

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA
(A Component Unit of the City of Los Angeles, California)**

Financial Statements

As of and For the Seven Months Ended January 31, 2012



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



SIMPSON & SIMPSON
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INDEPENDENT AUDITOR'S REPORT

*The Honorable Ron Galperin
Controller of the City of Los Angeles and
The Community Redevelopment Agency of
The City of Los Angeles, California*

*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 financial statements of the governmental activities, the business-type activities, and each major fund of The Community Redevelopment Agency of the City of Los Angeles (CRA/LA), California, as of and for the seven months ended January 31, 2012, which collectively comprise the CRA/LA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CRA/LA's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of The Community Redevelopment Agency of the City of Los Angeles, California, as of January 31, 2012, and the respective changes in financial position and cash flows of its proprietary funds for the seven months ended January 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 and Note 3.J to the basic 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 Council elected not to become the Successor Agency to the former redevelopment agency. 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. The financial statements of CRA/LA as of and for the seven months ended January 31, 2012, present the final seven months of activities of the CRA/LA prior to the date of dissolution. After February 1, 2012, the assets and activities of the dissolved CRA/LA are reported in the financial statements of the newly formed Designated Local Authority (DLA), CRA/LA-DLA.





In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2013 on our consideration of the CRA/LA'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, schedule of funding progress - employees' pension plan and other postemployment benefits, and budgetary comparison schedule for the Housing Fund and Special Revenue Fund, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although, not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CRA/LA's financial statements as a whole. As identified in the accompanying table of contents, the other supplementary information including the budgetary comparison schedule for Capital Projects Fund and Debt Service Fund, combining financial statements of the Internal Service Funds and Agency Funds, and schedule of third-party indebtedness, are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison schedule for Capital Projects Fund and Debt Service Fund, combining financial statements of the Internal Service Funds and Agency Funds, and schedule of third-party indebtedness, are the responsibility of management and were 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 black ink, appearing to read 'Simpson & Simpson'.

Los Angeles, California
August 23, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Management's Discussion and Analysis

January 31, 2012

As management of The Community Redevelopment Agency of the City of Los Angeles (CRA/LA), we offer readers of the CRA/LA's financial statements this narrative overview and analysis of the financial activities of CRA/LA for the seven months ended January 31, 2012.

FINANCIAL HIGHLIGHTS

On June 29, 2011, the Governor enacted Assembly Bills 1X 26 and 1X 27. The constitutionality of AB 1X26 and AB 1X27 was challenged before the California Supreme Court. On December 29, 2011 the California Supreme Court upheld AB 1X26 and invalidated AB 1X27. As a result, all redevelopment agencies dissolved and ceased to operate as a legal entity effective February 1, 2012. The matter is disclosed in more detail in note 3-J on page 65. The accompanying financial statements presents the financial position and changes in the financial position as of and for the seven months ended January 31, 2012 and prior to CRA/LA's dissolution.

- The net assets of CRA/LA exceeded its liabilities at the close of the seven months ended January 31, 2012 by \$97,391,000. The net assets consisted of \$24,560,000 invested in capital assets net of related debt; \$80,158,000 restricted for the payment of enforceable obligations; and (\$7,327,000) unrestricted funds from the Internal Service and Enterprise funds, respectively (page 13).
- The CRA/LA's financial activities during the seven months ended January 31, 2012 resulted in a positive net change in total net assets of \$35,268,000. Governmental activities posted an increase in net assets of \$35,422,000, while business-type activities posted a decrease of \$154,000 respectively (page 14).
- As of the close of the seven months ended January 31, 2012, the CRA/LA's governmental funds reported combined ending fund balances of \$506,856,000, a decrease of \$15,085,000 in comparison with the prior year. The entire fund balance of \$506,856,000 is restricted for the payment of enforceable obligations. (page 15).
- The CRA/LA's bonded debt and long-term notes payable at January 31, 2012 net of unamortized premiums/discounts and deferred amounts from refunding totaled \$724,235,000, a decrease of \$27,839,000 from the prior year's balance of \$752,074,000 (page 44).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the CRA/LA's basic financial statements. The CRA/LA's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and, 3) notes to basic financial statements. The report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the CRA/LA's finances, in a presentation similar to that of a private sector business.

The *statement of net assets* presents information on all of the CRA/LA's assets and liabilities, with the difference between the two reported as *net assets*.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Management's Discussion and Analysis - (Continued)

January 31, 2012

The *statement of activities* presents information showing how the CRA/LA's net assets changed during the seven months ended January 31, 2012 and prior to its dissolution. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues, and earned but unused vacation leave).

The governmental activities of CRA/LA include housing, community and economic development, public improvement, project general, and debt service while the business-type activity of CRA/LA includes a CRA/LA-owned and operated public parking facility.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CRA/LA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of CRA/LA can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. This reconciliation can be found on pages 16, 18, and 19.

CRA/LA maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the capital projects fund, debt service fund, housing fund, and special revenue fund, which are all considered to be major funds.

The governmental fund financial statements can be found on pages 15 and 17 of this report.

CRA/LA adopts an annual appropriated budget for all governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the housing and special revenue funds in the *Required Supplementary Information* on pages 71 and 72, and the capital projects and debt service funds in the *Other Supplementary Information* on pages 74 and 75.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Management's Discussion and Analysis - (Continued)

January 31, 2012

Proprietary funds. CRA/LA maintains two different types of proprietary funds. An *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. CRA/LA uses an enterprise fund to account for the operation of a public parking garage financed by parking revenue bonds. *Internal service funds* are an accounting device used to accumulate and allocate costs and revenues internally among the CRA/LA's various functions. CRA/LA uses internal service funds to account for its personnel and administrative costs, an investment pool, and the transactions of its financing authority. Because all of these functions predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the above functions. Conversely, these internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside CRA/LA. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the CRA/LA's own programs. The accounting method used for fiduciary funds is much like that used for proprietary funds except that the fiduciary funds do not have a measurement focus.

The fiduciary fund financial statement can be found on page 23 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 24 through 69 of this report.

Other information. In addition to the basic 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 on page 70 of this report, and a budgetary comparison for the housing and special revenue funds on pages 71 and 72 of this report. Other supplementary information concerning the CRA/LA's budgetary comparison for capital projects and debt service funds, financial statements of the internal service funds, financial statements of the fiduciary funds, financial statements of individual redevelopment project areas, and third-party indebtedness, is presented on pages 74 through 83.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. As of the close of the seven months ended January 31, 2012, the CRA/LA's net assets exceeded its liabilities by \$97,391,000, \$103,847,000 from governmental activities and a negative \$6,456,000 from business-type activities. Of this total net asset amount, \$24,560,000 is invested in capital assets net of related debt, and \$72,831,000 is restricted for the payment of enforceable obligations, disposal of all assets of the CRA/LA, and remittance of unencumbered balances to the County for distribution to taxing entities .

The nature of redevelopment financing is such that CRA/LA issues bonds or incurs long-term debt to finance a substantial portion of its redevelopment activities which include infrastructure projects, housing, public parking, commercial and retail projects, community development activities, and others. Although infrastructure assets are transferred to the City of Los Angeles, the debt remains with CRA/LA.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Management's Discussion and Analysis - (Continued)

January 31, 2012

CRA/LA also provides gap financing in other types of redevelopment activities and any equity assumed in these projects is usually significantly less than the underlying expenses. In addition to the public purpose of these redevelopment activities, they are designed to generate additional tax increment resources, to service the CRA/LA's debt and finance additional projects.

The following table summarizes the CRA/LA's government-wide net assets (dollars in thousands):

	CRA/LA's Net Assets (Deficit)					
	Seven Months Ended January 31, 2012			June 30, 2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 563,314	\$ 1,946	\$ 565,260	\$ 561,347	\$ 1,933	\$ 563,280
Restricted assets	159,182	5,439	164,621	150,798	6,568	157,366
Land held for redevelopment	120,792	-	120,792	122,992	-	122,992
Capital assets, net of accumulated depreciation and amortization	40,900	30,443	71,343	41,571	30,909	72,480
Total assets	<u>884,188</u>	<u>37,828</u>	<u>922,016</u>	<u>876,708</u>	<u>39,410</u>	<u>916,118</u>
Current and other liabilities	80,314	3,914	84,228	81,731	4,445	86,176
Long-term liabilities, net of unamortized premium, discount, and deferred amount on refunding	700,027	40,370	740,397	726,552	41,267	767,819
Total liabilities	<u>780,341</u>	<u>44,284</u>	<u>824,625</u>	<u>808,283</u>	<u>45,712</u>	<u>853,995</u>
Net assets:						
Invested in capital assets, net of related debt	34,487	(9,927)	24,560	35,158	(10,358)	24,800
Restricted net assets	80,158	-	80,158	505,646	6,568	512,214
Unrestricted	<u>(10,798)</u>	<u>3,471</u>	<u>(7,327)</u>	<u>(472,379)</u>	<u>(2,512)</u>	<u>(474,891)</u>
Total net assets (deficit)	<u>\$ 103,847</u>	<u>\$ (6,456)</u>	<u>\$ 97,391</u>	<u>\$ 68,425</u>	<u>\$ (6,302)</u>	<u>\$ 62,123</u>

The CRA/LA's net assets showed a net increase of \$35,268,000 at January 31, 2012, which is mainly due to the decrease in the deficit. The key element for the decrease in the net deficit was the net change in loan valuation of \$28,508,000. The change was primarily due to the higher valuation for the loan portfolio and an overall increase to the loan principal balance.

Governmental activities. During the seven months ended January 31, 2012, governmental activities net assets increased by \$35,422,000. Program revenues of \$7,332,000 and general revenues of \$131,401,000 generated by the governmental activities supported program expenses of \$81,009,000, and interest on long-term debt of \$22,302,000, leaving a positive change in net assets of \$35,422,000. Of the \$138,733,000 total revenues, \$96,527,000 or 69.58 percent came from tax increment revenues. As reflected in the following table, the program expenses with the exception of the project general category showed a decrease of \$104,226,000 from last year program expenses of \$163,460,000.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Management's Discussion and Analysis - (Continued)

January 31, 2012

The following table and charts provide a summary of the CRA/LA's revenues and expenses for its governmental activities (dollars in thousands):

CRA/LA's Changes in Net Assets - Governmental Activities

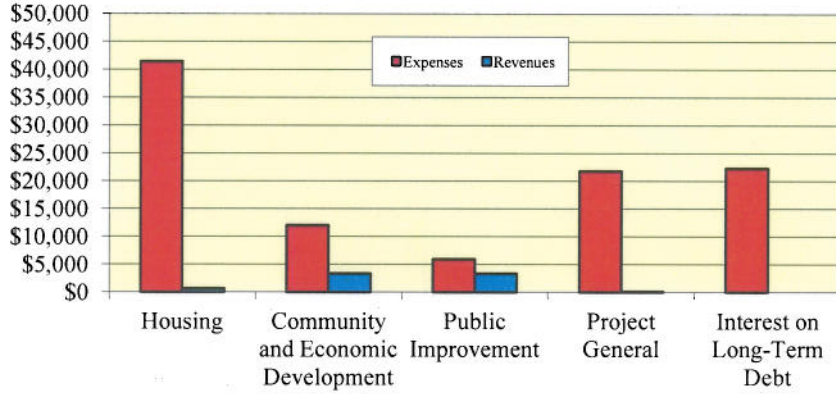
	Seven Months Ended January 31, 2012	Fiscal Year End June 30, 2011
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 6,940	\$ 12,848
Charges for services	392	3,447
Total program revenues	<u>7,332</u>	<u>16,295</u>
General revenues:		
Incremental property taxes	96,527	214,970
Interest income	3,145	4,914
Net change in loan valuation	28,508	14,676
Other	3,221	2,558
Total general revenues	<u>131,401</u>	<u>237,118</u>
Total revenues	<u>138,733</u>	<u>253,413</u>
Program expenses:		
Housing	41,379	78,216
Community and economic development	11,975	44,587
Public improvement	5,880	40,657
Project general	21,775	70,034
Total program expenses	<u>81,009</u>	<u>233,494</u>
Interest on long-term debt	<u>22,302</u>	<u>40,725</u>
Total expenses	<u>103,311</u>	<u>274,219</u>
Special items:		
Gain on settlement of long-term debt	-	47,007
Transfer of properties	-	(93,410)
Total special items	<u>-</u>	<u>(46,403)</u>
Change in net assets	35,422	(67,209)
Net assets (deficit) - beginning of year	<u>68,425</u>	<u>135,634</u>
Net assets (deficit) - end of year	<u>\$ 103,847</u>	<u>\$ 68,425</u>

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

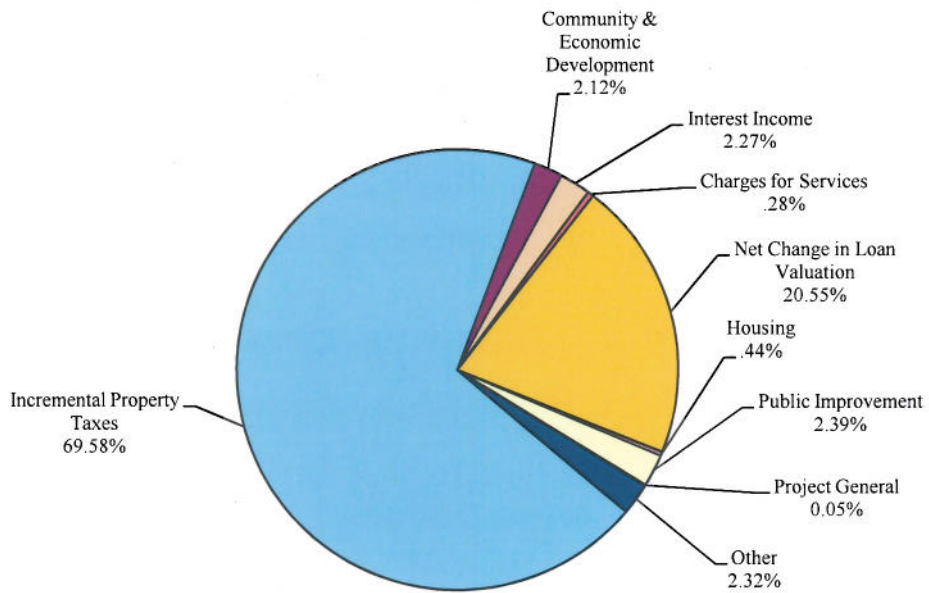
Management's Discussion and Analysis - (Continued)

