Successor Agency to the Cerritos Redevelopment Agency

Cerritos, California

Basic Financial Statements and Independent Auditors' Reports

For the five months ended June 30, 2012

PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

Successor Agency to the Cerritos Redevelopment Agency
Financial Statements
For the five months ended June 30, 2012

TABLE OF CONTENTS

PUN & McGEADY LLP
Certified Public Accountants and Business Advisors

9 Corporate Park
Suite 130
Irvine, California 92606

Phone: (949) 777-8800
Fax: (949) 777-8850
www.pm-llp.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of fiduciary net assets of the Successor Agency to the Cerritos Redevelopment Agency (the "Successor Agency"), as of June 30, 2012 and the related statement of changes in fiduciary net assets for the five months then ended, as listed in the table of contents. These financial statements are the responsibility of the Successor Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Successor Agency was formed to aid in dissolving the former Cerritos Redevelopment Agency.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the fiduciary net assets of the Successor Agency as of June 30, 2012, and the changes fiduciary net assets for the five months then ended in conformity with accounting principles generally accepted in the United States of America.

Pun & McGeady LLP

Irvine, California
November 13, 2012

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FINANCIAL STATEMENTS

Successor Agency to the Cerritos Redevelopment Agency
Statement of Fiduciary Net Assets
June 30, 2012

ASSETS	
Current assets:	
Investments	$ 20,477,451
Investments with fiscal agents	15,508,110
Accounts receivable	163
Accrued interest receivable	31,155
Total current assets	36,016,879
Noncurrent assets:	
Unamortized bond issuance costs, net	1,206,797
Total noncurrent assets	1,206,797
Total assets	37,223,676
LIABILITIES	
Current liabilities:	
Accounts payable	97,490
Due to County of Los Angeles	5,979,282
Due to City of Cerritos	183,457
Due to other agencies	72,850
Interest payable	1,337,554
Long-term debt - due within one year	8,717,500
Total current liabilities	16,388,133
Noncurrent liabilities:	
Advances from City of Cerritos	50,298,718
Long-term debt - due in more than one year	144,593,636
Total noncurrent liabilities	194,892,354
Total liabilities	211,280,487
NET ASSETS (DEFICIT)	
Net assets (deficit) held in trust	$ (174,056,811)

See accompanying Notes to Financial Statements.

Successor Agency to the Cerritos Redevelopment Agency
Statement of Changes in Fiduciary Net Assets
For the five months ended June 30, 2012

ADDITIONS:		
Property taxes	$	9,092,492
Investment income		340,498
Total additions		9,432,990
DEDUCTIONS:		
Administrative expenses		943,953
Interest on long-term debt		3,785,438
Transfers to City of Cerritos (Note 6)		8,668,536
Total deductions		13,397,927
Net changes in net assets		(3,964,937)
NET ASSETS:		
Beginning of year		-
Transfer of operations of the dissolved Cerritos Redevelopment Agency (Note 1)		(170,091,874)
End of year	$	(174,056,811)

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NOTES TO FINANCIAL STATEMENTS

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Successor Agency to the Cerritos Redevelopment Agency
Notes to Financial Statements
For the five months ended June 30, 2012

1. FINANCIAL REPORTING ENTITY

On December 29, 2011, the California Supreme 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 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).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the Department of Finance 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 of Cerritos 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 Agency, including housing funds, to the County Auditor-Controller for distribution to taxing entities.

1. FINANCIAL REPORTING ENTITY, Continued

The assets and liabilities transferred from the dissolved Agency to the Successor Agency on February 1, 2012 were as follows:

	Former Redevelopment Agency	Housing Successor Agency	Non-Housing Successor Agency
Assets:			
Current assets:			
Cash	$ 20,836,790	$ -	$ 20,836,790
Investment with fiscal agent	15,412,257	-	15,412,257
Noncurrent assets:			
Advance to Non-housing Fund	10,457,099	10,457,099	-
Deferred charges	1,248,697	-	1,248,697
	47,954,843	10,457,099	37,497,744
Liabilities:			
Current liabilities:			
Accounts payable	97,489	-	97,489
Interest payable	1,974,857	-	1,974,857
Noncurrent liabilities:			
Advances from the Housing Fund	10,457,099	-	10,457,099
Advances from the City of Cerritos	41,266,007	-	41,266,007
Long-term debts	153,794,166	-	153,794,166
	207,589,618	-	207,589,618
Net Assets (Deficit)	$ (159,634,775)	$ 10,457,099	$ (170,091,874)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 balance, revenues and expenditures. 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 Assets and a Statement of Changes in Fiduciary Net Assets. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. 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 Changes in Fiduciary Net Assets.

