Successor Agency to the Cerritos Redevelopment Agency

Cerritos, California

Financial Statements and Independent Auditors' Report

For the year ended June 30, 2014

PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

Successor Agency to the Cerritos Redevelopment Agency
Financial Statements
For the year ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Governing Board and Oversight Committee
of the Successor Agency to the Cerritos Redevelopment Agency
Cerritos, California

Report on Financial Statements

We have audited the accompanying statement of fiduciary net position of the Successor Agency to the Cerritos Redevelopment Agency (the "Successor Agency"), as of June 30, 2014 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Successor Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the fiduciary net position of the Successor Agency as of June 30, 2014, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Governing Board and Oversight Committee
of the Successor Agency to the Cerritos Redevelopment Agency
Cerritos, California
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Emphasis of Matter

As discussed in Note 2, the financial statements present only the Successor Agency and do not purport to, and do not, present fairly the financial position of the City of Cerritos, California (the "City"), as of June 30, 2014, the changes in its financial position, or where applicable, its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2E to the financial statements, in 2014 the Successor Agency adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter. The Successor Agency has reclassified the deferred amount on refunding previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources, respectively. As a result of this implementation, the Successor Agency adjusted the 2014 opening balance for net position in order to expense bond issuance costs in the period in which they were incurred.

Extraordinary Item

As discussed in Note 5 to the financial statements, in August 2013, the Department of Finance ("DOF") submitted a final determination that the Magnolia Bond 2003 Issue – Series B ("Magnolia Debt") was denied as an enforceable obligation of the Successor Agency. The Magnolia debt was transferred to the City as of July 1, 2013 and recorded as an extraordinary item in the amount of $12,255,554. The City is contesting, via litigation, the determination made by the DOF. Our opinion is not modified with respect to this matter.

Cerritos Redevelopment Agency Asset Transfer Review from California State Controller

As discussed in Note 8 to the financial statements, in October 2013, the California State Controller's Office released its report on the Cerritos Redevelopment Agency Asset Transfer Review for January 1, 2011 through January 31, 2012. The State Controller's Office has determined in their review that $170,836,440 of assets that were transferred to the City were unallowable. The City is disputing the State Controller's decision and pursuing legal actions against the State Controller. Following the issuance of the Asset Transfer Review, the State Controller ruled the governmental purpose assets should remain with the City and thus reducing the amount of the unallowable assets to be transferred back by the City to the Successor Agency. The City is challenging the constitutionality of the Asset Transfer Review along with its findings. The basic financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Pun & McGeady LLP

Irvine, California
November 3, 2014

Successor Agency to the Cerritos Redevelopment Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2014

As Management of the Successor Agency to the Cerritos Redevelopment Agency ("Successor Agency"), we offer readers this narrative overview and analysis of the financial activities of the Successor Agency for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements.

FINANCIAL HIGHLIGHTS

- The Successor Agency's liabilities exceeded its assets at June 30, 2014, resulting in a net deficit of $139.8 million. The Successor Agency's deficit decreased $25.3 million from the prior fiscal year due largely to the increase in Cash and Investments in the amount of $3.6 million, which included the receipt of Redevelopment Property Tax Trust Fund ("RPTTF"), transfer of the long-term debt, 2003 Magnolia Bonds ("Magnolia Bonds") in the amount of $12.3 million and the restatement of net position totaling $1.1 million.

- The Successor Agency transferred the Magnolia Bonds in the amount of $12.3 million to the City of Cerritos ("City") as result of the determination made by the Department of Finance ("DOF") that the Magnolia Bonds are not an enforceable obligation of the Successor Agency. The City, via litigation, is contesting the determination made by the DOF.

- The Successor Agency's revenues totaled $20.5 million for fiscal year 2013-14 and expenses amounted to $7.5 million. The RPTTF received during the fiscal year satisfied the debt service obligations owed by the Successor Agency.

- The Successor Agency implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during fiscal year 2014. Bond issuance costs are recognized as an expense in fiscal year 2012-13. Prior to the implementation, these items were deferred and amortized over the life of the existing debt. The Successor Agency as of July 1, 2014 has reclassified the deferred amount on refunding previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The balance of Bond Issuance Costs, net in fiscal year 2012-13 as reported was $1.1 million. The cumulative effect of applying GASB No. 65 has resulted in an increase to fiscal year 2012-13 total expenses by $1.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Successor Agency's financial statements, which consist of the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position also known as the Fiduciary Fund. The Fiduciary Fund consists of one fund which the Private Purpose Trust Fund. Additionally, the financial statements include the notes to the financial statements.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position:

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position (pages 10 and 11) provide information about the Successor Agency as a whole and present a long-term view of the Successor Agency's finances. Over time, increases or decreases in Statement of Changes in Fiduciary Net Position may serve as a useful indicator of whether the financial position of the Successor Agency is improving or deteriorating. Similar to the accounting methods used by most private-sector companies, these statements include all assets and liabilities of the Successor Agency using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

REPORTING THE SUCCESSOR AGENCY'S MOST SIGNIFICANT FUNDS

Private Purpose Trust Funds – The Successor Agency's basic services and activities are reported in private purpose trust fund. The funds focus on the inflow and outflow of resources and are reported using the accrual basis of accounting which measures cash and all other financial assets, liabilities and net position.

