

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

**Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2022 and 2021**



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

**Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2022 and 2021**

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## FINANCIAL SECTION

# INDEPENDENT AUDITOR'S REPORT



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

We have audited the accompanying financial statements of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the CRA/LA-DLA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the CRA/LA-DLA as of June 30, 2022 and 2021, and changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CRA/LA-DLA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibility of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA/LA-DLA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.





In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CRA/LA-DLA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA/LA-DLA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CRA/LA-DLA's basic financial statements. The accompanying other supplementary information, which includes the schedule of third-party indebtedness and the schedules of net position and changes in net position of the Community Redevelopment Financing Authority of the City of Los Angeles (a component unit of CRA/LA-DLA), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in



accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 31, 2023, on our consideration of the CRA/LA-DLA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CRA/LA-DLA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA/LA-DLA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
January 31, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**Management's Discussion and Analysis**

**June 30, 2022 and 2021**  
**(Unaudited)**

As management of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), Successor Agency to the former Community Redevelopment Agency of the City of Los Angeles (Former Agency), we offer readers of the CRA/LA-DLA's basic financial statements this narrative overview and analysis of the financial activities of CRA/LA-DLA for the years ended June 30, 2022 and 2021.

**FINANCIAL HIGHLIGHTS**

On June 29, 2011, Assembly Bill 1X26 (the Dissolution Act) was enacted, which dissolved all California's redevelopment agencies and authorized establishment of successor agencies, other designated local authorities and oversight boards to satisfy enforceable obligations and wind down the affairs of the former redevelopment agencies. Legal challenges were raised and the constitutionality of the Dissolution Act was subsequently upheld on December 29, 2011 by the California Supreme Court. As a result, all redevelopment agencies were dissolved and ceased to operate as legal entities effective February 1, 2012. Pursuant to State Law, and following a decision by the City of Los Angeles (City) to not become the Successor Agency to the Former Agency, the Governor appointed three residents of the County of Los Angeles (County) to serve as the governing board of a Designated Local Authority (CRA/LA-DLA), as confirmed by Resolution No. 001 adopted on February 3, 2012. The matter is disclosed in more detail in note 1-A on page 11.

Pursuant to the Dissolution Act (as amended), CRA/LA-DLA is required to prepare an annual Recognized Obligation Payment Schedule (ROPS) each fiscal year. CRA/LA-DLA is further required to submit its ROPS to its Governing and Oversight Boards for review and approval. Following approval by the Oversight Board, the CRA/LA-DLA is to submit the approved ROPS to the Department of Finance (DOF), State Controller and County Auditor-Controller. Following DOF approval, the Successor Agency may pay only those scheduled amounts from funding sources listed on the approved ROPS.

The accompanying financial statements present the financial position and changes in the financial position as of and for the years ended June 30, 2022 and 2021.

- The CRA/LA-DLA's total liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the year ended June 30, 2022 by \$408,451,000. The negative financial position is mainly due to outstanding long-term liabilities which will be eliminated by future payments funded by the Successor Agency's Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.
- The CRA/LA-DLA's bonded debt and long-term notes payable at June 30, 2022, net of unamortized premiums and discounts on bonds, totaled \$332,404,000. (page 23)
- The CRA/LA-DLA's pension liability at June 30, 2022 totaled \$68,741,000. (page 23)
- Total additions of \$81,693,000 for the year ended June 30, 2022 increased \$13,114,000 when compared to the additions of \$68,579,000 for the year ended June 30, 2021.
- Total deductions of \$98,399,000 for the year ended June 30, 2022 increased \$71,162,000 when compared to total deductions of \$27,237,000 for the year ended June 30, 2021.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis is intended to serve as an introduction to the CRA/LA-DLA's basic financial statements. The CRA/LA-DLA's basic financial statements consist of two components: 1) basic financial statements;

**CRA/LA, A DESIGNATED LOCAL AUTHORITY**  
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**Management's Discussion and Analysis**

**June 30, 2022 and 2021**  
**(Unaudited)**

and, 2) notes to basic financial statements. The report also contains required and other supplementary information in addition to the financial statements.

**Financial statements.** There are two financial statements presented by CRA/LA-DLA. The financial statements can be found on pages 9 and 10 of this report.

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

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

**Notes to basic financial statements.** The notes provide additional information and are essential to a full understanding of the data provided in the financial statements. The notes to basic financial statements can be found on pages 11 through 42 of this report.

**Required supplemental information.** In addition to the financial statements and accompanying notes, this report also presents required supplementary information concerning the funding progress of the employees' pension plan and other postemployment benefits of CRA/LA-DLA on pages 43 through 47 of this report.

**Other supplementary information.** Included in the other supplementary information are the schedule of third-party indebtedness on page 48 and the financial schedules of the Community Redevelopment Financing Authority of the City of Los Angeles, a blended component unit of CRA/LA-DLA, on pages 49 and 50.

## **FINANCIAL STATEMENT ANALYSIS**

**Fiduciary Net position.** As of the close of the year ended June 30, 2022, CRA/LA-DLA's liabilities and deferred inflows of resources exceeded its assets and deferred outflows by \$408,451,000. The negative net position is primarily caused by the outstanding long-term liabilities of \$410,880,000. This is due to the nature of how redevelopment activities were financed. The Former Agency issued tax allocation bonds or incurred other long-term debt to finance a substantial portion of its activities which included public infrastructure, affordable housing, public parking, commercial and retail projects, and community development activities. While the public infrastructure and land financed by bond proceeds were transferred to the City or to developers, the associated debt remains with CRA/LA-DLA. Acknowledged by the Department of Finance as enforceable obligations, the long-term liabilities will be eliminated with the allocation of future revenues from the Successor Agency's Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

The negative net position of \$408,451,000 at June 30, 2022, increased \$16,706,000 when compared to the negative net position of \$391,745,000 at June 30, 2021. The increase in negative net position in 2022 is mainly due to the decrease in cash and cash equivalents. The negative net position of \$391,745,000 at June 30, 2021, decreased \$37,831,000 when compared to the negative net position of \$429,576,000 at June 30, 2020. The decline in net position in 2021 is mainly due to the decrease in long-term liabilities.

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**Management's Discussion and Analysis**

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**(Unaudited)**

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

**CRA/LA-DLA's Fiduciary Net Position**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Current and other assets	\$ 52,806	\$ 70,228	\$ 64,400
Restricted assets	38,185	38,169	41,117
Property held for resale, future development, and government use	30,880	30,880	31,918
Capital assets, net of accumulated depreciation and amortization	<u>601</u>	<u>324</u>	<u>647</u>
<b>Total assets</b>	<u>122,472</u>	<u>139,601</u>	<u>138,082</u>
Deferred outflows of resources	<u>32,119</u>	<u>32,392</u>	<u>35,847</u>
<b>Liabilities</b>			
Current and other liabilities	62,604	39,653	50,017
Long-term liabilities, net of unamortized premium and discount on bonds	<u>410,880</u>	<u>480,282</u>	<u>520,085</u>
<b>Total liabilities</b>	<u>473,484</u>	<u>519,935</u>	<u>570,102</u>
Deferred inflows of resources	<u>89,558</u>	<u>43,803</u>	<u>33,403</u>
<b>Total net position</b>	<u>\$ (408,451)</u>	<u>\$ (391,745)</u>	<u>\$ (429,576)</u>

**Changes in fiduciary net position.** Total additions of \$81,693,000 for the year ended June 30, 2022 increased \$13,114,000 when compared to total additions of \$68,579,000 for the year ended June 30, 2021. Increase in total additions is primarily due to increase in redevelopment property tax revenues of \$17,538,000.

Total additions of \$68,579,000 for the year ended June 30, 2021 decreased \$7,307,000 when compared to total additions of \$75,886,000 for the year ended June 30, 2020. Decrease in total additions is primarily due to decrease in redevelopment property tax revenues of \$9,434,000 offset by the increase in other additions of \$3,183,000 from the sales of property.

Total deductions of \$98,399,000 for the year ended June 30, 2022 increased \$71,162,000 when compared to total deductions of \$27,237,000 for the year ended June 30, 2021. This increase is primarily due to the increase in program delivery expense of \$37,730,000 and pension expense of \$39,449,000. Covid-19 caused unexpected delays in retrofitting the 250 multi family rental units. As a result, the estimated cost of the retrofit was adjusted to \$56,627,000; which increased \$27,516,000 from the previous estimates.

**CRA/LA, A DESIGNATED LOCAL AUTHORITY**  
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**Management's Discussion and Analysis**

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Total deductions of \$27,237,000 for the year ended June 30, 2021 decreased \$10,311,000 when compared to total deductions of \$37,548,000 for the year ended June 30, 2020. This decrease is primarily due to the decrease in program delivery expense of \$6,021,000, decrease in pension expense of \$2,922,000 and decrease in interest expense of \$1,489,000.

The extraordinary items for the year ended June 30, 2021 of \$3,511,000 represents proceeds from sales of property remitted to the Los Angeles County-Auditor Controller for distribution to the affected taxing entities.

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Additions:</b>			
Redevelopment property tax revenue	\$ 81,636	\$ 64,098	\$ 73,532
Interest	49	1,103	1,580
Rental income	2	96	200
Parking receipts	-	68	544
Other additions	6	3,214	30
Total additions	<u>81,693</u>	<u>68,579</u>	<u>75,886</u>
<b>Deductions:</b>			
Program delivery expense	40,275	2,545	8,566
Administrative expense	594	2,259	1,516
Litigation, claims, and settlements	249	271	519
Pension expense	47,527	8,078	11,000
OPEB expense	(3,108)	(1)	373
Interest expense	12,432	13,761	15,250
Depreciation and amortization	430	324	324
Total deductions	<u>98,399</u>	<u>27,237</u>	<u>37,548</u>
<b>Extraordinary items resulting from</b>			
Redevelopment Agency Dissolution	<u>-</u>	<u>(3,511)</u>	<u>(7,811)</u>
Change in net assets	<u>(16,706)</u>	<u>37,831</u>	<u>30,527</u>
Net position, beginning of year	<u>(391,745)</u>	<u>(429,576)</u>	<u>(460,103)</u>
Net position, ending of year	<u>\$ (408,451)</u>	<u>\$ (391,745)</u>	<u>\$ (429,576)</u>

**CRA/LA, A DESIGNATED LOCAL AUTHORITY**  
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**Management’s Discussion and Analysis**

**June 30, 2022 and 2021**  
**(Unaudited)**

**CAPITAL ASSETS**

The CRA/LA-DLA’s capital assets net of accumulated depreciation and amortization at June 30, 2022 totaled \$601,000. The CRA/LA-DLA’s capital assets include lease asset, equipment and leasehold improvement.