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.

C. Property Taxes

The Successor Agency's primary source of revenue comes from property taxes. The assessed valuation of all property within each project area was determined on the date of adoption of the Project Area. Except for certain amounts provided by specific agreement, property taxes related to the incremental increase in assessed values after the adoption of the Project Area have been allocated to the Successor Agency, while all property taxes on the "frozen" assessed valuation as of the adoption date have been allocated to the City and other districts.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1 and become delinquent on December 11 and April 11. The County bills and collects the property taxes and allocates installments to various jurisdictions throughout the year.

The County is permitted by California State constitution, as amended, to levy taxes at 1% of full market value (assessed value). The growth in the full market value is limited to 2% annually and the value of new construction and improvements. The Successor Agency receives a share of this basic levy resulting from incremental growth of the assessed value over a base value established when the Agency project area was formed or amended.

D. Use of Estimates

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

3. INVESTMENTS

Investments at June 30, 2012 are classified in the accompanying basic financial statements as follows:

Investments	$	20,477,451
Investments with fiscal agent		15,508,110
Total cash and investments	$	35,985,561

Investments at June 30, 2012 consist of the following:

Investments:		
Local Agency Investment Fund		20,477,451
U.S. Government Sponsored Enterprise Securities		11,856,892
Investment Contracts		3,206,533
Money Market Mutual Funds		444,685
Total investments	$	35,985,561

A. 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 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
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.

3. INVESTMENTS, Continued

B. 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.

C. 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.

The Successor Agency's investments with LAIF at June 30, 2012, 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, 2012, the Successor Agency had $20,477,451 invested in LAIF, which had invested 3.47% of the pool investment funds in Structured Notes and Asset-Backed Securities.

D. Risk Disclosure

<u>Interest Rate Risk</u> – 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:

3. INVESTMENTS, Continued

D. Risk Disclosure, Continued

Interest Rate Risk, Continued

Investment Type	Remaining Maturity (in Months) 12 Months or Less	25 - 60 Months	Total
Local Agency Investment Fund (LAIF)	$ 20,477,451	$ -	$ 20,477,451
Federal Farm Credit Bank (FFCB)	-	4,023,860	4,023,860
Federal National Mortgage Association (FNMA)	-	7,833,032	7,833,032
Investment contracts	-	3,206,533	3,206,533
Money Market (MMkt) Mutual Funds	444,685	-	444,685
Total	$ 20,922,136	$ 15,063,425	$ 35,985,561

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, 2012	Minimum Legal Rating	Aaa	Unrated	Not Required to be Rated
LAIF	$ 20,477,451	N/A	$ -	$ -	$ 20,477,451
FFCB	4,023,860	N/A	4,023,860	-	-
FNMA	7,833,032	N/A	7,833,032	-	-
Investment contracts	3,206,533	N/A	3,206,533	-	-
MMkt Mutual Funds	444,685	N/A	-	444,685	-
Total	$ 35,985,561		$ 15,063,425	$ 444,685	$ 20,477,451

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.

4. ADVANCES FROM CITY OF CERRITOS

Advances from the 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 Agency's share of the Supplemental Educational Revenue Augmentation Fund ("SERAF") due to the State of California. On February 1, 2012, the outstanding balance in the amount of $10,457,099 was transferred to the Successor Agency. No interest is charged on the outstanding balance on the advances. The Successor Agency remits the principal payment to the City of Cerritos, the Successor Agency to the former Housing Fund, on a quarterly basis.

Advances from the City to the Agency were provided to fund capital improvement projects in both the Los Cerritos and Los Coyotes projects areas. On February 1, 2012, the outstanding balance in the amount of $41,266,007 was transferred to the Successor Agency. No interest is charged on the outstanding balance.

At June 30, 2012, the Advances from the City of Cerritos were in the amount of $50,298,718.