FINANCIAL ANALYSIS

The following table summarizes the Statement of Net Position for fiscal years ending June 30, 2014 and June 30, 2013.

Successor Agency Net Position
(in millions)

	Fiduciary Funds	
	2014	2013
Cash and investments	$ 17.6	$ 14.0
Cash and investments-fiscal agent	15.6	15.4
Noncurrent Assets	-	1.1
Total Assets	33.2	30.5
Loss-refunding of debt	1.3	-
Total Deferred Outflow of Resources	1.3	-
Total Assets and Deferred Outflow of Resources	34.5	30.5
Current Liabilities	10.6	10.5
Noncurrent Liabilities	163.7	184.0
Total Liabilities	174.3	194.5
Net Position		
Beginning of Year Net Position	(164.0)	-
Restatement (GASB 65)	(1.1)	-
Net Position - (restated)	(165.1)	-
Unrestricted	(139.8)	(164.0)
Total Net Position (restated)	$ (139.8)	$ (164.0)

FINANCIAL ANALYSIS (Continued)

As discussed above and noted in the table (see previous page), the Successor Agency's net deficit decreased $25.3 million from the previous year, which includes a reduction of $24.2 million from current year activity and a $1.1 million reduction due to the restatement of the Net Position. The net position deficit at July 1, 2013 was restated from $164.0 million, fiscal year-end 2012-13 ending balance, to $165.1 million resulting in a change of $1.1 million due to the implementation of GASB 65. Additionally, cash and investments increased $3.6 million from the previous year as a result of a higher reimbursement from Los Angeles County to satisfy enforceable obligations owed by the Successor Agency.

Successor Agency Change in Net Position
(in millions)

	Fiduciary Funds	
	2014	2013
Revenues		
Redevelopment Property Tax Trust Fund	$ 20.0	$ 18.9
Settlement Receipt from City of Cerritos due to the dissolution of the Cerritos Redevelopment Agency	-	10.1
Investment Income	0.5	-
Total revenues	20.5	29.0
Expenses:		
Administrative	0.5	0.8
Interest on long-term debt	7.0	8.1
Payment to Los Angeles County	-	10.1
Total expenses	7.5	19.0
Change in net position before extraordinary loss and transfers	13.0	10.0
Extraordinary gain / (loss)	12.3	-
Change in net position	25.3	10.0
Restatement (GASB 65)	(1.1)	-
Net position, beginning of year (restated)	(165.1)	(174.0)
Net position, end of year	$ (139.8)	$ (164.0)

As noted in the table, revenues and expenditures for fiscal year-end 2013-14 decreased $8.5 million and $11.5 million respectively largely as a result of the Successor Agency not receiving a settlement receipt from the City of Cerritos and a payment not made to the County of Los Angeles. Additionally, interest on long-term debt decreased by $1.1 million due to a reduction of interest owed on the Successor Agency's debt.

FINANCIAL ANALYSIS (Continued)

Budgetary Highlights

A formal budget for the Successor Agency is adopted on an annual basis in conjunction with the City of Cerritos' annual budget. The budget acts as a guide for management control during the year for all funds. Upon the recommendation and approval from the Successor Agency's Executive Director, additional appropriations are made to cover the cost of projects that require additional work or to acquire property for future development. At mid-year, a review of activities is conducted by department directors to assess any budgetary adjustments needed to maintain current service levels. This evaluation includes the Successor Agency appropriations and is incorporated as a component of the City's annual mid-year budgetary review.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the current fiscal year, the Successor Agency had no capital assets.

Long-Term Debt

For fiscal year 2013-14, long-term debt of the Successor Agency declined $20.1 million, from $144.4 million to $124.3 million, when compared to the prior fiscal year. This decline is fully attributable to scheduled debt service payments on the Successor Agency's bonded debt and the transfer of the Magnolia Bonds to the City in the amount of $12.3 million. Note 6 of the notes to the financial statements provides detailed information on the Successor Agency's long-term debt.

Successor Agency Long-Term Debt
(in millions)

	2014	2013
Los Cerritos Revenue Bonds	$ 25.2	$ 31.2
Los Coyotes Revenue Bonds	96.2	111.2
Add Deferred Amounts	2.5	1.4
Subtotal - Revenue Bonds	$ 123.9	$ 143.8
Note Payable	0.4	0.6
Total Long-Term Debt	$ 124.3	$ 144.4

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As a result of the passage of Assembly Bill 1484 the Successor Agency is required to submit to the California Department of Finance ("DOF") on a semi-annual basis the Recognized Obligation Payment Schedule ("ROPS"). DOF reviews the ROPS form and determines the enforceable obligations for which the Successor Agency is authorized to make payments. Whereas in prior years the former Redevelopment Agencies would be in receipt of Tax Increment to satisfy its obligations, the County of Los Angeles ("County") now provides Successor Agency's with RPTTF. The amount of the RPTTF received matches the amount determined by the DOF to be the Successor Agency's enforceable obligations.

The enforceable obligations consist of mainly of debt service payments for its outstanding bonds, repayment of Supplemental Education Revenue Augmentation Fund to the City of Cerritos Housing Asset Fund, and administrative cost allowance payable to the City of Cerritos for administration of the Successor Agency's activities.