Additional information on the CRA/LA-DLA’s capital assets can be found in note 2-C on page 21 of this report.

**DEBT ADMINISTRATION**

At June 30, 2022, the CRA/LA-DLA’s long-term debt of \$322,373,000, before unamortized bond premium and discount is summarized as follows (dollars in thousands):

**CRA/LA-DLA’s Long-Term Debt**

Bonds payable	\$ 305,790
Notes payable	<u>16,583</u>
Total	<u>\$ 322,373</u>

As of June 30, 2022, CRA/LA-DLA had 9 tax allocation bonds, totaling \$305,790,000, and unamortized bond premiums and discounts totaled \$10,031,000. Of the 9 outstanding bond issues, 6 are insured. This equates to 94.50 percent of the original principal amount of bonds having been issued with insurance. Investors in insured CRA/LA-DLA bonds are encouraged to contact their respective investment advisor to obtain the latest rating(s) on their insured bonds. The remaining bonds are uninsured and have investment grade ratings.

Additional information on the CRA/LA-DLA’s long-term liabilities can be found in note 2-E, 2-F, 2-G, and 2-H on pages 23 through 27 of this report.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the CRA/LA-DLA’s finances for all those with an interest in such information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Executive Officer, CRA/LA, A Designated Local Authority, 448 S. Hill Street, Suite 301, Los Angeles, California 90013.

CRA/LA-DLA’s website can be found at [www.crala.org](http://www.crala.org).

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## BASIC FINANCIAL STATEMENTS

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

**Statements of Fiduciary Net Position**

**June 30, 2022 and 2021**  
**(In Thousands)**

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 45,825	\$ 62,801
Other receivables	7	1
Loans receivable, net of allowance for market value write-downs and uncollectibles of \$7,166 and \$7,757 for 2022 and 2021, respectively	4,743	4,987
Restricted assets	38,185	38,169
Prepaid bond insurance	893	1,017
Property held for sale, future development, and government use	30,880	30,880
Capital assets, net of accumulated depreciation and amortization of \$11,768 and \$23,183 for 2022 and 2021, respectively	601	324
Other assets	1,338	1,422
	<b>122,472</b>	<b>139,601</b>
<b>DEFERRED OUTFLOWS ON RESOURCES</b>		
Deferred loss on refunding, net of accumulated amortization	11,430	12,426
Deferred amounts on pension plans	16,716	15,835
Deferred amounts on other post employment benefits	3,973	4,131
	<b>32,119</b>	<b>32,392</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	91	50
Interest payable	5,137	5,691
Deposits and other liabilities	57,376	33,912
Noncurrent liabilities:		
Due within one year	35,730	35,673
Due in more than one year	375,150	444,609
	<b>473,484</b>	<b>519,935</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred gain on refunding, net of accumulated amortization	899	1,039
Deferred amounts from advanced receipt of property tax revenue	18,155	37,500
Deferred amounts from other receivables	7	1
Deferred amounts on pension plans	65,758	3,387
Deferred amounts on other post employment benefits	4,739	1,876
	<b>89,558</b>	<b>43,803</b>
<b>NET POSITION</b>		
Net position held in trust	<b>\$ (408,451)</b>	<b>\$ (391,745)</b>

See accompanying notes to basic financial statements.

**CRA/LA, A DESIGNATED LOCAL AUTHORITY**  
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**Statements of Changes in Fiduciary Net Position**

**For the Years Ended June 30, 2022 and 2021**  
**(In Thousands)**

	2022	2021
<b>ADDITIONS</b>		
Redevelopment property tax revenue	\$ 81,636	\$ 64,098
Interest	49	1,103
Rental income	2	96
Parking receipts	-	68
Other	6	3,214
	81,693	68,579
<b>DEDUCTIONS</b>		
Program delivery expense	40,275	2,545
Administrative expense	594	2,259
Litigation, claims, and settlements	249	271
Pension expense	47,527	8,078
OPEB expense	(3,108)	(1)
Interest expense	12,432	13,761
Depreciation and amortization	430	324
	98,399	27,237
Extraordinary item resulting from Redevelopment Agency Dissolution		
Transfer of excess land proceeds to County of Los Angeles for distribution to Affected Taxing Entities	-	(3,511)
Total extraordinary item resulting from Redevelopment Agency Dissolution	-	(3,511)
Change in net position	(16,706)	37,831
<b>NET POSITION</b>		
Beginning net position	(391,745)	(429,576)
Ending net position	\$ (408,451)	\$ (391,745)

See accompanying notes to basic financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

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

**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Community Redevelopment Agency of the City of Los Angeles (Former Agency) was established in 1948 to eliminate blight and promote economic revitalization within adopted project areas of the City of Los Angeles. Over the years, the Former Agency was active in implementing housing programs, business incentive programs, commercial improvement programs, planning and development of projects, capital improvement projects, and property acquisition in the project areas.

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

The Dissolution Act provides that upon dissolution of a redevelopment agency, either the city or another unit of local government may agree to serve as the Successor Agency to hold the former agency's assets until they are monetized and/or distributed to affected taxing entities. On January 11, 2012, the City of Los Angeles (City) elected not to become the Successor Agency to the Former Agency, as part of City Council File 12-0049. Subsequently, and as authorized by State Law, Governor Brown appointed three County of Los Angeles (County) residents to serve as the Governing Board of a Designated Local Authority (CRA/LA-DLA), as confirmed by Resolution No. 001 adopted on February 3, 2012. On February 1, 2012, net position of the Former Agency in the amount of \$97,391,000 were transferred to the newly formed CRA/LA-DLA. Pursuant to the Dissolution Act, CRA/LA-DLA, a tax-exempt state governmental unit, is vested with all authority, rights, powers, duties, and obligations previously vested with the Former Agency.

The Dissolution Act requires the Successor Agency to expeditiously wind down the Former Agency with authority limited to the extent required to implement an orderly wind down of Former Agency activities. In this regard, CRA/LA-DLA is required to prepare an annual Recognized Obligation Payment Schedule (ROPS). CRA/LA-DLA is further required to submit its ROPS to its Governing Board and Oversight Board for review and approval. Following approval by the Oversight Board, CRA/LA-DLA is to submit the approved ROPS to the Department of Finance (DOF), State Controller and County Auditor-Controller (County AC). Following DOF approval, only those scheduled amounts listed on the approved ROPS may be paid from authorized funding sources.

As part of the FY2012-13 state budget, the Governor signed into law AB 1484 on June 27, 2012, amending the Dissolution Act. AB 1484's purpose is to make technical and substantive amendments to the Dissolution Act based on experience to date at the state and local level.

On September 22, 2015, the Governor signed Senate Bill 107 (SB 107), further amending the Dissolution Act by creating additional requirements and deadlines for the dissolution of former redevelopment agencies. Among other items, SB 107 provides for an annual ROPS beginning with ROPS 16-17. Eligible successor agencies are also authorized to request approval of a last and final ROPS.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

CRFA, Blended Component Unit

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

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

**B. Basis of Accounting and Financial Statement Presentation**

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

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

**C. Cash and Investments**

Cash includes deposits maintained with local banks.

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

**D. Loans Receivable**

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

- Amortizing loans – loans requiring monthly payments designed to payoff both the principal and interest over a specified period, usually 15-20 years. Included in this category are partially amortizing loans and interest only payment loans requiring balloon payments at maturity date.
- Deferred loans – loans requiring repayments only on the earlier of loan due date or when the mortgaged properties are sold or refinanced.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Residual receipts loans – loans requiring repayments only when the project or mortgaged properties have positive cash flows pursuant to a formula set forth in the specific loan agreement.

In the financial statements, loans receivable is reported net of allowance for market value write-downs and uncollectible accounts.

**E. Restricted Assets**

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

**F. Property Held for Sale, Future Development, and Government Use**

As part of its redevelopment activities, the Former Agency acquired land for eventual disposition to developers of housing or commercial projects. These properties were held until sold and/or conveyed for development. On October 7, 2014, DOF approved the Long Range Property Management Plan (LRPMP) which specifies the disposition of various CRA/LA-DLA owned properties. Separately, DOF approved the transfer of Government Use assets to the City. The CRA/LA-DLA is implementing the liquidation of its land inventory pursuant to Governing and Oversight Board approvals and consistent with DOF-approved disposition plans.

**G. Capital Assets**

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

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

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

**H. Deferred Outflows and Inflows of Resources**

The statements of fiduciary net position report a separate section for deferred outflows and inflows of resources. Deferred outflows and inflows of resources represents resources that apply to future periods and therefore not recognized as outflows and/or inflows of resources until then. Deferred charges on refunding bonds resulting from the difference in the carrying value of refunded debt and its reacquisition price are amortized over the shorter of the life of the refunded or refunding debt and reported as deferred outflows and/or inflows of resources. Certain pension and other postemployment benefits (OPEB) activities including employer contributions and the net change in the pension

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

and OPEB liabilities are reported as deferred outflows and/or inflows of resources. Deferred amounts from advanced receipt of property tax are reported as deferred inflows.

**I. Compensated Absences**

CRA/LA-DLA employees accumulate vacation pay at varying rates as services are provided. CRA/LA-DLA pays for vacation leave as it is used or periodic cash payouts. Any accrued vacation time is payable upon termination of employment. CRA/LA-DLA employees also accumulate sick leave hours with full pay at the rate of 96 hours per fiscal year to a maximum of 800 hours. CRA/LA-DLA pays employees for sick leave as it is used.

CRA/LA-DLA pays 50 percent of the accumulated sick leave in excess of 800 hours as of the end of any fiscal year to active employees. Upon retirement, an employee can elect to be paid 50 percent of the available sick leave or convert their unused sick leave to CalPERS service credits.