January 31, 2012

**Expenses and Program Revenues - Governmental Activities
For the Seven Months Ended January 31, 2012**



**Revenues by Source - Governmental Activities
For the Seven Months Ended January 31, 2012**



**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Management's Discussion and Analysis - (Continued)

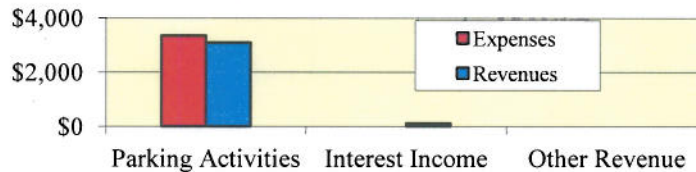
January 31, 2012

Business-type activities. A CRA/LA-owned public parking garage financed with parking revenue bonds started operations in March 2002. At the end of January 31, 2012, the garage showed a negative change in net assets of \$154,000 increasing the deficit from \$6,302,000 to \$6,456,000 from the prior year. The negative net change can be accounted for mainly from the decrease in total revenues of the garage. The following summarizes the operating results of the CRA/LA's enterprise fund for the seven months ended January 31, 2012 (dollars in thousands):

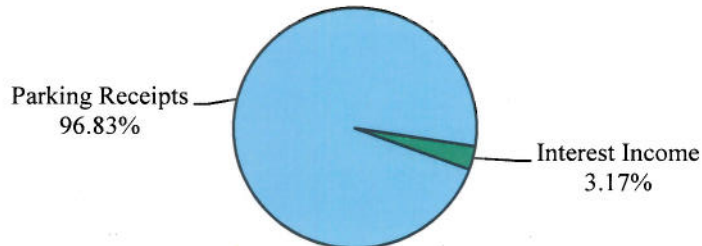
CRA/LA's Changes in Net Assets - Business-type Activities

	Seven Months Ended January 31, 2012	Fiscal Year Ended June 30, 2012
Revenues:		
Parking receipts	\$ 3,088	\$ 4,390
Interest income	101	202
Other	-	316
Total revenues	3,189	4,908
Expenses:		
Parking activities & debt service	3,343	5,389
Change in net assets	(154)	(481)
Deficit - beginning of year	(6,302)	(5,821)
Deficit - end of year	\$ (6,456)	\$ (6,302)

**Expenses and Program Revenues - Business-type Activities
For the Seven Months Ended January 31, 2012**



**Revenues by Source - Business-type Activities
For the Seven Months Ended January 31, 2012**



THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Management's Discussion and Analysis - (Continued)

January 31, 2012

FINANCIAL ANALYSIS OF THE CRA/LA'S FUNDS

As noted earlier, CRA/LA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the CRA/LA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the CRA/LA's financing requirements. Individual fund information of governmental funds reported by CRA/LA include the capital projects fund, debt service fund, housing fund, and special revenue fund, which are all considered major funds.

As of January 31, 2012, the CRA/LA's governmental funds reported a combined ending fund balance of \$506,856,000, a decrease of \$15,985,000 in comparison with the prior year. Of the total ending fund balance, \$506,856,000 is restricted for the payment of enforceable obligations, disposal of all the assets of CRA/LA, and remittance of unencumbered balances to the County for distribution to taxing entities.

Capital Projects Fund. The capital projects fund is used to account for redevelopment expenditures from tax increment, bond proceeds, federal grants, and project program income. The balance of this fund at the end of January 31, 2012 amounted to \$323,209,000, an increase of \$11,559,000 from prior year's fund balance.

Debt Service Fund. The debt service fund is used to accumulate resources to pay for principal, interest, and other related costs on the CRA/LA's long-term debt. As of January 31, 2012, the debt service fund had a total balance of \$94,431,000 all of which is restricted for debt service.

Housing Fund. The housing fund primarily accounts for the portion of tax increment and related revenue designated for low and moderate-income housing. State law requires redevelopment agencies to set aside at least 20 percent of tax increment for low and moderate-income housing activities. The entire fund balance is restricted for low and moderate-income housing activities. As of January 31, 2012, the housing fund balance decreased from last year's balance by \$28,865,000 to a total of \$78,852,000.

Special Revenue Fund. The special revenue fund is used to account for revenues and expenditures from specific sources such as developer contributions, City participation, art fund contributions, and local grants. At January 31, 2012, the special revenue fund balance decreased by \$1,685,000 to \$10,364,000 in comparison with last year's fund balance of \$12,049,000.

Proprietary funds. The CRA/LA's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of January 31, 2012, the CRA/LA-owned parking garage showed a deficit of \$6,456,000.

CAPITAL ASSETS

The CRA/LA's investments in capital assets net of accumulated depreciation and amortization for its governmental and business-type activities as of January 31, 2012 totaled \$40,900,000 and \$30,443,000, respectively. The CRA/LA'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, which was financed by the issuance of \$44,235,000 of parking revenue bonds, was opened for business in March 2002.

Additional information on the CRA/LA's capital assets can be found in note 2-C on pages 39 and 40 of this report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Management's Discussion and Analysis - (Continued)

January 31, 2012

DEBT ADMINISTRATION

At January 31, 2012, the CRA/LA's long-term debt of \$724,235,000, net of unamortized bond premium/discount and deferred amounts on refunding is summarized as follows (dollars in thousands):

CRA/LA's Long-Term Liabilities

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Tax allocation bonds	\$ 646,444	\$ -	\$ 646,444
Parking revenue bonds	-	36,333	36,333
Notes payable	21,617	4,037	25,654
Payable to the City	<u>15,804</u>	<u>-</u>	<u>15,804</u>
 Total	 <u>\$ 683,865</u>	 <u>\$ 40,370</u>	 <u>\$ 724,235</u>

As of January 31, 2012, CRA/LA had 67 tax allocation bonds and one parking revenue bond outstanding, totaling \$682,777,000, net of unamortized bond premiums, discounts, and related items of \$423,000. Of the 67 tax allocation bond issues, 47 are insured. This equates to 82.1 percent of the original principal amount of bonds having been issued with insurance. Investors with insured CRA/LA 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's long-term liabilities can be found in note 2-F, 2-G, and 2-H on pages 43 through 51 of this report.

ECONOMIC AND LEGISLATIVE FACTORS

The following economic and legislative factors will impact the CRA/LA's future resources beyond 2012.

- *Legislative action.* On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X26 that provides for the dissolution of all redevelopment agencies in the State of California. Pursuant to AB 1X26, all California redevelopment agencies were dissolved and ceased to operate as a legal entity as of February 1, 2012. Additional information on the dissolution can be found in 3-J on page 65 of this report
- *Employment.* According to the Los Angeles County Economic Development Corporation (LAEDC), in 2012 the jobless rate is expected to edge down to an average of 11.5 percent. In 2013, the unemployment rate will fall to 10.9 percent. Business firms will be cautious in rehiring until they believe the recovery in their own sales and profits is well established.
- *Personal income growth.* LAEDC projected total personal income for Los Angeles County grew by an estimated 4.6 percent in 2011, and is expected to grow 3.0 percent this year.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Management's Discussion and Analysis - (Continued)

January 31, 2012

- *Inflation rate.* The LAEDC estimated the inflation rate for the Southern California area, as measured by the consumer price index, to increase by 2.5 percent in calendar year 2012.
- *Local economy.* Given the continued slowdown in regional economic activity, CRA/LA may experience over the next two to three years a double digit decline in its net tax increment revenues, which currently constitutes 68.7 percent of its total revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the CRA/LA'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.

BASIC FINANCIAL STATEMENTS

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Statement of Net Assets

**January 31, 2012
(In Thousands)**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 119,034	\$ 188	\$ 119,222
Unrestricted investments	269,625	-	269,625
Receivables:			
Incremental property taxes	2	-	2
Grants	3,639	-	3,639
Accrued interest	184	-	184
Other, net of uncollectibles of \$196	7,365	67	7,432
Loans receivable, net of allowance for market value write-downs and uncollectibles of \$594,399	121,739	-	121,739
Restricted assets	159,182	5,439	164,621
Deferred charges	14,986	1,659	16,645
Deposits for land acquisition	19,706	-	19,706
Land held for redevelopment	120,792	-	120,792
Capital assets, net of accumulated depreciation and amortization of \$26,555:			
Land	31,237	10,428	41,665
Building and improvements	1,112	19,318	20,430
Equipment and leasehold improvements	8,551	697	9,248
Other assets	7,034	32	7,066
Total assets	884,188	37,828	922,016
LIABILITIES			
Accounts payable and accrued liabilities	16,163	438	16,601
Interest payable	17,925	3,361	21,286
Deferred revenue	5,741	-	5,741
Deposits and other liabilities	40,485	115	40,600
Noncurrent liabilities:			
Due within one year	52,400	980	53,380
Due in more than one year	647,627	39,390	687,017
Total liabilities	780,341	44,284	824,625
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	34,487	(9,927)	24,560
Restricted for the payment of enforceable obligations	80,158	-	80,158
Unrestricted	(10,798)	3,471	(7,327)
Total net assets (deficit)	\$ 103,847	\$ (6,456)	\$ 97,391

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Statement of Activities

**For the Seven Months Ended January 31, 2012
(In Thousands)**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Program expenses:						
Housing	\$ 41,379	\$ -	\$ 606	\$ (40,773)	\$ -	\$ (40,773)
Community and economic development	11,975	392	2,945	(8,638)	-	(8,638)
Public improvement	5,880	-	3,316	(2,564)	-	(2,564)
Project general	21,775	-	73	(21,702)	-	(21,702)
Interest on long-term debt	22,302	-	-	(22,302)	-	(22,302)
Total governmental activities	<u>103,311</u>	<u>392</u>	<u>6,940</u>	<u>(95,979)</u>	<u>-</u>	<u>(95,979)</u>
Business-type activities:						
Parking activities	<u>3,343</u>	<u>3,088</u>	<u>-</u>	<u>-</u>	<u>(255)</u>	<u>(255)</u>
Total business-type activities	<u>3,343</u>	<u>3,088</u>	<u>-</u>	<u>-</u>	<u>(255)</u>	<u>(255)</u>
Total government-wide	<u>\$ 106,654</u>	<u>\$ 3,480</u>	<u>\$ 6,940</u>	<u>(95,979)</u>	<u>(255)</u>	<u>(96,234)</u>
General revenues:						
Incremental property taxes				96,527	-	96,527
Interest income				3,145	101	3,246
Net change in loan valuation				28,508	-	28,508
Other				3,221	-	3,221
Total general revenues				<u>131,401</u>	<u>101</u>	<u>131,502</u>
Change in net assets				35,422	(154)	35,268
Net assets (deficit) - beginning of year				<u>68,425</u>	<u>(6,302)</u>	<u>62,123</u>
Net assets (deficit) - seven months ended 1/31/12				<u>\$ 103,847</u>	<u>\$ (6,456)</u>	<u>\$ 97,391</u>

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Balance Sheet
Governmental Funds**

**January 31, 2012
(In Thousands)**

	Capital Projects	Debt Service	Housing	Special Revenue	Total Governmental Funds
ASSETS					
Cash	\$ 5,554	\$ -	\$ 23	\$ 22	\$ 5,599
Receivables:					
Incremental property taxes	2	-	-	-	2
Grants	2,994	-	-	645	3,639
Accrued interest	1	-	-	2	3
Other, net of uncollectibles of \$196	3,374	-	-	1,340	4,714
Due from other funds	317,278	8,516	79,635	10,513	415,942
Loans receivable, net of allowance for market value write-downs and uncollectibles of \$594,399	32,783	-	87,801	1,155	121,739
Restricted assets	52,567	87,256	10,137	1,043	151,003
Advances to other funds	15,100	-	-	-	15,100
Other assets	2,382	-	316	2,618	5,316
Total assets	\$ 432,035	\$ 95,772	\$ 177,912	\$ 17,338	\$ 723,057
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 8,482	\$ -	\$ 4,945	\$ 563	\$ 13,990
Due to other funds	32,215	458	6,300	1,789	40,762
Advances from other funds	12,094	-	-	315	12,409
Deferred revenue	36,008	-	87,815	3,657	127,480
Other liabilities	20,027	883	-	650	21,560
Total liabilities	108,826	1,341	99,060	6,974	216,201
Fund balances:					
Restricted	323,209	94,431	78,852	10,364	506,856
Total fund balances	323,209	94,431	78,852	10,364	506,856
Total liabilities and fund balances	\$ 432,035	\$ 95,772	\$ 177,912	\$ 17,338	\$ 723,057

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of
Net Assets of Governmental Activities**

**January 31, 2012
(In Thousands)**

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances of all governmental funds (page 15)		\$ 506,856
Long-term receivables are not available to pay for current expenditures and are deferred on the modified accrual basis.		
Loans receivable		121,739
Deposits held for land acquisition are not spendable financial resources, therefore, are not reported in governmental funds.		19,706
Land held for redevelopment are not spendable financial resources, therefore, are not reported in governmental funds.		120,792
Land, building and improvements are not spendable financial resources, therefore, are not reported in governmental funds.		32,349
Interfund receivable/payable between the enterprise fund and the capital projects fund in governmental funds have been eliminated for financial statement presentation. This interfund receivable/payable do not affect the governmental activities.		7
Debt issuance costs are expended in governmental funds when paid, however, are capitalized and amortized over the life of the corresponding debt for purposes of the statement of net assets.		
Unamortized debt issuance costs		14,986
Interest payable on long-term debt does not require the use of current financial resources, therefore, is not accrued as a liability in the balance sheet of governmental funds.		(17,925)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in governmental funds.		
Long-term liabilities	\$ (694,094)	
Unamortized premiums, discounts, and deferred amounts on refunding	(569)	(694,663)
Net assets of governmental activities (page 13)		<u>\$ 103,847</u>