At this time the Successor Agency is solely dependent on the property taxes collected by the County. The receipts collected and distributed to the Successor Agency in the form of RPTTF more than satisfies the obligations deemed enforceable by the DOF. Unused property tax receipts collected by the County which are not distributed to the Successor Agency are sent to the other taxing entities in the form of a Residual Distribution.

CONTACTING THE SUCCESSOR AGENCY'S FINANCIAL MANAGEMENT

This report is designed to provide our readers with a general overview of the Successor Agency's finances and its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Cerritos, 18125 Bloomfield Avenue, Cerritos, CA 90703, or call (562) 860-0311 or visit our website at www.cerritos.us.

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FINANCIAL STATEMENTS

Successor Agency to the Cerritos Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2014

ASSETS	
Cash and investments	$ 17,634,899
Investments with fiscal agents	15,532,600
Interest receivable	12,968
Total Assets	33,180,467
DEFERRED OUTFLOW OF RESOURCES	
Loss on refunding of debt	1,276,058
Total Deferred Outflow of Resources	1,276,058
LIABILITIES	
Current liabilities:	
Interest payable	1,094,813
Long-term debt - due within one year	9,520,000
Total current liabilities	10,614,813
Noncurrent liabilities:	
Advances from City of Cerritos	48,936,489
Long-term debt - due in more than one year	114,785,634
Total noncurrent liabilities	163,722,123
Total Liabilities	174,336,936
NET POSITION	
Unrestricted (deficit)	(139,880,411)
Total Net Position (deficit)	$ (139,880,411)

See accompanying Notes to the Financial Statements.

Successor Agency to the Cerritos Redevelopment Agency
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2014

ADDITIONS:	
Redevelopment Property Tax Trust Fund	$ 19,986,874
Investment income	467,513
Total additions	20,454,387
DEDUCTIONS:	
Administrative expenses	523,820
Interest on long-term debt	6,913,720
Fiscal charges	10,650
Total deductions	7,448,190
Net changes in net position before extraordinary item	13,006,197
EXTRAORDINARY ITEM:	
Transfer of debt to the City of Cerritos (Note 5)	12,255,554
Change in net position	25,261,751
NET POSITION (DEFICIT):	
Beginning of year, as restated (Note 7)	(165,142,162)
End of year	$ (139,880,411)

See accompanying Notes to the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

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Note 1 - Financial Reporting Entity

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (the "Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Cerritos (the "City") that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "Successor Agency" to hold the assets until they are distributed to other units of state and local government. On January 12, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City Resolution No. 2012-05.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State of California Department of Finance ("DOF") and State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Successor Agency was activated on February 1, 2012. The City Council of the City serves as the governing body of the Successor Agency and exercises all rights, powers, duties and privileges of the Successor Agency. The primary purpose of the Successor Agency is to wind down the affairs of the dissolved Cerritos Redevelopment Agency (the "Agency") and to, among other things, make payments due for enforceable obligations, perform obligations required pursuant to any enforceable obligation, dispose of all assets of the former Agency, and to remit unencumbered balances of the former Agency, including housing funds, to the County Auditor-Controller for distribution to taxing entities.

Note 2 – Summary of Significant Accounting Policies

A. Financial Statements

The accompanying financial statements present only the Successor Agency and are not intended to present fairly the financial position, changes in financial position, or cash flows, where applicable, of the City in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting

The accounts of the Successor Agency are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Successor Agency's financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. The financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, property taxes and investment income are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

C. Investments

The Successor Agency's investments are stated at fair value, except for interest-earning contracts. Fair value is based on quoted market prices as of the valuation date. The gain/loss resulting from valuation is reported as "investment income" in the statement of changes in fiduciary net position.

The Successor Agency's policy is to hold investments until maturity or until fair values equal or exceed cost. The Successor Agency's portfolio did not hold investments in any of the following: items required to be reported at amortized cost, items in external pools that are not SEC-registered, items subject to involuntary participation in an external pool, and items associated with a fund other than the fund to which the income is assigned.

D. Redevelopment Property Tax Trust Fund ("RPTTF")

The Successor Agency's primary source of revenue comes from the RPTTF allocation distributed by the County. Property tax revenues for each Project Area are deposited into the RPTTF, which redistributes each Project Area's tax increment under specified formulas. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities, an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the Recognized Obligation Payment Schedule ("ROPS"). The disbursements are established in the treasury of the Successor Agencies, and various allowed administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments. The County Auditor is also responsible for distributing other monies received from the Successor Agency (from sale of assets, etc.) to the affected taxing entities. Successor agencies in turn will use the amounts deposited into their respective funds for making payments on the principal and interest on loans, and monies advanced to or indebtedness incurred by the dissolved redevelopment agencies.

E. Accounting Changes

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of this statement improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement became effective for periods beginning after December 15, 2012. See Note 7 for prior period adjustment as a result of implementation.

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions and affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Note 3 – Cash and Investments

Cash and investments at June 30, 2014 are classified in the accompanying financial statements as follows:

Cash and investments	$	17,634,899
Investments with fiscal agent		15,532,600
Total cash and investments	$	33,167,499

Cash and investments at June 30, 2014 consist of the following:

Cash and cash equivalents:		
Demand deposits	$	6,340
Total cash and cash equivalents		6,340
Investments:		
Local Agency Investment Fund		17,628,559
U.S. Government Sponsored Enterprise Securities		11,636,287
Investment Contracts		3,206,533
Money Market Mutual Funds		689,780
Total investments		33,161,159
Total cash and investments	$	33,167,499

A. Deposits

The carrying amounts of the Successor Agency's demand deposits were $6,340 at June 30, 2014. Bank balances were $17,762 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the Successor Agency's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Successor Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Successor Agency's name.