5. LONG-TERM DEBT

The following is a summary of changes in long-term debt transactions for the five months ended June 30, 2012:

	Balance January 31, 2012	Transfers from Cerritos Redevelopment Agency	Deletions	Balance June 30, 2012	Due within One Year	Due in more than One Year
Los Cerritos Redevelopment Project Revenue Bonds:						
2002, Issue, Series A, $31,550,000	$ -	$ 26,685,000	$ -	$ 26,685,000	$ 2,480,000	$ 24,205,000
2002 Issue, Series B, $7,550,000	-	4,410,000	-	4,410,000	415,000	3,995,000
2003 Issue, Series 2003, $3,526,250	-	3,142,500	(32,500)	3,110,000	33,125	3,076,875
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	-	32,700,000	-	32,700,000	3,550,000	29,150,000
1998 Issue, Series A, $3,760,000	-	1,370,000	(310,000)	1,060,000	330,000	730,000
2002 Issue, Series A, $64,710,000	-	55,340,000	-	55,340,000	1,370,000	53,970,000
2002 Issue, Series B, $12,225,000	-	10,470,000	-	10,470,000	240,000	10,230,000
2003 Issue, Series 2003, $10,578,750	-	9,427,500	(97,500)	9,330,000	99,375	9,230,625
Subtotal	-	151,545,000	(440,000)	151,105,000	8,517,500	142,587,500
Add (less) deferred amounts:						
Bond premium	-	3,808,170	(127,793)	3,680,377	-	3,680,377
Bond discount	-	(765,298)	25,683	(739,615)	-	(739,615)
Deferred charge on refunding	-	(1,618,706)	59,080	(1,559,626)	-	(1,559,626)
Total Revenue Bonds	-	152,969,166	(483,030)	152,486,136	8,517,500	143,968,636
Note payable	-	825,000	-	825,000	200,000	625,000
Total long-term liabilities	$ -	$ 153,794,166	$ (483,030)	$ 153,311,136	$ 8,717,500	$ 144,593,636

5. LONG-TERM DEBT, Continued

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

In June 1993, the Cerritos Public Financing Authority (the "'Authority") issued $27,555,000 in Revenue Bonds, Series A. In September 2002, the 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 and the bonds were removed from the Agency's long-term debt. On February 1, 2012, the outstanding balance in the amount of $26,685,000 was transferred to the Successor Agency.

The 2002 bonds are broken into two segments; the Term Bonds $27,940,000 and the Special Escrow Bonds $3,610,000.

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, 2012 were $24,255,000.

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, 2012 were $2,430,000.

The 2002 Los Cerritos Redevelopment Project Tax Allocation Revenue Bonds, Series A, are payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 25% of net revenues. The total remaining principal and interest to be paid on the bonds is $32,947,730. Interest paid for the five months and total tax revenues were $624,195 and $1,497,064, respectively.

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

Year Ending June 30,	Principal	Interest	Total
2013	$ 2,480,000	$ 1,204,090	$ 3,684,090
2014	2,570,000	1,113,875	3,683,875
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
2018-2021	13,250,000	1,348,297	14,598,297
TOTAL	$ 26,685,000	$ 6,262,730	$ 32,947,730

5. LONG-TERM DEBT, Continued

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

In September 2002, the Authority issued $7,550,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the Agency and were used to fund projects in the Los Cerritos Project Area and pay for the cost of issuance. On February 1, 2012, the outstanding balance in the amount of $4,410,000 was transferred to the Successor Agency.

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%. Bonds outstanding at June 30, 2012 were $4,410,000.

The 2002 Los Cerritos Redevelopment Project Tax Allocation Revenue Bonds, Series B, are payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net revenues. The total remaining principal and interest to be paid on the bonds is $6,022,353. Interest paid for the five months and total tax revenues were $99,615 and $1,497,064, respectively.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 415,000	$ 191,449	$ 606,449
2014	430,000	175,068	605,068
2015	445,000	157,345	602,345
2016	465,000	138,341	603,341
2017	490,000	117,680	607,680
2018-2021	2,165,000	226,040	2,391,040
TOTAL	$ 4,410,000	$ 1,005,923	$ 5,415,923

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 City of Anaheim, the City of Burbank, the City of Cerritos, the City of Colton, the City of Glendale, and the City of Pasadena to construct a generation facility with a capacity of 242 megawatts located on the existing Magnolia generating site in Burbank, California.

5. LONG-TERM DEBT, Continued

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

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.

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 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. The City advances debt service payments to SCPPA and is subsequently reimbursed by the Redevelopment Agency immediately after the payment due dates.
On February 1, 2012, the outstanding balance in the amount of $3,142,500 was transferred to the Successor Agency.

The payments are due in annual installments on January 1 and July 1 of each year. The first payment was made January 2006, and the final payment is due at maturity on July 1, 2036.