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds**

**For the Seven Months Ended January 31, 2012
(In Thousands)**

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Housing</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:					
Incremental property taxes	\$ 96,527	\$ -	\$ -	\$ -	\$ 96,527
Grants	3,624	-	-	770	4,394
Interest income	1,241	119	1,770	15	3,145
Loan repayments	2,050	-	3,011	-	5,061
Rental income	370	-	-	22	392
Proceeds from sale of land	496	-	-	-	496
Developer participation	-	-	-	1,448	1,448
City participation	-	-	-	1,098	1,098
Other	2,440	10	105	170	2,725
	<u>106,748</u>	<u>129</u>	<u>4,886</u>	<u>3,523</u>	<u>115,286</u>
Total revenues					
Expenditures:					
Current:					
Program salaries and administrative costs, including technical and professional personnel	20,403	-	3,187	6	23,596
Real estate and other acquisition costs	7	-	34	-	41
Housing	18,961	-	14,481	786	34,228
Rehabilitation	1,753	-	-	-	1,753
Public improvement	4,638	-	-	256	4,894
Relocation	1,042	-	93	42	1,177
Development loans	1,314	-	1,450	1,431	4,195
Community service	1,230	-	750	-	1,980
Tax increment administrative fees	4,104	-	-	-	4,104
Other	1,450	-	629	1,964	4,043
Debt service:					
Principal	-	27,095	-	-	27,095
Interest expense	-	24,165	-	-	24,165
	<u>54,902</u>	<u>51,260</u>	<u>20,624</u>	<u>4,485</u>	<u>131,271</u>
Total expenditures					
Revenues over (under) expenditures	<u>51,846</u>	<u>(51,131)</u>	<u>(15,738)</u>	<u>(962)</u>	<u>(15,985)</u>
Other financing sources (uses):					
Transfers in	9,189	62,816	1,733	-	73,738
Transfers out	(49,476)	(8,679)	(14,860)	(723)	(73,738)
	<u>(40,287)</u>	<u>54,137</u>	<u>(13,127)</u>	<u>(723)</u>	<u>-</u>
Total other financing sources (uses)					
Net change in fund balances	11,559	3,006	(28,865)	(1,685)	(15,985)
Fund balances, beginning of year	311,650	91,425	107,717	12,049	522,841
Fund balances, seven months ended 1/31/12	<u>\$ 323,209</u>	<u>\$ 94,431</u>	<u>\$ 78,852</u>	<u>\$ 10,364</u>	<u>\$ 506,856</u>

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities of Governmental Activities**

**For the Seven Months Ended January 31, 2012
(In Thousands)**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - governmental funds (page 17) \$ (15,985)

New loans, loan repayments, and related items recognized in governmental funds are reported in the statement of net assets as increases (decreases) in the loans receivable.

New loans given during the fiscal year	\$ 18,755	
Loan repayments received	(5,475)	
Write-offs	(930)	
Adjustments	3,497	
Net change in fair market value	12,661	28,508

The net effect of various transactions involving court and other deposits and land held for redevelopment is to increase (decrease) net assets.

Change in court and other deposits for land acquisition (752)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation or amortization expense.

Change in land, building, and leasehold improvements	(2,230)	
Amortization of leasehold improvements	(88)	(2,318)

Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.

Amortization of debt issuance costs (635)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the statement of activities.

Amortization of premiums, discounts, and deferred amounts on refunding (153)

Continued...

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities of Governmental Activities - (Continued)

For the Seven Months Ended January 31, 2012
(In Thousands)

Principal repayment of long-term debt is reported as an expenditure in the governmental funds, thus, has the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payment on long-term debt 27,095

Accrued interest expense on long-term debt is reported in the statement of activities, but does not require the use of current financial resources. This amount represents the decrease in accrued interest expense not reported in governmental funds.

276

Amount represents other postemployment benefits cost for the year, which was accrued in the statement of activities but not in the governmental funds due to pending future funding.

(614)

Change in net assets of governmental activities (page 14)

\$ 35,422

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Proprietary Funds

Statement of Net Assets

**January 31, 2012
(In Thousands)**

	Governmental Activities Internal Service	Business-type Activities Enterprise Fund
ASSETS		
Current assets:		
Cash	\$ 113,435	\$ 188
Unrestricted investments	269,625	-
Receivables:		
Accrued interest	181	-
Other	2,651	60
Due from other funds	4,312	7
Other assets	1,718	32
Total current assets	391,922	287
Noncurrent assets:		
Restricted assets	8,179	5,439
Deferred charges	-	1,659
Capital assets:		
Land	-	10,428
Building and improvements	-	25,534
Equipment and leasehold improvements	25,326	873
Less accumulated depreciation and amortization	(16,775)	(6,392)
Total capital assets, net of accumulated depreciation and amortization	8,551	30,443
Total noncurrent assets	16,730	37,541
Total assets	408,652	37,828
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,173	438
Interest payable	-	3,361
Due to other funds	390,675	-
Compensated absences	1,939	-
Matured bonds payable	-	980
Other liabilities	2,191	115
Total current liabilities	396,978	4,894
Noncurrent liabilities:		
Advances from other funds	2,691	-
Compensated absences	821	-
Other postemployment benefits obligation	13,402	-
Other liabilities	5,558	-
Notes payable	-	4,037
Bonds payable	-	35,353
Total noncurrent liabilities	22,472	39,390
Total liabilities	419,450	44,284
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	2,691	(9,927)
Restricted for:		
Debt service	-	5,439
Unrestricted	(13,489)	(1,968)
Total net assets (deficit)	\$ (10,798)	\$ (6,456)

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Seven Months Ended January 31, 2012

(In Thousands)

	Governmental Activities Internal Service	Business-type Activities Enterprise Fund
Operating revenues:		
Parking receipts	\$ -	\$ 3,088
Applied charges	23,597	-
Total operating revenues	23,597	3,088
Operating expenses:		
Personnel compensation	12,756	-
Employee benefits	6,740	-
Central office expenses	3,202	-
Depreciation expense	593	466
Other administrative costs	920	1,328
Total operating expenses	24,211	1,794
Net income (loss) from operating activities	(614)	1,294
Nonoperating revenues (expenses):		
Interest income	11,115	101
Interest on long-term debt	-	(1,502)
Amortization of bond issuance costs	-	(47)
Interest income allocated to participating funds	(11,115)	-
Total nonoperating revenues (expenses)	-	(1,448)
Change in net assets	(614)	(154)
Total deficit - beginning of year	(10,184)	(6,302)
Total deficit - seven months ended January 31, 2012	\$ (10,798)	\$ (6,456)

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Proprietary Funds

Statement of Cash Flows

**For the Seven Months Ended January 31, 2012
(In Thousands)**

	Governmental Activities Internal Service	Business-type Activities Enterprise Fund
Cash flows from operating activities:		
Reimbursements for applied charges	\$ 23,597	\$ -
Parking receipts	-	3,036
Payments to employees	(18,882)	-
Payments to other vendors	(2,594)	(1,215)
Net cash provided by operating activities *	2,121	1,821
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(40)	-
Principal paid on capital debt	-	(925)
Interest paid on capital debt	-	(2,150)
Deposits from other funds for capital and financing activities	298,318	-
Payments for capital and financing activities	(205,362)	-
Net cash provided (used) by capital and related financing activities	92,916	(3,075)
Cash flows from investing activities:		
Proceeds from sale of investments	438,829	1,129
Purchase of investments	(534,600)	-
Interest income	11,115	101
Interest income allocated to other funds	(11,115)	-
Net cash used by investing activities	(95,771)	1,230
Net decrease in cash and cash equivalents	(734)	(24)
Cash and cash equivalents, beginning of year	114,169	212
Cash and cash equivalents, January 31, 2012	\$ 113,435	\$ 188
* Reconciliation of operating income to net cash provided by operating activities:		
Net income (loss) from operating activities	\$ (614)	\$ 1,294
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expenses	593	466
(Increase) decrease in other receivables	15	(52)
Decrease in due from other funds	2,685	-
Increase in other assets	(656)	(32)
Increase (decrease) in accounts payable and accrued liabilities	(367)	141
Increase in due to other funds	13	-
Decrease in compensated absences	(197)	-
Increase in other liabilities	35	4
Increase in other postemployment benefits obligation	614	-
Net cash provided by operating activities	\$ 2,121	\$ 1,821

See accompanying notes to basic financial statements.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Fiduciary Funds

Statement of Fiduciary Net Assets - Agency Funds

January 31, 2012
(In Thousands)

ASSETS

Due from other funds	\$ 11,177
Restricted assets	<u>1,283</u>
Total assets	<u>\$ 12,460</u>

LIABILITIES

Accounts payable	\$ 13
Construction disbursements payable	10,265
Other liabilities:	
Good faith deposits payable	1,594
Unclaimed properties	251
Security deposits	331
Other	<u>6</u>
Total liabilities	<u>\$ 12,460</u>

See accompanying notes to basic financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The financial statements of The Community Redevelopment Agency of the City of Los Angeles, California (CRA/LA) as of and for the seven months ended January 31, 2012, present the final seven months of activities of the CRA/LA prior to the date of dissolution. After February 1, 2012, the assets and activities of the dissolved CRA/LA are reported in the financial statements of the newly formed CRA/LA, A Designated Local Authority (CRA/LA-DLA).

The financial statements of the CRA/LA as of and for the seven months ended January 31, 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 CRA/LA are described below.

A. Reporting Entity

CRA/LA was established by the Los Angeles City Council (City Council) in 1948 for the purpose of eliminating blight and promoting economic revitalization within designated project areas of the City of Los Angeles (City). As a quasi-governmental entity established pursuant to the Community Redevelopment Law of California as codified in the State of California Health and Safety Code, CRA/LA has no legislative authority. A Board of Commissioners (CRA/LA Board) appointed by the Mayor and confirmed by City Council oversees CRA/LA. Under the "Oversight Ordinance" adopted in 1991, nearly every action of CRA/LA is subject to City Council review and/or approval.

Prior to February 1, 2012, CRA/LA was considered a component unit of the City and its financial transactions were discreetly presented in the financial statements of the City. 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 will agree to serve as the Successor Agency to hold the assets until they are 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 resolution number Council File 12-0049. Subsequently, and as authorized by State Law, Governor Brown appointed three County residents to serve as the governing board of CRA/LA-DLA which was established on February 3, 2012 to serve as the Successor Agency. This action impacted the reporting entity of the City. Consequently, CRA/LA is no longer considered a component unit of the City.

The CRA/LA's basic financial statements present an aggregation of 1) funds associated with 31 active redevelopment project areas; 2) funds associated with two inactive redevelopment project areas; 3) funds received by CRA/LA that are designated for specific feasibility studies and housing uses; and 4) other funds that may be used citywide for redevelopment purposes. The redevelopment project areas are separate, individual legal entities and are overseen by CRA/LA.

CRFA, Blended Component Unit

On June 5, 1992, based on a joint powers agreement, CRA/LA and the CRA/LA'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 COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of CRA/LA. Governmental activities, which are normally supported by incremental property taxes, intergovernmental revenues and grants, are reported separately from business-type activities, which rely to a significant extent on fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Direct expenses also include allocated indirect costs, such as staff salaries, rents, utilities, supplies, depreciation and amortization of capital assets, and other administrative costs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

CRA/LA reports the following major funds:

Governmental Funds:

Capital Projects Fund – This fund accounts for all revenues and costs of funding redevelopment activities such as land acquisitions, public improvements, relocations, and other project costs in compliance with the California redevelopment law. Revenues deposited in this fund include incremental property taxes, federal grants, and various project program income.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Housing Fund – This fund represents primarily the statutorily required set-aside of at least 20 percent of each redevelopment project area's incremental property tax revenue and tax allocation bond proceeds to support low and moderate-income housing as defined by state law.

Special Revenue Fund – This fund is used to account for the proceeds from specific revenue sources such as developer contributions, art fund contributions, and local grants. Expenditures in this fund are restricted or committed to specific projects.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All of the above governmental funds have annual appropriated budgets. The budget-to-actual comparison of the governmental funds is shown in the Required Supplementary Information and Other Supplementary Information of this report. The CRA/LA's budgetary process is discussed in the Note to Required Supplementary Information on page 73.

Proprietary Funds:

Enterprise Fund – The enterprise fund is used for operations that are financed and operated in a manner similar to private business enterprises. CRA/LA uses this fund to account for activities related to a public parking garage financed by tax-exempt parking revenue bonds with the intent of servicing the debt, and maintaining and operating the facility through revenues generated by the facility in accordance with the respective bond indenture.

Internal Service Fund – CRA/LA reports the following funds within its internal service fund:

- 1) Operating Fund – CRA/LA uses an operating fund to account for costs of operating the CRA/LA which include staff salaries, rents, utilities, supplies, depreciation and amortization of capital assets, and other administrative costs. These costs are allocated to projects using defined allocation rules through an indirect cost allocation plan.
- 2) Investment Fund – CRA/LA uses an investment fund to combine and invest resources of those funds (participating funds) that do not have yield restrictions or other limitations on investments. By combining resources, CRA/LA is able to increase its investment yield by creating a larger “pool” from which to invest its resources. Interest earned from these pooled investments is allocated to participating funds based on each fund's average daily equity balance during the fiscal year.

