \$8,500,000 HOME funds loan in the event the New Project was not completed within 24 months. That 24-month period expired on December 31, 2010, but was extended to January 15, 2012. The project was completed in December 2011, and the City issued a full certificate of occupancy on January 6, 2012. Consequently, no repayment to HUD was required.

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.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

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).

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.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

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.

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.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

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, 2012. Management has engaged in extensive discussions with Union representatives to resolve this matter. The service cost has been determined to be \$43,000 for four current/former employees; management intends to reimburse these four 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.

Other Litigation

In the normal course of business, CRA/LA-DLA and the Former Agency have been named as a defendant or co-defendant in lawsuits and claims. These claims against CRA/LA-DLA and the Former Agency have been evaluated and, upon consultation with the Legal Counsel, CRA/LA-DLA management believes that the ultimate resolution of such claims will not have a material adverse impact on the financial condition of CRA/LA-DLA.

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, 2012, the balance of long-term tax-exempt third-party indebtedness was \$696,000,000 as shown on pages 44 through 46.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

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.

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)].

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

K. Subsequent Events

Subsequent events were evaluated through November 1, 2013, which is the date the financial statements were available to be issued.

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. The amount due is accrued and reported as a liability in the statement of fiduciary net position. Payment to the County AC was issued in full on July 12, 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 Due Diligence Review (DDR) is to be conducted during Fiscal Year 2012-13 for 1) the Low and Moderate Income Housing Fund (LMIHF) and 2) Other Funds and Accounts (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 \$35,673,583 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 \$75,651,107 to the County AC on August 21, 2013.

Operating Leases

Prior to its dissolution, the Former Agency entered into several office leases and established regional offices in order to manage and administer projects and programs within the communities it served. In 2011, the Former Agency began consolidating regional offices as part of its continued efforts to reduce administrative costs. Leases for the remaining regional offices have been terminated with the exception of the East Valley Regional Office lease. Although a sublease has been approved for the East Valley Regional Office, this lease will remain an enforceable obligation. Despite the vacated offices and terminated leases, there are five remaining leases deemed enforceable obligations under AB 1X26 and AB-1484. Of the five remaining leases, one lease contains leasehold improvements. At June 30, 2012, the unamortized leasehold improvements amount is \$5,695,000 with 6.1 years remaining.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

OPEB Funding Plan

On March 19, 2013, CRA/LA-DLA management was authorized by its Governing Board to execute agreements to enroll in the California Employers' Retirement Benefit Trust (CERBT), which will administer prefunding of OPEB liabilities. Accordingly, an agreement was fully executed by the CRA/LA-DLA and CalPERS (on behalf of CERBT), effective March 28, 2013. This agreement allows contributed funds, identified annually by an independent actuary, to be 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.

Early Retirement Incentive Package in 2010

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 \$5,309,000 as of June 30, 2012, which was included in deposits and other liabilities of the statement of fiduciary net position. The \$5,309,000 represents the difference in ERIP withholdings between what employees would have contributed and what the post reduction in force employees will contribute. The amount of \$621,000 was listed in ROPS 3 – January 1, 2013 through June 30, 2013. A payment of \$1,700,000 was remitted to CalPERS on May 30, 2013 representing employee contributions of \$1,079,000 and \$621,000 from the DOF approved ROPS 3.

Transfer of Properties to the City

As described in note 3-G, during fiscal year 2011, the Former Agency transferred certain revenue-generating commercial properties in repayment of the \$50,900,000 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 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 is not an enforceable obligation.

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 \$766,586,000) and functions were transferred and assumed by LAHD, the Housing Successor Agency.

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Notes to Financial Statements

June 30, 2012

NOTE 3 - OTHER INFORMATION (continued)

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. The subject agreements fully document the terms under which the federally funded loans were made to the Former Agency, including interest rates and maturity dates. DOF concurred with this interpretation in its approval of CRA/LA-DLA's ROPS 3 scheduled payment of principal and interest for the four loans currently due. Future ROPS will include interest payments for the remaining outstanding loan, with a final payment of principal and interest due upon maturity in 2021.

Other Co-operation Agreements with the City

Pursuant to AB 1X26, all other agreements with the City were invalidated.

