

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**

Annual Financial Report
For the Year Ended June 30, 2020



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**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**

Annual Financial Report
For the Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Governing Board and Oversight Committee
of the Successor Agency to the Former Monterey Park Redevelopment Agency
Monterey Park, California

Report on Financial Statements

We have audited the accompanying statement of fiduciary net position of the Successor Agency to the Former Monterey Park Redevelopment Agency (the "Successor Agency") as of June 30, 2020, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 above present fairly, in all material respects, the fiduciary net position of the Successor Agency as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 1B, 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 Monterey Park, California, as of June 30, 2020, or the changes in its financial position 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.

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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2021, on our consideration of the Successor Agency’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Successor Agency’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
January 26, 2021

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY
Statement of Fiduciary Net Position
June 30, 2020**

Current Assets:	
Cash and investments	\$ 545,620
Cash and investments with fiscal agent	<u>1,847,659</u>
Total Assets	<u>2,393,279</u>
Current Liabilities:	
Accounts payable	994
Interest payable	201,654
Current portion of noncurrent liabilities	<u>1,920,813</u>
Total Current Liabilities	<u>2,123,461</u>
Noncurrent Liabilities:	
Advances from City of Monterey Park	1,308,334
Bonds payable, net of current portion	12,067,608
Tax increment deferred loans	71,900,139
Low/Mod Housing deferred loans	<u>1,186,222</u>
Total Noncurrent Liabilities	<u>86,462,303</u>
Total Liabilities	<u>88,585,764</u>
Net Position (Deficit):	
Net position (deficit) held in trust for debt service and certain administrative expenses	<u><u>\$ (86,192,485)</u></u>

See accompanying notes to financial statements.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY
Statement of Changes in Fiduciary Net Position
For the year ended June 30, 2020**

Additions:	
Redevelopment Property Tax Trust Fund revenues	\$ 3,197,628
Investment income	<u>13,542</u>
Total Additions	<u>3,211,170</u>
Deductions:	
Administration expenses	190,002
Interest expense and fiscal charges	<u>5,145,482</u>
Total Deductions	<u>5,335,484</u>
Change in net position	(2,124,314)
Net Position (Deficit), Beginning of Year	<u>(84,068,171)</u>
Net Position (Deficit), End of Year	<u><u>\$ (86,192,485)</u></u>

See accompanying notes to financial statements.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Successor Agency of the Former Monterey Park Redevelopment Agency (the “Successor Agency”) was activated on February 1, 2012. The City Council 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 Community Redevelopment Agency of the City of Monterey Park (the “Redevelopment 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 Redevelopment Agency, and remit unencumbered balances of the former Redevelopment Agency’s funds, including housing funds, to the L.A. County Auditor-Controller for distribution to taxing entities.

B. Financial Statements

The accompanying financial statements present only the activity of the Successor Agency and do not purport to, and do not present fairly the financial position or changes in financial position of the City of Monterey Park in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

C. Basis of Accounting

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, Redevelopment Property Tax Trust Fund (“RPTTF”) revenues are recognized in the period in which they are received, and investment income is recognized in the period in which it is earned, while expenses are recognized in the period in which the liability is incurred.

D. Investments

Investments are reported in the accompanying financial statements at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in external pools are valued based on the stated fair value represented by the external pool.

E. Redevelopment Property Tax Trust Fund

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 SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Redevelopment Property Tax Trust Fund (Continued)

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.

F. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

G. New Accounting Pronouncements

Current Year Standards

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Pending Accounting Standards

GASB has issued the following statements, which may impact the Successor Agency’s financial reporting requirements in the future:

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, and early application is encouraged.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020**

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2020 are classified in the accompanying financial statements as follows:

Cash	\$ 545,620
Cash and investments held by fiscal agent	<u>1,847,659</u>
Total Cash and Investments	<u>\$ 2,393,279</u>

Cash and investments at June 30, 2020 consist of the following:

Demand deposits with financial institutions	\$ 545,620
Money market mutual funds	<u>1,847,659</u>
Total Cash and Investments	<u>\$ 2,393,279</u>

Funds required to be held by outside fiscal agents under the provisions of bond indentures are reported as investments held by fiscal agent. Proceeds obtained from long-term debt issuances including construction and reserve fund balances are held by the fiscal agents on behalf of the Successor Agency and invested in the Successor Agency's name. Interest income on proceeds of debt is credited directly to the fund, as defined by the Bond Indenture.

Deposits

At June 30, 2020, the carrying amount of the Successor Agency's demand deposits was \$545,620 and the bank balance was \$521,944. The \$23,676 difference represented outstanding checks, deposits in transit, or other reconciling items.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

2. CASH AND INVESTMENTS, CONTINUED

Investments Authorized by the Successor Agency's Investment Policy

Under provisions of the Successor Agency's investment policy and in accordance with Section 53601 of the California Government Code, the Successor Agency may invest in the types of investments listed in the table below. The table also identifies certain provisions intended to limit the Successor Agency's exposure to interest rate risk, credit risk, and concentration of credit risk.