**J. Long-term Debt and Other Long-term Obligations**

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

**K. Other Postemployment Benefits (OPEB)**

For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Prefunding Plan administered by CalPERS, also known as the California Employers' Retirement Benefit Trust (CERBT) and additions to/deductions from the CERBT's fiduciary net position have been determined on the same basis as they are reported by the CalPERS. For this purpose, the CERBT recognizes contributions postmarked by June 30 and received by July 15. Contributions and reimbursements outside of the trust are recognized based on data submitted by the employer. OPEB reimbursements are recognized as the benefits come due for the CERBT, which includes reimbursement requests received from employer by July 31, for OPEB costs incurred for the fiscal year. Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. Investment income/loss of the trust is allocated to each participating employer based on the employer's percentage of ownership in the respective investment strategies using the daily investment gain/loss provided by the custodian bank.

**L. Property Tax Revenues**

Pursuant to the Dissolution Act, and following DOF approval, the County Auditor-Controller is required to biannually remit to CRA/LA-DLA property taxes deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (RPTTF) to pay for enforceable obligations and/or its administrative allowance as scheduled on the approved annual ROPS. Deferred inflows of resources are reported when property taxes are received before the period when resources are required to be used or when use is first permitted.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Net Position**

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

**N. Extraordinary Items**

Extraordinary items are both unusual in nature and infrequent in occurrence. The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item.

HSC Sec. 34191.5(c)(2)(B) provides that if the Long Range Property Management Plan (LRPMP) directs liquidation of property or use of revenues generated from a property for any purpose other than to fulfill an enforceable obligations, proceeds shall be distributed as property tax to the affected taxing entities (ATEs). Cumulative net land sales proceeds not required to fulfill enforceable obligations amounted to \$165,389,000. CRA/LA-DLA remitted \$0, \$3,511,000, \$5,411,000, \$11,478,000, \$14,765,000 and \$130,224,000 for the fiscal years ended June 30, 2022, 2021, 2020, 2019, 2018 and 2017, respectively, to the Los Angeles County Auditor-Controller for distribution to the ATEs.

Pursuant to the Non-Housing Bond Expenditure Agreement between CRA/LA-DLA and the City, unencumbered excess bond proceeds originally retained for projects, deemed no longer needed, are to be transferred to the City and added to the approved Bond Spending Plans. Previously retained bond proceeds for specific projects in the amount of \$4,301,000 is no longer required. On July 3, 2019 and September 20, 2017, CRA/LA-DLA remitted \$2,400,000 and \$1,901,000, respectively, to the City pursuant to the approved ROPS.

**O. Use of Estimates**

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

**P. Recent Governmental Accounting Standards Board (GASB) Pronouncements**

Implementation of the following Pronouncements is effective fiscal year 2022:

1. *GASB Statement No. 87 – Leases*. Issued in June 2017, this statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. CRA/LA-DLA implemented this statement and changed its accounting principle as disclosed in Notes 2C, 2E and 2I.
2. *GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period*. Issued in June 2018, this statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. CRA/LA-DLA implemented this statement without material impact.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. *GASB Statement No. 92, Omnibus 2020.* Issued in January 2020, this statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. CRA/LA-DLA implemented this statement without material impact.
4. *GASB Statement No. 93, Replacement of Interbank Offered Rates.* Issued in March 2020, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). CRA/LA-DLA implemented this statement without material impact.
5. *GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* Issued in June 2020, this statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. CRA/LA-DLA implemented this statement without material impact.
6. *GASB Statement No. 98, The Annual Comprehensive Financial Report.* Issued in October 2021, this statement establishes the term annual comprehensive financial report and its acronym ACFR. CRA/LA-DLA implemented this statement without material impact.

Recent Pronouncements effective in future periods:

1. *GASB Statement No. 91 – Conduit Debt Obligations.* Issued in May 2019, this statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement will be effective beginning fiscal year 2023 as postponed by GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance.* CRA/LA-DLA has not completed the process of evaluating the impact of GASB Statement No. 91 on its financial statements.
2. *GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* Issued in March 2020, this statement provides guidance for accounting and financial reporting for availability payment arrangements. This statement will be effective beginning fiscal year 2023. CRA/LA-DLA has not completed the process of evaluating the impact of GASB Statement No. 94 on its financial statements.
3. *GASB Statement No. 96 - Subscription-Based Information Technology Arrangements.* Issued in May 2020, this statement requires a government to disclose descriptive information about its subscription-based information technology arrangements other than short-term arrangements, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability and other essential information. This statement will be effective beginning fiscal year 2023. CRA/LA-DLA has not completed the process of evaluating the impact of GASB Statement No. 96 on its financial statements.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

4. *GASB Statement No. 99, Omnibus 2022.* Issued in April 2022, this statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to the extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34 and terminology updates related to GASB 53 and 63 are effective upon issuance. The requirements related to leases, Public Private and Public-Public Partnerships, and Subscription-Based Information Technology Arrangements, are effective beginning fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective beginning fiscal year 2024. CRA/LA-DLA has not completed the process of evaluating the impact of GASB Statement No. 99 on its financial statements.
5. *GASB Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.* Issued in June 2022, this statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This statement will be effective beginning fiscal year 2024. CRA/LA-DLA has not completed the process of evaluating the impact of GASB Statement No. 100 on its financial statements.
6. *GASB Statement No. 101, Compensated Absences.* Issued in June 2022, this statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement will be effective beginning fiscal year 2025. CRA/LA-DLA has not completed the process of evaluating the impact of GASB Statement No. 101 on its financial statements.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 2 - DETAILED NOTES**

**A. Cash and Investments**

*Cash*

Cash consists of cash deposits maintained with local banks. At June 30, 2022 and 2021, the carrying amount of the CRA/LA-DLA's cash deposits totaled \$45,825,000 and \$62,801,000, respectively; while the bank balances totaled \$45,916,000 and \$62,894,000, respectively. The difference of \$91,000 and \$93,000, respectively, at June 30, 2022 and 2021 are primarily due to outstanding checks and other reconciling items. Of the total bank balances at June 30, 2022 and 2021, \$250,000 was covered by the Federal Deposit Insurance Corporation and \$45,666,000 and \$62,644,000, respectively, were fully collateralized as required by State law and reported to the State Administrator of Local Agency Security to ensure the safety of public deposits.

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

*Investments*

At June 30, 2022 and 2021, restricted investments, shown as restricted assets consisted primarily of investments maintained with bond fiscal agents and trustees, which are considered as pledged collateral for payment of principal and interest on the CRA/LA-DLA's tax allocation bond obligations.

At June 30, 2022 and 2021, cash and investments are reflected in the statements of fiduciary net position with carrying values as follows (dollars in thousands):

	June 30, 2022			June 30, 2021		
	Deposits	Investments	Total	Deposits	Investments	Total
Cash	\$ 45,825	\$ -	\$ 45,825	\$ 62,801	\$ -	\$ 62,801
Restricted assets	-	38,185	38,185	-	38,169	38,169
<b>Total</b>	<b>\$ 45,825</b>	<b>\$ 38,185</b>	<b>\$ 84,010</b>	<b>\$ 62,801</b>	<b>\$ 38,169</b>	<b>\$ 100,970</b>

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 2 - DETAILED NOTES (continued)**

CRA/LA-DLA's investments at June 30, 2022 and 2021 consisted of the following investment types (dollars in thousands):

At June 30, 2022:

<u>Investment Type</u>	<u>Amortized Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments held by fiscal agent or trustee:			
Money market funds	\$ 38,185	\$ 38,185	0.03
Total investments held by fiscal agent or trustee	<u>\$ 38,185</u>	<u>\$ 38,185</u>	

At June 30, 2021:

<u>Investment Type</u>	<u>Amortized Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Investments held by fiscal agent or trustee:			
Money market funds	\$ 38,169	\$ 38,169	0.03
Total investments held by fiscal agent or trustee	<u>\$ 38,169</u>	<u>\$ 38,169</u>	

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

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

*Credit rate risk.* Investments held by a fiscal agent or trustee are invested in accordance with the respective CRA/LA-DLA's bond indenture or similar agreement, and the credit rating of the authorized investments are limited. These bond indenture agreements authorize investments in money market funds having a rating in the highest investment category by Standard & Poor's and/or Moody's. At June 30, 2022 and 2021, the CRA/LA-DLA's investments in money market funds at amortized costs of \$38,185,000 and \$38,169,000, respectively, for both years, were rated in the highest categories of Standard & Poor's "A-1+" and Moody's "P-1".

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 2 - DETAILED NOTES (continued)**

**B. Loans Receivable**

A schedule of loans receivable at June 30, 2022 and 2021 including allowance for market value write-downs and uncollectibles is as follows (dollars in thousands):

At June 30, 2022:

	Principal Balance			
	Amortizing	Deferred	Residual Receipts	Total
Outstanding at July 1, 2021	\$ 969	\$ 5,558	\$ 6,217	\$ 12,744
Reductions:				
Principal repayments	(242)	-	(6)	(248)
Others *	-	(587)	-	(587)
Outstanding at June 30, 2022	727	4,971	6,211	11,909
Less allowance for market value write-downs and uncollectibles	-	(4,953)	(2,213)	(7,166)
Balance at June 30, 2022	<u>\$ 727</u>	<u>\$ 18</u>	<u>\$ 3,998</u>	<u>\$ 4,743</u>

\* Included in these amounts are write-offs and service repayments on forgivable loans.