The market value of pledged securities must equal at least 110% of the Successor Agency's cash deposits. California law also allows institutions to secure Successor Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the Successor Agency's total cash deposits. The Successor Agency may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The Successor Agency, however, has not waived the collateralization requirements.

Note 3 – Cash and Investments (Continued)

B. Investments Authorized by the California Government Code and the Successor Agency's Investment Policy

The table below identifies the investment types that are authorized for the Successor Agency by the California Government Code (or the Successor Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Successor Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Successor Agency, rather than the general provisions of the California Government Code or the Successor Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment in One Issuer
United States Treasury Obligations	5 years	No Limit	No Limit
U.S. Government Sponsored Enterprise Securities	5 years	No Limit	No Limit
Corporate Medium-Term Notes	5 years	40%	10%
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	10%
Investment-grade obligations of state, local government and public authorities	5 years	No Limit	No Limit
Repurchase Agreements	1 year	No Limit	No Limit
Money Market Mutual Funds	N/A	20%	No Limit
Local Agency Investment Fund (LAIF)	N/A	No Limit	$ 50,000,000

N/A - Not Applicable

* Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

C. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Successor Agency's investment policy. Investments authorized for funds held by the bond trustee include U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, Money Market Mutual Funds, and Investment Contracts. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment.

D. Investment in State Investment Pool

The Successor Agency is a voluntary participant in the Local Agency Investment Fund ("LAIF") that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Successor Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Successor Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3 – Cash and Investments (Continued)

D. Investment in State Investment Pool (Continued)

The Successor Agency's investments with LAIF at June 30, 2014, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2014, the Successor Agency had $17,628,559 invested in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Backed Securities.

E. Risk Disclosure

Interest Rate Risk – The Successor Agency's investment policy manages exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The policy limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuating interest rates. Information about the sensitivity of the fair values of the Successor Agency's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Successor Agency's investments at maturity:

	Remaining Maturity (in Months)			
Investment Type	12 Months or Less	13 - 60 Months	Greater than 60 Months	Total
Local Agency Investment Fund (LAIF)	$ 17,628,559	$ -	$ -	$ 17,628,559
Federal Home Loan Bank (FHLB)	-	5,723,887	-	5,723,887
Federal Home Loan Mortgage Corporation (FHLMC)	-	3,943,120	-	3,943,120
Federal National Mortgage Association (FNMA)	-	1,969,280	-	1,969,280
Investment Contracts	-	-	3,206,533	3,206,533
Money Market (MMkt) Mutual Funds	689,780	-	-	689,780
Total	$ 18,318,339	$ 11,636,287	$ 3,206,533	$ 33,161,159

Note 3 – Cash and Investments (Continued)

E. Risk Disclosure (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Successor Agency's investment policy, or debt agreements, and the actual rating at time of purchase for each investment type:

Investment Type	Total as of June 30, 2014	Minimum Legal Rating	Aaa	Unrated	Not Required to be Rated
LAIF	$ 17,628,559	N/A	$ -	$ -	$ 17,628,559
FHLB	5,723,887	N/A	5,723,887	-	-
FHLMC	3,943,120	N/A	3,943,120	-	-
FNMA	1,969,280	N/A	1,969,280	-	-
Investment Contracts	3,206,533	N/A	3,206,533	-	-
MMkt Mutual Funds	689,780	N/A	-	689,780	-
Total	$ 33,161,159		$ 14,842,820	$ 689,780	$ 17,628,559

N/A - Not Applicable

Custodial Credit Risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Successor Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Successor Agency's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

Note 4 – Advances from the City

At June 30, 2014, the Advances from the City were in the amount of $48,936,489.

Advances from the former Low and Moderate Income Housing Capital Project Fund (the "Housing Fund") of the Agency to the Los Cerritos and Los Coyotes Redevelopment Agency Debt Service Funds were provided to fund the payment for the former Agency's share of the Supplemental Educational Revenue Augmentation Fund ("SERAF") due to the State of California. No interest is charged on the outstanding balances on the advances. At June 30, 2014, the outstanding balances on the advances were $7,670,482.

Advances from the City to the former Agency were provided to fund capital improvement projects in both the Los Cerritos and Los Coyotes projects areas. Interest on the outstanding balance on advances was assessed at an annual rate of 8% to the former Agency. Since the dissolution of the former Agency, no interest has been charged on the outstanding balances on advances. At June 30, 2014, the outstanding balances on the advances were $41,266,007.

On April 7, 2014, the DOF, via its review of the ROPS for the period July 1, 2014 through December 31, 2014, approved the SERAF loan repayment as an enforceable obligation for the Successor Agency in the amount of $2,814,589. The amount approved by the DOF represents the maximum annual payment allowed by the Successor Agency to be made for repayment of its outstanding loan obligations.

