MSRB
Municipal Securities Rulemaking Board

Submission ID:EP682813
03/30/2015 19:07:58

CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

FINANCIAL/OPERATING FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: Orange County Development Agency Tax Allocation RFD Bonds (SAH), for the year ended 06/30/2014

DOCUMENTS

Financial Operating Filing

- OCDA Cont Disc FY 13-14 (Final).pdf posted 03/30/2015

THE FOLLOWING ISSUERS ARE ASSOCIATED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-6	State	Issuer Name
684248	CA	ORANGE CNTY CALIF DEV AGY SUCCESSOR AGY TAX ALLOCATION

THE FOLLOWING 19 SECURITIES HAVE BEEN PUBLISHED WITH THIS CONTINUING DISCLOSURE SUBMISSION:

CUSIP-9	Maturity Date
684248AA5	09/01/2014
684248AB3	03/01/2015
684248AC1	09/01/2015
684248AD9	03/01/2016
684248AE7	09/01/2016
684248AF4	03/01/2017
684248AG2	09/01/2017
684248AH0	03/01/2018
684248AJ6	09/01/2018
684248AK3	03/01/2019
684248AL1	09/01/2019

684248AM9	03/01/2020
684248AN7	09/01/2020
684248AP2	03/01/2021
684248AQ0	09/01/2021
684248AR8	03/01/2022
684248AS6	09/01/2022
684248AT4	03/01/2023
684248AU1	09/01/2023

Submitter's Contact Information

Company:
Name: JERRY WEN
Address: 5000 BIRCH STREET
City, State Zip: NEWPORT BEACH, CA 92660
Phone Number: 9499551500 ext. 235
Email: jerryw@taussig.com

SUCCESSOR AGENCY TO THE ORANGE COUNTY DEVELOPMENT AGENCY (SANTA ANA HEIGHTS PROJECT AREA) TAX ALLOCATION REFUNDING BONDS, ISSUE OF 2014 ANNUAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014

DATED MARCH 30, 2015

Prepared at the direction of and on behalf of:

County of Orange
10 Civic Center Plaza, Third Floor
Santa Ana, CA 92701-4062

Prepared by:

David Taussig & Associates, Inc.
5000 Birch Street, Suite 6000
Newport Beach, CA 92660

Successor Agency to the
Orange County Development Agency
(Santa Ana Heights Project Area)
Tax Allocation Refunding Bonds
Issue of 2014
Annual Report
For Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

INTRODUCTION

The Successor Agency to the Orange County Development Agency (the "Agency") hereby provides its annual report (the "Annual Report") for the Fiscal Year ended June 30, 2014 in connection with the following Bonds:

Bond Issue:

Successor Agency to the Orange County Development Agency (Santa Ana Heights Project Area), Tax Allocation Refunding Bonds, Issue of 2014 (the "2014 Tax Allocation Refunding Bonds").

Annual Report:

The Agency's Annual Report as defined by the Continuing Disclosure Certificate (the "Disclosure Certificate") with respect to the 2014 Tax Allocation Refunding Bonds for the Fiscal Year ended June 30, 2014 is attached hereto.

Other Matters:

This Annual Report is provided solely for the purposes of the Disclosure Certificate. The filing of this Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Agency or the 2014 Tax Allocation Refunding Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the Fiscal Year to which this Report relates (other than as contained in this Annual Report), or that no other information exists, which may have a bearing on the Agency's financial condition, the security for the 2014 Tax Allocation Refunding Bonds, or an investor's decision to buy, sell, or hold the 2014 Tax Allocation Refunding Bonds. The information contained in this Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Report should be construed as a prediction or representation about future financial performance of the Agency.

SECTION 4 OF THE CONTINUING DISCLOSURE AGREEMENT

A. Audited Financial Statements For Fiscal Year Ended June 30, 2014.

See Attachment A.

B. Numerical and tabular information for the immediately preceding Fiscal Year of the type contained in the Official Statement in the following charts and tables or under the following captions: Tables 1, 2, and 7.