Local Agency Investment Fund (LAIF) or other
Local Government Investment Pools established
by public entities

Los Angeles County Pooled Investment Fund
California Government Code Section 53684
allows local agencies in the County of Los
Angeles to deposit excess funds in the Los
Angeles County Treasury Pool for the purpose
of investment by the Treasurer and Tax
Collector of the County

Mutual Funds and Money Market Mutual Funds

"Banker's acceptance"

Commercial Paper

Repurchase Agreements

Negotiable Certificates of Deposit
Negotiable Certificates of Deposit
issued by a nationally or State-chartered
bank, a federal association, or a State-
licensed branch of a foreign-owned
bank (insured by the federal government).

Financial Futures and Financial
option contracts

Reverse Repurchase Agreements and
Securities Lending Agreements

Mortgage Pass-Through Securities
Mortgage-backed securities
(Corporate issued)

Diversified Management Companies

10% of LACPIF
pool balance

20%

40% of portfolio (no more than
30% in any one commercial
bank)

40% of portfolio for counties, cities
and other local agencies (No more
than 10% of agency's money in the
commercial paper of any one
corporate issuer)

Not Allowable

30%

None

Not Allowable

Not specified

20%

None

Not applicable

180 days

270 days

Not Allowable

5 years

5 years

Not Allowable

5 years

None

Highest ranking by
not less 2 largest rating
services

Have an SEC registered
investment advisor with
more than 5 years' experience

Assets under management
greater than \$500 million

None

"A" or higher rating
for issuer's debt within
U.S. corporations and have
assets in excess of \$500 million

Not Allowable

None

None

Not Allowable

"A" or better ranking
by nationally recognized
rating service

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

2. CASH AND INVESTMENTS, CONTINUED

Investments Authorized by Debt Agreements

In addition to the investment types listed above, the Successor Agency may also invest appropriate funds in money market mutual funds and the Local Agency Investment Fund (LAIF) in accordance with bond indentures.

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. The investments in the money market mutual funds held by fiscal agent have a rating of AAA.

Concentration of Credit Risk

The investment policy of the Successor Agency, as summarized above, contains certain limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer that represent more than 5% of total Successor Agency investments.

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure a Successor Agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the face value of the deposits. California law also allows financial institutions to secure Successor Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the Successor Agency's total deposits. The Successor Agency may waive collateral requirements for deposits that are fully insured by federal depository insurance. However, the Successor Agency has not waived the collateralization requirements. At June 30, 2020, the Successor Agency's deposits were either insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020**

2. CASH AND INVESTMENTS, CONTINUED

Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the Successor Agency's investments to market interest rates is provided by the following table that shows the remaining maturity of each investment:

<u>Investments</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2020</u>	<u>12 Months or Less</u>
Investments Held by Fiscal Agents:			
Money market mutual funds	AAA	<u>\$ 1,847,659</u>	<u>\$ 1,847,659</u>
Total Investments Held by Fiscal Agents		<u>\$ 1,847,659</u>	<u>\$ 1,847,659</u>

Fair Value Measurements

The Successor Agency categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are based on the quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The Successor Agency's investments in money market mutual funds are not subject to the fair value hierarchy disclosure requirement.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

3. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2020 are as follows:

<u>Successor Agency</u>	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2020</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Other Debt:						
Bonds Payable						
2013A Tax Refunding Bonds - Atlantic-Garvey Project Redevelopment Project	\$ 9,215,000	\$ -	\$ (1,010,000)	\$ 8,205,000	\$ 1,065,000	\$ 7,140,000
2013B Tax Refunding Bonds - Merged Redevelopment Project	5,155,000	-	(420,000)	4,735,000	435,000	4,300,000
	14,370,000	-	(1,430,000)	12,940,000	1,500,000	11,440,000
Add deferred amounts:						
Bond premium	721,025	-	(93,417)	627,608	-	627,608
Total Bonds Payable	15,091,025	-	(1,523,417)	13,567,608	1,500,000	12,067,608
Advances from the						
City of Monterey Park (Note 5)	1,445,675	-	(137,341)	1,308,334	-	1,308,334
Total Other Debt	16,536,700	-	(1,660,758)	14,875,942	1,500,000	13,375,942
Direct Borrowings:						
Tax Increment Deferred Loan - Atlantic/Garvey Project	12,069,011	844,831	-	12,913,842	-	12,913,842
Tax Increment Deferred Loan - Merged Project	56,012,121	3,777,189	(382,200)	59,407,110	420,813	58,986,297
Low/Mod Housing Deferred Loans	1,186,222	-	-	1,186,222	-	1,186,222
Total Direct Borrowings	69,267,354	4,622,020	(382,200)	73,507,174	420,813	73,086,361
Total Successor Agency	\$ 85,804,054	\$ 4,622,020	\$ (2,042,958)	\$ 88,383,116	\$ 1,920,813	\$ 86,462,303