Note 5 – Extraordinary Item

Due to the dissolution of the former Agency, the DOF initially recognized the Magnolia Bond, 2003 Issue – Series B ("Magnolia Debt") in the Successor Agency's ROPS. Subsequently, on August 14, 2013, the DOF submitted a final determination that the Magnolia Debt is denied as an enforceable obligation. The Magnolia Debt was then transferred from the Successor Agency to the City as of July 1, 2013. For the Successor Agency, the transfer was recorded as an extraordinary item in the amount of $12,255,554, which was comprised of $12,175,000 for principal and $80,554 for interest associated with the debt. The City is contesting, via litigation, the determination made by the DOF.

Note 6 – Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Transferred to City of Cerritos	Balance June 30, 2014	Due within One Year	Due in more than One Year
Los Cerritos Redevelopment Project Revenue Bonds:							
2002, Issue, Series A, $31,550,000	$ 24,205,000	$ -	$ (2,570,000)	$ -	$ 21,635,000	$ 2,660,000	$ 18,975,000
2002 Issue, Series B, $7,550,000	3,995,000	-	(430,000)	-	3,565,000	445,000	3,120,000
2003 Issue, Series 2003, $3,526,250	3,043,750	-	-	(3,043,750)	-	-	-
Los Coyotes Redevelopment Project Revenue Bonds:							
1993 Issue, Series A, $42,155,000	8,000,000	-	-	-	8,000,000	-	8,000,000
1993 Issue, Series B, $63,765,000	29,150,000	-	(3,825,000)	-	25,325,000	4,120,000	21,205,000
1998 Issue, Series A, $3,760,000	730,000	-	(355,000)	-	375,000	375,000	-
2002 Issue, Series A, $64,710,000	53,970,000	-	(1,420,000)	-	52,550,000	1,460,000	51,090,000
2002 Issue, Series B, $12,225,000	10,230,000	-	(250,000)	-	9,980,000	260,000	9,720,000
2003 Issue, Series 2003, $10,578,750	9,131,250	-	-	(9,131,250)	-	-	-
Subtotal	142,455,000	-	(8,850,000)	(12,175,000)	121,430,000	9,320,000	112,110,000
Add (less) deferred amounts:							
Bond premium	3,373,676	-	(306,696)	-	3,066,980	-	3,066,980
Bond discount	(677,982)	-	61,636	-	(616,346)	-	(616,346)
Total Revenue Bonds	145,150,694	-	(9,095,060)	(12,175,000)	123,880,634	9,320,000	114,560,634
Note payable	625,000	-	(200,000)	-	425,000	200,000	225,000
Total long-term liabilities	$ 145,775,694	$ -	$ (9,295,060)	$ (12,175,000)	$ 124,305,634	$ 9,520,000	$ 114,785,634

Note 6 – Long-Term Debt (Continued)

A. Los Cerritos Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series A

In June 1993, the former Cerritos Public Financing Authority ("Authority") issued $27,555,000 in Revenue Bonds, Series A. In September 2002, the Financing Authority issued $31,550,000 of Tax Allocation Bonds to provide funds to refund the 1993 Revenue Bonds, Series A. A portion of the proceeds from the Bonds issued in 2002 were placed in an escrow fund to provide the debt service on the 1993 Revenue Bonds, Series A. The advance refunding met the requirements of an in-substance defeasance, therefore, the bonds were not included in the accompanying financial statements.

The 2002 bonds are broken into two segments

Term Bonds - $27,940,000

The Term Bonds are payable in annual installments ranging from $2,255,000 to $3,240,000 until maturity on November 1, 2020. Interest is payable semiannually on May 1 and November 1, with rates ranging from 2.00% to 5.00%. Bonds outstanding at June 30, 2014 were $19,665,000.

Special Escrow Bonds - $3,610,000

The Special Escrow bonds are payable in annual installments ranging from $225,000 to $320,000 until maturity on November 1, 2020. Interest is payable semiannually on May 1 and November 1, with rates ranging from 3.40% to 4.55%. Bonds outstanding at June 30, 2014 were $1,970,000.

The 2002 Los Cerritos Redevelopment Project Tax Allocation Revenue Bonds, Series A, are payable solely from and secured by Redevelopment Property Tax Trust Fund ("RPTTF") revenues received by the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 25% of net property tax increment revenues. The total remaining principal and interest to be paid on the bonds is $25,579,765. Principal and interest paid for the current year and total tax revenues for the Los Cerritos Project Area reported by the Successor Agency were $3,683,875 and $10,377,555, respectively.

Bonds outstanding at June 30, 2014 were $21,635,000.

Future debt service requirements on these bonds (term and special escrow) are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 2,660,000	$ 1,002,318	$ 3,662,318
2016	2,795,000	867,710	3,662,710
2017	2,930,000	726,440	3,656,440
2018	3,075,000	578,240	3,653,240
2019	3,225,000	422,735	3,647,735
2020-2021	6,950,000	347,322	7,297,322
TOTAL	$ 21,635,000	$ 3,944,765	$ 25,579,765

Note 6 – Long-Term Debt (Continued)

B. Los Cerritos Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series B

In September 2002, the former Authority issued $7,550,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the former Agency and were used to fund projects in the Los Cerritos Project Area and pay for the cost of issuance.

The bonds are payable in annual installments ranging from $415,000 to $580,000 until maturity on November 1, 2020. Interest is payable semiannually on May 1 and November 1, with rates ranging from 1.85% to 4.70%.