At June 30, 2021:

	Principal Balance			
	Amortizing	Deferred	Residual Receipts	Total
Outstanding at July 1, 2020	\$ 1,212	\$ 6,871	\$ 6,240	\$ 14,323
Reductions:				
Principal repayments	(243)	-	(23)	(266)
Others *	-	(1,313)	-	(1,313)
Outstanding at June 30, 2021	969	5,558	6,217	12,744
Less allowance for market value write-downs and uncollectibles	-	(5,540)	(2,217)	(7,757)
Balance at June 30, 2021	<u>\$ 969</u>	<u>\$ 18</u>	<u>\$ 4,000</u>	<u>\$ 4,987</u>

\*Included in these amounts are loan amendments, write-offs and service repayments on forgivable loans.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 2 - DETAILED NOTES (continued)**

**C. Capital Assets**

Changes in capital assets for the year ended June 30, 2022 and 2021 were as follows (dollars in thousands):

At June 30, 2022:

Description	Balance July 1, 2021	Additions	Dispositions	Depreciation/ Amortization	Balance June 30, 2022
Capital assets, being depreciated:					
Building and improvements	\$ 11,326	\$ -	\$ -	\$ -	\$ 11,326
Less accumulated depreciation/ amortization	(11,002)	-	-	(324)	(11,326)
Net building and improvements	324	-	-	(324)	-
Lease asset *	-	637	-	-	637
Less accumulated depreciation/ amortization	-	-	-	(106)	(106)
Net lease asset	-	637	-	(106)	531
Equipment and leasehold improvements	12,181	70	(11,845)	-	406
Less accumulated depreciation/ amortization	(12,181)	-	11,845	-	(336)
Net equipment and leasehold improvements	-	70	-	-	70
Net capital assets, being depreciated	324	707	-	(430)	601
Net capital assets	\$ 324	\$ 707	\$ -	\$ (430)	\$ 601

\*New category for the lease assets, and related accumulated amortization, have been added due to the implementation of GASB 87.

At June 30, 2021:

Description	Balance July 1, 2020	Additions	Dispositions	Depreciation/ Amortization	Balance June 30, 2021
Capital assets, being depreciated:					
Building and improvements	\$ 11,326	\$ -	\$ -	\$ -	\$ 11,326
Less accumulated depreciation/ amortization	(10,679)	-	-	(323)	(11,002)
Net building and improvements	647	-	-	(323)	324
Equipment and leasehold improvements	12,264	-	(83)	-	12,181
Less accumulated depreciation/ amortization	(12,264)	-	83	-	(12,181)
Net equipment and leasehold improvements	-	-	-	-	-
Net capital assets, being depreciated	647	-	-	(323)	324
Net capital assets	\$ 647	\$ -	\$ -	\$ (323)	\$ 324

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 2 - DETAILED NOTES (continued)**

**D. CRFA Bonds**

The following table summarizes the CRFA bond transactions for the fiscal years ended June 30, 2022 and 2021 (dollars in thousands):

Balance, July 1, 2020	\$ 7,550
Retirement, various pooled financing bond issues	<u>(260)</u>
Balance, June 30, 2021	7,290
Retirement, various pooled financing bond issues	<u>(285)</u>
Balance, June 30, 2022	<u><u>\$ 7,005</u></u>

CRFA bonds outstanding at June 30, 2022 and 2021 were as follows (dollars in thousands):

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	2022 Balance Outstanding	2021 Balance Outstanding
Pooled bonds:						
Pooled Financing Bonds, Series P (taxable)	6/26/2008	9/1/2038	8.00%	14,250	<u>\$ 7,005</u>	<u>\$ 7,290</u>
Total CRFA bonds					<u><u>\$ 7,005</u></u>	<u><u>\$ 7,290</u></u>

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

As a blended component unit, CRFA's activities for financial reporting purposes are blended into the CRA/LA-DLA's basic financial statements. Hence, in the accompanying statements of fiduciary net position as of June 30, 2022 and 2021, the \$7,005,000 and \$7,290,000, respectively, receivable/payable between CRFA and CRA/LA-DLA is eliminated.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 2 - DETAILED NOTES (continued)**

**E. Long-Term Debt**

**Changes in Long-term Liabilities**

CRA/LA-DLA's long-term liabilities for the fiscal year ended June 30, 2022 and 2021 are summarized as follows (dollars in thousands):

At June 30, 2022:

Description	Balance July 1, 2021	Additions	Retirement	Balance June 30, 2022	Due Within One Year
Bonds payable	\$ 336,090	\$ -	\$ (30,300)	\$ 305,790	\$ 31,305
Notes payable	19,176	-	(2,593)	16,583	2,817
Sub-total before premiums/ discounts on bonds	355,266	-	(32,893)	322,373	34,122
Unamortized premiums and discounts on bonds	12,282	-	(2,251)	10,031	-
Total bonds and notes	367,548	-	(35,144)	332,404	34,122
Pension liability	90,646	-	(21,905)	68,741	-
Compensated absences	282	78	(36)	324	62
Other postemployment benefit liability/(asset)	5,402	-	(10,054)	(4,652)	-
Lease liability	-	637	(85)	552	119
Other long-term obligations (page 26)	16,404	-	(2,893)	13,511	1,427
Net long-term liabilities, governmental activities	<u>\$ 480,282</u>	<u>\$ 716</u>	<u>\$ (70,117)</u>	<u>\$ 410,880</u>	<u>\$ 35,730</u>

At June 30, 2021:

Description	Balance July 1, 2020	Additions	Retirement	Balance June 30, 2021	Due Within One Year
Bonds payable	\$ 367,745	\$ -	\$ (31,385)	\$ 336,090	\$ 30,300
Notes payable	21,721	-	(2,545)	19,176	2,595
Payable to the City	1,590	-	(1,590)	-	-
Sub-total before premiums/ discounts on bonds	390,786	-	(35,520)	355,266	32,895
Unamortized premiums and discounts on bonds	14,552	-	(2,270)	12,282	-
Total bonds and notes	405,338	-	(37,790)	367,548	32,895
Pension liability	86,204	4,442	-	90,646	-
Compensated absences	313	106	(137)	282	104
Other postemployment benefit liability	9,003	-	(3,601)	5,402	-
Other long-term obligations (page 26)	19,227	-	(2,823)	16,404	2,674
Net long-term liabilities, governmental activities	<u>\$ 520,085</u>	<u>\$ 4,548</u>	<u>\$ (44,351)</u>	<u>\$ 480,282</u>	<u>\$ 35,673</u>

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 2 - DETAILED NOTES (continued)**

**Outstanding Long-term Debt**

Long-term debt outstanding at June 30, 2022 and 2021 is comprised of the following (dollars in thousands):

Description	Date of Issue	Maturity Date	Interest Rate	Original Issue	2022 Outstanding Balance	2021 Outstanding Balance
Tax allocation bonds**:						
Adelante Eastside, TARB Series E (taxable)	12/20/2013	9/1/2032	1.460% - 6.000%	\$ 4,605	\$ 3,095	\$ 3,300
Bunker Hill, TARB Series M	10/30/2014	12/1/2028	2.000% - 5.250%	148,640	95,060	106,955
General Agency, TARB Series A (taxable)	8/4/2017	9/1/2040	0.893% - 3.375%	251,285	186,345	197,865
Hollywood, TARB Series G	12/20/2013	7/1/2022	3.000% - 5.000%	14,975	2,955	5,770
Hollywood, TARB Series H (taxable)	12/20/2013	7/1/2022	0.526% - 4.494%	11,875	1,510	2,960
Mid-City Recovery, Series C (taxable)*	6/26/2008	9/1/2032	8.000%	6,500	4,980	5,235
Mid-City Recovery, TARB Series D (taxable)	12/20/2013	9/1/2032	1.146% - 6.000%	5,515	3,500	3,725
North Hollywood, TARB Series I	12/20/2013	7/1/2024	3.000% - 5.000%	16,675	6,320	8,225
Vermont/Manchester, Series B (taxable) *	6/26/2008	9/1/2038	8.000%	2,250	<u>2,025</u>	<u>2,055</u>
Total tax allocation bonds payable before unamortized premium (discount)					<u>305,790</u>	<u>336,090</u>
Project notes payable:						
Mid-City Recovery, Midtown Crossing Senior Note	3/22/2013	1/31/2042	6.00%	5,000	2,877	3,154
Mid-City Recovery, Midtown Crossing Junior Note	3/22/2013	1/31/2042	6.00%	5,422	5,422	5,422
North Hollywood, NOHO Commons	8/27/2004	2/2029	6.00%	9,043	1,951	2,962
Wilshire/Koreatown, The Vermont Mixed-Use	7/11/2014	12/13/2040	6.00%	12,500	<u>6,333</u>	<u>7,638</u>
Total project notes payable					<u>16,583</u>	<u>19,176</u>
Total long-term debt, June 30, 2022 and 2021					<u>\$ 322,373</u>	<u>\$ 355,266</u>

\*Purchased by and payable to CRFA.

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

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

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

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**NOTE 2 - DETAILED NOTES (continued)**

The annual reports on the tax allocation bonds, consist of, but are not limited to, a copy of the CRA/LA-DLA's most recent audited financial statements and operating 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-H, Third-Party Indebtedness), such as housing revenue bonds. Furthermore, upon occurrence of any of the eleven enumerated events, CRA/LA-DLA 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 at June 30, 2022 are reflected in the following table (dollars in thousands).

Year Ending June 30	Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 31,305	\$ 11,020	\$ 2,817	\$ 1,062	\$ 34,122	\$ 12,082
2024	28,615	9,885	2,705	894	31,320	10,779
2025	29,805	8,795	2,016	730	31,821	9,525
2026	29,695	7,663	1,983	608	31,678	8,271
2027	31,335	6,494	359	491	31,694	6,985
2028-2032	82,705	18,837	2,068	2,841	84,773	21,678
2033-2037	52,430	7,954	3,032	4,250	55,462	12,204
2038-2041	19,900	1,154	1,603	2,428	21,503	3,582
Total	<u>\$ 305,790</u>	<u>\$ 71,802</u>	<u>\$ 16,583</u>	<u>\$ 13,304</u>	<u>\$ 322,373</u>	<u>\$ 85,106</u>

**F. Defeasance of Debt**

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

The trust account assets and corresponding liabilities for the defeased bonds are not reflected on the accompanying basic financial statements. \$3,436,000 and \$4,112,000 of bonds outstanding are considered defeased at June 30, 2022 and 2021, respectively.