Within the investment fund is a revolving cash account where all cash transactions are made. Cash transactions for participating funds increase/decrease the equity of each fund in the investment fund while cash transactions for nonparticipating funds create a receivable/payable from/to the investment fund that are cleared periodically through fund transfers.

- 3) Financing Authority – This fund accounts for the transactions of the CRFA, which is considered a blended component unit in the accompanying basic financial statements.

Additionally, CRA/LA reports the following fiduciary fund type:

Agency Fund – The agency fund is used to account for good faith deposits, construction disbursement, and security deposits held by CRA/LA acting in an agent capacity and is custodial in nature (assets equal liabilities).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, CRA/LA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Incremental property taxes, interest income, and certain loan repayments are susceptible to accrual. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Other revenues that are generally not measurable until actually received are not accrued. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payments are due.

The fiduciary fund, which consists of the agency funds, uses the accrual basis of accounting, but does not have a measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. CRA/LA also has the option of following subsequent private-sector guidance for its business-type activities and enterprise fund, subject to this same limitation. CRA/LA has elected not to follow subsequent private-sector guidance.

As a general rule, the effects of interfund activities have been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used which are not eliminated in the process of consolidation.

Amounts reported as program revenues include capital grants and contributions, and charges for services. Internally dedicated resources such as incremental property tax revenues are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the CRA/LA's internal service and enterprise funds are applied charges, which are reimbursements from projects for operating costs, and parking receipts, respectively. Operating expenses for internal service and enterprise funds include administrative expenses, and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the CRA/LA's practice to use restricted resources first, then unrestricted resources, as they are needed.

CRA/LA considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for the purpose for which amounts in any of those unrestricted fund classifications could be used, CRA/LA considers as amounts spent in the order of committed, assigned, and unassigned.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash, Cash Equivalents, 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-F) 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.

Under State Law and authority delegated to CRA/LA by City Council, CRA/LA is authorized to invest in a variety of securities and financial instruments including interest bearing bank accounts, U.S. Treasuries, Federal agency obligations, certificates of deposit, commercial paper, and the State of California administered LAIF, provided that cash deposits maintained with banks and savings institutions in excess of the Federally insured amount are fully collateralized in accordance with State law governing deposits of public funds. The primary investment considerations are safety, liquidity, and yield.

E. Loans Receivable

To enhance the redevelopment process, CRA/LA grants below-market interest rate loans primarily for the rehabilitation and development of low and moderate-income housing and the development of commercial properties. Since these loans are generated to assist various redevelopment project areas, repayment terms are structured to meet requirements established by CRA/LA 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 defined by a specific loan agreement.

As a condition for granting below-market interest rate loans, CRA/LA requires covenants on these projects including but not limited to defining development terms, income restrictions with respect to tenants and oversight ability on the projects' operations. These covenants, loan conditions, and repayment terms are monitored by CRA/LA to ensure compliance with redevelopment goals and objectives and specific loan agreements.

In the government-wide financial statements, the CRA/LA's loans receivable are reported net of allowance for market value write-downs and uncollectibles. In the fund financial statements, the CRA/LA's loans receivable are shown in the balance sheet with an offset to a deferred revenue account. Loans are not available spendable resources; and therefore, are recorded as project costs in the year the loan is disbursed. Accordingly, repayments of principal and interest are recorded as revenue in the period received.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets

Restricted assets consist primarily of investments maintained by the CRA/LA's 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 CRA/LA's tax allocation and parking revenue bond obligations.

G. Land Held for Redevelopment

As part of its redevelopment activities, CRA/LA may acquire land for eventual disposition to housing or commercial real estate developers based on the reuse appraisal of the land. While CRA/LA may exercise the power of eminent domain to acquire land, the majority of land acquisitions were consummated by means other than eminent domain.

In the government-wide financial statements, land acquired and subsequently conveyed for redevelopment activities are reported as assets or reduction from the assets, whereas, in the fund financial statements, land acquisitions and dispositions are recorded as project costs or revenues in the year acquired or conveyed.

H. Capital Assets

CRA/LA's capital assets other than land, and building and improvements are acquired using funds advanced from the CRA Special Revenue Fund. When capital assets are acquired, "Advances to/from Other Funds" are recorded between the internal service fund and the CRA Special Revenue Fund. The balances on these accounts are reduced by the depreciation and amortization or sale of these capital assets (note 1-B, Internal Service Fund and note 1-I).

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

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Interfund Receivable, Payable, and Transfers

Interfund transactions are made between funds for various reasons, some of which are statutory in nature. Generally, these interfund transactions only affect funds within a project area as State redevelopment law prohibits the transferring of funds between project areas without an approved finding of benefit.

Interfund receivable/payable between these funds are recorded as current and non-current interfunds and are subject to elimination upon consolidation. Current interfund transactions are reported in the fund financial statements as "Due to/from Other Funds" and long-term interfund transactions as "Advances to/from Other Funds".

The CRA Special Revenue and the Bunker Hill Program Income funds, which are reported in the capital projects fund, may be used for eligible redevelopment expenditures without geographical restrictions. As authorized in the CRA/LA's budgets, these funds are used to pay for expenditures in various projects, either because the projects do not have sufficient resources, or cannot pay for the expenditures due to use-restrictions on their available resources. The beneficiary projects are required to reimburse the CRA Special Revenue and Bunker Hill Program Income funds from future available project resources. Because the timing and amounts of these reimbursements are uncertain, the transactions are recorded as transfers, rather than advances.

J. Compensated Absences

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

The vacation earned and accumulated sick leave hours are liquidated in the internal service fund.

K. Pollution Remediation

Brownfields (abandoned, under-utilized, and/or blighted properties likely impacted by environmental contamination) exist throughout redevelopment project areas in the City and CRA/LA desires to transform these brownfields into usable properties that contribute to the economic and/or cultural foundation of the project areas. CRA/LA has acquired several parcels of brownfields sites. As part of the acquisition of these sites, CRA/LA ensures that the cleanup of any environmental contamination is undertaken by CRA/LA or as part of its redevelopment agreement with subsequent owners or developers.

Under the provisions of GASB Statement No. 49, CRA/LA 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).

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Long-term Obligations

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net assets. 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 reported as deferred charges and amortized over the term of the related debt using the straight-line method.

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

M. Deferred Revenue

CRA/LA uses a deferred revenue account in the governmental funds to record revenues that do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received before CRA/LA has a legal claim to them. In subsequent periods, when both revenue criteria are met, or when CRA/LA has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. In the government-wide financial statements, deferred revenue represents resources that have been received, but not yet earned.

N. Construction Disbursements Payable

CRA/LA uses a Construction Disbursements Payable (CDP) account within CRA/LA fund to handle “escrow like” functions formerly performed by an outside escrow company. The CDP account enhances control over construction disbursements and allows CRA/LA to benefit from interest earnings for monies held in the account.

Through the CDP account, CRA/LA provides a disbursement service for borrowers and grantees. Monies deposited to this account are considered loans receivable in the government-wide financial statements, whereas, in the fund financial statements, they are considered as project expenditures at the time of deposit. Interest earnings for the CDP account are returned to the original funding source, unless otherwise specified.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Incremental Property Tax Revenues

Incremental property tax revenues (also known as tax increment revenues) represent property taxes collected from the excess of taxes levied and collected each year on a redevelopment project area over the amount that is levied and collected on the base year property tax assessment (a property tax base year is determined to be the year prior to the establishment of a redevelopment project area).

The County of Los Angeles (County) assesses properties, bills, and collects property taxes, as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

Pursuant to provisions of the California Constitution and the California Revenue and Taxation Code, county assessors are directed to determine the full cash value of locally assessed real and personal property as of January 1 of each year. Locally assessed property is classified as either secured or unsecured. The secured classification includes property on which property tax levied becomes a lien on the property to secure payment of the taxes. Property taxes levied on unsecured property do not become a lien against the unsecured property, but may become a lien on other property owned by the taxpayer. The State Board of Equalization is charged with assessing the value of state-assessed properties as of January 1 of each year. (All state-assessed property is classified as secured property.) Taxable property is assessed at 100 percent of its full cash value as defined by the California Constitution.

Prior to February 1, 2012, CRA/LA's share of the property taxes levied and collected was remitted by the County in ten monthly installments. Property taxes levied are recorded as receivable in the fiscal year of levy. Revenue is recognized in the fund financial statements when it is measurable and available, as discussed under Basis of Accounting (note 1-C).

P. Net Assets and Fund Equity

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of debt service and specific projects and programs as established by the CRA/LA Board.

Unrestricted net assets – This category represents the net assets of CRA/LA, which are not restricted for any project or other purpose. CRA/LA has no unrestricted assets as of January 31, 2012.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, fund balance is classified in the following categories:

Unspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. CRA/LA has no unspendable fund balance as of January 31, 2012.

Restricted fund balance – Includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance – Includes amounts that can be used only for the specific purposes determined by a formal action of the CRA/LA Board. The CRA/LA Board commits fund balance to a specific purpose through a resolution and the committed fund balance can be increased, reduced or eliminated by similar actions. CRA/LA has no committed fund balance as of January 31, 2012.

Assigned fund balance – Includes amounts that are intended to be used by CRA/LA for specific purposes but do not meet the criteria to be classified as restricted or committed. The CRA/LA Board may authorize executive officers to assign fund balance for specific purposes. CRA/LA has no assigned fund balance as of January 31, 2012.

Unassigned fund balance – Includes all spendable amounts not included in the other classifications. CRA/LA has no unassigned fund balance as of January 31, 2012.

Q. 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.

R. Recent GASB Pronouncements

Pronouncements adopted by CRA/LA during the 7 months ended January 31, 2012:

1. *GASB Statement No. 64* – In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011. CRA/LA has determined there is no material impact of this pronouncement on its financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Recent Pronouncements:

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 has determined there will be no material impact of this pronouncement on its financial statements.
2. *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 has determined there will be no material impact of this pronouncement on its financial statements.
3. *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 Pronouncement*, 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. CRA/LA has determined there will be no material impact of this pronouncement on its financial statements.
4. *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. CRA/LA has determined there will be no material impact of this pronouncement on its financial statements.
5. *GASB Statement No. 65 – Items Previously Reported as Assets and Liability*. Issued in March 2012, this statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows or resources, certain items that were previously reported as assets and liabilities. It will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement is effective for financial statements for periods beginning after December 15, 2012. CRA/LA does not have any deferred inflows or outflows on its balance sheets, and therefore, there will be no financial statement impact from the issuance of this new pronouncement.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Basic Financial Statements

January 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. *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 has determined there will be no material impact of this pronouncement on its financial statements.
7. *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 has not completed the process of evaluating the impact of GASB 67 on its financial statements.
8. *GASB Statement No. 68 – Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.* Issued in June 2012, this statement replaces the requirements of previously issued statements as they relate to governments that provide pensions through pension plans administered by trusts or similar arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability. Governments will report in their financial statements a net pension liability that represents the difference between the total pension liability and the pension assets set aside in a trust. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including descriptive information about the types of benefits available, how to determine the amount of pension plan contributions, and assumptions and methods used in calculating the pension liability. This statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost sharing plan. This statement is effective for fiscal years beginning after June 15, 2014. CRA/LA has not completed the process of evaluating the impact of GASB 68 on its financial statements.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash

Cash consists of cash deposits maintained with various banks within redevelopment project areas or banks that benefit redevelopment activities. At January 31, 2012, the carrying amount of the CRA/LA's cash deposits totaled \$163,426,000 while the bank balances totaled \$172,051,000. The difference of \$8,625,000 represents primarily outstanding checks and other reconciling items. Of the total bank balances, \$3,754,000 was covered by the Federal Deposit Insurance Corporation and \$168,297,000 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's name.

Investments

At January 31, 2012, unrestricted investments consisted almost entirely of U.S. Treasury securities and Federal securities deposited into CRA/LA safekeeping accounts, which have been established to ensure segregation of CRA/LA 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's tax allocation bond obligations. Also included in this category were investments by the enterprise fund representing funds held by the trustee for the Cinerama Dome public parking project.

At January 31, 2012, cash and investments are reflected in the statement of net assets of the accompanying basic financial statements with carrying values as follows (dollars in thousands):

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash	\$ 119,222	\$ -	\$ 119,222
Unrestricted investments	-	269,625	269,625
Restricted assets	<u>44,204</u>	<u>120,417</u>	<u>164,621</u>
 Total	 <u>\$ 163,426</u>	 <u>\$ 390,042</u>	 <u>\$ 553,468</u>

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

CRA/LA's investments at January 31, 2012 consisted of the following investment types (dollars in thousands):

<u>Investment Type</u>	<u>Amortized Costs</u>	<u>Fair Value</u>
Investments held by CRA/LA		
Treasury securities	\$ 62,630	\$ 62,745
Federal securities	231,630	231,785
Certificates of deposit	100	101
Total investments held by CRA/LA	<u>294,360</u>	<u>294,631</u>
Investments held by fiscal agent or trustee:		
Treasury securities	26,403	26,403
Money market funds	66,171	66,171
Repurchase agreement	3,108	3,108
Total investments held by fiscal agent or trustee	<u>95,682</u>	<u>95,682</u>
Total investments	<u>\$ 390,042</u>	<u>\$ 390,313</u>

Portfolio weighted average maturity for investments held by CRA/LA
(excluding investments held by fiscal agent or trustee) 0.70

The CRA/LA'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. The 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 shall maintain a diversified portfolio of investments.

Interest rate risk. In accordance with the CRA/LA's investment policy, CRA/LA 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 bond, note, or certificate of participation issue.

Credit rate risk. Investments held by fiscal agent or trustee were invested in accordance with each CRA/LA's bond indenture or similar agreement, and the credit rating of the authorized investments were 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 January 31, 2012, the CRA/LA's investments in money market funds at amortized costs of \$66,171,000 were rated in the highest categories of Standard & Poor's "A-1+" and Moody's "P-1".

