Successor Agency to the Cerritos Redevelopment Agency

Cerritos, California

Financial Statements and Independent Auditors' Report

For the Year Ended June 30, 2015

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Successor Agency to the Cerritos Redevelopment Agency
Financial Statements
For the Year Ended June 30, 2015

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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, 2015 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, 2015, 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.

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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 2A, 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, 2015, 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 6 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No, 27*, and allocated a portion of their aggregate net pension liability to the Successor Agency as of June 30, 2014. The City's adoption of this statement and subsequent allocation to the Successor Agency requires retrospective application of previously reported net position at July 1, 2014 as described in Note 7 to the basic financial statements. In addition, a pension-related liability is reported in the statement of fiduciary net position in the amount of $6,713,223 as of June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis ("MD&A") that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

The Pun Group, LLP

Santa Ana, California
December 10, 2015

FINANCIAL STATEMENTS

Successor Agency to the Cerritos Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2015

ASSETS	
Cash and investments	$ 16,563,639
Investments with fiscal agents	15,947,463
Interest receivable	13,509
Total Assets	32,524,611
DEFERRED OUTFLOW OF RESOURCES	
Loss on refunding of debt	1,134,271
Total Deferred Outflow of Resources	1,134,271
LIABILITIES	
Current liabilities:	
Interest payable	992,237
Pension related liability - due within one year	671,322
Long-term debt - due within one year	9,735,000
Total current liabilities	11,398,559
Noncurrent liabilities:	
Advances from City of Cerritos	46,121,900
Pension related liability - due in more than one year	6,041,901
Long-term debt - due in more than one year	104,805,563
Total noncurrent liabilities	156,969,364
Total Liabilities	168,367,923
NET POSITION	
Unrestricted (deficit)	(134,709,041)
Total Net Position (deficit)	$ (134,709,041)

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, 2015

ADDITIONS:	
Redevelopment Property Tax Trust Fund	$ 18,541,441
Investment income	734,631
Total additions	19,276,072
DEDUCTIONS:	
Administrative expenses	703,408
Interest on long-term debt	6,673,292
Fiscal charges	14,779
Total deductions	7,391,479
NET POSITION:	11,884,593
Beginning of year, as restated (Note 6)	(146,593,634)
End of year	$ (134,709,041)

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

This fund is established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations as stated in the Bill.

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

E. 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, 2015 are classified in the accompanying financial statements as follows:

Cash and investments	$	16,563,639
Investments with fiscal agent		15,947,463
Total cash and investments	$	32,511,102

Cash and investments at June 30, 2015 consist of the following:

Cash and cash equivalents:		
Demand deposits	$	6,553
Total cash and cash equivalents		6,553
Investments:		
Local Agency Investment Fund		16,557,086
U.S. Government Sponsored Enterprise Securities		11,743,998
Investment Contracts		3,206,533
Money Market Mutual Funds		996,932
Total investments		32,504,549
Total cash and investments	$	32,511,102

A. Deposits

The carrying amounts of the Successor Agency's demand deposits were $6,553 at June 30, 2015. Bank balances were $190,049 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	No Limit

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, 2015, 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, 2015, the Successor Agency had $16,557,086 invested in LAIF, which had invested 2.08% 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)	$ 16,557,086	$ -	$ -	$ 16,557,086
Federal Home Loan Bank (FHLB)	-	5,773,298	-	5,773,298
Federal Home Loan Mortgage Corporation (FHLMC)	-	3,984,020	-	3,984,020
Federal National Mortgage Association (FNMA)	-	1,986,680	-	1,986,680
Investment Contracts	-	-	3,206,533	3,206,533
Money Market (MMkt) Mutual Funds	996,932	-	-	996,932
Total	$ 17,554,018	$ 11,743,998	$ 3,206,533	$ 32,504,549

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, 2015	Minimum Legal Rating	Aaa	Unrated	Not Required to be Rated
LAIF	$ 16,557,086	N/A	$ -	$ -	$ 16,557,086
FHLB	5,773,298	N/A	5,773,298	-	-
FHLMC	3,984,020	N/A	3,984,020	-	-
FNMA	1,986,680	N/A	1,986,680	-	-
Investment Contracts	3,206,533	N/A	3,206,533	-	-
MMkt Mutual Funds	996,932	N/A	-	996,932	-
Total	$ 32,504,549		$ 14,950,531	$ 996,932	$ 16,557,086

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, 2015, the Advances from the City were $46,121,900.

Advances from the City to the Successor 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%. Since the dissolution of the Redevelopment Agency, no interest has been charged on the outstanding balances on advances. At June 30, 2015, the outstanding balance on the advances was $41,266,007.