Table 1 – "Historical Aircraft Assessments"

TABLE 1
SUCCESSOR AGENCY TO THE
ORANGE COUNTY DEVELOPMENT AGENCY
Santa Ana Heights Project Area
Historical Aircraft Assessments

Unsecured Roll Year	Commercial Aircraft Value	Percent Change	Total Unsecured Roll	% of Unsecured Roll	Total Assessed Value	% Total Assessed Value
2004-05	$539,308,355	-1%	636,765,874	85%	1,222,168,628	44%
2005-06	513,981,607	-5	612,841,001	84	1,239,132,689	41
2006-07	372,759,071	-27	493,608,858	76	1,232,010,603	30
2007-08	418,087,739	12	544,584,293	77	1,333,756,359	31
2008-09	456,850,022	9	704,375,773	65	1,542,433,460	30
2009-10	415,236,254	-9	662,671,838	63	1,514,803,538	27
2010-11	452,011,545	9	612,962,648	64	1,377,769,404	33
2011-12	386,614,387	-14	535,260,521	74	1,300,731,939	30
2012-13	384,116,291	-1	511,842,287	72	1,324,329,197	29
2013-14	382,116,993	-1	452,217,717	85	1,336,998,588	29
2014-15	351,404,038	-8	568,816,619	62	1,531,907,896	23

Source: County of Orange Assessor's Office

Table 2 – "Ten Largest Secured and Unsecured Roll Taxpayers"

TABLE 2
SUCCESSOR AGENCY TO THE
ORANGE COUNTY DEVELOPMENT AGENCY
Santa Ana Heights Project Area
Ten Largest Secured and Unsecured Roll Taxpayers

Taxpayer Name	# of Parcels	Personal Property Value	Land Value	Improvement Value	Total Assessed Value	% of Total Assessed Value
Southwest Airlines Co.	2	$120,325,951	$12,090,353	$3,698,325	$136,114,629	8.7%
Host International Inc.	1	68,177,536	17,443,080	11,628,720	97,249,336	6.2%
100 Bayview LLC	3	5,416	23,183,590	68,696,343	91,885,349	5.9%
American Airlines Inc.	3	78,794,234	4,099,782	1,280,355	84,174,371	5.4%
SK Hart Bayview LLC	4	-	11,193,300	43,845,522	55,038,822	3.5%
United Airlines Inc.	2	44,718,211	5,186,700	1,617,363	51,522,274	3.3%
Alaska Airlines Inc.	2	32,779,201	3,128,442	980,173	36,887,816	2.4%
Delta Airlines Inc.	2	25,858,816	2,863,899	895,662	29,618,377	1.9%
De Marco, James R TR Goelete Trust	1	-	22,103,618	7,344,202	29,447,820	1.9%
John Wayne NG-AC JV	1	17,160,100	4,903,020	3,268,680	25,331,800	1.6%
Subtotal (Top 10)	21	$387,819,465	$106,195,784	$143,255,345	$637,270,594	40.8%
Total Assessed Value	**1,489**	**$578,381,938**	**$553,201,946**	**$431,733,039**	**$1,563,316,923**	**100.0%**

Source: 2014-15 Orange County Unsecured and Secured Tax Rolls

Table 7 - "Historical Taxable Valuations and Tax Revenues"

TABLE 7
SUCCESSOR AGENCY TO THE
ORANGE COUNTY DEVELOPMENT AGENCY
Santa Ana Heights Project Area
Historical Taxable Valuations and Tax Revenues

	2009-10	***2010-11***	***2011-12***	***2012-13***	***2013-14***
Secured	$852,131,700	$764,806,756	$765,471,418	$812,486,910	$884,780,871
Unsecured	662,671,838	612,962,648	535,260,521	511,842,287	452,217,717
Total Assessed Value	1,514,803,538	1,377,769,404	1,300,731,939	1,324,329,197	1,336,998,588
Less: Base Year Value	(226,651,538)	(226,651,538)	(226,651,538)	(226,651,538)	(226,651,538)
Incremental Assessed Value[1]	**$1,288,152,000**	**$1,151,117,866**	**$1,074,080,401**	**$1,097,677,659**	**$1,110,347,050**
Tax Levy Rate	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Increment[2]	$12,881,520	$11,511,179	$10,740,804	$10,976,777	$11,103,471
Less:					
Less: HSC 33676 Payment	(356,602)	(354,102)	(361,580)	(361,782)	(401,563)
Less: O.C. Flood Control Pass Through	(266,121)	(251,650)	(92,692)	(134,597)	(210,892)
Less: O.C. Water District Pass Through	(12,382)	(9,134)	(11,851)	(5,973)	(14,634)
Less: Low/Mod Housing Set Aside[3]	(2,576,304)	(2,302,236)	(2,148,161)	(2,195,355)	0
Less: County Admin. Fees[4]	(107,418)	(114,007)	(109,352)	(118,911)	(117,972)
Net Estimated Tax Revenues	9,562,693	8,480,050	8,017,168	8,160,159	10,358,410
Actual Receipts/Deposits[5,6]	**$9,493,008**	**$7,916,849**	**$7,760,774**	**$8,176,137**	**$ 9,055,057**