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.

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.

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Notes to Financial Statements

June 30, 2012

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 more than 50 cities, former redevelopment agencies, and special districts as defendants and real parties of interest. LAUSD alleged that the County incorrectly apportioned tax increment funds paid by former redevelopment agencies pursuant to the HSC. The Supreme 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 Supreme Court's decision.

The case was returned to the Supreme Court for the determination of the proper method for apportioning tax increment fund and LAUSD's claim for damages. On July 3, 2012, The Supreme 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 2003-2004 through January 31, 2012. To date the recalculation has not been done since the County's calculation and information is required and LAUSD has objected to the methodology adopted by the Supreme Court in the judgment. Payment is 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.

REQUIRED SUPPLEMENTARY INFORMATION

CRA/LA, A DESIGNATED LOCAL AUTHORITY
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Required Supplementary Information
Schedule of Funding Progress

June 30, 2012
(In Thousands)
(Unaudited)

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
6/30/09	\$ 150,431	\$ 173,875	\$ 23,444	86.5%	\$ 25,337	92.5%
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%

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%

* Effective July 1, 2009, CRA/LA changed its actuarial valuation date from January 1 to July 1 to coincide with its fiscal year end.

** 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
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Schedule of Third-Party Indebtedness

June 30, 2012
(In Thousands)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding
Demand Certificates of Participation Broadway-Spring Center Project	7/15/1987	7/1/2012	Variable	\$ 14,700	\$ 1,300
Multifamily Housing Revenue Bonds, 1989 Series A Academy Village Apartments Project	10/26/1989	10/1/2019	Variable	23,000	20,000
Multifamily Housing Revenue Note, 1999 Series A Western/Slauson Amistad Plaza (note size increased by \$500,000 in May 2002)	6/1/1999	1/1/2031	Variable/fixed	4,989	1,515
Multifamily Housing Revenue Note, 1999 Series A Grandview Nine Family Housing	6/1/1999	1/1/2031	Variable/fixed	4,711	1,830
Multifamily Housing Revenue Refunding Bonds, Series 2000, Promenade Towers Project	4/1/2000	4/1/2030	Variable/fixed	47,550	47,500
Multifamily Housing Revenue Bonds, Series 2001A Security Building Project (tax-exempt)	8/13/2001	12/15/2034 (remarketed on 6/25/2002)	Variable	13,500	10,245
Multifamily Housing Revenue Refunding Bonds Series 2002, Grand Promenade Project - (Freddie Mac Credit Enhanced)	4/17/2002	4/1/2032	Variable	43,000	43,000
Qualified Redevelopment Bonds, 2002 Refunding Series A - Grand Central Square	4/15/2002	12/1/2026	2.50% - 5.375%	20,825	15,810 1/
Multifamily Housing Revenue Bonds, Series 2002 Pico Union Scattered-Site Preservation Apartments	12/20/2002	1/20/2045 (remarketed on 2/27/2004)	4.75% - 5.10%	16,895	16,895
Multifamily Housing Revenue Bonds, 2003 Series A Views at 270	11/21/2003	9/1/2019	Variable	8,007	1,586
Multifamily Housing Revenue Bonds Wilshire Station Apartments Series 2003A	11/1/2003	10/15/2038	1.15%	75,175	75,175
Series 2003B (taxable)	11/1/2003	10/15/2038	1.30%	9,825	9,825

Continued...

See accompanying independent auditor's report.

CRA/LA, A DESIGNATED LOCAL AUTHORITY
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Schedule of Third-Party Indebtedness - (Continued)