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

B. Loans Receivable

A schedule of loans receivable at January 31, 2012 including allowance for market value write-downs and uncollectibles is as follows (dollars in thousands):

	Principal Balance			Total
	Amortizing	Deferred	Residual Receipts	
Outstanding at July 1, 2011	\$ 27,609	\$ 138,818	\$ 533,864	\$ 700,291
Additions:				
New loans	-	3,331	15,424	18,755
Reductions:				
Principal repayments	(651)	(150)	(4,674)	(5,475)
Others *	65	(9,669)	12,171	2,567
Outstanding at January 31, 2012	27,023	132,330	556,785	716,138
Less allowance for market value write-downs and uncollectibles	(15,395)	(117,302)	(461,702)	(594,399)
Balance at January 31, 2012	<u>\$ 11,628</u>	<u>\$ 15,028</u>	<u>\$ 95,083</u>	<u>\$ 121,739</u>

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

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

Changes in capital assets for the year ended January 31, 2012 were as follows (dollars in thousands):

Description	Balance July 1, 2011	Acquisitions	Dispositions	Depreciation/ Amortization	Balance January 31, 2012
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 31,267	\$ -	\$ (30)	\$ -	\$ 31,237
Capital assets, being depreciated:					
Building and improvements	4,500	-	-	-	4,500
Less accumulated depreciation/amortization	(3,300)	-	-	(88)	(3,388)
Net building and improvements	1,200	-	(30)	(88)	1,112
Equipment and leasehold improvements	25,286	40	-	-	25,326
Less accumulated depreciation/amortization	(16,182)	-	-	(593)	(16,775)
Net equipment and leasehold improvements	9,104	40	-	(593)	8,551
Net capital assets, being depreciated	10,304	40	(30)	(681)	9,663
Net capital assets, governmental activities	<u>\$ 41,571</u>	<u>\$ 40</u>	<u>\$ (30)</u>	<u>\$ (681)</u>	<u>\$ 40,900</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 10,428	\$ -	\$ -	\$ -	\$ 10,428
Capital assets, being depreciated:					
Building and improvements	25,534	-	-	-	25,534
Less accumulated depreciation/amortization	(5,843)	-	-	(373)	(6,216)
Net building and improvements	19,691	-	-	(373)	19,318
Equipment and leasehold improvements	873	-	-	-	873
Less accumulated depreciation/amortization	(83)	-	-	(93)	(176)
Net equipment and leasehold improvements	790	-	-	(93)	697
Net capital assets, being depreciated	20,481	-	-	(466)	20,015
Net capital assets, business-type activities	<u>\$ 30,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (466)</u>	<u>\$ 30,443</u>

**THE COMMUNITY REDEVELOPMENT AGENCY
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Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Depreciation expense of \$88,000 was charged to the community and economic development functions in the governmental activities while \$466,000 was charged to the parking facilities in the business-type activities. The balance of depreciation expense of \$593,000 was added to other indirect costs which were allocated among all functions in the governmental activities using defined allocation rules through an indirect cost allocation plan (note 1-B, Internal Service Fund).

D. Interfund Receivable, Payable, and Transfers

The composition of interfund balances and transfers as of January 31, 2012 was as follows (dollars in thousands):

1) *Due to/from Other Funds:*

Receivable Fund	Payable Fund	Amount
Internal Service	Internal Service	\$ (36,450)
	Capital Projects	32,215
	Debt Service	458
	Housing	6,300
	Special Revenue	1,789
Sub-total		4,312
Capital Projects	Internal Service	317,278
Debt Service	Internal Service	8,516
Housing	Internal Service	79,635
Special Revenue	Internal Service	10,513
Agency Fund	Internal Service	11,177
Enterprise Fund	Internal Service	7
Sub-total		427,126
Total		\$ 431,438

The above interfund receivable/payable amounts represent equity in the CRA/LA investment pool for participating funds and cash transactions made within the investment fund for non-participating funds (note 1-B, Internal Service Fund).

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

2) Advances to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Capital Projects	Internal Service	\$ 2,691
Capital Projects	Capital Projects	12,094
Capital Projects	Special Revenue	315
Total		\$ 15,100

The \$2,691,000 represents amounts advanced by the CRA Special Revenue Fund to the Internal Service Fund for capital asset acquisitions, while the remaining \$12,409,000 represents amounts advanced by the Bunker Hill Program Income Fund on behalf of projects that do not have available current resources to pay for debt service.

3) Interfund Transfers:

Funds Transferred To	Funds Transferred From				Total
	Capital Projects	Debt Service	Housing	Special Revenue	
Capital Projects	\$ 2,020	\$ 6,946	\$ -	\$ 223	\$ 9,189
Debt Service	47,456	-	14,860	500	62,816
Housing	-	1,733	-	-	1,733
Total	\$ 49,476	\$ 8,679	\$ 14,860	\$ 723	\$ 73,738

The \$62,816,000 represents amounts transferred to the Debt Service Fund for debt service, while the \$1,733,000 consists of the housing set-asides from the redevelopment project areas' respective tax increment funds. The \$9,189,000 represents transfers from and repayments of such transfers to the CRA Special Revenue and the Bunker Hill Program Income funds for projects that do not have sufficient current resources to pay for eligible project expenditures (note 1-I).

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

E. CRFA Bonds

The following table summarizes the CRFA bond transactions for the seven months ended January 31, 2012 (dollars in thousands):

Balance, July 1, 2011	\$ 370,075
Retirement, various pooled financing bond issues	<u>(13,490)</u>
Balance, January 31, 2012	<u>\$ 356,585</u>

CRFA bonds outstanding at January 31, 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 CRA/LA redevelopment project areas.

The CRFA revenue bonds are payable exclusively from the revenues, principally comprised of payments to be made by CRA/LA on its 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.

**THE COMMUNITY REDEVELOPMENT AGENCY
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Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

As a blended component unit, CRFA's activities for financial reporting purposes are blended into the CRA/LA's basic financial statements. Hence, in the accompanying statement of net assets, \$356,585,000 receivable/payable between CRFA and CRA/LA is eliminated.

F. Long-Term Debt

Notes Payable, Crown Coach Development Site Project

CRA/LA currently carries a loan obligation with East West Bank of \$13,032,000 which it 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, CRA/LA negotiated a modification with East West Bank to extend the loan maturity date to February 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 will accrue interest at the LIBOR plus 350 basis points.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Changes in Long-term Liabilities

CRA/LA's long-term liabilities for the seven months ended January 31, 2012 are summarized as follows (dollars in thousands):

Description	July 1, 2011	Additions	Retirement	Other Reductions	Balance Jan. 31, 2012	Due Within One Year
Governmental Activities:						
Tax allocation bonds payable	\$ 668,905	\$ -	\$ (23,030)	\$ -	\$ 645,875	\$ 28,160
Notes payable	25,595	-	(3,968)	(10)	21,617	13,032
Payable to the City	15,891	-	(87)	-	15,804	9,269
Sub-total before premiums/discounts, and deferred amounts on refunding	710,391	-	(27,085)	(10)	683,296	50,461
Less unamortized premiums/discounts, and deferred amounts on refunding	416	-	153	-	569	-
Total bonds and notes	710,807	-	(26,932)	(10)	683,865	50,461
Compensated absences	2,957	1,058	(1,255)	-	2,760	1,939
Other postemployment benefit obligations	12,788	614	-	-	13,402	-
Net long-term liabilities, governmental activities	<u>\$ 726,552</u>	<u>\$ 1,672</u>	<u>\$ (28,187)</u>	<u>\$ (10)</u>	<u>\$ 700,027</u>	<u>\$ 52,400</u>
Business-type Activities:						
Revenue bonds payable	\$ 38,250	\$ -	\$ (925)	\$ -	\$ 37,325	\$ 980
Notes payable	4,037	-	-	-	4,037	-
Sub-total before premium	42,287	-	(925)	-	41,362	980
Less unamortized premium	(1,020)	-	28	-	(992)	-
Net long-term liabilities, business-type activities	<u>\$ 41,267</u>	<u>\$ -</u>	<u>\$ (897)</u>	<u>\$ -</u>	<u>\$ 40,370</u>	<u>\$ 980</u>
Total, net long-term liabilities	<u>\$ 767,819</u>	<u>\$ 1,672</u>	<u>\$ (29,084)</u>	<u>\$ (10)</u>	<u>\$ 740,397</u>	<u>\$ 53,380</u>

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Outstanding Long-term Debt

Long-term debt outstanding at January 31, 2012 is comprised of the following (dollars in thousands):

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Governmental Activities:					
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	19,815
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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Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (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					645,875

*Purchased by and payable to CRFA.

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Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	Outstanding Balance
Project notes payable:					
Central Industrial, Crown Coach Development Site Project	4/11/2008	2/1/2012	Variable*	10,380	13,032
North Hollywood, NOHO Commons	8/27/2004	Until Paid	6.00%	9,043	8,585
Total project notes payable					<u>21,617</u>
Payable to the City (note 2-H)					<u>15,804</u>
Total long-term debt, governmental activities					<u>\$ 683,296</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 the LIBOR plus 350 basis points.

Business-type Activities:

Revenue bonds:

Parking System Revenue Bonds, Series A before unamortized premium (discount)	8/18/2000	7/1/2032	4.60%-5.80%	\$ 44,235	\$ 37,325
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Notes payable:

Developer letter of credit	12/30/2002	7/1/2032	10.00%	4,537	4,037
Total long-term debt, business-type activities					<u>\$ 41,362</u>

The bond indentures/fiscal agent agreements contain various limitations and restrictions which require CRA/LA to perform its duties in accordance with 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 is in compliance with all covenants, restrictions, and limitations of these bond issues.

**THE COMMUNITY REDEVELOPMENT AGENCY
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Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

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, 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 shall file 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 CRA/LA tax allocation bonds, consist of, but are not limited to, a copy of the CRA/LA'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 is required to promptly notify and instruct the Dissemination Agent to report the occurrence.

Annual Debt Service Requirements

Annual requirements to amortize all long-term debt outstanding as of January 31, 2012 are reflected in the following table (dollars in thousands).

Governmental Activities

Year Ending June 30	Tax Allocation Bonds Payable		Notes Payable		Payable to the City (note 2-H)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Five months ending June 30, 2012	\$ 2,110	\$ 15,761	\$ -	\$ 367	\$ 7,886	\$ 7,478	\$ 9,996	\$ 23,606
2013	26,050	36,905	13,032	700	1,383	570	40,465	38,175
2014	27,391	35,552	-	522	-	316	27,391	36,390
2015	30,240	34,017	-	522	-	316	30,240	34,855
2016	29,895	32,329	-	524	-	316	29,895	33,169
2017-2021	160,735	134,231	-	2,613	2,285	1,574	163,020	138,418
2022-2026	151,894	89,670	-	2,613	4,250	332	156,144	92,615
2027-2031	122,360	45,830	8,585	1,394	-	-	130,945	47,224
2032-2036	62,605	20,563	-	-	-	-	62,605	20,563
2037-2041	32,595	4,085	-	-	-	-	32,595	4,085
Total	\$ 645,875	\$ 448,943	\$ 21,617	\$ 9,255	\$ 15,804	\$ 10,902	\$ 683,296	\$ 469,100

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

Business-type Activities

Year Ending June 30	Parking Revenue Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Five months ending June 30, 2012	\$ -	\$ 1,089	\$ -	\$ 3,352	\$ -	\$ 4,441
2013	980	2,125	-	404	980	2,529
2014	1,030	2,074	-	404	1,030	2,478
2015	1,085	2,019	-	404	1,085	2,423
2016	1,145	1,961	-	404	1,145	2,365
2017-2021	6,740	8,792	-	2,018	6,740	10,810
2022-2026	8,880	6,649	-	2,018	8,880	8,667
2027-2031	11,755	3,776	-	2,018	11,755	5,794
2032	5,710	501	4,037	404	9,747	905
Total	\$ 37,325	\$ 28,986	\$ 4,037	\$ 11,426	\$ 41,362	\$ 40,412

G. Prior Years Defeasance of Debt

In prior years, CRA/LA 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 January 31, 2012, there were no outstanding defeased bonds.

H. Payable to the City of Los Angeles

CDBG Regular Program Year Allocations

The CRA/LA'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, CRA/LA 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.

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 CRA/LA 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.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

At January 31, 2012, the outstanding balance of the 20-year loans amounted to \$10,859,000. Interest accrued at January 31, 2012 on the 20-year loans in the amount of \$7,156,000 is reported as interest payable in the government-wide financial statements.

Hollywood UDAG Loan

On December 1, 2002, CRA/LA signed a promissory note at 5.50 percent interest rate involving receipt of \$4,250,000 Urban Development Action Grant (UDAG) funds from the City, to pay a portion of the CRA/LA's acquisition for the Live Broadcast Theater in the Hollywood Redevelopment Project area. These funds were provided to CRA/LA in the form of a cooperation agreement and loan that 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 CRA/LA's loan repayments back to CRA/LA to finance qualifying block grant expenditures. On July 25, 2003, the City Council authorized the amendment of the repayment terms to allow CRA/LA to repay this loan by making City approved qualifying block grant expenditures in the Hollywood Redevelopment Project area. During the fiscal year, there were no qualifying block grant expenditures applied towards interest on this loan. To date, the amount of \$1,245,000 in interest payments made to service this loan remains unchanged from Fiscal Year 2011.

Beacon Street LADOT Loan

On July 19, 2005, the Los Angeles Department of Transportation (LADOT) loaned CRA/LA \$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 will come from a combination of (a) CRA/LA/City participation in surplus profits as described in the subject disposition and development agreement and/or (b) the Beacon Street Project's tax increment. In the event the CRA/LA'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 year, a principal payment for \$87,000 was made reducing the principal outstanding to \$695,000 at January 31, 2012.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

The following is a schedule of amounts payable to the City at January 31, 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.