Source: Orange County Auditor Controller Property Tax Unit

[1] Net non-homeowner exemptions.

[2] Estimated at 1% Tax Levy Rate of Incremental Assessed Value.

[3] Actual housing set aside reported for FY 2009-10 and 2010-11. Following the Dissolution Act the set aside is no longer required. For purposes of illustrating Pledge Tax Revenues a 20% housing set aside is shown for FY 2011-12 and 2012-13 through these pledge revenues were directed into the County Redevelopment Obligation Fund ("RORF"). Starting in FY 2013-14 the 20% housing set aside is not presented.

[4] Actual fee (SB2557) recovered for the administration of property tax per the Orange County Auditor-Controller. The fee is recovered for costs incurred in the preceding fiscal year. e.g. the 2009-10 fee is for the 2008-09 costs. Starting in FY 2013-14 the Orange County Auditor-Controller costs to administer dissolution is included.

[5] Prior to the dissolution amounts shown were allocated to Orange County Development Agency. Post dissolution, amounts are deposited into RORF to fund enforceable obligations, which includes debt service. As stated in Footnote (3) above the set aside is no longer required. Starting in FY 2013-14 the 20% housing set aside will no longer reduce the actual receipts/deposits.

[6] The Auditor-Controller will process current year refunds, or other changes in the net levy subsequent to establishing the equalized roll, which will produce minor variations between estimated revenues and actual collections. Amounts for FY 2011-12 and 2012-13 reflect an adjustment for the 20% housing set aside.

ATTACHMENT A

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY

INDEPENDENT AUDITOR'S REPORTS,
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

[illegible]

Independent Auditor's Reports,
Financial Statements and Supplemental Information

For the Year Ended June 30, 2014

MGO Certified Public Accountants.

[illegible]

Table of Contents

MGO Certified Public Accountants.

Newport Beach
4675 MacArthur Court, Suite 600
Newport Beach, CA 92660
949.221.0025

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

[illegible]

Oversight Board
County of Orange Redevelopment Successor Agency
Santa Ana, California

[illegible]

We have audited the accompanying financial statements of the County of Orange Redevelopment Successor Agency (Successor Agency), a private purpose trust fund of the County of Orange, California (the County), as of and for the year ended June 30, 2014, and the related notes to the 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 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 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.

Opinion

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

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Successor Agency and do not present fairly the financial position of the County as of June 30, 2014, and the changes in its financial position, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 9, the Successor Agency trust fund reported a deficit net position. The deficit resulted from the Due Diligence Review payments required by Assembly Bill 1484. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the financial statements, effective July 1, 2013, the Successor Agency adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in a restatement to beginning net position as discussed in Note 7. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis 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 Information

Our audit was conducted for the purpose of forming an opinions on the financial statements that collectively comprise the Successor Agency's financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the financial statements.

[illegible]

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Successor Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. The 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.

Macias Gini & O'Connell LLP

Newport Beach, California
December 9, 2014

COUNTY OF ORANGE
REDEVELOPMENT SUCCESSOR AGENCY
Statement of Fiduciary Net Position
June 30, 2014

		Total
Assets		
Current assets:		
Pooled cash and investments (Note 3)	$	10,226,721
Restricted assets - cash and investments with trustee (Note 3)		2,290,350
Interest receivable		19,256
Prepaid bond insurance		15,091
Non-current assets:		
Land and improvements held for resale (Note 4)		618,477
Prepaid bond insurance		120,727
Total assets		13,290,622
Deferred Outflow of Resources		
Deferred charge on refunding		493,879
Total Deferred Outflow of Resources		493,879
Liabilities		
Current liabilities:		
Bond interest payable		734,414
Due to other governmental agencies		60,745
Bonds payable, net (Note 5)		3,892,386
Noncurrent liabilities:		
Bonds payable (Note 5)		34,176,233
Total liabilities		38,863,778
Deferred Inflow of Resources		
Deferred charge on refunding		161,323
Total Deferred Inflow of Resources		161,323
Net position		
Held in trust for other governments (Note 9)	$	(25,240,600)

See accompanying notes to the financial statements.