June 30, 2012
(In Thousands)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding
Multifamily Housing Revenue Bonds, Series 2002-T Pico Union Scattered-Site Preservation Apartments	2/27/2004	7/20/2019	5.39%	3,000	1,805
Multifamily Housing Revenue Bonds, Series 2004A Wilshire Station Apartments	10/28/2004	10/15/2038	Variable	10,000	10,000
Multifamily Housing Revenue Bonds Metropolitan Apartments (remarketed on 8/1/2005 and renamed from Skyline 1985 to Metropolitan)	8/1/2005	12/15/2024	Variable	28,400	28,400
Multifamily Housing Revenue Bonds, 2005 Series A Villa del Sol Apartments	12/1/2005	5/1/2047	5.50%	8,782	8,428
Lease Revenue Bonds, Series 2005 Vermont Manchester Social Services Project	7/28/2005	9/1/2037	5.00%	98,920	92,495
Multifamily Housing Revenue Bonds, 2006 Series A The Alexandria	8/1/2006	5/1/2047	5.50%	35,000	25,460
Multifamily Housing Revenue Bonds, 2006 Series A-1 Osborne Gardens Apartments	10/5/2006	4/1/2038	6.12%	1,050	995 2/
Multifamily Housing Revenue Bonds Wilshire Station Apartments Series 2006A	12/22/2006	10/15/2038	Variable	27,000	27,000
Series 2006B (taxable)	12/22/2006	10/15/2038	Variable	9,500	9,500
Multifamily Housing Revenue Bonds 2007 Series A-1 Central Avenue Villa Apartments	4/30/2007	4/1/2010	Variable	494	470
Variable Rate Demand Multifamily Housing Revenue Bonds 2007 Series A Hollywood & Vine Apartments	5/3/2007	4/15/2042	Variable	180,000	138,550

Continued...

See accompanying independent auditor's report.

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

Schedule of Third-Party Indebtedness - (Continued)

June 30, 2012
(In Thousands)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Balance Outstanding
Multifamily Housing Revenue Refunding Bonds 2007 Series B Grand Central Square	6/21/2007	12/1/2026	4.00-5.00%	8,615	6,880 1/
Multifamily Housing Revenue Bonds 2007 Series A Westminster Park Plaza Apartments	9/5/2007	8/1/2045	5.75%	10,990	9,818
Multifamily Housing Revenue Bonds, Series 2008A Angelus Plaza Phase I Apartments Project	10/17/2008	4/1/2042	6.45%	65,650	44,630
Multifamily Housing Revenue Bonds, Series 2008A Angelus Plaza North Apartments Project	10/17/2008	4/1/2042	6.45%	30,095	25,460
Multifamily Housing Revenue Bonds, Series 2008A Hollywood Bungalow Courts Apartments	11/21/2008	8/31/2030	5.95-6.20%	12,549	489
Multifamily Housing Revenue Bonds, Series 2011 Buckingham Senior Apartments	6/24/2011	6/24/2034	6.60%	14,000	12,864 2/
Multifamily Housing Revenue Bonds, Series 2011 Montecito Apartments	6/24/2011	6/24/2030	5.60%	<u>8,075</u>	<u>8,075</u>
Total				<u>\$ 834,297</u>	<u>\$ 696,000</u>

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

2/ Bonds are "draw down" bonds - i.e., they operate like a regular construction loan and start with a zero balance that grows to the full amount of the bonds as funds are advanced.

See accompanying independent auditor's report.

COMPLIANCE SECTION



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**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 the financial statements of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), Successor Agency to The Community Redevelopment Agency of the City of Los Angeles, California (CRA/LA) as of and for the five months ended June 30, 2012, and have issued our report thereon dated November 1, 2013. As discussed in Note 1.A and Note 3.J to the financial statements, 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 a legal entity as of February 1, 2012. On January 11, 2012, the City of Los Angeles (City) elected not to become the Successor Agency to the former redevelopment agency, The Community Redevelopment Agency of the City of Los Angeles. Subsequently, on January 25, 2012, the City Council adopted a resolution to assume only the housing functions and activities of the former redevelopment agency, excluding any amount on deposit in the Low and Moderate Income Housing Fund. CRA/LA-DLA was established on February 3, 2012 to serve as the Successor Agency. On February 1, 2012, the assets and liabilities of the former redevelopment agency were transferred to the newly formed CRA/LA-DLA. The financial statements of the CRA/LA-DLA as of and for the five months ended June 30, 2012, present the net position and first five months of activities of the newly formed CRA/LA-DLA. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of CRA/LA-DLA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CRA/LA-DLA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRA/LA-DLA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CRA/LA-DLA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.





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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Governing Board, Oversight Board, others within the entity, State Controller, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Simpson : Simpson', with a colon between the two names.

November 1, 2013
Los Angeles, California