**Pursuant 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. For purposes of projecting future annual debt service requirements for this loan, the City's average pooled fund interest rate of .358 percent at June 30, 2011 was used.

The CRA/LA's obligation to the City for funds utilized has been recorded as long-term debt in the government-wide financial statements. Annual debt service requirements for the payable to the City are contained in note 2-F, Annual Debt Service Requirements.

Pursuant to AB 1X26, all agreements between the City and CRA/LA are not enforceable obligations [see HSC Section 34171(d)(2)]. 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 Recognized Obligation Payment Schedule (ROPS). However, CRA/LA 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 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 [see 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 this agreement.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 2 - DETAILED NOTES ON ALL FUNDS (continued)

I. Net Assets and Fund Equity

The following is a schedule of fund balances at January 31, 2012 (dollars in thousands) restricted for the payment of enforceable obligations, disposal of all the assets of CRA/LA, and remittance of unencumbered balances to the County for distribution to the taxing entities:

Capital Projects	\$ 323,209
Debt Service	94,431
Housing	78,852
Special Revenue	<u>10,364</u>
Total fund balances	<u>\$ 506,856</u>

At January 31, 2012, CRA/LA's encumbrances are as follows (dollars in thousands):

Capital Projects	\$ 52,837
Housing	32,492
Special Revenue	<u>6,738</u>
Total encumbrances	<u>\$ 92,067</u>

J. Deficit Net Assets

Enterprise Fund

The enterprise fund had deficit net assets of \$6,456,000 at January 31, 2012. Funding for future deficits is discussed in note 3-F, Pledges of Future Revenues, Business-type Activities.

Internal Service Fund

The deficit net assets of \$10,798,000 at January 31, 2012 in the internal service fund represents an accrual of the CRA/LA's net other postemployment benefit (OPEB) costs which will be funded with the approval of the OPEB plan funding in fiscal year 2013.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION

A. Employees' Retirement System

Plan Description

CRA/LA 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 the City Council. 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. Under the provision of CalPERS, pension benefits fully vest after five years of service. An 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, CRA/LA amended its contract with CalPERS changing the retirement formulation from two percent at age 60 to two percent at age 55 in order to provide a retirement incentive to employees. 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.

Funding Policy

The contribution requirements of plan members and CRA/LA are established and may be amended by CalPERS. Plan members are required to contribute seven percent of their annual covered salary, which are made by CRA/LA on behalf and for the account of the plan members. CRA/LA is required to contribute at an actuarially determined rate; the rate for fiscal year 2012 was 15.387 percent of annual covered payroll.

Annual Pension Cost and Actuarial Methods and Assumptions

For seven months ended January 31, 2012, the CRA/LA's pension cost of \$1,917,000 was equal to 60% of CRA/LA's annual required and actual contribution. Below is a summary of principal assumptions and methods used to determine the annual required contribution for the seven months ended January 31, 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%

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 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>
6/30/2009	\$ 3,461	100%	\$ -
6/30/2010	3,604	100%	-
6/30/2011	3,298	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 \$35,003,000. The covered payroll at June 30, 2011 was \$22,391,000, and the ratio of the UAAL to the covered payroll was 156.30 percent.

The schedule of funding progress, presented as Required Supplementary Information on page 70 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 provides medical 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 agreements with various employee bargaining units, CRA/LA subsidizes health care benefits starting at 40 percent of maximum 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 subsidy. At 25 years of service and over 50 years of age, the retiree health care benefit is 100 percent subsidized by CRA/LA. The Plan is administered by CRA/LA.

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.

Funding Policy

CRA/LA currently funds the retiree health care benefits on a pay-as-you-go basis. For the seven months ended January 31, 2012, CRA/LA contributed \$751,000 for current health care subsidies. On June 16, 2005, CRA/LA obtained approval from the CRA/LA 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 CRA/LA retirees and to deposit up to \$3,000,000 into a trust fund as its initial funding for the CRA/LA's OPEB liability. This authorized amount was deposited in the CRA/LA's internal service fund and will be transferred to a future OPEB trust fund. Additional information is disclosed in note 3-K page 67.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

Annual OPEB Cost and Net OPEB Obligation

The CRA/LA'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. Effective July 1, 2009, CRA/LA changed its actuarial valuation date from January 1 to July 1 to coincide with its fiscal year end. 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 projected covered payroll of \$20,615,000. For seven months ended January 31, 2012, the CRA/LA's OPEB cost of \$1,365,000 was equal to 58% of CRA/LA's annual OPEB cost.

The following table shows the components of the CRA/LA's annual OPEB cost for the seven months ended January 31, 2012, the amount actually contributed to the plan, and changes in the CRA/LA's net OPEB obligation (dollars in thousands):

Annual required contribution (ARC) for the seven months ended January 31, 2012	\$ 1,365
Interest on net OPEB obligation	336
Adjustment to ARC	<u>(336)</u>
Annual OPEB cost (expense)	1,365
Contributions made	<u>(751)</u>
Increase in net OPEB obligation	614
Net OPEB obligation, July 1, 2011	<u>12,788</u>
Net OPEB obligation, January 31, 2012	<u>\$ 13,402</u>

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by CRA/LA 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 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.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 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	January 31, 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>
2009	\$ 3,740	19.14%	\$ 5,628
2010	4,281	17.87%	9,144
2011	4,595	20.70%	12,788

Funded Status and Funding Progress

As of January 31, 2012, based on the actuarial valuation for Fiscal Year 2011 prepared by the Actuary on January 18, 2011, the funded status of the plan was as follows (dollars in thousands):

Actuarial accrued liability	\$ 58,979
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	\$ 58,979
Funded ratio	0.0%
Covered payroll	\$ 22,391
Unfunded actuarial accrued liability as a percentage of covered payroll	263.40%

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.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

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, 2011 actuarial valuation.

C. Deferred Compensation

CRA/LA 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) a year 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; therefore, such assets are not reflected in the accompanying basic financial statements.

D. Early Retirement Incentive Package

Due to the continuing effects of the prolonged economic downturn and other factors, the CRA/LA Board and the City Council approved an early retirement incentive package (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) additional three years of service credit, (2) cash payment of \$1,000 for every year of service with a minimum of \$25,000 and up to a maximum of \$40,000, and (3) 100 percent subsidy for health care (CRA/LA retirees 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 CRA/LA's 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 would continue until the end of their employment or June 30, 2030. Additional information on this matter is disclosed in Note 3-K page 67.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

E. Risk Management

CRA/LA 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 carries commercial insurance policies. During the last three fiscal years, insurance claims have not exceeded commercial insurance coverage. The premiums are paid from the internal service fund and allocated to various functions of CRA/LA. Potential and actual claims, if any against CRA/LA not covered by commercial insurance are disclosed in note 3-I.

F. Pledges of Future Revenues

Governmental Activities

CRA/LA has pledged a portion of its future tax increment revenues to repay \$645,875,000 in outstanding tax allocation bonds which had been issued to finance various redevelopment projects. These bonds are payable solely from individual redevelopment project's tax increment. Total principal and interest remaining on these bonds is \$1,094,818,000 payable through fiscal year 2041. For the seven months ended January 31, 2012, CRA/LA realized tax increment revenue of \$96,527,000 (net of county administrative fees of \$4,104,000) of which principal and interest paid were \$23,030,000 and \$22,425,000, respectively.

Project site-specific and area-wide tax increment revenues have also been pledged on various debt instruments to finance various redevelopment projects. These pledges are subordinate to senior-lien tax allocation bonds and CRA/LA liability limited to the amounts available. In accordance with AB 1X26, revenue pledges are to be honored. The County of Los Angeles will have to continue to segregate the revenues received attributable to each project area in order to maintain the pledges.

Business-type Activities

Under the terms of the Parking System Revenue Bonds Series 2000A issued by CRA/LA on August 18, 2000, the primary source of payment for the bonds is the facility's parking revenues net of operating and maintenance costs. However, in the event actual net revenues are insufficient to cover debt service, the shortfall could be drawn from a \$9.325 million letter of credit provided by the developer and/or the Development Tax Increment account funded by a CRA/LA pledge of Hollywood tax increment revenues in amounts up to \$1,000,000 annually. The pledge of Hollywood tax increment revenues is subordinate to CRA/LA's obligation to pay debt service on Hollywood tax allocation bonds, housing set-aside, and pass-through payments. This pledge will be released upon the project 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 garage, CRA/LA had drawn against the developer's letter of credit to meet the required debt service payments, starting with the January 1, 2003 until the July 1, 2006 payments. These amounts, net of a \$500,000 settlement on a receivable litigation, brought the outstanding balance of these draws to \$4,037,000 at June 30, 2007. During fiscal years 2008 through January 31, 2012, net parking revenues realized were sufficient to service respective bond maturities, therefore, the outstanding balance against the developer letter of credit remained at \$4,037,000 plus accrued interest of \$3,184,000 at January 31, 2012.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

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 CRA/LA to the City in repayment of CDBG no-terms 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.

On March 22, 2011, the City Council authorized the transfer of an additional 74 properties from the CRA/LA to the City, in connection with the implementation of the 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. To date, 52 grant deeds, including 106 parcels, with the historical cost of \$93,410,000 have been transferred from the CRA/LA to the City. Additional information regarding this matter is disclosed in note 3-K page 67.

Other Cooperation Agreements with the City

CRA/LA enters 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. For the seven months ended January 31, 2012, the amounts paid to the City under these agreements amounted to \$4,609,000 and \$2,578,000 remains outstanding at January 31, 2012. Additional information regarding this matter is disclosed in note 3-K page 68.

Other Services Provided by the City

During the seven month ended January 31, 2012, CRA/LA paid \$882,000 to the City for legal services provided by the City Attorney Office. There is a receivable at January 31, 2012 from the City in the amount of \$2,794,000 for prepaid legal fees.

Return of CRA/LA funds deposited with the City

In September 2009, the City approved the sale of the property located at 5975 S. Western Avenue to the CRA/LA. Escrow was opened and \$2.2 million was deposited with the City. CRA/LA was unable to secure additional funding and the escrow subsequently lapsed and the sale was not completed. CRA/LA has since requested the City to return the \$2.2 million. The City is taking the necessary steps required to return the funds to CRA/LA.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

H. Commitments

Operating Leases

CRA/LA has several operating leases for office space, which are not included in capital assets. These leases involve the central office facilities and site offices. The total rent expense for operating leases for the seven months ended, January 31, 2012 was \$1,294,000.

CRA/LA has the following contractual agreements for future rental payments at January 31, 2012 (dollars in thousands):

Fiscal Year Ending June 30	Amount
Five months ending June 30, 2012	\$ 791
2013	1,818
2014	1,512
2015	1,583
2016	1,627
2017-2021	5,624
Total	\$ 12,955

As a result of AB 1X26, CRA/LA has initiated lease buyout negotiations. The future rental payments listed above are expected to be revised. (Note 3-K)

Pollution Remediation Obligations

CRA/LA has estimated cleanup costs at five brownfields redevelopment sites to be approximately \$1,486,000 as of January 31, 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 of \$487,000. No costs were capitalized during the fiscal year due to the immateriality of the cleanup costs incurred by CRA/LA (Note 1-K).

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

I. Contingencies

Governmental Activities

Buckingham Place Senior Housing

CRA/LA 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 CRA/LA through 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 on schedule and (and the subsequent filing of a petition to the court to commence an involuntary bankruptcy action), any project on the subject property was stayed by the Bankruptcy Court. The Court lifted its stay and permitted CRA/LA 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 NSP 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 CRA/LA reimburse LAHD for the \$8,500,000 HOME funds loan in the event the New Project is 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. The project is expected to be fully occupied by February 2012.

Hollywood and Highland Project

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

The debt service requirements for the theater certificates of participation are paid from the annual lease rental payments from the City's General Fund. To the extent that the transient occupancy tax generated by the hotel project at the site is less than the annual debt service requirement, the developer (or its successor) has guaranteed up to 74 percent of the shortfall. In a cooperation agreement executed in February 2004, CRA/LA has 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 (Project area). CRA/LA 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 Project area (note 3-F).

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

The parking revenue bonds are payable from and secured by a pledge of the parking revenues deposited into the City's Special Parking Revenue Fund. The February 2004 cooperation agreement does not require CRA/LA 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 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 of Los Angeles, the Los Angeles Unified School District, and the Los Angeles Community College District.

Marlton Square Limited Recourse Obligations

In September 2008, CRA/LA and the Community Development Department (CDD) entered into a funding agreement under which City, through CDD agreed to provide Community Development Block Grant (CDBG) funds to CRA/LA 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 Section 108 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 CRA/LA 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 CRA/LA. CDD retained \$2,428,000 of the federal funds to service an Interest Reserve Account to pay the interest only on the Section 108 funds for a period of about four years and to pay for costs of issuance fees upon conversion of the Section 108 from currently variable interest rate to a fixed interest rate.

Pursuant to the agreement, CRA/LA has provided a first deed of trust in the acquired properties as collateral. CRA/LA has 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, CRA/LA 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. CRA/LA'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, CRA/LA guaranteed to make available Annual AB1290 Pledge in the event the South Los Angeles Project areas fail to generate sufficient AB1290 funds. CRA/LA 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. CRA/LA's 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 COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

As of January 31, 2012, Section 108 funds spent for acquisition of the Project sites amounted to \$11,023,000. Since CRA/LA's obligations are limited to the above guarantees and collateral, the Section 108 funds were not reflected as long-term debt in the Statement of Net Assets in the government-wide financial statements.

North Hollywood HUD Section 108 Loan

The City provided CRA/LA in fiscal year 2004, a \$14,000,000 HUD (Housing and Urban Development) 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 CRA/LA 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, CRA/LA 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, CRA/LA has pledged to the developer the site-specific tax increment revenues on the NOHO Commons to the extent that the developer's annual returns on investment rate are 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, CRA/LA will maintain its pledge to the City of area-wide tax increment revenues as security for the full \$14,000,000 loan. However, this area-wide tax increment pledge is subordinate to the North Hollywood Project's existing and future senior-lien bonds. The loan is further secured by an unconditional guaranty of payment not to exceed \$12,307,000. J.H. Snyder Company, a company related to the developer issued the guaranty.