The debt service schedule for the Los Coyotes Project Area is located at Note 5I.

The Los Cerritos Project Area portion, is payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net revenues. The total remaining principal and interest to be paid on the bonds is $5,631,364. Principal and interest paid for the five months and total tax revenues were $0 and $1,497,064, respectively.

Future debt service requirements on the bonds allocated to the Los Cerritos Project Area are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 33,125	$ 92,888	$ 126,013
2014	67,500	146,800	214,300
2015	70,000	144,310	214,310
2016	73,125	141,631	214,756
2017	76,250	138,742	214,992
2018-2022	428,750	644,074	1,072,824
2023-2027	535,000	538,325	1,073,325
2028-2032	681,875	391,751	1,073,626
2033-2037	1,144,375	194,093	1,338,468
TOTAL	$ 3,110,000	$ 2,432,614	$ 5,542,614

5. LONG-TERM DEBT, Continued

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

In June 1993, the Authority issued $42,155,000 in 1993 Revenue Bonds, Series A. $2,594,959 of the $42,155,000 issue was loaned to the Agency to advance refund the $7,500,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series A originally issued by the Agency in 1976, $6,780,483 was loaned to the Agency to advance refund the $15,000,000 Los Coyotes Redevelopment Project Tax Allocation Bonds, Series B originally issued by the Agency in 1977, $19,669,546 was loaned to repay prior City loans to the 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 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 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 and the bonds were removed from the 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. On February 1, 2012, the outstanding balance in the amount of $8,000,000 was transferred to the Successor Agency.

The 1993 Los Coyotes Redevelopment Project Revenue Bonds, Series A, are payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net revenues. The total remaining principal and interest to be paid on the bonds is $13,949,775. Interest paid for the five months and total tax revenues were $260,000 and $7,595,428, respectively.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 520,000	$ 520,000
2014	-	520,000	520,000
2015	-	520,000	520,000
2016	-	520,000	520,000
2017	-	520,000	520,000
2018-2022	-	2,600,000	2,600,000
2023-2024	8,000,000	749,775	8,749,775
TOTAL	$ 8,000,000	$ 5,949,775	$ 13,949,775

5. LONG-TERM DEBT, Continued

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

In June 1993, the 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 Agency, $4,850,304 was used to fund a reserve fund for the loans to the 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. On February 1, 2012, the outstanding balance in the amount of $32,700,000 was transferred to the Successor Agency.

The 1993 Los Coyotes Redevelopment Project Revenue Bonds, Series B, are payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 35% of net revenues. The total remaining principal and interest to be paid on the bonds is $42,695,374. Interest paid for the five months and total tax revenues were $1,273,455 and $7,595,428, respectively.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 3,550,000	$ 2,404,350	$ 5,954,350
2014	3,825,000	2,118,569	5,943,569
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
2018-2020	11,975,000	1,096,095	13,071,095
TOTAL	$ 32,700,000	$ 9,995,374	$ 42,695,374

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 the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net revenues. The total remaining principal and interest to be paid on the bonds is $1,200,725. Principal and interest paid for the five months and total tax revenues were $399,050 and $7,595,428, respectively.

5. LONG-TERM DEBT, Continued

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

The annual requirements to amortize the outstanding bond indebtedness as of June 30, 2012 including interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 330,000	$ 68,900	$ 398,900
2014	355,000	47,450	402,450
2015	375,000	24,375	399,375
TOTAL	$ 1,060,000	$ 140,725	$ 1,200,725

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

In June 1993, the 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 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 balance in the amount of $8,000,000 remaining in the Agency's long-term debt was transferred to the Successor Agency on February 1, 2012. (See Note 5D).

The bonds are broken into two segments; the Term Bonds $53,675,000 and the Special Escrow Bonds $11,035,000. On February 1, 2012, the outstanding balance in the amount of $55,340,000 was transferred to the Successor Agency.

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, 2012 were $46,960,000.

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, 2012 were $8,380,000.

The 2002 Los Coyotes Redevelopment Project Tax Allocation Revenue Bonds, Series A, are payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 25% of net revenues. The total remaining principal and interest to be paid on the bonds is $79,244,078. Interest paid for the five months and total tax revenues were $1,345,487 and $7,595,428, respectively.

