Successor Agency to the El Cajon Redevelopment Agency

Basic Financial Statements and Independent Auditor's Report

For the year ended June 30, 2013

Successor Agency to the
El Cajon Redevelopment Agency
Basic Financial Statements
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RAMS
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To the Oversight Board
Successor Agency of the El Cajon Redevelopment Agency
El Cajon, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Successor Agency of the El Cajon Redevelopment Agency (the Agency), California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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 from 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Successor Agency of the El Cajon Redevelopment Agency, California, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on summarized comparative information

We have previously audited the Agency's 2012 financial statements, and our report dated November 30, 2012, we expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other matters

Implementation of new pronouncements

As discussed in Note A-10 of the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.*

Required supplementary information

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

Rogers Anderson Malody & Scott, LLP

San Bernardino, CA
December 4, 2013

Successor Agency of the
El Cajon Redevelopment Agency
Statement of Fiduciary Net Position
June 30, 2013
(with comparative data for prior year)

	2013	2012
ASSETS		
Cash and investments	$ 6,718,033	$ 13,037,412
Cash and investments with fiscal agent	6,357,881	6,460,257
Receivables:		
Accounts	-	54,239
Interest	1,575	1,914
Loans	4,527,304	4,880,724
Prepaid bond insurance	146,974	153,098
Assets held for resale	20,445,918	20,039,418
Capital assets:		
Land and nondepreciable capital assets	1,934,508	1,753,823
Depreciable assets, net	5,190,263	5,789,536
Total assets	45,322,456	52,170,421
LIABILITIES		
Accounts payable and accrued liabilities	724,247	5,873,290
Interest payable	853,857	880,684
Deposits payable	2,000	2,000
Current portion of long-term debt	2,181,246	2,151,879
Long-term debt	62,768,606	64,949,852
Total liabilities	66,529,956	73,857,705
NET POSITION (DEFICIT)		
Held in trust for other purposes	$ (21,207,500)	$ (21,687,284)

The accompanying notes are an integral part of these financial statements.

Successor Agency of the
El Cajon Redevelopment Agency
Statement of Changes in Fiduciary Net Position
For the fiscal year ended June 30, 2013
(with comparative data for prior year)

	2013	2012
ADDITIONS		
Property taxes	$ 7,833,273	$ 4,227,883
Intergovernmental	1,737,912	18,974
Investment earnings	36,284	45,338
Other	43,412	73,916
Total additions	9,650,881	4,366,111
DEDUCTIONS		
Administrative expenses	253,016	101,514
Program expenses of former redevelopment agency	2,287,345	193,011
Payments to affected taxing entities	3,170,390	3,876,651
Interest and fiscal agency expenses of former redevelopment agency	3,460,346	1,654,814
Total deductions	9,171,097	5,825,990
Extraordinary loss	-	(20,227,405)
Change in net position	479,784	(21,687,284)
Net position (deficit), beginning of the fiscal year, restated	(21,687,284)	-
Net position (deficit), ending of the fiscal year	$ (21,207,500)	$ (21,687,284)

The accompanying notes are an integral part of these financial statements.

Successor Agency of the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2013

Note A: Organization and Summary of Significant Accounting Policies

The basic financial statements of the Successor Agency of the El Cajon Redevelopment Agency, California (the Successor Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Successor Agency's accounting policies are described below.

1. *Reporting entity*

On January 10, 2012, the City of El Cajon elected to be the successor agency to the former El Cajon Redevelopment Agency, California (the Agency). Upon the dissolution of California redevelopment agencies on February 1, 2012, the Successor Agency is tasked with the responsibility of winding down the dissolved redevelopment agency's affairs, continuing to meet the former agency's enforceable obligations, overseeing completion of redevelopment projects, and disposing of the assets and properties of the former redevelopment agency; all as directed and approved by the Oversight Board. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area. The Oversight Board of the Successor Agency is comprised of seven members appointed by the:

- County Board of Supervisors (two members)
- Mayor of the City of El Cajon (one member)
- County Superintendent of Education (one member)
- Chancellor of California Community Colleges (one member)
- Largest special district taxing entity (one member); and
- Mayor of City of El Cajon representing the employees of the former redevelopment agency (one member).

City of El Cajon employees perform the necessary day-to-day activities of the Successor Agency to bring existing projects to completion, collect information and perform analysis regarding disposal of agency assets, and provide administrative support to the Oversight Board.