Slauson Shopping Center

The Disposition and Development Agreement for the development of the Slauson Shopping Center (Center) between Slauson Central LLC (the developer) and CRA/LA 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 CRA/LA 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. CRA/LA has executed a cooperation agreement with the City for use of the Section 108 funds and has 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's pledged site-specific tax increment revenue are not adequate to service the loan.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

Regency Billboard Litigation

Regency Outdoor Systems (Regency) alleged that CRA/LA violated its civil rights by denying two sign permit applications for the construction of billboard structures in the Hollywood and Exposition/University Park Redevelopment Project areas. The parties filed cross motions for summary judgment and the District Court ruled in 2003 that CRA/LA had violated Regency's 1st Amendment rights in denying the applications.

This matter was settled in December 2011. CRA/LA paid \$2,100,000 to the plaintiff to settle all claims and obtain a release. The payment was made on December 21, 2011 and the settlement agreement entered by the court.

CalPERS Service Credit Prior to Membership

In 2007, CRA/LA received a claim from 17 former temporary employees alleging they were not timely and properly enrolled in CalPERS; there are 39 claimants as of January 31, 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. CalPERS has indicated that any payments due can be made over time.

Other Litigation

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

In addition, CRA/LA, as a result of its real estate acquisition activities, is involved in eminent domain, relocation, and other related litigation which may result either in judgment or settlement amounts significantly higher than its initial court deposits or anticipated payments.

Third-Party Indebtedness

It is the policy of CRA/LA to encourage redevelopment activities on the part of the private sector. To this end, CRA/LA has 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 it does not appear in the accompanying basic financial statements. As of January 31, 2012, the balance of long-term tax-exempt third-party indebtedness was \$736,927,000 as shown on pages 81 through 83.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 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 will agree to serve as the Successor Agency to hold the assets until they are 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 resolution number C.F. 12-0049. On January 25, 2012, the City Council adopted resolution number Council File 12-0002-S3, 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. Subsequently, and as authorized by State Law, CRA/LA-DLA was established on February 3, 2012 to serve as the Successor Agency.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, 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 revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

AB 1X26 directs the State Controller of the State of California 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 DLA.

Furthermore, pursuant to AB 1X26, all agreements between the City and CRA/LA 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 for such loan agreements to be reinstated as enforceable obligations on a future ROPS. However, CRA/LA 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 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)].

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

K. Subsequent Events

Outcome of the True-up Process

HSC Section 34183.5(b) requires that residual property tax received by the former redevelopment agency in the months of November 2011, December 2011 or January 2012 be subject to distribution through the AB 1X26 mechanism. As a result, the County of Los Angeles Auditor-Controller ("County") conducted a review and calculated residual balance amounts owed by successor agencies to the affected taxing entities. The County determined that the total Residual Property Tax due by CRA/LA was \$51,834,000. A Notice of Demand for Payment was issued on July 9, 2012 notifying CRA/LA of the amount due. CRA/LA complied with the demand and issued payment 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 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 submitted the Oversight Board-approved LMIHF DDR to DOF on October 12, 2012. DOF issued a final determination letter on December 15, 2012. And CRA/LA remitted a payment of \$35,673,583 to the County 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. And CRA/LA remitted a payment of \$75,651,107 to the County on August 21, 2013.

Operating Leases

Prior to its dissolution, CRA/LA 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, CRA/LA 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. These leasehold improvements were to be amortized over the life of the lease. At January 31, 2012, the unamortized amount is \$5,558,000 with 6.5 years remaining.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

Other Postemployment Benefits Funding Plan

On March 19, 2013, the CRA/LA-DLA was authorized by the Governing Board to execute agreements to enroll in the California Employers' Retirement Benefit Trust (CERBT), which will administer its other postemployment benefits plan. 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 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 AB-1484), 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. In August 2012, 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. The amount of \$621,000 was listed in ROPS 3. 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 of Los Angeles

As described in note 3-G, during fiscal year 2011, CRA/LA transferred certain revenue-generating commercial properties in repayment of the \$50.9 million CDBG no-terms obligations and an additional 74 properties to the City in connection with the implemented Council File 11-0354 and Council File 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 \$50.9 million. 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 CRA/LA. Pursuant to HSC Section 34176 (a) (2), the Housing Asset Transfer Form (Form) 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 Form. Effective May 1, 2013, the CRA/LA's housing assets (historical value of \$766,586,000) and functions were transferred and assumed by LAHD, the Housing Successor Agency.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

Payable to the City

As noted in note 2-H, the payable to the City consisted 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 CRA/LA, including interest rates and maturity dates. DOF concurred with this interpretation in its approval of CRA/LA'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 AB1x26, all other co-operation agreements with the City were invalidated.

Preservation of External Grant Funding for Local Communities

In its previous capacity, CRA/LA successfully secured a variety of federal, state, local and private grant resources to support redevelopment activities throughout the City. At the time of dissolution, CRA/LA 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 CRA/LA'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. After reviewing various grant documents, three categories of grants were identified: 1) those with an executed grant agreement; 2) those with an executed grant agreement and which included a CRA/LA matching fund commitment; and 3) grants which were awarded to CRA/LA but did not have an executed agreement in place. For those grant awards that had executed agreements in place (both match and non-match), CRA/LA-DLA's Counsel determined that it prudent to execute assignment agreements between the City and CRA/LA-DLA to formalize the actual transfer of these grant awards, including administrative and implementation responsibilities, to the City.

Following a discussion with representatives from CRA/LA and the City, DOF issued a letter on January 20, 2013, confirming that external grant proceeds (not withstanding any CRA/LA 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. If supporting documentation existed showing the provision of matching funds was in the agreement between the former redevelopment agency and the awarding entity, and thus, a valid obligation, they should be listed on a future ROPS for consideration. Staff determined that eight projects awarded external grant funding qualified as enforceable obligations. DOF approved these items (and their identified matching funds) in its April 14, 2013 Determination Letter for ROPS 13-14A. Assignment Agreements were subsequently prepared for execution. The Successor Agency identified 8 other projects that had valid, executed agreements in place, but did not have a matching fund commitment. Assignment Agreements were also prepared for these. Ultimately, the Successor Agency was successful in resolving the assignment of these 16 projects that had executed agreements in place prior to dissolution.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Notes to Basic Financial Statements

January 31, 2012

NOTE 3 - OTHER INFORMATION (continued)

CRA/LA Funds Deposited with the City

In September 2009, the City approved the sale of a surplus City-owned property to CRA/LA. CRA/LA deposited \$2.2 million into an escrow account with the City. Since CRA/LA was unable to secure additional funding and the escrow subsequently lapsed, the sale was not completed. CRA/LA has since requested the City to return the \$2.2 million. The City is taking the necessary steps required to return the funds to CRA/LA.

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. 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 as to 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.

Kramer Settlement Agreement and Release

On June 21, 2012, a settlement agreement was made and entered into between CRA/LA-DLA, the City, and Kramer Metals, Inc. The Oversight Board approved the payment of the settlement agreement in the amount of \$4,400,000 to Kramer Metals, Inc. on July 12, 2012. CRA/LA-DLA remitted the payment on August 22, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

**Required Supplementary Information
Schedule of Funding Progress**

**For the Seven Months Ended January 31, 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 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 Covered Payroll
1/1/2008	\$ -	\$ 37,572	\$ 37,572	0.0%	\$ 21,835	172.10%
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%

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

** As a result of the reduction in workforce, the covered payroll for the seven months ended January 31, 2012 was reduced to \$12,456,000 and the annual projected covered payroll for fiscal year 2012 is \$20,615,000.

*** 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.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Housing Fund

**Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual**

**For the Seven Months Ended January 31, 2012
(In Thousands)
(Unaudited)**

	<u>Initial Annual Budget</u>	<u>Final Annual Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Interest income	\$ -	\$ 563	\$ 1,770	\$ 1,207
Loan repayments	-	2,373	3,011	638
Rental income	-	-	-	-
Other	-	-	105	105
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	2,936	4,886	1,950
Expenditures:				
Current:				
Program salaries and administrative costs, including technical and professional personnel	9,523	10,287	3,187	7,100
Real estate and other acquisition costs	1,551	5,043	34	5,009
Housing	28,836	81,183	14,481	66,702
Rehabilitation	1,056	3,001	-	3,001
Relocation	6	2,371	93	2,278
Development loans	4,636	15,779	1,450	14,329
Community service	167	1,197	750	447
Other	20,087	20,634	629	20,005
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	65,862	139,495	20,624	118,871
Revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	(65,862)	(136,559)	(15,738)	120,821
Other financing sources (uses):				
Transfers in	48,935	50,668	1,733	(48,935)
Transfers out	<hr/>	<hr/>	<hr/>	<hr/>
	(15,009)	(14,994)	(14,860)	134
Total other financing sources (uses)	<hr/>	<hr/>	<hr/>	<hr/>
	33,926	35,674	(13,127)	(48,801)
Net change in fund balances	<hr/>	<hr/>	<hr/>	<hr/>
	(31,936)	(100,885)	(28,865)	72,020
Fund balances, beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	31,936	107,717	107,717	-
Fund balances, end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ 6,832	\$ 78,852	\$ 72,020

See accompanying independent auditor's report and note to required supplementary information.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Special Revenue Fund

**Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual**

**For the Seven Months Ended January 31, 2012
(In Thousands)
(Unaudited)**

	<u>Initial Annual Budget</u>	<u>Final Annual Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Grants	\$ -	\$ -	\$ 770	\$ 770
Interest income	-	-	15	15
Loan repayments	-	-	-	-
Rental income	-	948	22	(926)
Developer participation	-	-	1,448	1,448
City participation	-	-	1,098	1,098
Other	-	897	170	(727)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	1,845	3,523	1,678
Expenditures:				
Current:				
Program salaries and administrative costs, including technical and professional personnel	-	679	6	673
Real estate and other acquisition costs	-	800	-	800
Housing	-	967	786	181
Rehabilitation	-	-	-	-
Public improvement	592	6,939	256	6,683
Relocation	100	47	42	5
Development loans	-	1,441	1,431	10
Community service	106	186	-	186
Other	1,346	2,952	1,964	988
Debt service:				
Interest expense	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,144	14,011	4,485	9,526
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(2,144)	(12,166)	(962)	11,204
Other financing sources (uses):				
Transfers in	117	117	-	(117)
Transfers out	-	-	(723)	(723)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	117	117	(723)	(840)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(2,027)	(12,049)	(1,685)	10,364
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	2,027	12,049	12,049	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ -	\$ -	\$ 10,364	\$ 10,364
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying independent auditor's report and note to required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Note to Required Supplementary Information

Seven Months Ended January 31, 2012

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Accounting

The CRA/LA's annual budget is prepared under guidelines established by State redevelopment law and the City of Los Angeles Budget Ordinance and is presented for reporting purposes on a basis consistent with generally accepted accounting principles. The budget is approved by the City Council and adopted by the CRA/LA Board before the beginning of the new fiscal year. In addition, because the CRA/LA's budget is prepared well in advance of the fiscal year to which it relates, the budget is regularly amended for changes in available resources and project objectives, with the approval of the CRA/LA Board and City Council.

The CRA/LA's annual budget is more comparable to a capital improvement budget, whereby projects are not typically proposed, started, and completed in one fiscal year. Therefore, funds available in a fiscal year may be allocated for expenditure over a multi-year period. Certain funds are therefore allocated to "carryover" into future years beyond the fiscal year of the budget. These future year allocations along with any unexpended revenue from prior years are analyzed at year-end as part of the annual budget process called the carryover amendment.

The carryover amendment amends the new year budget for any unexpended revenues from prior years that have not been previously estimated in the new year budget. The process occurs as of June 30, after the traditional accounting close. Once the prior year is closed, an analysis of encumbrances, contracts, commitments, and other existing activities is performed and evaluated against original program objectives and resources. Any excess of revenues over expenditures from the prior year is credited to the fund balance of the respective funds and is considered as part of the carryover revenue in the new year.

After carryover revenue is determined, the CRA/LA performs a complete re-examination of the purposes of each project objective without any reference to what has gone before. Previously approved spending levels, including future year allocations, are reviewed in detail and are not automatically carried over into the next fiscal year. Work program objectives and commitments must be justified to warrant allocation of carryover revenue.

This concept of "zero based budgeting" has been successfully applied to the CRA/LA's unique business structure and provides a timely opportunity to review the status of objectives in each redevelopment area. By this method, prior year revenues are reallocated to either pre-existing or new objectives, in new and updated amounts, through the carryover process.