Advances from the City to the Successor Agency were used to make the payment for the former Redevelopment 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 advances payable. For the year ended June 30, 2015, the Successor Agency made repayment of $2,814,589 of its outstanding loan obligations. At June 30, 2015, the outstanding balance on the advances was $4,855,893.

Note 5 – Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due within One Year	Due in more than One Year
Los Cerritos Redevelopment						
Project Revenue Bonds:						
2002, Issue, Series A,						
$31,550,000	$ 21,635,000	$ -	$ (2,660,000)	$ 18,975,000	$ 2,795,000	$ 16,180,000
2002 Issue, Series B,						
$7,550,000	3,565,000	-	(445,000)	3,120,000	465,000	2,655,000
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	25,325,000	-	(4,120,000)	21,205,000	4,440,000	16,765,000
1998 Issue, Series A,						
$3,760,000	375,000	-	(375,000)	-	-	-
2002 Issue, Series A,						
$64,710,000	52,550,000	-	(1,460,000)	51,090,000	1,540,000	49,550,000
2002 Issue, Series B,						
$12,225,000	9,980,000	-	(260,000)	9,720,000	270,000	9,450,000
Subtotal	121,430,000	-	(9,320,000)	112,110,000	9,510,000	102,600,000
Add (less) deferred amounts:						
Bond premium	3,066,980	-	(306,700)	2,760,280	-	2,760,280
Bond discount	(616,346)	-	61,629	(554,717)	-	(554,717)
Total Revenue Bonds	123,880,634	-	(9,565,071)	114,315,563	9,510,000	104,805,563
Note payable	425,000	-	(200,000)	225,000	225,000	-
Total long-term liabilities	$ 124,305,634	$ -	$ (9,765,071)	$ 114,540,563	$ 9,735,000	$ 104,805,563

Note 5 – 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 $260,000 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, 2015 were $17,250,000.

Special Escrow Bonds - $3,610,000

The Special Escrow bonds are payable in annual installments ranging from $195,000 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, 2015 were $1,725,000.

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. Principal and interest paid for the current year amounted to $3,662,318 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was $10,643,535.

Bonds outstanding at June 30, 2015 were $18,975,000.

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

Year Ending June 30,	Principal	Interest	Total
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	3,390,000	259,442	3,649,442
2021	3,560,000	87,880	3,647,880
TOTAL	$ 18,975,000	$ 2,942,447	$ 21,917,447

Note 5 – Long-Term Debt (Continued)

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

In September 2002, the former Financing Authority issued $7,550,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the former Redevelopment 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 $360,000 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. Principal and interest paid for the current year amounted to $602,345 and total tax revenue (total deposits less total administrative distributions) for the Los Cerritos Project Area was $10,643,535.

Bonds outstanding at June 30, 2015 were $3,120,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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	550,000	44,460	594,460
2021	580,000	15,080	595,080
TOTAL	$ 3,120,000	$ 482,061	$ 3,602,061

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

Due to the dissolution of the former Cerritos Redevelopment 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 Los Cerritos portion of Magnolia debt was then transferred to the City's Electric Utility Enterprise Fund as of July 1, 2013 in the amount of $3,043,750. For the year ended June 30, 2015, principal balance of $72,500 was paid off and the balance as of June 30, 2015 was $2,903,750. The City is contesting, via litigation, the determination made by the DOF.

Note 5 – Long-Term Debt (Continued)

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

In June 1993, the former Financing 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 Redevelopment Agency to advance refund the $7,500,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series A originally issued by the former Redevelopment Agency in 1976, $6,780,483 was loaned to the former Redevelopment Agency to advance refund the $15,000,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series B originally issued by the Redevelopment Agency in 1977, $19,669,546 was loaned to repay prior City loans to the former Redevelopment 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 Redevelopment 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 Financing 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 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. Interest paid for the current year was $520,000 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was $24,598,649.

The principal balance on the 1993 Revenue Bonds, Series A at June 30, 2003 paid by the trustee from the escrow fund was $24,510,000.

Bonds outstanding at June 30, 2015 amounted to $8,000,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ -	$ 520,000	$ 520,000
2017	-	520,000	520,000
2018	-	520,000	520,000
2019	-	520,000	520,000
2020	-	520,000	520,000
2021-2024	8,000,000	1,789,775	9,789,775
TOTAL	$ 8,000,000	$ 4,389,775	$ 12,389,775

Note 5 – Long-Term Debt (Continued)

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

In June 1993, the former Financing 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 Redevelopment Agency, $4,850,304 was used to fund a reserve fund for the loans to the former Redevelopment 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. Principal and interest paid for the current year was $5,934,670 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was $24,598,649.

Bonds outstanding at June 30, 2015 were $21,205,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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	$ 21,205,000	$ 3,657,785	$ 24,862,785

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.

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. Principal and interest payments paid for the current year was $399,375 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was $24,598,649.