The 2002 Los Cerritos Redevelopment Project Tax Allocation Revenue Bonds, Series B, are payable solely from and secured by RPTTF revenues received by the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net property tax increment revenues. The total remaining principal and interest to be paid on the bonds is $4,204,406. Principal and interest paid for the current year and total tax revenues for the Los Cerritos Project Area reported by the Successor Agency were $605,068 and $10,377,555, respectively.

Bonds outstanding at June 30, 2014 were $3,565,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 445,000	$ 157,345	$ 602,345
2016	465,000	138,341	603,341
2017	490,000	117,680	607,680
2018	505,000	95,285	600,285
2019	530,000	71,215	601,215
2020-2021	1,130,000	59,540	1,189,540
TOTAL	$ 3,565,000	$ 639,406	$ 4,204,406

C. Los Cerritos and Los Coyotes Redevelopment Project - Magnolia Power Project B, Series 2003 Revenue Bonds

The Southern California Public Power Authority (the "SCPPA") was created in 1980 under a joint exercise of powers agreement. It was formed for the acquisition and construction of facilities to supply electric energy within the boundaries of its members. Complete financial statements for SCPPA may be obtained at their administrative office located at 225 S. Lake Avenue, Suite 1250, Pasadena, CA 91101.

In 2001, SCPPA entered into an agreement with the Cities of Anaheim, Burbank, Cerritos, Colton, Glendale, and Pasadena to construct a generation facility with a capacity of 242 megawatts located on the existing Magnolia generating site in Burbank, California.

SCPPA issued $14,105,000 of lease revenue bonds to finance a portion of the project costs for the facility that was collateralized by the parking structure at City Hall. The City has leased back the parking structure from SCPPA. SCPPA will provide for the payment of a portion of the costs of operation of the Project through the sale of a portion of the capacity and energy of the Project of the member cities pursuant to the Power Sales Agreement. On March 1, 2003, the City entered into this sales agreement with SCPPA, entitling the City to a 4.2% share of the plant output.

Note 6 – Long-Term Debt (Continued)

C. Los Cerritos and Los Coyotes Redevelopment Project - Magnolia Power Project B, Series 2003 Revenue Bonds (Continued)

In June 2005, the Redevelopment Agency Debt Service Fund assumed the City's debt related to the sales agreement with SCPPA. As the energy derived from the plant serves and benefits both the Los Cerritos and Los Coyotes Capital Project Areas, it was deemed appropriate that the former Agency assume the debt. Debt assumed was allocated 25%, which is $3,526,250, to the Los Cerritos Project Area and 75%, which is $10,578,750, to the Los Coyotes Project Area.

Due to the dissolution of the former Agency, the DOF initially recognized the Magnolia debt in the Successor Agency's ROPS. Subsequently, on August 14, 2013, the DOF submitted a final determination that the Magnolia Bond, 2003 Issue – Series B is denied as an enforceable obligation in the Successor Agency's ROPS. The Magnolia debt was then transferred to the City as of July 1, 2013 in the amount of $3,043,750 and $9,131,250 for Los Cerritos and Los Coyotes, respectively.

D. Los Coyotes Redevelopment Project 1993 Revenue Bonds, Series A

In June 1993, the former Authority issued $42,155,000 in 1993 Revenue Bonds, Series A. $2,594,959 of the $42,155,000 issue was loaned to the former Agency to advance refund the $7,500,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series A originally issued by the former Agency in 1976, $6,780,483 was loaned to the former Agency to advance refund the $15,000,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series B originally issued by the former Agency in 1977, $19,669,546 was loaned to repay prior City loans to the former Agency, $9,000,000 was loaned to fund additional projects in the Los Coyotes Project Area, $3,206,533 was used to fund a reserve fund for the loans to the former Agency, and the remaining balance was used to pay the cost of issuance of the bonds. Interest rates on the bonds vary from 2.50% to 6.50% with interest payable semiannually on May 1 and November 1, and principal maturing annually on November 1 except for the years 2002 through 2018 in which no principal payments mature.

In September 2002, the former Authority issued 2002 Tax Allocation Bonds, Series A to provide funds to partially refund the 1993 Revenue Bonds ($24,510,000), Series A. A portion of the proceeds from the Bonds issued in 2002 were placed in an escrow fund to provide the debt service on the 1993 Revenue Bonds, Series A. The advance refunding met the requirements of an in-substance defeasance, therefore, the bonds were not included in the accompanying financial statements. The principal balance on the 1993 Revenue Bonds, Series A at June 30, 2003 that was paid by the trustee from the escrow fund was $24,510,000.

The 1993 Los Coyotes Redevelopment Project Revenue Bonds, Series A, are payable solely from and secured by RPTTF revenues received from the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net property tax increment revenues. The total remaining principal and interest to be paid on the bonds is $12,909,775. Interest paid and total tax revenues for the Los Coyotes Project Area for the year ended June 30, 2014 were $520,000 and $24,261,274, respectively.

Bonds outstanding at June 30, 2014 were $8,000,000.