OTHER SUPPLEMENTARY INFORMATION

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Capital Projects Fund

**Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual**

**For the Seven Months Ended January 31, 2012
(In Thousands)**

	<u>Initial Annual Budget</u>	<u>Final Annual Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Incremental property taxes	\$ 197,559	\$ 197,559	\$ 96,527	\$ (101,032)
Grants	2,299	2,801	3,624	823
Interest income	100	552	1,241	689
Loan repayments	150	2,057	2,050	(7)
Rental income	-	-	370	370
Proceeds from sale of land	500	500	496	(4)
Other	750	3,653	2,440	(1,213)
	<u>201,358</u>	<u>207,122</u>	<u>106,748</u>	<u>(100,374)</u>
Total revenues				
Expenditures:				
Current:				
Program salaries and administrative costs, including technical and professional personnel	37,720	40,892	20,403	20,489
Real estate and other acquisition costs	7,016	21,150	7	21,143
Housing	28,826	52,671	18,961	33,710
Rehabilitation	7,217	32,182	1,753	30,429
Public improvement	29,652	91,179	4,500	86,679
Relocation	52	1,180	1,180	-
Development loans	22,453	25,220	1,314	23,906
Community service	3,858	5,234	1,230	4,004
Tax increment administrative fees	3,514	4,114	4,104	10
Other	100,289	122,921	1,450	121,471
Debt service:				
Principal	55	560	-	560
Interest expense	94	94	-	94
	<u>240,746</u>	<u>397,397</u>	<u>54,902</u>	<u>342,495</u>
Total expenditures				
Revenues over (under) expenditures	<u>(39,388)</u>	<u>(190,275)</u>	<u>51,846</u>	<u>242,121</u>
Other financing sources (uses):				
Transfers in	10,838	17,772	9,189	(8,583)
Transfers out	<u>(114,780)</u>	<u>(115,241)</u>	<u>(49,476)</u>	<u>65,765</u>
Total other financing sources (uses)	<u>(103,942)</u>	<u>(97,469)</u>	<u>(40,287)</u>	<u>57,182</u>
Net change in fund balances	(143,330)	(287,744)	11,559	299,303
Fund balances, beginning of year	<u>143,330</u>	<u>311,650</u>	<u>311,650</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 23,906</u>	<u>\$ 323,209</u>	<u>\$ 299,303</u>

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Debt Service Fund

**Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual**

**For the Seven Months Ended January 31, 2012
(In Thousands)**

	Initial Annual Budget	Final Annual Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest income	\$ -	\$ -	\$ 119	\$ 119
Other	-	-	10	10
Total revenues	<u>-</u>	<u>-</u>	<u>129</u>	<u>129</u>
Expenditures:				
Other	-	-	-	-
Debt service:				
Principal	65,345	44,926	27,095	17,831
Interest expense	1,761	24,169	24,165	4
Total expenditures	<u>67,106</u>	<u>69,095</u>	<u>51,260</u>	<u>17,835</u>
Revenues over (under) expenditures	<u>(67,106)</u>	<u>(69,095)</u>	<u>(51,131)</u>	<u>17,964</u>
Other financing sources (uses):				
Transfers in	71,759	72,205	62,816	(9,389)
Transfers out	(4,653)	(4,653)	(8,679)	(4,026)
Total other financing sources (uses)	<u>67,106</u>	<u>67,552</u>	<u>54,137</u>	<u>(13,415)</u>
Net change in fund balances	-	(1,543)	3,006	4,549
Fund balances, beginning of year	-	91,425	91,425	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 89,882</u>	<u>\$ 94,431</u>	<u>\$ 4,549</u>

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Internal Service Funds

Combining Statement of Net Assets

**January 31, 2012
(In Thousands)**

	Operating Fund	Investment Fund	Financing Authority	Total
ASSETS				
Current assets:				
Cash	\$ 2,975	\$ 110,460	\$ -	\$ 113,435
Unrestricted investments	-	269,625	-	269,625
Receivables:				
Accrued interest	-	181	-	181
Other	2,651	-	-	2,651
Due from other funds	4,312	-	-	4,312
Other assets	1,718	-	-	1,718
Total current assets	<u>11,656</u>	<u>380,266</u>	<u>-</u>	<u>391,922</u>
Noncurrent assets:				
Restricted assets	-	5,193	2,986	8,179
Capital assets:				
Equipment and leasehold improvements	25,326	-	-	25,326
Less accumulated depreciation and amortization	<u>(16,775)</u>	<u>-</u>	<u>-</u>	<u>(16,775)</u>
Total capital assets, net of accumulated depreciation and amortization	<u>8,551</u>	<u>-</u>	<u>-</u>	<u>8,551</u>
Total noncurrent assets	<u>8,551</u>	<u>5,193</u>	<u>2,986</u>	<u>16,730</u>
Total assets	<u>20,207</u>	<u>385,459</u>	<u>2,986</u>	<u>408,652</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,173	-	-	2,173
Due to other funds	2,661	385,459	2,555	390,675
Compensated absences	1,939	-	-	1,939
Other liabilities	1,760	-	431	2,191
Total current liabilities	<u>8,533</u>	<u>385,459</u>	<u>2,986</u>	<u>396,978</u>
Noncurrent liabilities:				
Advances from other funds	2,691	-	-	2,691
Compensated absences	821	-	-	821
Other postemployment benefits obligation	13,402	-	-	13,402
Other liabilities	<u>5,558</u>	<u>-</u>	<u>-</u>	<u>5,558</u>
Total noncurrent liabilities	<u>22,472</u>	<u>-</u>	<u>-</u>	<u>22,472</u>
Total liabilities	<u>31,005</u>	<u>385,459</u>	<u>2,986</u>	<u>419,450</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	2,691	-	-	2,691
Unrestricted	<u>(13,489)</u>	<u>-</u>	<u>-</u>	<u>(13,489)</u>
Total net assets (deficit)	<u>\$ (10,798)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,798)</u>

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Seven Months Ended January 31, 2012

(In Thousands)

	Operating Fund	Investment Fund	Financing Authority	Total
Operating revenues:				
Applied charges	\$ 23,597	\$ -	\$ -	\$ 23,597
Total operating revenues	23,597	-	-	23,597
Operating expenses:				
Personnel compensation	12,756	-	-	12,756
Employee benefits	6,740	-	-	6,740
Central office expenses	3,337	-	-	3,337
Depreciation expense	593	-	-	593
Other administrative costs	785	-	-	785
Total operating expenses	24,211	-	-	24,211
Net income (loss) from operating activities	(614)	-	-	(614)
Nonoperating revenues (expenses):				
Interest income	-	622	10,493	11,115
Interest income allocated to participating funds	-	(622)	(10,493)	(11,115)
Total nonoperating revenues (expenses)	-	-	-	-
Change in net assets	(614)	-	-	(614)
Total net assets (deficit) - beginning of year	(10,184)	-	-	(10,184)
Total net assets (deficit) - end of year	\$ (10,798)	\$ -	\$ -	\$ (10,798)

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Internal Service Funds

Combining Statement of Cash Flows

**For the Seven Months Ended January 31, 2012
(In Thousands)**

	Operating Fund	Investment Fund	Financing Authority	Total
Cash flows from operating activities:				
Reimbursements for applied charges	\$ 23,597	\$ -	\$ -	\$ 23,597
Payments to employees	(18,882)	-	-	(18,882)
Payments to other vendors	(2,594)	-	-	(2,594)
Net cash provided by operating activities *	2,121	-	-	2,121
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(40)	-	-	(40)
Deposits from other funds for capital and financing activities	-	298,318	-	298,318
Payments for capital and financing activities	-	(205,362)	-	(205,362)
Net cash provided (used) by capital and related financing activities	(40)	92,956	-	92,916
Cash flows from investing activities:				
Proceeds from sale of investments	-	438,829	-	438,829
Purchase of investments	-	(534,600)	-	(534,600)
Interest income	-	622	10,493	11,115
Interest income allocated to other funds	-	(622)	(10,493)	(11,115)
Net cash used by investing activities	-	(95,771)	-	(95,771)
Net increase (decrease) in cash and cash equivalents	2,081	(2,815)	-	(734)
Cash and cash equivalents, beginning of year	894	113,275	-	114,169
Cash and cash equivalents, end of year	\$ 2,975	\$ 110,460	\$ -	\$ 113,435
* Reconciliation of operating income to net cash provided by operating activities:				
Net income (loss) from operating activities	\$ (614)	\$ -	\$ -	\$ (614)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expenses	593	-	-	593
Decrease in other receivables	15	-	-	15
Decrease in due from other funds	2,685	-	-	2,685
Increase in other assets	(656)	-	-	(656)
Decrease in accounts payable and accrued liabilities	(367)	-	-	(367)
Increase in due to other funds	13	-	-	13
Decrease in compensated absences	(197)	-	-	(197)
Increase in other liabilities	35	-	-	35
Increase in other postemployment benefits obligation	614	-	-	614
Net cash provided by operating activities	\$ 2,121	\$ -	\$ -	\$ 2,121

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Fiduciary Funds

Combining Statement of Fiduciary Net Assets - Agency Funds

**January 31, 2012
(In Thousands)**

	Deposits	Construction Disbursements	Total
ASSETS			
Due from other funds	\$ 893	\$ 10,284	\$ 11,177
Restricted assets	1,283	-	1,283
Total assets	\$ 2,176	\$ 10,284	\$ 12,460
LIABILITIES			
Accounts payable	\$ -	\$ 13	\$ 13
Construction disbursements payable	-	10,265	10,265
Other liabilities:			
Good faith deposits payable	1,594	-	1,594
Unclaimed properties	251	-	251
Security deposits	331	-	331
Other	-	6	6
Total liabilities	\$ 2,176	\$ 10,284	\$ 12,460

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Fiduciary Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds

**For the Seven Months Ended January 31, 2012
(In Thousands)**

	Balance June 30, 2011	Additions	Deductions	Balance January 31, 2012
Deposits				
Assets				
Due from other funds	\$ 1,391	\$ 17	\$ 515	\$ 893
Restricted assets	1,283	-	-	1,283
Total assets	<u>\$ 2,674</u>	<u>\$ 17</u>	<u>\$ 515</u>	<u>\$ 2,176</u>
Liabilities				
Good faith deposits payable	\$ 1,923	\$ -	\$ 329	\$ 1,594
Unclaimed properties	251	-	-	251
Restitution of wages payable	178	-	178	-
Security deposits	322	17	8	331
Total liabilities	<u>\$ 2,674</u>	<u>\$ 17</u>	<u>\$ 515</u>	<u>\$ 2,176</u>
Construction Disbursements				
Assets				
Due from other funds	\$ 12,430	\$ 15,167	\$ 17,313	\$ 10,284
Total assets	<u>\$ 12,430</u>	<u>\$ 15,167</u>	<u>\$ 17,313</u>	<u>\$ 10,284</u>
Liabilities				
Accounts payable	\$ -	\$ 13	\$ -	\$ 13
Construction disbursements payable	12,422	15,154	17,311	10,265
Other liabilities	8	-	2	6
Total liabilities	<u>\$ 12,430</u>	<u>\$ 15,167</u>	<u>\$ 17,313</u>	<u>\$ 10,284</u>
Total Agency Funds				
Assets				
Due from other funds	\$ 13,821	\$ 15,184	\$ 17,828	\$ 11,177
Restricted assets	1,283	-	-	1,283
Total assets	<u>\$ 15,104</u>	<u>\$ 15,184</u>	<u>\$ 17,828</u>	<u>\$ 12,460</u>
Liabilities				
Accounts payable	\$ -	\$ 13	\$ -	\$ 13
Construction disbursements payable	12,422	15,154	17,311	10,265
Good faith deposits payable	1,923	-	329	1,594
Unclaimed properties	251	-	-	251
Restitution of wages payable	178	-	178	-
Security deposits	322	17	8	331
Other liabilities	8	-	2	6
Total liabilities	<u>\$ 15,104</u>	<u>\$ 15,184</u>	<u>\$ 17,828</u>	<u>\$ 12,460</u>

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Schedule of Third-Party Indebtedness

**January 31, 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	1,534
Multifamily Housing Revenue Note, 1999 Series A Grandview Nine Family Housing	6/1/1999	1/1/2031	Variable/fixed	4,711	1,854
Multifamily Housing Revenue Refunding Bonds, Series 2000, Promenade Towers Project	4/1/2000	4/1/2030	Variable/fixed	47,550	47,550
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.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Schedule of Third-Party Indebtedness - (Continued)

**January 31, 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	8,461
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	25,600
Multifamily Housing Revenue Bonds, 2006 Series A-1 Osborne Gardens Apartments	10/5/2006	4/1/2038	6.12%	1,050	1,001 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	473
Variable Rate Demand Multifamily Housing Revenue Bonds 2007 Series A Hollywood & Vine Apartments	5/3/2007	4/15/2042	Variable	180,000	180,000

Continued...

See accompanying independent auditor's report.

**THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA**

Schedule of Third-Party Indebtedness - (Continued)

**January 31, 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	9,859
Multifamily Housing Revenue Bonds, Series 2008A Angelus Plaza Phase I Apartments Project	10/17/2008	4/1/2042	6.45%	65,650	44,730
Multifamily Housing Revenue Bonds, Series 2008A Angelus Plaza North Apartments Project	10/17/2008	4/1/2042	6.45%	30,095	25,520
Multifamily Housing Revenue Bonds, Series 2008A Hollywood Bungalow Courts Apartments	11/21/2008	8/31/2030	5.95-6.20%	12,549	495
Multifamily Housing Revenue Bonds, Series 2011 Buckingham Senior Apartments	6/24/2011	6/24/2034	6.60%	14,000	12,016 2/
Multifamily Housing Revenue Bonds, Series 2011 Montecito Apartments	6/24/2011	6/24/2030	5.60%	<u>8,075</u>	<u>7,918</u>
Total				<u>\$ 834,297</u>	<u>\$ 736,927</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



SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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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**

*The Honorable Ron Galperin
Controller of the City of Los Angeles and
The Community Redevelopment Agency of
The City of Los Angeles, California*

*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 governmental activities, the business-type activities, and each major fund of The Community Redevelopment Agency of the City of Los Angeles, California (CRA/LA) as of and for the seven months ended January 31, 2012, which collectively comprise the CRA/LA's basic financial statements and have issued our report thereon dated August 23, 2013. As discussed in Note 1 and Note 3.J to the basic financial statements as of and for the seven months ended January 31, 2012, 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 Council elected not to become the Successor Agency to the former redevelopment agency. 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. The financial statements of CRA/LA as of and for the seven months ended January 31, 2012, present the final seven months of activities of the CRA/LA prior to the date of dissolution. After February 1, 2012, the assets and activities of the dissolved CRA/LA are reported in the financial statements of the newly formed Designated Local Authority (DLA), 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 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CRA/LA'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CRA/LA'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'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, City Council, City Controller, 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 cursive script, appearing to read 'Simpson & Simpson'.

August 23, 2013
Los Angeles, California