5. LONG-TERM DEBT, Continued

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

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

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,370,000	$ 2,667,248	$ 4,037,248
2014	1,420,000	2,618,928	4,038,928
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
2018-2022	27,055,000	9,536,479	36,591,479
2023-2025	20,885,000	1,625,711	22,510,711
TOTAL	$ 55,340,000	$ 23,904,078	$ 79,244,078

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

In September 2002, the Authority issued $12,225,000 in 2002 Series B Tax Allocation Revenue Bonds. The proceeds were loaned to the Agency and will be used to fund projects in the Los Coyotes Project Area and to pay for the cost of issuance. On February 1, 2012, the outstanding balance in the amount of $10,470,000 was transferred to the Successor Agency.

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%. Bonds outstanding at June 30, 2012 were $10,470,000.

The 2002 Los Coyotes Redevelopment Project Tax Allocation Revenue Bonds, Series B, are payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net revenues. The total remaining principal and interest to be paid on the bonds is $14,800,777. Principal and interest paid for the five months and total tax revenues were $257,743 and $7,595,428, respectively.

Future debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 240,000	$ 510,985	$ 750,985
2014	250,000	501,485	751,485
2015	260,000	491,155	751,155
2016	270,000	480,087	750,087
2016	865,000	455,320	1,320,320
2018-2022	4,955,000	1,602,365	6,557,365
2023-2025	3,630,000	289,380	3,919,380
TOTAL	$ 10,470,000	$ 4,330,777	$ 14,800,777

5. LONG-TERM DEBT, Continued

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

The Southern California Public Power Authority (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 to the inhabitants 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 City of Anaheim, the City of Burbank, the City of Cerritos, the City of Colton, the City of Glendale, and the City of 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.

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 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. The City advances debt service payments to SCPPA and is subsequently reimbursed by the Redevelopment Agency immediately after the payment due dates. On February 1, 2012, the outstanding balance in the amount of $9,427,500 was transferred to the Successor Agency.

The payments are due in annual installments on January 1 and July 1 of each year. The first payment was made January 2006, and the final payment is due at maturity on July 1, 2036.

The debt service schedule for the Los Cerritos Project Area is at Note 5C.

The Los Coyotes Project Area portion, are payable solely from and secured by the revenues received by the Authority from the Agency. Annual principal and interest payments on the bonds are expected to require less than 10% of net revenues. The total remaining principal and interest to be paid on the bonds is $16,894,094. Principal and interest paid for the five months and total tax revenues were $0 and $7,595,428, respectively.

5. LONG-TERM DEBT, Continued

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

Future debt service requirements on the bonds allocated to the Los Coyotes Project Area are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	$ 99,375	$ 278,664	$ 378,039
2014	202,500	440,400	642,900
2015	210,000	432,930	642,930
2016	219,375	424,894	644,269
2017	228,750	416,227	644,977
2018-2022	1,286,250	1,932,223	3,218,473
2023-2027	1,605,000	1,614,975	3,219,975
2028-2032	2,045,625	1,175,250	3,220,875
2033-2037	3,433,125	582,281	4,015,406
TOTAL	$ 9,330,000	$ 7,297,844	$ 16,627,844

J. Los Cerritos Redevelopment Project - Note Payable

In September 2005, the 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 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. On February 1, 2012, the outstanding balance in the amount of $825,000 was transferred to the Successor Agency.

Interest only payments are 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.

Future debt service requirements on this note are as follows:

Year Ending June 30,	Principal
2013	$ 200,000
2014	200,000
2015	200,000
2016	225,000
TOTAL	$ 825,000

6. TRANSFERS TO THE CITY OF CERRITOS

In June 2012, $8,668,536 were transferred to the City' Housing Assets Special Revenue Fund (the "Housing Fund"). The transfer was made to satisfy encumbered obligations of the Housing Fund for the Cuesta Villas project. Prior to the Governor of the State of California approving Assembly Bill 1484 on June 27, 2012, the Housing Fund was treated as a fund of the Successor Agency pursuant to State of California Assembly Bill X1 26.

7. COMMITMENTS AND CONTINGENCIES

Tax Allocation Bonds to Commonwealth Cousins, I, LLC

On October 8, 1998, the Agency authorized the issuance of bonds relating to specific development within the Los Coyotes Project Area. Then, in November 1998 the 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 balance of $1,880,000 remained unissued at June 30, 2012 and the commitment was transferred to the Successor Agency on February 1, 2012. 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.

Review by State of California, Department of Finance

Management believes, in consultation with legal counsel that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirement of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the Successor Agency.