Note 6 – Long-Term Debt (Continued)

D. Los Coyotes Redevelopment Project 1993 Revenue Bonds, Series A (Continued)

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ -	$ 520,000	$ 520,000
2016	-	520,000	520,000
2017	-	520,000	520,000
2018	-	520,000	520,000
2019	-	520,000	520,000
2020-2024	8,000,000	2,309,775	10,309,775
TOTAL	$ 8,000,000	$ 4,909,775	$ 12,909,775

E. Los Coyotes Redevelopment Project 1993 Revenue Bonds, Series B

In June 1993, the former Authority issued $63,765,000 in 1993 Revenue Bonds, Series B. $57,938,653 of the $63,765,000 issue was loaned to repay prior City loans to the former Agency, $4,850,304 was used to fund a reserve fund for the loans to the former Agency, and the remaining balance was used to pay the cost of issuance of the bonds. Interest rates on the bonds vary from 3.50% to 7.80% with interest payable semiannually on May 1 and November 1, and principal maturing annually on November 1.

The 1993 Los Coyotes Redevelopment Project Revenue Bonds, Series B, are payable solely from and secured by RPTTF revenues received from the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 35% of net property tax increment revenues. The total remaining principal and interest to be paid on the bonds is $30,797,455. Principal and interest paid for the current year and total tax revenues for the Los Coyotes Project Area reported by the Successor Agency were $5,948,568 and $24,261,274, respectively.

Bonds outstanding at June 30, 2014 were $25,325,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 4,120,000	$ 1,814,670	$ 5,934,670
2016	4,440,000	1,460,830	5,900,830
2017	4,790,000	1,100,860	5,890,860
2018	5,160,000	732,810	5,892,810
2019	5,565,000	314,535	5,879,535
2020	1,250,000	48,750	1,298,750
TOTAL	$ 25,325,000	$ 5,472,455	$ 30,797,455

Note 6 – Long-Term Debt (Continued)

F. Los Coyotes Redevelopment Project 1998 Tax Allocation Bonds, Series A

In January 2001, the Los Coyotes Redevelopment Project issued $3,760,000 in 1998 Tax Allocation Bonds, Series A. The proceeds were used in the construction of a shared parking structure, which serves both the retail complex and tenants within an adjacent office building. The City will retain parking rights to the structure. The interest rate on the bonds is 6.5% with principal and interest payable annually on May 1. On February 1, 2012, the outstanding balance in the amount of $1,370,000 was transferred to the Successor Agency.

The 1998 Los Coyotes Redevelopment Project Tax Allocation Revenue Bonds, Series A, are payable solely from and secured by RPTTF revenues received from the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net property tax increment revenues. The total remaining principal and interest to be paid on the bonds is $399,375. Principal and interest paid for the current year and total tax revenues for the Los Coyotes Project Area reported by the Successor Agency were $402,450 and $24,261,274, respectively.

Bonds outstanding at June 30, 2014 were $375,000.

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2014 including interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 375,000	$ 24,375	$ 399,375
TOTAL	$ 375,000	$ 24,375	$ 399,375

G. Los Coyotes Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series A

In June 1993, the former Authority issued $42,155,000 in Revenue Bonds, Series A. In September 2002, the Authority issued $64,710,000 of Tax Allocation Bonds to provide funds to refund $24,510,000 of the remaining $32,510,000 the 1993 Revenue Bonds, Series A. A portion of the proceeds from the Bonds issued in 2002 were placed in an escrow fund to provide the debt service on the 1993 Revenue Bonds, Series A. The advance refunding met the requirements of an in-substance defeasance and the bonds were removed from the former Agency’s long-term debt. The principal balance on the 1993 Revenue Bonds, Series A, at June 30, 2003 that was paid by the trustee from the escrow fund was $24,510,000.

The bonds are broken into two segments:

Term Bonds - $53,675,000

The Term Bonds are payable in annual installments ranging from $875,000 to $9,345,000 until maturity on November 1, 2024. Interest is payable semiannually on May 1 and November 1, with rates ranging from 2.00% to 5.00%. Bonds outstanding at June 30, 2014 were $45,180,000.

Special Escrow Bonds - $11,035,000

The Special Escrow bonds are payable in annual installments ranging from $495,000 to $830,000 until maturity on November 1, 2024. Interest is payable semiannually on May 1 and November 1, with rates ranging from 3.40% to 4.55%. Bonds outstanding at June 30, 2014 were $7,370,000.

Note 6 – Long-Term Debt (Continued)

G. Los Coyotes Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series A (Continued)

The 2002 Los Coyotes Redevelopment Project Tax Allocation Revenue Bonds, Series A, are payable solely from and secured by RPTTF revenues received by the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 25% of net property tax increment revenues. The total remaining principal and interest to be paid on the bonds is $71,167,901. Principal and interest paid for the current year and total tax revenues for the Los Coyotes Project Area reported by the Successor Agency were $4,038,927 and $24,261,274, respectively.

Bonds outstanding at June 30, 2014 were $52,550,000.

Future debt service requirements on these bonds (term and special escrow) are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 1,460,000	$ 2,559,016	$ 4,019,016
2016	1,540,000	2,486,446	4,026,446
2017	1,610,000	2,410,250	4,020,250
2018	1,690,000	2,330,416	4,020,416
2019	1,780,000	2,246,467	4,026,467
2020-2024	34,295,000	6,332,799	40,627,799
2025	10,175,000	252,507	10,427,507
TOTAL	$ 52,550,000	$ 18,617,901	$ 71,167,901

H. Los Coyotes Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series B

In September 2002, the former Authority issued $12,225,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the former Agency and will be used to fund projects in the Los Coyotes Project Area and to pay for the cost of issuance.