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**NOTE 2 - DETAILED NOTES (continued)**

**G. Payable to the City**

*CDBG Regular Program Year Allocations*

The Former Agency's Community Development Block Grant (CDBG) allocations from the City have been structured as either grants, or deferred loans. Under various contracts with the City, the Former Agency has recorded 20-year loans of \$17,194,000. These loans are to be repaid from certain sources such as tax increment revenues of the respective redevelopment projects as they become available. 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 the Former Agency on these notes. These notes as amended continue to accrue interest at the existing rate and any principal and interest due under the existing notes are deferred until maturity. This loan and accrued interest have been fully repaid in 2021.

**H. Other Long-Term Obligations**

Other long-term obligations include obligations arising from certain Owner Participation Agreements (OPA) and Disposition and Development Agreements (DDA) between the Former Agency and various developers. Project site-specific and area-wide tax increment revenues have been pledged using various debt instruments to finance certain redevelopment projects. These pledges are subordinate to senior-lien tax allocation bonds and limited to the amounts annually available.

In accordance with the Dissolution Act, revenue pledges are to be honored. Accordingly, these obligations are reported in the financial statements and are as follows:

1. *NOHO Commons Project* - Developed by SL NoHo, LLC (Developer), this three phase mixed-use catalytic project is located on the block bounded by Lankershim Boulevard, Chandler Boulevard and Weddington Street. Pursuant to the OPA, CRA/LA-DLA is required to make certain annual payments from available site-generated tax increment to pay the Developer/Owner for the following:
  - a) Reimbursement of Developer Payments on HUD 108 Loan obligation of \$6,050,000 plus annual interest at 6%. The reimbursement obligation ends on the earlier of when the principal and accrued interest is paid in full or October 1, 2028. The loan was paid in full in 2021.
  - b) Revenue Shortfall obligation of \$5,000,000 plus annual interest at 6%. The obligation ends at the earlier of when the principal and accrued interest is paid in full or October 1, 2028. At June 30, 2022 and 2021, the outstanding balance is \$0 and \$1,261,000, respectively.
  - c) Housing subsidy payments to maintain required affordability totaling \$27,262,000 plus 6% interest for the term of 21 years. The obligation will be paid in full on October 1, 2028. At June 30, 2022 and 2021, the outstanding balance is \$13,120,000 and \$14,569,000, respectively.

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**NOTE 2 - DETAILED NOTES (continued)**

2. *Slauson Central Shopping Center* - On December 1, 2003, the Former Agency entered into a DDA with Slauson Central, LLC (Developer) to construct a retail shopping center consisting of approximately 80,000 sq. ft. of retail improvements, on the property bounded by Slauson and Central Avenues. Pursuant to the DDA, the Former Agency agreed to assist the Developer in assembling the property and to pay certain acquisition, relocation and hazardous materials remediation costs related to the Property. On April 8, 2004, the Former Agency entered into a Cooperation Agreement with the City of Los Angeles in which the City agreed to advance Section 108 funds totaling \$1,472,000 to the Former Agency. In turn, the Former Agency pledged to repay Section 108 funds from Site Specific Tax Increment (SSTI) which is triggered once the retail center is built and operations stabilized. The project's certificate of occupancy was issued in March 2014. Pursuant to the Cooperation Agreement, the Former Agency is required to make an annual payment from SSTI to the City to allow it to service the Section 108 Loan. The payment obligation ends at the earlier of when the principal and accrued interest is paid in full or August 1, 2023. At June 30, 2022 and 2021, the outstanding balance is \$391,000 and \$574,000, respectively.

**I. Leases**

CRA/LA-DLA entered into a noncancellable lease agreement for its central office facility in fiscal year 2022. Pursuant to GASB 87, CRA/LA-DLA recognizes lease liability and intangible right-to-use lease asset on the statement of net position. At the commencement of a lease, CRA/LA-DLA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payment made at or before the lease commencement date, plus certain indirect costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how CRA/LA-DLA determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. CRA/LA-DLA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, CRA/LA-DLA generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that CRA/LA-DLA is reasonably certain to exercise. CRA/LA-DLA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

In fiscal year 2022, a total initial lease liability in the amount of \$637,000 was recorded. As of June 30, 2022, the lease liability balance was \$552,000. (See Note 2E) As of June 30, 2022, the total right-to-use asset was recorded at \$637,000 with accumulated amortization of \$106,000. (See Note 2C)

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**Notes to Basic Financial Statements**

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**NOTE 2 - DETAILED NOTES (continued)**

The future lease payments under lease agreements are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2023	\$ 119	\$ 16	\$ 135
2024	127	12	139
2025	136	8	144
2026	144	3	147
2027	26	-	26
<b>Total</b>	<b>\$ 552</b>	<b>\$ 39</b>	<b>\$ 591</b>

**J. Negative Net Position**

At June 30, 2022 and 2021, CRA/LA-DLA's negative net position amounted to \$408,451,000 and \$391,745,000, respectively. Pursuant to the Dissolution Act, CRA/LA-DLA's enforceable obligations as listed on the approved ROPS will be paid by property tax distributed from the RPTTF administered by the County. As CRA/LA-DLA's enforceable obligations are paid, its negative net position will be reduced and in time eliminated.

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**Notes to Basic Financial Statements**

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**NOTE 3 - OTHER INFORMATION**

**A. Employees' Retirement System**

*Plan Description*

CRA/LA-DLA contributes to the California Public Employees' Retirement System (CalPERS), a multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and authorized by CRA/LA-DLA.

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

Following the dissolution and subsequent reductions in force, CRA/LA-DLA's headcount was lowered to fewer than 50 fulltime employees in fiscal year 2013. Subsequently, CalPERS placed CRA/LA-DLA's pension plan from an agent multiple-employer defined pension plan to a public agency cost-sharing multiple-employer defined pension plan (i.e., miscellaneous risk pool). While the risk pool designation does not change plan terms or affect payments to retirees, it has resulted in an increase in the employer's normal cost contributions when compared to the period before the dissolution due to several adjustments. Also, the plan's unfunded liability, on both an actuarial and market value bases, has increased.

The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The Pre-retirement or Post-retirement death benefit for members with five years or more of total service is the Optional Settlement 2W or the Standard Lump Sum payment of \$500, respectively. The 2.5% cost of living adjustments are applied annually on a compound basis.

*Contributions*

Section 20814(c) of the Public Employment Retirement Law requires that the employer contribution rates be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance the unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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**NOTE 3 - OTHER INFORMATION (continued)**

Pursuant to the negotiated bargaining agreement, CRA/LA-DLA also pays the employee contribution rate. According to the CalPERS' funding requirement annual valuation report as of June 30, 2019, the active employee contribution rate is 6.91% of annual payroll; and the employer's contribution rate is 11.66% of annual payroll and the employer payment of unfunded liability is \$8,146,000 for the year ended June 30, 2022. Meanwhile, according to the CalPERS' funding requirement annual valuation report as of June 30, 2018, the active employee contribution rate is 6.907% of annual payroll; and the employer's contribution rate is 11.816% of annual payroll and the employer payment of unfunded liability is \$7,826,000 for the year ended June 30, 2021.

For the years ended June 30, 2022 and 2021, the employer contributions to CalPERS are \$7,943,000 and \$7,645,000, respectively. Employee members contributions to CalPERS, paid by the employer, for the years ended June 30, 2022 and 2021 are \$41,000 and \$47,000, respectively.

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

A summary of principal assumptions and methods used to determine the net pension liability at June 30, 2021 is as follows:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry Age Normal
Asset valuation method:	
Discount rate	7.15%
Inflation	2.50%
Investment rate of return	7.15%
Salary increases	Varies by entry age and service
Mortality rate table (1)	Derived using CalPERS membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter.

- (1) The mortality table was developed based on CalPERS specific data. This table includes 15 years of mortality improvements using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutory required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

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**NOTE 3 - OTHER INFORMATION (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, the CalPERS' staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class</u>	<u>Assumed Target Allocation</u>	<u>Real Return Years 1-10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

- (1) An expected inflation of 2.0% used for this period.  
(2) An expected inflation of 2.92% used for this period.

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

*Allocation of Net Position Liability and Pension Expense*

A key aspect of GASB 68 pertaining to cost-sharing employers is the establishment of an approach to allocate the net pension liability and pension expense to the individual employers within the risk pool. GASB 68, paragraph 49, indicates that for pools where contribution rates within the pool are based on separate relationships, the proportional allocation should reflect those relationships. The allocation method utilized by CalPERS determines the employer's share by reflecting these relationships through the plans they sponsor within the risk pool. Plan liability and asset related information are used where available, and proportional allocations of individual plan amounts as of the valuation date are used where not available.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents CRA/LA-DLA's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what CRA/LA-DLA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate (dollars in thousands):

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**NOTE 3 - OTHER INFORMATION (continued)**

Description	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
CRA/LA-DLA's proportionate share of net pension liability	\$100,476	\$68,741	\$42,505

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources*

At June 30, 2022, CRA/LA-DLA reported a liability of \$68,741,000 for its proportionate share of the net pension liability. The net pension liability measured as of June 30, 2021, and the total pension liability used to calculate the net pension was determined by an actuarial calculation as of June 30, 2020 rolled forward to June 30, 2021 using standard updated procedures.

For the year ended June 30, 2022, CRA/LA-DLA recognized pension expense of \$47,527,000. At June 30, 2022, CRA/LA-DLA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 60,007
Difference between employer's contribution and proportionate share of contributions	1,065	-
Changes in employer's proportion	-	-
Changes of assumptions	-	5,751
Difference between expected and actual experience	7,708	-
Pension contributions made subsequent to measurement date	7,943	-
Total	<u>\$ 16,716</u>	<u>\$ 65,758</u>

The amounts above are net of outflows and inflows recognized in the 2021-22 measurement period expense. \$7,943,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows (dollars in thousands):

Year Ended June 30,	Deferred Outflows/Inflows of Resources
2023	\$ (12,687)
2024	(13,287)
2025	(14,428)
2026	(16,583)

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

**B. Other Postemployment Benefits (OPEB)**

*Plan Description*

CRA/LA-DLA provides medical (including vision care) and dental benefits for life to all employees who retired on or after January 1, 1993 and had at least 10 years of service. The OPEB Plan is administered by CRA/LA-DLA.