Tax Allocation Refunding Bond, Series 2013A (Atlantic-Garvey Redevelopment Project No. 1)

On December 1, 2013, the County of Los Angeles Redevelopment Refunding Authority assisted the Successor Agency to issue the \$13,835,000 Tax Allocation Refunding Bond, Series 2013A, for the Atlantic-Garvey Redevelopment Project No. 1. These Bonds were issued to redeem the outstanding 2002 Tax Allocation Revenue Bonds. The Bonds are secured by a pledge of the tax revenues from the Project area and have interest rates ranging from 3.0% to 5.0%. Interest payments are payable semiannually on September 1 and March 1. Principal payments are made on September 1 of each year and continue until the year 2026.

Optional Redemption: The Bonds maturing on or before September 1, 2024, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 2024, are subject to optional redemption on any date on and after September 1, 2023, in integral multiples of \$5,000, from any available source of funds, at the times, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

3. LONG-TERM DEBT, CONTINUED

Tax Allocation Refunding Bond, Series 2013A (Atlantic-Garvey Redevelopment Project No. 1) (Continued)

The Bonds are secured by a first and prior lien on tax increment revenues, excluding any portion of revenues that are required to be deposited to the Rebate Fund. The Bonds reserve requirement is met with a purchased insurance policy. Annual principal and interest payments on the Bonds are expected to require less than 90% of net revenues. The amount of principal and interest outstanding at June 30, 2020 totaled \$9,525,327. Interest paid for the current year is \$406,381, and the net tax increment revenue is collected and withheld by the County of Los Angeles due to the dissolution of the former Redevelopment Agency.

The annual debt service requirements on the Tax Allocation Refunding Bond, Series 2013A (Atlantic-Garvey Redevelopment Project No. 1) are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,065,000	\$ 354,506	\$ 1,419,506
2022	1,115,000	300,006	1,415,006
2023	1,175,000	242,756	1,417,756
2024	1,165,000	184,256	1,349,256
2025	1,220,000	130,731	1,350,731
2026 - 2027	2,465,000	108,072	2,573,072
Total	\$ 8,205,000	\$ 1,320,327	\$ 9,525,327

Tax Allocation Refunding Bond, Series 2013B (Merged Redevelopment Project Area)

On December 1, 2013, the County of Los Angeles Redevelopment Refunding Authority assisted the Successor Agency to issue this \$7,080,000 Tax Allocation Refunding Bond, Series 2013B, for the Merged Redevelopment Project No. 1. These Bonds were issued to redeem the outstanding 1998 Tax Allocation Revenue Bonds. The Bonds are secured by a pledge of the tax revenues from the Project area and have interest rates ranging from 3.0% to 5.0%. Interest payments are payable semiannually on September 1 and March 1. Principal payments are made on September 1 of each year and continue until the year 2028.

Optional Redemption: The Bonds maturing on or before September 1, 2024, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 2024, are subject to optional redemption on any date on and after September 1, 2023, in integral multiples of \$5,000, from any available source of funds, at the times, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are secured by a first and prior lien on tax increment revenues, excluding any portion of revenues that are required to be deposited to the Rebate Fund. The Bonds reserve requirement is met with a purchased insurance policy. Annual principal and interest payments on the bonds are expected to require less than 90% of net revenues. The amount of principal and interest outstanding at June 30, 2020 totaled \$5,798,840. Interest paid for the current year is \$254,331 and the net tax increment revenue is collected and withheld by the County of Los Angeles due to the dissolution of the former Redevelopment Agency.

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

3. LONG-TERM DEBT, CONTINUED

Tax Allocation Refunding Bond, Series 2013B (Merged Redevelopment Project Area) (Continued)

The annual debt services requirement on the Tax Allocation Refunding Bond, Series 2013B (Merged Redevelopment Project Area) are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 435,000	\$ 212,956	\$ 647,956
2022	460,000	190,581	650,581
2023	480,000	167,081	647,081
2024	505,000	142,456	647,456
2025	530,000	119,231	649,231
2026 - 2029	2,325,000	231,535	2,556,535
Total	\$ 4,735,000	\$ 1,063,840	\$ 5,798,840

Advances from the City of Monterey Park

In 2009, the State of California passed legislation that takes away redevelopment funds from local agencies as part of an effort to address its budget deficit. Furthermore, SB 68 was signed into law which allowed agencies to use accumulated housing funds to pay for the state required Supplemental Educational Revenue Augmentation Funds (SERAF) payments. On August 4, 2010, the former Redevelopment Agency passed two resolutions, RA 661 and 662, authorizing the Takeaway Loan to be made from the former Redevelopment Agency Capital Projects Fund (Housing Set Aside Fund) to the former Redevelopment Agency Debt Service Fund (Atlantic-Garvey and Merged Project Areas), in an amount of \$1,459,258 and \$1,142,640, respectively, without interest.