The Successor Agency's assets and activities are accounted for in a fiduciary fund (private-purpose trust fund), since the Successor Agency is not a component unit of the City of El Cajon's financial reporting entity.

Note A: Organization and Summary of Significant Accounting Policies (continued)

2. *Basis of accounting and measurement focus*

The Successor Agency serves as the custodian of the assets for the dissolved redevelopment agency. Based on the nature of this custodial role, the assets and liabilities of the dissolved redevelopment agency are reported as a fiduciary fund (private-purpose trust fund.) The private-purpose trust fund financial statements consist of a Statement of Fiduciary Net Position ("balance sheet') and a Statement of Changes in Fiduciary Net Position ('income statement".)

Private-purpose trust funds are accounted for using the "economic resources" measurement focus and accrual basis of accounting. Accordingly, all of the Successor Agency's assets and liabilities (both current and noncurrent) are included in the Statement of Fiduciary Net Position. The Statement of Changes in Fiduciary Net Position presents additions to (revenues) and deductions from (expenses) the total net position. Expenses are recorded in the period in which the liability is incurred while revenues are recognized in the period in which they are earned. Property tax revenues are recognized in the fiscal year for which they are levied.

3. *Property Tax*

The Successor Agency's primary source of funding is property taxes allocated by the San Diego County-Auditor's Office (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former redevelopment agency's enforceable obligations. The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January-June and July-December.) The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF).

The Successor Agency receives allocation of property taxes for its approved ROPS items after payments of the County's administrative costs and pass-through payments to affected taxing entities. In addition to the ROPS payments, the Successor Agency is allocated annually an administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of $250,000, whichever is greater.

The County of San Diego (County) assesses bills and collects property taxes on behalf of numerous special districts and incorporated cities. The County distributes property taxes collected and deposited in the RPTTF to the successor agencies and the residual balances to other taxing entities in January and June of each year.

The Successor Agency has no power to levy and collect taxes, and any legislative property tax reduction might decrease the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds and other obligations. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions, would increase the amount of tax revenues that would be available to pay enforceable obligations.

Note A: Organization and Summary of Significant Accounting Policies (continued)

4. *Annual Budget*

Prior to the beginning of the fiscal year, the Oversight Board of the Successor Agency adopts an annual budget for the conduct of necessary activities, including administration, of the former redevelopment agency. Supplemental appropriations required during the period may also be approved by the Board.

5. *Cash and investments*

The cash and investments held by the Successor Agency are pooled in the City's cash and investments, except for cash held by the fiscal agents and funds invested in a Successor Agency Local Agency Investment Fund (LAIF) account. The Successor Agency's share in this pool is displayed in the accompanying basic financial statements as *cash and investments.* Based on monthly average cash and investment balances, investment income earned by the pooled investments is allocated quarterly to the various City funds, City component units and for certain agencies, including the Successor Agency.

The Successor Agency participates in LAIF, an investment pool managed by the State of California. Investments are reported at fair value and changes in fair value that occur during a fiscal year are reported as *investment earnings* for that fiscal year. *Investment earnings* include interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

6. *Assets held for resale*

Assets held for resale, consisting of real property and equipment, are capitalized at the lower of acquisition cost or estimated resale value.

7. *Capital assets*

Capital assets are reported at historical costs where records are available and at an estimated cost, if no historical records exist. Contributed fixed assets are valued at their estimated fair market value at the date of donation. Equipment purchases and capital projects with costs in excess of $10,000 and estimated useful life in excess of two years are capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset	Useful Life
Infrastructure	20 - 60 years
Buildings and improvements	10 - 50 years
Machinery and equipment	2 - 20 years

Note A: Organization and Summary of Significant Accounting Policies (continued)

8. *Liabilities*

Liabilities reflect the Successor Agency's financial obligations as of June 30, including the repayment of tax allocation bonds issued by the former redevelopment agency. Bond issuance and discount costs are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of bond discount.

9. *Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the related reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates. Management believes that the estimates are reasonable.

10. *Implementation of new Governmental Accounting Standards Board (GASB) pronouncements*

The Successor Agency implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the accompanying financial statements as of June 30, 2013.