On March 19, 2013, CRA/LA-DLA management was authorized by its Governing Board to enroll in an OPEB Prefunding Plan administered by CalPERS, also referred to as the CERBT. Accordingly, an agreement was fully executed by CRA/LA-DLA and CalPERS (on behalf of CERBT), effective March 28, 2013.

The OPEB Prefunding Plan is a trust fund that is intended to perform as an agent multi-employer plan with pooled administrative and investment functions. The CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' Website Form and Publications, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

*Benefits Provided*

In accordance with collective bargaining agreements, CRA/LA-DLA subsidizes health care benefits starting at 40 percent of maximum monthly subsidy to retirees for the first 10 years of service and increases at the rate of four percent per year for each additional year of service. At 25 years of service and at least 50 years of age, the retiree health care benefit is 100 percent subsidized by CRA/LA-DLA. Eligible retirees pay premiums in excess of the CRA/LA-DLA monthly subsidy.

*Employees Covered by Benefit Terms*

As of June 30, 2021 (actuarial valuation date), the following current and former employees were covered by the benefit terms:

Active employees	5
Retired former employees	208
Total	213

*Contributions*

The agreement with CalPERS allows CRA/LA-DLA to contribute funds to be identified annually by an independent actuary and prudently invested by CalPERS for the purposes of funding retiree healthcare obligations. The following table shows the activities of CRA/LA-DLA's CERBT account at June 30, 2022 and 2021 (dollars in thousands):

Balance, July 1, 2020	\$	27,882
Contributions		1,700
Investment earnings		5,780
Administrative fees		(16)
Balance, June 30, 2021		35,346
Contributions		1,700
Investment earnings		(4,668)
Administrative fees		(18)
Balance, June 30, 2022	\$	32,360

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

*Net OPEB Liability*

CRA/LA-DLA's net OPEB liability as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by the actuarial valuation as of June 30, 2021.

*Actuarial Methods and Assumptions*

The total OPEB liability as of June 30, 2022 was determined using the following actuarial assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2021
Investment rate of return	5.75%, net of investment expense, including inflation
Inflation	2.75%
Projected salary increases	3.00%, including inflation
Medical cost increases (trend)	CalPERS medical premium amounts, dental and vision premiums, and Medicare Part B premiums are assumed to increase 5% per year.
Mortality rate	Derived using the 2017 CalPERS valuation. In the 2017 valuation, rates were taken from the 2014 CalPERS OPEB Assumptions Model.

The long-term expected rate of return on the OPEB plan investments was determined by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The asset class percentages are taken from the current composition of the CERBT trust, and the expected yields are taken from a recent CalPERS publication for the Pension Fund.

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Assumed Target Allocation	Real Return Years 1-10
Global Equity	40.00%	5.25%
Fixed Income	43.00	0.99
Treasury Securities	5.00	0.45
Real Estate	8.00	4.50
Commodities	4.00	3.00*

\*The estimated yield of 3.00% for commodities was obtained from various sources, and is an estimate. Using these figures, the weighted-average real rate of return is estimated to be 3.03%. Adding estimated inflation of 2.75%, we obtain 5.78% as an estimate of the expected rate of return, which is rounded to 5.75%.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

*Discount Rate*

The discount rate used to measure the total OPEB liability was 5.75%. The cash flows of the OPEB plan were projected to future years, assuming that CRA/LA-DLA will pay benefits to retiree and then seek reimbursement from CERBT for retiree benefits each year. Under that projection, the plan assets are projected to be adequate to pay all benefits to retirees in all future years, so the discount rate has been set equal to the long-term expected rate of return on investments, 5.75%.

*Changes in the Net OPEB Liability*

The following is the changes in the net OPEB liability (dollars in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 33,272	\$ 27,870	\$ 5,402
Changes for the year:			
Service cost	8	-	8
Interest	1,844	-	1,844
Diff. between actual and expected experience	(2,027)	-	(2,027)
Employer contributions	-	4,111	(4,111)
Net investment income	-	5,779	(5,779)
Benefit paid to retirees	(2,411)	(2,411)	-
Administrative expense	-	(11)	11
Net changes	(2,586)	7,468	(10,054)
Balance at June 30, 2022	\$ 30,686	\$ 35,338	\$ (4,652)

*Sensitivity of Net OPEB Liability to Changes in the Discount Rates*

The following presents the net OPEB liability calculated using the discount rate of 5.75%, as well as what the net OPEB liability would be if it were calculated using the discount rate that is 1 percentage-point lower (4.75%) or 1 percentage-point higher (6.75%) than the current healthcare cost trend rates (dollars in thousands):

	Discount Rate -1% (4.75%)	Current Discount Rate (5.75%)	Discount Rate +1% (6.75%)
Net OPEB liability	\$(1,195)	\$(4,652)	\$(7,554)

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB liability calculated using the healthcare cost trend rates of 5.00% as well as what the net OPEB liability would be if it were calculated using the healthcare cost trend rates that is 1 percentage-point lower (4.00%) or 1 percentage-point higher (6.00%) than the current healthcare cost trend rates (dollars in thousands):

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

Description	Healthcare Cost Trend Rate -1% (4.00%)	Healthcare Cost Trend Rate (5.00%)	Healthcare Cost Trend Rate +1% (6.00%)
Net OPEB liability	\$(7,513)	\$(4,652)	\$(1,304)

*OPEB Plan Fiduciary Net Position*

The OPEB plan's fiduciary net position is equal to the value of assets that have been accumulated in the CERBT. Detailed information about the CERBT's fiduciary net position is available in the CalPERS' audited financial statements.

*OPEB, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources*

For the year ended, June 30, 2022, CRA/LA-DLA recognized OPEB expense of \$(3,108). At June 30, 2022, CRA/LA-DLA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollars in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 20	\$ 3,533
Differences between expected and actual experience	-	1,183
Changes of assumptions	-	23
OPEB contributions subsequent to measurement date	3,953	-
Total	\$ 3,973	\$ 4,739

Amounts reported as deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows (dollars in thousands):

Year Ended June 30,	Deferred Inflows of Resources
2023	\$ (1,236)
2024	(1,202)
2025	(1,123)
2026	(1,129)
2027	(29)

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

**C. Deferred Compensation**

CRA/LA-DLA offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all full-time employees, allows them to defer a portion of their compensation for income tax shelter purposes. The current maximum annual deferral, which is indexed to inflation, is \$20,500 (\$27,000 if age 50 or older) and \$19,500 (\$26,000 if age 50 or older) for the 2022 and 2021 tax years, respectively.

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

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

**D. Reduction in Workforce**

*Early Retirement Incentive Package in 2010*

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

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

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

*Elimination of the ERIP Receivable – June 30, 2018*

Due to continued reductions in CRA/LA-DLA's workforce, the Governing Board approved the elimination of the ERIP employee and non-employee ERIP, and the cancellation of the employee 2.25% contributions at the September 6, 2018 Governing Board meeting.

*Reduction in Force – June 30, 2018*

On July 1, 2017, CRA/LA-DLA's workforce totaled 15 FTE's. As a result of completing certain wind down activities, CRA/LA-DLA implemented a reduction in force on June 30, 2018 further reducing its workforce from 15 FTE's to 8 FTE's. Of the 7 FTE's separating from CRA/LA-DLA, 6 FTE's opted to retire resulting in no foreseeable material financial impact.

*Reduction in Force – January 31, 2020*

On July 1, 2019, CRA/LA-DLA's workforce totaled 8 FTE's. As a result of completing certain wind down activities, CRA/LA-DLA implemented a reduction in force on January 31, 2020 further reducing its workforce from 8 FTE's to 6 FTE's. Of the 2 FTE's separating from CRA/LA-DLA, 2 FTE's opted to retire resulting in no foreseeable material financial impact.

*Reduction in Force – June 30, 2021*

On January 30, 2021, 1 more FTE opted to retire. As of June 30, 2021, CRA/LA-DLA's workforce totaled 5 FTE's.

**E. Risk Management**

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

**F. Pledges of Future Revenues**

Prior to its dissolution, the Former Agency pledged a portion of its future tax increment revenues to repay \$367,475,000 in principal from outstanding tax allocation bonds and \$31,965,000 in principal from outstanding project notes payables which had been issued to finance various redevelopment activities. These bonds and notes are payable solely from the respective redevelopment project area's tax increment. Total principal and interest remaining on these bonds and notes is \$407,477,000 payable through fiscal year 2041. For the year ended June 30, 2022, CRA/LA-DLA's principal and interest paid on these bonds and notes were \$32,893,000 and \$13,397,000, respectively. For the year ended June 30, 2021, CRA/LA-DLA's principal and interest paid on these bonds and notes were \$33,930,000 and \$14,532,000, respectively.

Project site-specific and area-wide tax increment revenues have also been pledged using various debt instruments to finance certain redevelopment projects. These pledges are subordinate to senior-lien tax allocation bonds and limited to the amounts available. In accordance with the Dissolution Act, revenue pledges are to be honored. The principal balances at June 30, 2022 and June 30, 2021 are \$13,511,000 and \$16,404,000, respectively, and reflected on the financial statements as other long-term obligations. The County will have to continue to separately account for the

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

property tax revenues generated by each project area in order to allow the CRA/LA-DLA to honor enforceable obligations created by the pledges.

**G. Other Transactions with the City**

*Payable to the City*

As noted in note 2-G, the payable to the City consists of loans from the City involving federal funds. These notes were to be repaid from available sources including tax increment. The Dissolution Act acknowledges that payments to the federal government are enforceable obligations and such contracts were not invalidated and therefore remain in effect. In its determination letter dated December 26, 2012 wherein DOF approved the affected ROPS line items and authorized RPTTF to repay these obligations, DOF noted that the Successor Agency had provided it with copies of loan agreements and promissory notes which indicated that the Former Agency was the party responsible for payment of the loans. Further, that the promissory notes were entered into at the time of the agreements and for the purpose of repaying the loans. As of June 30, 2021, payable to the City was fully repaid.