On May 4, 2011, the former Redevelopment Agency passed two resolutions, RA 682 and 683, authorizing additional Takeaway Loans to be made from the Redevelopment Agency Capital Projects Fund (Housing Set Aside Fund) to the Redevelopment Agency Debt Service Fund (Atlantic-Garvey and Merged Project Areas), in an amount of \$300,436 and \$235,249, respectively. The interest is accumulated at LAIF rate. On February 1, 2012, \$2,617,203 was transferred from the former Redevelopment Agency Debt Service Fund to the Successor Agency due to the dissolution of the former Redevelopment Agency.

At June 30, 2020, the remaining balance of the Advance from City of Monterey Park totaled \$1,308,334. This loan will be paid back to the Special Revenue Housing Fund according to a specific formula through the Recognized Obligation Payment Schedule distribution per the State of California Department of Finance (DOF).

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

3. LONG-TERM DEBT, CONTINUED

Tax Increment Deferred Loan - (Atlantic-Garvey Project)

On August 20, 1987, the former Redevelopment Agency entered into an agreement for reimbursement of tax increment funds with the County of Los Angeles (the "County"). In the Agreement, the County agreed to loan its portion of the tax increment revenues received from the amended area (88 Annex) to the former Redevelopment Agency at a 7% compound interest rate, beginning fiscal year 1989-90. The percentage distribution from the basic tax levy for the 88 Annex areas for the County and the former Redevelopment Agency is 43.7% and 56.3% respectively. The former Redevelopment Agency will commence repayment of this loan annually beginning with the fiscal year in which the former Redevelopment Agency's share of tax increment revenues (excluding Housing Fund contributions) from the 88 Annex areas exceeds \$800,000. The outstanding balance of the Tax Increment Deferred Loan - (Atlantic/Garvey Project) was \$12,913,842 at June 30, 2020.

Tax Increment Deferred Loan - (Merged Project)

The former Redevelopment Agency and the County Taxing Entities (the County of Los Angeles, the Los Angeles County Flood Control District, and the Los Angeles County Office of Education) entered into four agreements for reimbursement of the tax increment deferred amounts. In the Agreements, the County Taxing Entities agreed to loan their portions of the tax increment revenues received from the Southeast Project area, Freeway '99 Annex area, Central Commercial Project area, and Merged Monterey Pass Road area to the former Redevelopment Agency at specified interest rates ranging from 0% to 7%. The percentage distribution from the basic tax levy and the repayment schedule of the deferred loans are also based on a specified formula for each taxing entity. The outstanding balance of the Tax Increment Deferred Loan - (Merged Project) was \$59,407,110 at June 30, 2020.

Low/Mod Housing Deferred Loans

State law required former redevelopment agencies to set aside 20 percent of their tax increment revenues for low/mod housing. In 1997, the former Redevelopment Agency approved a plan to set aside future tax increment revenue in addition to the regular 20 percent set aside requirements. On February 1, 2012, the commitment was transferred to the Successor Agency due to the dissolution of the former Redevelopment Agency and was approved by the DOF as a payable to the City's Special Revenue Housing Fund. A summary of the repayment plan is presented below:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2024 - 2029	\$ 500,000
2030 - 2034	450,000
2035 - 2039	<u>236,222</u>
Total	<u><u>\$ 1,186,222</u></u>

**THE SUCCESSOR AGENCY TO THE FORMER
MONTEREY PARK REDEVELOPMENT AGENCY**
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2020

4. SUBSEQUENT EVENTS

The State Controller's Office completed an audit report of the Monterey Park Community Redevelopment Agency (RDA) between January 1, 2011 through January 31, 2012, that was issued in December 2014. The audit concluded that the RDA made unallowable asset transfers to the City of Monterey Park totaling \$7,861,359, and that those assets were to be turned over to the Successor Agency for distribution pursuant to the terms of the Redevelopment Dissolution Law. The City had until November 12, 2020, in which to complete the transfer to the L.A. County Auditor/Controller as part of property tax revenues that were transferred from the now dissolved RDA to the City back in 2011/2012. The City has turned over the full amount of \$7,861,359 to the L.A. County Auditor/Controller by its due date.



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

To the Governing Board and Oversight Committee
of the Successor Agency to the Former Monterey Park Redevelopment Agency
Monterey Park, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by Comptroller General of the United States, the financial statements of the Successor Agency to the Former Monterey Park Redevelopment Agency (the "Successor Agency"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the Successor Agency's financial statements, we considered the Successor Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
January 26, 2021