Note B: Cash and Investments

Cash and investments, as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:		
Cash and investments	$	6,718,033
Restricted cash and investments with fiscal agent		6,357,881
Total cash and investments	$	13,075,914

Cash and investments, as of June 30, 2013, consist of the following:

Cash on hand and deposits	$	1,831,749
Investments		11,244,165
Total cash and investments	$	13,075,914

Note B: Cash and Investments (continued)

Equity in the cash and investment pool of the City of El Cajon

The Successor Agency participates in the cash and investment pool managed by the City of El Cajon. The pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council. The Successor Agency did not adopt an investment policy separate from that of the City of El Cajon. The cash and investment pool, other than debt proceeds held in restricted accounts, may be invested in any instrument authorized by the California Government Code Section 53601 and by the City's investment policy. The list of investment types authorized for the City is provided in the cash and investment notes to the basic financial statements of the City.

The Successor Agency's cash and investment pooled in the City's cash and investment is reported in the accompanying financial statements at fair value amounts based upon the Successor Agency's pro-rata share of the fair value calculated for the entire City portfolio.

Investments authorized by debt agreements

Investment of debt proceeds with fiscal agents is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments with fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
General Obligations of States	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Pre-Refunded Municipal Obligations	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Note B: Cash and Investments (continued)

Investment in State investment pool

The Successor Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the investment in this pool is stated at amounts based upon the Successor Agency's pro-rata share of 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.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The maximum investment in LAIF is $50,000,000.

Risk Disclosures

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. Exposure to interest rate risk is minimized by purchasing a combination of shorter term and longer term investments and by timing the cash flows from maturities so that a portion of the portfolio is maturing and or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

The Successor Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City is provided by disclosures in the notes to the basic financial statements of the City that show the distribution of the City's investments by maturity.

The sensitivity of the Successor Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

		Remaining maturity			
Investment Type	Amounts	12 Months Or Less	13-24 Months	25-60 Months	More Than 60 Months
State Investment Pool	$ 4,886,284	$ 4,886,284	$ -	$ -	$ -
Held by fiscal agent:					
Invesco Treasury Private Fund	1,317,320	1,317,320	-	-	-
State Investment Pool	5,040,561	5,040,561	-	-	-
Total	$ 11,244,165	$ 11,244,165	$ -	$ -	$ -

Note B: Cash and Investments (continued)

Risk Disclosures (continued)

Credit Risk – This is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table 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 as of June 30, 2013, for each investment type.

Investment Type	Amount	Minimum Legal Rating	Ratings at June 30, 2013 AAA	Ratings at June 30, 2013 Not Rated
State Investment Pool	$ 4,886,284	N/A	$ -	$ 4,886,284
Held by fiscal agent:				
Invesco Treasury Private Fund	1,317,320	AAA	1,317,320	-
State Investment Pool	5,040,561	N/A	-	5,040,561
Total	$ 11,244,165		$ 1,317,320	$ 9,926,845

Custodial Credit Risk – The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or collateral securities that are held by an outside party. As of June 30, 2013, none of the Successor Agency's deposits pooled with the City's deposits was held in uncollateralized accounts. The Successor Agency does not have significant separate certificates of deposit or demand accounts held by the fiscal agent that are subject to custodial credit risk disclosure.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Successor Agency does not have direct investments in securities subject to custodial credit disclosure. For the investments held by the fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Note C: Loans Receivable

The Successor Agency is tasked with monitoring the loan agreements entered into by the former El Cajon Redevelopment Agency for financing construction and tenant improvements of businesses in the project area. As of June 30, 2013, the Successor Agency had the following loans receivables:

	Balance at June 30, 2013
Parkway Plaza GP, LLC	
In March 2011, the former Agency entered into an Owner Participation Agreement with Parkway Plaza GP, LLC (Developer) to rehabilitate and renovate the Westfield Parkway Shopping Mall (Site). The Agency agreed to loan the Developer up to $2,000,000 for the construction of new façade improvements and landscaping within the shopping center and completion of tenant improvements to accommodate new retail uses. The terms and conditions of the Agency loan are stated in a promissory note. Interest accrues annually on the outstanding principal balance at the LIBOR Rate. The Agency shall forgive accrued interest first, then principal, in an amount equal to the sales taxes and net property taxes generated from the Site each year. The balance of outstanding principal and accrued interest must be paid to the Agency within ten years of the note date. Total loan disbursed was $1,972,400 and accrued interest was $4,904 as of June 30, 2013.	$ 1,977,304
JKC Palm Springs Automotive, Inc.	
In March 2011, the former Agency entered into an Owner Participation Agreement with JKC Palm Springs Automotive, Inc. (Developer) to rehabilitate the real property, buildings, and facilities operated as the Team KIA El Cajon motorcar dealership (Site). The Agency agreed to loan the Developer up to $650,000 for the costs the Developer incurs in planning, designing, and constructing the Site improvements. The note was secured by a Deed of Trust. The loan accrues an annual interest rate of 3% starting on the fourth Operating Year following the date of recordation of the Release Construction Covenants. In the fifth Operating year, the Agency shall forgive accrued interest first, then principal, in an amount equal to the sales taxes generated from the Site each year. In the tenth year from the date of recordation of the Release Construction Covenants, the Developer must pay any balance of outstanding principal and accrued interest to the Agency. As of June 30, 2013, the outstanding principal was $650,000.	650,000