The bonds are payable in annual installments ranging from $240,000 to $1,270,000 until maturity on November 1, 2024. Interest is payable semiannually on May 1 and November 1, with rates ranging from 1.85% to 4.70%.

The 2002 Los Coyotes Redevelopment Project Tax Allocation Revenue Bonds, Series B, are payable solely from and secured by RPTTF revenues received from the Successor Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net property tax increment revenues. The total remaining principal and interest to be paid on the bonds is $13,298,307. Principal and interest paid for the current year and total tax revenues for the Los Coyotes Project Area reported by the Successor Agency were $751,485 and $24,261,274, respectively.

Bonds outstanding at June 30, 2014 were $9,980,000.

Note 6 – Long-Term Debt (Continued)

H. Los Coyotes Redevelopment Project 2002 Tax Allocation Revenue Bonds, Series B (Continued)

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 260,000	$ 491,155	$ 751,155
2016	270,000	480,087	750,087
2017	865,000	455,320	1,320,320
2018	905,000	415,475	1,320,475
2019	940,000	372,570	1,312,570
2020-2024	5,470,000	1,070,680	6,540,680
2025	1,270,000	33,020	1,303,020
TOTAL	$ 9,980,000	$ 3,318,307	$ 13,298,307

I. Los Cerritos Redevelopment Project - Note Payable

In September 2005, the former Agency entered into an agreement to purchase land owned by Southeast Regional Occupational Program within the Los Cerritos Capital Project Area for $1,205,662.

In connection with the purchase, the former Agency provided a note payable in the amount of $1,025,000. Interest will be charged annually at the rate equal to the annual average of the City's investment fund return. Since the future interest rate is not known, the interest portion of future debt service is not presented in the table below.

Interest only payments were due on each anniversary date through 2010. Thereafter annual principal and interest payments will be due through the maturity date, September 26, 2015, with principal in the amount of $200,000 per year on the sixth through ninth year anniversary dates and $225,000 on the maturity date.

Principal outstanding at June 30, 2014 amounted to $425,000.

Future debt service requirements on this note are as follows:

Year Ending June 30,	Principal
2015	$ 200,000
2016	225,000
TOTAL	$ 425,000

Note 7 – Prior Period Adjustment

The Successor Agency implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014. Bond issuance costs are recognized as an expense in the year they are incurred. Prior to the implementation, these items were deferred and amortized over the life of the existing debt. The Successor Agency has reclassified the loss on refunding previously reported as a reduction of liabilities to deferred inflows of resources. The balance of the net bond issuance costs reported at June 30, 2013 was $1,106,230.

Note 7 – Prior Period Adjustment (Continued)

The cumulative effect of applying GASB No. 65 has resulted in a decrease to the net position at July 1, 2013 as follows:

Net Position at July 1, 2013	$	(164,035,932)
Bond Issuance Costs		(1,106,230)
Net Position at July 1, 2013, as Restated	$	(165,142,162)

Note 8 – Commitments & Contingencies

Tax Allocation Bonds to Commonwealth Cousins, I, LLC

On October 8, 1998, the former Agency authorized the issuance of bonds relating to specific development within the Los Coyotes Project Area. Then, in November 1998 the former Agency entered into an agreement to issue $5,640,000 of Tax Allocation Bonds to Commonwealth Cousins, I, LLC, in relation to the construction of a shared parking structure in the Cerritos Towne Center. The parking structure serves both the retail complex and tenants within an adjacent office building. The bonds may be issued and delivered upon written request by the developer. As of June 30, 2001, $3,760,000 of the bonds were issued. The remaining balance of $1,880,000 remained unissued at June 30, 2014. Interest will not accrue prior to the issuance date. The Successor Agency will repay the bonds by pledging a portion of the property taxes generated from the adjacent office building.

Cerritos Redevelopment Agency Asset Transfer Review from California State Controller

In October 2013, the California State Controller released the Cerritos Redevelopment Agency Asset Transfer Review Report for January 1, 2011 through January 31, 2012. Pursuant to Health and Safety ("H&S") Code section 34167.5, the State Controller's Office ("SCO") reviewed all asset transfers made by the Cerritos Redevelopment Agency to the City or any other public agency after January 1, 2011. Per the review report, the statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." The SCO review found that the Redevelopment Agency transferred $210,774,198 in assets after January 1, 2011, including unallowable transfers of assets totaling $170,836,440, or 81.05%, of the transferred assets. The SCO determined that these assets must be immediately returned by the City to the Successor Agency. The Successor Agency was directed by the SCO to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e) and 34181(a).

However, following the issuance of the report, the State Controller ruled the Governmental Purpose Assets should remain with the City and thus reducing the amount of the unallowable assets to be transferred by the City back to the Successor Agency. The City is challenging the constitutionality of the Asset Transfer Review along with its findings.

Note 9 – Subsequent Event

The Successor Agency and the City filed an action to challenge the result of the DOF's determination regarding enforceable obligations of payments owed by the Successor Agency related to the Magnolia Bonds. The matter was heard on October 31, 2014 in Sacramento Superior Court. After the hearing, the Court took the matter under submission with a final ruling to be determined.

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