All remaining balances of the Bonds were paid off at June 30, 2015.

Note 5 – Long-Term Debt (Continued)

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

In June 1993, the former Financing 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, 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 bonds are broken into two segments:

Term Bonds - $53,675,000

The Term Bonds are payable in annual installments ranging from $775,000 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, 2015 were $44,245,000.

Special Escrow Bonds $11,035,000

The Special Escrow bonds are payable in annual installments ranging from $435,000 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, 2015 were $6,845,000.

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. Principal and interest paid for the current year was $4,019,016 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was $24,598,649.

Bonds outstanding at June 30, 2015 were $51,090,000.

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

Year Ending June 30,	Principal	Interest	Total
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	6,605,000	2,039,768	8,644,768
2021-2025	37,865,000	4,545,538	42,410,538
TOTAL	$ 51,090,000	$ 16,058,885	$ 67,148,885

Note 5 – Long-Term Debt (Continued)

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

In September 2002, the former Financing Authority issued $12,225,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the former Redevelopment 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 $210,000 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. Principal and interest paid for the current year was $751,155 and total tax revenue (total deposits less total administrative distributions) for the Los Coyotes Project Area was $24,598,649.

Bonds outstanding at June 30, 2015 were $9,720,000.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
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	985,000	324,870	1,309,870
2021-2025	5,755,000	778,830	6,533,830
TOTAL	$ 9,720,000	$ 2,827,152	$ 12,547,152

I. Los Coyotes Redevelopment Project - Magnolia Power Project B, Series 2003 Revenue Bonds

Due to the dissolution of the former Cerritos Redevelopment 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 Los Coyotes portion of Magnolia debt was then transferred to the City's Electric Utility Enterprise Fund as of July 1, 2013 in the amount of $9,131,250. For the year ended June 30, 2015, principal of $217,500 was paid off and the balance as of June 30, 2015 was $8,711,250. The City is contesting, via litigation, the determination made by the DOF.

Note 5 – Long-Term Debt (Continued)

J. Los Cerritos Redevelopment Project - Note Payable

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

In connection with the purchase, the former Redevelopment 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.

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, 2015 amounted to $225,000.

Future debt service requirements on this note are as follows:

Year Ending June 30,	Principal
2016	$ 225,000
TOTAL	$ 225,000

Note 6 – Pension-Related Liability

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27* in fiscal year 2015. As part of the implementation, the City allocated $6,713,223 of its aggregate net pension liability as of the June 30, 2014 measurement date to the Agency. The Department of Finance (DOF) approved a five year bi-annual repayment of the pension-related liability in an amount totaling $6,713,223.

Future debt service requirements on this pension-related liability are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 671,322	$ -	$ 671,322
2017	1,342,644	-	1,342,644
2018	1,342,644	-	1,342,644
2019	1,342,644	-	1,342,644
2020	1,342,647	-	1,342,647
2021	671,322	-	671,322
	$ 6,713,223	$ -	$ 6,713,223

Further disclosures related to the allocation of the aggregate net pension liability between the City and the Agency can be found in the City's separately issued Comprehensive Annual Financial Report.

Note 7 – Prior Period Adjustments

The beginning net position at July 1, 2014 was restated as follows:

	Statement of Net Position
Net Position at July 1, 2014	$ (139,880,411)
(1) CalPERS Misc Plan:	
Pension-related liability (Note 5)	(6,713,223)
Subtotal	(6,713,223)
Net Position at July 1, 2014, as Restated	$ (146,593,634)

As mentioned in Note 6, the City implemented GASB Statements No. 68 and No. 71 during the year ended June 30, 2015. The restatement to the beginning net position is to report pension-related liabilities allocated from the City for the Successor Agency's share, as approved by the Department of Finance on the ROPS, of the City's CalPERS and PARS aggregate net pension liability in accordance with GASB Statements No. 68 and No. 71 based on the measurement date of June 30, 2014.

Note 8 - Commitments & Contingencies

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. 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. 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 Health and Safety Code Sections 34177(d) and (e) and 34181(a). The City is currently in discussions with the State in resolving all matters related to the dissolution of the Redevelopment Agency.

Note 9 – Subsequent Events

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. The City is currently in discussions with the State in resolving all matters related to the dissolution of the Redevelopment Agency.

In October 2015, the Department of Finance concluded their final determination on the "Other Funds and Accounts (OFA) Due Diligence Review". The Successor Agency's OFA balance available for distribution to affected taxing entities is $10,843,383. Accordingly, on December 9, 2015, the Successor Agency paid the entire amount to the Los Angeles County. As part of the determination, the State ordered the Successor Agency and the City to reverse loan repayments from 2012, and the City and the Successor Agency agreed to do so in December 2015. The reversal of the loan repayments and the payment to Los Angeles County are recorded in December 2015.