Note C: Loans Receivable (continued)

	Balance at June 30, 2013
Inland Properties (US) Inc.	
In April 2011, the former Agency authorized the sale of the 440 and 542 N. Johnson Avenue property (Site) to Inland Properties (US) Inc. (Developer) for $2,500,000. The Developer made a down payment of $600,000 and a promissory note was executed for the remaining $1,900,000. The note was secured by a Deed of Trust. In the sixth year following the date of recordation of the Release Construction Covenants, repayment begins for a period of ten years, with an annual interest rate of 3.25% on the outstanding principal loan balance. The Agency shall forgive accrued interest first, then principal, in an amount equal to the sales and use taxes generated from sales occurring on the Site in each year.	$ 1,900,000
Downtown El Cajon Brewery Company, Inc.	
On October 1, 2012, the Downtown El Cajon Brewing Co. Inc. (Borrower) filed for reorganization under Chapter 11 of the Bankruptcy Code. The Successor Agency held three promissory notes (Notes) with outstanding principal balances totaling $617,702. All three Notes were secured by a Participation Agreement, Leasehold Deed of Trust, and Promissory Notes (Loan Documents). On April 1, 2013, the Borrower executed a Settlement Agreement with the Successor Agency, surrendering possession of all furniture, fixtures and equipment, and inventory assets related to the operation of the business located at 110 N. Magnolia Avenue. Based on an appraisal that was obtained on May 15, 2013, the Successor Agency recorded the furniture, fixtures and equipment, and inventory as assets held for resale at a market value of $256,500. As of June 30, 2013, the balance of the loan, totaling $361,202, was written off as bad debt expense.	-
Total	$ 4,527,304

Note D: Capital Assets

At June 30, 2013, the capital assets held by the Successor Agency consisted of the following:

	Beginning balance	Additions		Deletions	Ending balance
Nondepreciable assets:					
Land	$ 1,753,823	$ 180,685	*	$ -	$ 1,934,508
Total nondepreciable assets	1,753,823	180,685		-	1,934,508
Depreciable assets:					
Land improvements	5,992,732	-		-	5,992,732
Total depreciable assets	5,992,732	-		-	5,992,732
Less accumulated depreciation:					
Land improvements	(203,196)	(599,273)		-	(802,469)
Total accumulated depreciation	(203,196)	(599,273)		-	(802,469)
Capital assets, net	$ 7,543,359	$ (418,588)		$ -	$ 7,124,771

*This amount was the change in the book value of a parcel of land based on historical records collected during the preparation of the Successor Agency's Long Range Property Management Plan.

Successor Agency of the
El Cajon Redevelopment Agency
Notes to the Basic Financial Statements
June 30, 2013

Note E: Long-Term Liabilities

The Successor Agency is required to make scheduled payments and perform obligations with respect to the long-term liabilities of the former El Cajon Redevelopment Agency. The following is a schedule of changes in long-term liabilities for the fiscal year ended June 30, 2013:

	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Bonds:					
2000 Tax allocation refunding bonds	$ 15,915,000	$ -	$ 30,000	$ 15,885,000	$ 35,000
2005 Tax allocation refunding bonds	34,770,000	-	1,010,000	33,760,000	1,045,000
2007 Tax allocation bonds	14,330,000	-	315,000	14,015,000	330,000
Subtotal bonds	65,015,000	-	1,355,000	63,660,000	1,410,000
Less Unamortized discount	(1,068,635)	-	(44,529)	(1,024,106)	-
Total bonds	63,946,365	-	1,310,471	62,635,894	1,410,000
Due to the City of El Cajon	3,062,497	-	748,539	2,313,958	771,246
Compensated absences	92,869	-	92,869	-	-
Total long-term debt	$ 67,101,731	$ -	$ 2,151,879	$ 64,949,852	$ 2,181,246

Note E: Long-Term Liabilities (continued)

2000 Tax allocation refunding bonds

On August 15, 2000, the former Agency issued $16,000,000 Taxable Tax Allocation Refunding Bonds, Issue of 2000, and (the Bonds) to refund the bank notes payable. The Bonds are being issued on a parity basis with the Agency's Tax Allocation Refunding Bonds, Issue of 1997. The Bonds are term bonds maturing on October 1, 2020, and October 1, 2030, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, by October 1, 2006, and October 1, 2021, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 7.6% to 7.7%. The Agency pledged 100% of property tax from the RPTTF as security for the bonds.