**H. Contingencies**

*North Hollywood HUD Section 108 Loan*

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

The Section 108 loan was subsequently assigned to the developer retroactively to August 27, 2004. As a condition of the developer's assumption of the loan, the Former Agency conveyed Subarea B of the NOHO Commons and executed a note payable to the developer, at an interest rate of six percent. The note, which is secured by a pledge of the NOHO Commons' site-specific tax increment, was executed to reimburse certain project costs paid for in advance by the developer. In addition, the Former Agency has pledged to the developer the site-specific tax increment on the NOHO Commons to the extent that the developer's annual return on investment rate is less than 10 percent. These pledges to the developer are subordinate to the North Hollywood Project's existing and future senior-lien bonds and the area-wide tax increment pledge to the City.

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

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

*Slauson Central Shopping Center*

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

*Independent Living Center of Southern California*

Independent Living Center of Southern California (ILCSC) and its co-plaintiffs sued the City and the Former Agency (subsequently amended to name the CRA/LA-DLA as a defendant), based on the City's and Former Agency's purported failure to provide adequate accessible housing to the disabled in alleged violation of Section 504 of the Rehabilitation Act, Title II of the Americans with Disabilities Act ("ADA"), and California Government Code section 11135. The case involves a portfolio of 61 housing projects which received federal funding from the City and Former Agency. The 61 project owners have been joined in the suit as necessary parties. Plaintiffs have requested injunctive relief from the court through which the CRA/LA-DLA and the City would be required to ensure that any of those properties that received funding, not currently meeting federally accessibility standards would be brought into compliance with the federal standards.

In May 2016, the City settled its claims with the Plaintiffs. The City settlement excludes 22 multifamily projects which were financed by CRA/LA-DLA, with federal funding received from the City.

The settlement agreement provides for damages of \$3,000,000 to be paid to three nonprofit plaintiff organizations and attorneys' fees of \$2,250,000 to plaintiff's counsel. CRA/LA-DLA's insurer paid \$5,125,000. The balance, \$125,000, was paid directly by CRA/LA-DLA. The damages payments were satisfied in May 2017.

During a court-ordered mediation held in April and September 2017, ILCSC agreed to settle all claims against the Former Agency and CRA/LA-DLA. CRA/LA-DLA has agreed to work with owners of 250 multifamily rental units to make them accessible to persons with mobility and sensory disabilities. At June 30, 2018, the cost of the retrofit was estimated at \$12,757,000 and accrued as other liabilities. Due to unexpected and unavoidable delays, the estimated cost is updated to \$29,111,000, which represents an increase of \$16,354,000 from the previous estimate, and has been accrued as other liabilities at June 30, 2019. Covid-19 caused additional delays and therefore CRA/LA-DLA reevaluated and updated the estimated cost to \$56,627,000 in fiscal year 2022. During fiscal year 2022 and 2021, payments issued amounted to \$91,000 and \$92,000, respectively. At June 30, 2022 and 2021, the accrued liability balances are \$56,536,000 and \$28,072,000, respectively.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

*Legal Action by the City*

On August 6, 2013, the City filed a claim for repayment of approximately \$50,700,000 in no-term CDBG obligations. The Dissolution Legislation identified a three-part test to assess whether a loan qualified as an enforceable obligation. It required a loan agreement, a promissory note, and repayment terms, all existing prior to June 28, 2011. Applying this standard, CRA/LA-DLA denied the City's claim. The City filed a lawsuit on March 5, 2014 in Sacramento Superior Court naming CRA/LA-DLA as the defendant. CRA/LA-DLA was served with the City's complaint in March 2016 which CRA/LA-DLA answered to in May 2016.

In 2015, the Dissolution Legislation was amended (SB107) to include among other items a new enforceable obligation for repayment of federal funds provided to a former redevelopment agency by a City.

In settlement of a lawsuit brought against CRA/LA-DLA by the City, an agreement was made to list \$20,000,000 as the total obligation, to be paid over four fiscal years and accrued as other liabilities. The City dismissed the lawsuit following Governing Board approval to list the payments on the ROPS. The obligation has been listed in ROPS 18-19. Future ROPS will include the obligation for the remaining balance, with a final payment due in fiscal year 2022.

At June 30, 2022 and 2021, the outstanding balance is \$0 and \$5,000,000, respectively.

*U.S. Department Of Justice*

In response to a whistleblower complaint, the U.S. Department of Justice (DOJ) initiated an investigation in 2011 regarding the Former Agency's compliance, as a sub-recipient of federal funds passed through the City, with federal regulations under the American with Disabilities Act, Section 504 and the Fair Housing Act.

In January 2017, DOJ contacted CRA/LA-DLA management to review their preliminary findings and discuss informal settlement terms. The DOJ intervened in a relator lawsuit on July 31, 2017 alleging that the City and CRA/LA-DLA made certain false claims in requesting and using federal funds to facilitate construction of 22 affordable housing projects.

The CRA/LA-DLA asserts that the 22 affordable housing projects it financed with federal funds were constructed in compliance with Federal Regulations. The housing projects achieved the required CDBG/HOME national objectives, the required covenants were recorded, and housing is being operated in accordance with all affordability requirements. As such, an appropriate remedy would be to require retrofits to the housing projects to ensure they comply with federal accessibility requirements. The government has partially acknowledged this "benefit of the bargain" argument, but is demanding significant monetary damages.

A settlement with the government and relators in the amount of \$3,100,000 plus interest was approved by CRA/LA-DLA's Governing Board on May 2, 2019. The Governing Board also authorized CRA/LA-DLA's Chief Executive Officer to negotiate and pay reasonable attorney fees to five Relator's Counsel. A settlement agreement among the parties (government, relators, and four relator's counsel) was executed on July 12, 2019. A second settlement agreement with the fifth relator's counsel was executed on December 4, 2019. The payments on both settlement agreements were listed on ROPS 20-21 for payment. On July 1, 2020, payments totaling \$4,016,000 were issued in settlement of this agreement.

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**Notes to Basic Financial Statements**

**June 30, 2022 and 2021**

**NOTE 3 - OTHER INFORMATION (continued)**

*Other Litigation*

A number of claims are pending against the CRA/LA-DLA for writs of mandamus and for alleged damages to persons and/or property for other alleged liabilities arising out of matters usually incident to the operation of a large redevelopment agency. Outcome of these lawsuits and claims are subjected to uncertainties and the potential liability cannot be determined as of the date of this report.

*Third-Party Indebtedness*

Prior to its dissolution, it was the Former Agency's policy to encourage redevelopment activities undertaken by the private sector. To this end, the Former Agency had authorized the issuance of tax-exempt long-term financing for activities which promote redevelopment within the City. Such debt instruments are collateralized by private sector assets and are payable solely from the respective revenues generated thereon. Since this indebtedness is not a liability of CRA/LA-DLA it does not appear in the accompanying financial statements. At June 30, 2022 and 2021, the balances of long-term tax-exempt third-party indebtedness were \$0 and \$72,540,000, respectively, as shown on page 48.

**I. Subsequent Events**

Subsequent events were evaluated through January 31, 2023, which is the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

**CRA/LA, A DESIGNATED LOCAL AUTHORITY**  
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**Required Supplementary Information**  
**Schedule of CRA/LA-DLA's Proportionate Share of the Net Pension**  
**Liability and Related Ratios - Miscellaneous Plan**  
**Last Ten Years\***

**As of June 30, 2022**  
**(Dollars in Thousands)**  
**(Unaudited)**

<b>Description</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Proportion of the net pension liability/(asset)	3.62021%	2.14900%	2.15268%	2.22365%	2.14046%
Proportionate share of the net pension liability/(asset)	\$ 68,741	\$ 90,646	\$ 86,204	\$ 83,804	\$ 84,378
Covered-employee payroll	\$ 674	\$ 893	\$ 963	\$ 1,708	\$ 1,981
Proportionate share of the net pension liability/(asset) as percentage of covered-employee payroll	10198.96%	10150.73%	8951.61%	4906.56%	4259.36%
Plan fiduciary net position as a percentage of the total pension liability	90.49%	77.71%	77.73%	77.69%	75.39%

<b>Description</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability/(asset)	2.25776%	2.50938%	1.09334%
Proportionate share of the net pension liability/(asset)	\$ 78,432	\$ 68,844	\$ 68,033
Covered-employee payroll	\$ 2,653	\$ 3,280	\$ 4,426
Proportionate share of the net pension liability/(asset) as percentage of covered-employee payroll	2956.35%	2098.90%	1537.12%
Plan fiduciary net position as a percentage of the total pension liability	75.87%	71.41%	72.41%

\*Fiscal Year 2015 was the first year of implementation of GASB Statement No. 68, therefore, only eight years are shown.

**Notes to Schedule:**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2015. This applies for voluntary benefit changes as well as any offers of Two Years Additional Credit Service (a,k,a, Golden Handshake).

Change in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expenses. The discount rate of 7.50% used for June 30, 2014 measurement date was net of administrative expense. The discount rate of 7.65% used for June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2017 to June 30, 2019:

The discount rate changed from 7.65% to 7.15%.

See accompanying independent auditor's report.

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**Required Supplementary Information**  
**Schedule of CRA/LA-DLA's Contributions - Miscellaneous Plan**  
**Last Ten Years\***

**As of June 30, 2022**  
**(Dollars in Thousands)**  
**(Unaudited)**

<b>Description</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially required contribution	\$ 69	\$ 79	\$ 95	\$ 97	\$ 160
Contributions in relation the actuarially required contribution	(69)	(79)	(95)	(97)	(160)
Contribution deficiency/(excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 588	\$ 674	\$ 893	\$ 963	\$ 1,708
Contribution as a percentage of covered-employee payroll	11.735%	11.721%	10.591%	10.110%	9.368%
<b>Description</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>		
Actuarially required contribution	\$ 180	\$ 225	\$ 1,444		
Contributions in relation the actuarially required contribution	(180)	(225)	(1,444)		
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered-employee payroll	\$ 1,981	\$ 2,653	\$ 3,280		
Contribution as a percentage of covered-employee payroll	9.086%	8.481%	43.949%		

\* Fiscal Year 2015 was the first year of implementation of GASB Statement No. 68, therefore, only eight years are shown.