The debt service requirements for the 2000 Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 35,000	$ 1,221,405	$ 1,256,405
2015	40,000	1,218,555	1,258,555
2016	50,000	1,215,135	1,265,135
2017	55,000	1,211,145	1,266,145
2018	55,000	1,206,965	1,261,965
2019 – 2023	330,000	5,967,228	6,297,228
2024 – 2028	8,495,000	4,359,933	12,854,933
2029 – 2032	6,825,000	814,082	7,639,082
Totals	$ 15,885,000	$ 17,214,448	$ 33,099,448

Note E: Long-Term Liabilities (continued)

2005 Tax allocation refunding bonds

On October 1, 2005, the former Agency issued $40,000,000 Tax Allocation Refunding Bonds, Issue of 2005, (the Bonds) to advance refund the 1997 Tax Allocation Refunding Bonds, of which $29,440,000 were outstanding as of October 1, 2005. As of June 30, 2006, the 1997 bonds had been paid in full. This resulted in a present value cash flow savings of $1,070,000 and a deferred amount on refunding (difference between the present value of the new debt service payments and the old debt service payments) of $10,176,549. The Bonds are term bonds maturing on October 1, 2030 and October 1, 2036, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3% to 4.5%. The Agency pledged 100% of property revenues from the RPTTF as security for the bonds. The bonds are presented net of unamortized discount of $1,024,109.

The debt service requirements for the 2005 Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 1,045,000	$ 1,464,805	$ 2,509,805
2015	1,085,000	1,420,849	2,505,849
2016	1,125,000	1,373,886	2,498,886
2017	1,170,000	1,325,118	2,495,118
2018	1,225,000	1,272,693	2,497,693
2019 – 2023	6,965,000	5,523,908	12,488,908
2024 – 2028	1,000,000	4,645,125	5,645,125
2029 – 2033	6,550,000	4,173,300	10,723,300
2034 – 2038	13,595,000	1,256,962	14,851,962
	33,760,000	22,456,646	56,216,646
Less Unamortized Discount	(1,024,106)	-	(1,024,106)
Totals	$ 32,735,894	$ 22,456,646	$ 55,192,540

Note E: Long-Term Liabilities (continued)

2007 Tax allocation bonds

On October 1, 2006, the former Agency issued $15,750,000 Tax Allocation Bonds, Issue of 2007, (the Bonds) to finance redevelopment project activities within or for the benefit of the City of El Cajon Redevelopment Project Area of the Agency. The Bonds are being issued on a parity basis with the Agency's Taxable Tax Allocation Refunding Bonds, Issue of 2000, and Tax Allocation Refunding Bonds, Issue of 2005. The Bonds are term bonds maturing October 1, 2030, and October 1, 2037, and are subject to mandatory redemption from mandatory sinking account payments, in part by lot, on October 1, 2023, and October 1, 2031, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 3.45% to 4.25%. The Agency pledged 100% of property tax revenues from the RPTTF as security for the bonds.

The debt service requirements for the 2007 Bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	$ 330,000	$ 593,707	$ 923,707
2015	345,000	579,362	924,362
2016	355,000	564,488	919,488
2017	375,000	548,975	923,975
2018	390,000	532,718	922,718
2019 – 2023	2,210,000	2,400,280	4,610,280
2024 – 2028	1,810,000	1,986,606	3,796,606
2029 – 2033	3,000,000	1,512,635	4,512,635
2034 – 2038	5,200,000	627,813	5,827,813
Totals	$ 14,015,000	$ 9,346,584	$ 23,361,584

Note E: Long-Term Liabilities (continued)

The annual requirements to amortize all bonds outstanding at June 30, 2013, including interest payments to maturity, are as follows:

Year Ending at June 30,	Principal	Interest	Total
2014	$ 1,410,000	$ 3,279,917	$ 4,689,917
2015	1,470,000	3,218,766	4,688,766
2016	1,530,000	3,153,509	4,683,509
2017	1,600,000	3,085,238	4,685,238
2018	1,670,000	3,012,376	4,682,376
2019 – 2023	9,505,000	13,891,416	23,396,416
2024 – 2028	11,305,000	10,991,664	22,296,664
2029 – 2033	16,375,000	6,500,017	22,875,017
2034 – 2038	18,795,000	1,884,775	20,679,775
	63,660,000	49,017,678	112,677,678
Less Unamortized Discount	(1,024,106)	-	(1,024,106)
Totals	$ 62,635,894	$ 49,017,678	$ 111,653,572

Due to the City of El Cajon

The Agency entered into an agreement with the City of El Cajon to purchase the property at 100 Fletcher Parkway on June 15, 2011. The property was the site of the former police facility. Amendments to the general plan and zoning designations were adopted prior to the purchase in order to facilitate future commercial development and to increase the marketability of the property. The appraisal was for $4,850,000, which was the purchase price of the property. The former Agency made a $1 million down payment and executed a Promissory Note secured by a Deed of Trust for $3,850,000. The note bears an interest rate of 3% and requires an annual payment (total principal and interest) of $840,665 for five years. The Successor Agency received funds from the RPTTF to make the annual payment due on December 1, 2012 and the balance of outstanding principal at June 30, 2013 was $2,313,958. See Note I, Subsequent Events, for additional information regarding this loan.

Note F: Debt Without Government Commitment

In April 1998, the former El Cajon Redevelopment Agency issued $5,400,000 Variable Rate Demand Multifamily Housing Revenue Bonds, Series 1998 (Park-Mollison and Madison apartments) to provide for the acquisition and rehabilitation of two multifamily rental housing developments owned by Madison/Mollison, L.P., a California limited partnership. Pursuant to a Loan Agreement, the former redevelopment agency loaned the proceeds of the Bonds to the Owner for its use in financing the project. The bonds were called and paid in full in May 2013. At June 30, 2013, $0 was outstanding.

Note G: Commitments and Contingencies

Some enforceable obligations of the Successor Agency represent agreements, contracts or other commitments for the expenditure of monies. They do not constitute as expense or liability for financial statement purposes because these commitments will be honored in subsequent years.

Note H: Restatements

The Successor Agency restated its beginning balance of net position as follows:

Net position, beginning as previously reported	$ (21,483,047)
Restatements	(204,237)
Net position, beginning as restated	$ (21,687,284)

The restatement was due to a change in accounting principle with the implementation of GASB Statement No. 65. Unamortized bond issuance costs, except for the portion related to prepaid bond insurance costs, were reclassified as expenses in the period incurred.

Note I: Subsequent Events

State Controller's Office Asset Transfer Review

On June 24, 2013, pursuant to HSC Section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the former El Cajon Redevelopment Agency (RDA) to the City of El Cajon or any public agency after January 1, 2011. In the draft report, received on August 29, 2013, the SCO made a preliminary determination that the former RDA made "unallowable asset transfers" totaling $23,096,415 ($21,255,750 to the El Cajon Housing Authority and $1,840,665 to the City of El Cajon) after January 1, 2011.

The asset transfer of $21,255,750 to the El Cajon Housing Authority on February 1, 2012, consisted of cash, loan receivables, and real properties that were acquired with Low and Moderate Income Housing funds for housing purposes. The SCO acknowledged corrective actions were taken by the Successor Agency subsequent to the transfer, and prior to SCO's review; therefore, the SCO made no recommendation for further action.

The asset transfer of $1,840,665 was comprised of the $1,000,000 down payment and the first installment payment of $840,665 on a promissory note for the former RDA's purchase of real property from the City for $4,850,000 on June 16, 2011. The SCO preliminarily ordered the City to turn over the $1,840,665 of cash assets to the Successor Agency for remittance to the county auditor-controller.

On September 6, 2013, the Successor Agency issued a response to the draft report disagreeing with the preliminary findings. The Successor Agency and the City will take the necessary actions once the final report is received from the SCO.

Due to the City of El Cajon, Land Purchase

The State Department of Finance denied the Successor Agency's funding request for the third installment payment of $840,665 due to the City on December 1, 2013. Based on AB1484 requirements, loan payments by the Successor Agency to the City must be recalculated at an interest rate not to exceed the LAIF interest rate, and loan payments cannot begin until fiscal year 2014-15 with the maximum payments strictly limited by a statutory formula.