\*\*According to CalPERS funding requirement annual valuation report, CRA/LA-DLA's required contributions for 2022, 2021, 2020, 2019, 2018, 2017, and 2016 also included unfunded liability (UAL) payment of \$8,146,000, \$7,826,000, \$5,550,000, \$4,724,000, \$3,700,000, \$3,519,000 and \$3,583,000, respectively. The UAL payment is not included in the calculation of Contributions as a Percentage of Covered-Employee Payroll.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contribution for fiscal year 2022 contribution rates are as follows:

Actuarial determined contribution for fiscal year	June 30, 2022
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation ****	2.50%
Salary increases	Varies by entry age and services
Investment rate of return ***	7.25%
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period 1997 to 2015. Pre-retirement and Postretirement mortality rates include 15 years of mortality improvement using the Society of Actuaries 90 percent scale MP 2016.

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**Required Supplementary Information**  
**Schedule of CRA/LA-DLA's Contributions - Miscellaneous Plan**  
**Last Ten Years\***  
**(Continued)**

**As of June 30, 2022**  
**(Dollars in Thousands)**  
**(Unaudited)**

\*\*\*On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50% to 7.00% using a three-year phase-in in beginning with the June 30, 2016 actuarial valuation. Therefore, the investment rate of return was lowered to 7.375% for the June 30, 2016 valuation. The investment rate of return was lowered again to 7.25% for the June 30, 2017 valuation and 7.00% for the June 30, 2018 valuation as adopted by the Board.

\*\*\*\*On December 19, 2017, the CalPERS Board of Administration adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00% discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For June 30, 2017 valuation, an inflation rate of 2.625% was used and a rate of 2.50% for the June 30, 2018 valuation.

\*\*\*\*\*Effective June 30, 2019 valuation, the CalPERS Board of Administration adopted a new amortization policy. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a 5-year ramp-up and ramp-down on UAL bases attributable to assumption and method changes and non-investment gains/losses. The new policy also does not utilize a 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

See accompanying independent auditor's report.

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

**Required Supplementary Information**  
**Schedule of CRA/LA-DLA's Changes in the Net Other Postemployment Benefits**  
**Liability and Related Ratios**  
**Last Ten Years\***

**As of June 30, 2022**  
**(Dollars in Thousands)**  
**(Unaudited)**

	2022	2021	2020	2019	2018
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB liability</b>					
Service cost	\$ 8	\$ 7	\$ 53	\$ 51	\$ 49
Interest on total OPEB liability	1,844	1,874	2,016	2,041	2,068
Difference between actual and experience expected	(2,027)	-	(2,050)	-	-
Changes of assumptions	-	-	(39)	-	-
Benefit payments	(2,411)	(2,404)	(2,492)	(2,563)	(2,599)
Net change in total OPEB liability	(2,586)	(523)	(2,512)	(471)	(482)
Total OPEB liability - beginning	33,272	33,795	36,307	36,778	37,260
Total OPEB liability - ending (a)	<u>\$ 30,686</u>	<u>\$ 33,272</u>	<u>\$ 33,795</u>	<u>\$ 36,307</u>	<u>\$ 36,778</u>
<b>Plan fiduciary net position</b>					
Employer contributions	\$ 4,111	\$ 4,104	\$ 4,292	\$ 4,363	\$ 4,399
Net investment income	5,779	1,391	1,623	1,226	1,235
Benefit payments	(2,411)	(2,404)	(2,492)	(2,563)	(2,599)
Administrative expense	(11)	(13)	(11)	(10)	(9)
Net change in plan fiduciary net position	7,468	3,078	3,412	3,016	3,026
Plan fiduciary net position - beginning	27,870	24,792	21,380	18,364	15,338
Plan fiduciary net position - ending (b)	<u>\$ 35,338</u>	<u>\$ 27,870</u>	<u>\$ 24,792</u>	<u>\$ 21,380</u>	<u>\$ 18,364</u>
Net OPEB liability/(asset) - ending (a) - (b)	<u>\$ (4,652)</u>	<u>\$ 5,402</u>	<u>\$ 9,003</u>	<u>\$ 14,927</u>	<u>\$ 18,414</u>
Plan fiduciary net position as a percentage of the total OPEB liability	115.16%	83.76%	73.36%	58.89%	49.93%
Covered-employee payroll	\$ 826	\$ 855	\$ 963	\$ 1,708	\$ 1,981
Net OPEB liability/(asset) as a percentage of covered-employee payroll	-563.20%	631.81%	934.89%	873.95%	929.53%

\*Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore, only five years are shown.

**Notes to Schedule:**

Benefit changes                      The figures above do not include any liability that may have occurred after the measurement dates.

Changes in Assumptions            There were no changes in assumptions.

See accompanying independent auditor's report.

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

**Required Supplementary Information**  
**Schedule of CRA/LA-DLA's Contributions - Other Postemployment Benefits**  
**Last Ten Years\***

**As of June 30, 2022**  
**(Dollars in Thousands)**  
**(Unaudited)**

	2022	2021	2020	2019	2018	2017
Actuarially required contribution	\$ 3,953	\$ 4,103	\$ 4,104	\$ 3,820	\$ 3,727	\$ 3,714
Contributions in relation the actuarially required contribution	3,953	4,103	4,104	3,820	3,727	3,714
Contribution deficiency/(excess)	<u>\$ -</u>					
Covered-employee payroll	\$ 826	\$ 855	\$ 963	\$ 1,708	\$ 1,981	\$ 3,209
Contribution as a percentage of covered-employee payroll	478.57%	479.88%	426.17%	223.65%	188.14%	115.74%

\* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore, only six years are shown.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contribution for fiscal year 2022 contribution rates are as follows:

Actuarial determined contribution for fiscal year	June 30, 2022
Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry-Age Normal Cost Method
Inflation	2.75%
Discount rate	5.75%
Payroll growth	3% including inflation
Medical cost increases (trend)	CalPERS medical premium amounts, dental and vision premiums and Medicare Part B premiums are assumed to increase 5% per year.
Mortality	Mortality rates are taken from the 2017 CalPERS valuation. In the 2017 valuation, rates were taken from the 2014 CalPERS OPEB Assumptions Model.
Retirement	Retirement rates are taken from the 2017 CalPERS pension valuation, for miscellaneous public employees with 2% at 55 retirement.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

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

**Schedule of Third-Party Indebtedness**

**As of June 30, 2022**  
**(Dollars in Thousands)**  
**(Unaudited)**

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance Outstanding</u>
Lease Revenue Bonds, Series 2005 Vermont Manchester Social Services Project	7/28/2005	9/1/2037	5.00%	<u>\$ 98,920</u>	<u>\$ -</u>

On April 1, 2022, Los Angeles County Regional Financing Authority issued Lease Revenue Refunding Bonds, Series 2022 (Vermont Manchester Social Services Refunding Project) in the amount of \$53,625,000 to refund Lease Revenue Bonds, Series 2005 (Vermont Manchester Social Services Project). The proceeds of the Series 2022 Bonds and release funds with respect to the 2005 Bonds were used to refund the 2005 Bonds in the amount of \$70,297,000. Accordingly, the outstanding balance of 2005 Bonds was \$0 at June 30, 2022.

See accompanying independent auditor's report.

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

**The Community Redevelopment Financing Authority of the City of Los Angeles**  
**(Component Unit of CRA/LA, A Designated Local Authority)**

**Schedule of Net Position**

**June 30, 2022 and 2021**  
**(Dollars in Thousands)**

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Bonds receivable, current portion	\$ 310	\$ 285
Total current assets	<u>310</u>	<u>285</u>
Noncurrent assets:		
Bonds receivable, net of current portion	<u>6,695</u>	<u>7,005</u>
Total noncurrent assets	<u>6,695</u>	<u>7,005</u>
Total assets	<u>7,005</u>	<u>7,290</u>
LIABILITIES		
Current liabilities:		
Due to Agency projects	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>
Noncurrent liabilities:		
Due within one year	310	285
Due in more than one year	<u>6,695</u>	<u>7,005</u>
Total noncurrent liabilities	<u>7,005</u>	<u>7,290</u>
Total liabilities	<u>7,005</u>	<u>7,290</u>
NET POSITION		
Unrestricted	<u>-</u>	<u>-</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

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

**The Community Redevelopment Financing Authority of the City of Los Angeles**  
**(Component Unit of CRA/LA, A Designated Local Authority)**

**Schedule of Changes in Net Position**

**June 30, 2022 and 2021**  
**(Dollars in Thousands)**

	2022	2021
Nonoperating revenues:		
Interest income	\$ 572	\$ 594
Nonoperating expenses:		
Interest allocated to projects	(572)	(594)
Changes in net position	-	-
Total net position - beginning of year	-	-
Total net position - end of year	\$ -	\$ -

See accompanying independent auditor's report.

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## COMPLIANCE SECTION



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise CRA/LA-DLA's basic financial statements, and have issued our report thereon dated January 31, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the CRA/LA-DLA's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRA/LA-DLA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA/LA-DLA's internal control.

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

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

**Report on Compliance and Other Matters**

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





### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

Los Angeles, California  
January 31, 2023



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRANARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

U.S. BANK TOWER  
633 WEST 5TH STREET, SUITE 3320  
LOS ANGELES, CA 90071  
(213) 736-6664 TELEPHONE  
(213) 736-6692 FAX  
www.simpsonandsimpsoncpas.com

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH INDENTURE OF TRUST OF THE COUNTY TAX ALLOCATION REFUNDING BONDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the CRA/LA, A Designated Local Authority (CRA/LA-DLA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise CRA/LA-DLA's basic financial statements, and have issued our report thereon dated January 31, 2023.

### Report on Compliance

As part of obtaining reasonable assurance about whether the CRA/LA-DLA's financial statements are free from material misstatement, we performed tests of its compliance with the Indenture of Trust of the Tax Allocation Refunding Bonds, Section 6.05, "Books and Accounts; Financial and Project Statements" as it relates to the funds and accounts established for the following Tax Allocation Refunding Bonds Issues: Series 2016A; Bunker Hill Series M; Hollywood Series G and H; North Hollywood Series I; Adelante Eastside Series E; and Mid-City Recovery, Series D; and noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

Los Angeles, California  
January 31, 2023