COUNTY OF ORANGE
REDEVELOPMENT SUCCESSOR AGENCY
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

	Total
Additions:	
Intergovernmental revenue	$ 8,334,887
Use of property	65
Other revenue	403,775
Interest	50,934
Less: investment expense	(7,688)
Total additions	8,781,973
Deductions:	
Services and supplies	1,818
Professional services	251,564
Tax pass-throughs (Note 6)	6,200,202
Interest on long-term debt	2,418,729
Bond issuance costs	425,403
Total deductions	9,297,716
Change in net position	(515,743)
Net position - June 30, 2013	(24,430,848)
Adjustment due to change in accounting principle (Note 7)	(294,009)
Net position - June 30, 2013, as restated	(24,724,857)
Net position - June 30, 2014 (Note 9)	$ (25,240,600)

See accompanying notes to the financial statements.

r

Reporting Entity

On January 24, 2012, the County elected to become the Successor Agency to the former Orange County Development Agency (OCDA) in accordance with ABx1 26 (Dissolution Act). An Oversight Board was appointed to oversee the dissolution process. A Private-Purpose Trust Fund, administered by the County of Orange, was established to account for the assets and liabilities of the former OCDA.

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 accompanying financial statements are not intended to present fairly the financial position or changes in financial position of the County in conformity with the accounting principles generally accepted in the United States.

Measurement Focus

Fiduciary fund financial statements are used to account for assets held in a trustee or agency capacity and cannot be used to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with operation of these funds are included on the statement of fiduciary net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Fiduciary Fund Financial Statements

The fiduciary fund financial statements provide information about the Successor Agency's funds.

Land and Improvements Held for Resale

Land and improvements held for resale are recorded at the lower of acquisition cost or estimated net realizable value.

Bond Issuance Cost

The bond issuance costs except Prepaid Bond Insurance for the OCDA Tax Allocation Refunding Bonds NDAPP, Series 2001 and Santa Ana Heights Project Area, Series 2014 were expensed with the implementation of GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*.

Prepaid Bond Insurance

The straight-line method is used to amortize the prepaid bond insurance over the life of the OCDA Tax Allocation Refunding Bonds NDAPP, Series 2001.

The prepaid bond insurance is recorded annually as an interest expense.

Deferred Charges on Bond Refunding

The deferred charges on bond refunding are deferred and amortized over the life of the OCDA Tax Allocation Refunding Bonds NDAPP, Series 2001 and Santa Ana Heights, Series 2014 using the straight-line method. The deferred charge on refunding is recorded as a deferred inflow of resources or outflow of resources, as appropriate.

The deferred charge on refunding for the NDAPP bonds is recorded as a deferred outflow of resources. With the refunding of the Santa Ana Heights bonds, it is recorded as a deferred inflow of resources.

Bond Premium

Bond premiums are deferred and amortized over the life of the OCDA Tax Allocation Refunding Bonds NDAPP, Series 2001 and Santa Ana Heights, Series 2014 using the effective interest method. Bonds payable are reported net of the applicable bond premium.

The bond premiums are recorded annually as a reduction of interest expense.

Intergovernmental Revenue

The Dissolution Act amended the allocation of property tax revenue to successor agencies. Property taxes that formerly would have been apportioned to OCDA are deposited into a trust fund with the County of Orange, known as the Redevelopment Property Tax Trust Fund (RPTTF). The County Auditor – Controller administers the RPTTF on behalf of the former RDA debt holders, and taxing entities that receive pass-through payments and property tax distributions. This fund is used to pay obligations listed on the Recognized Obligation Payment Schedule (ROPS), including bond debt service, approved by the Successor Agency's Oversight Board, and the California Department of Finance. Any remaining monies in the RPTTF after the approved amounts listed on the ROPS have been paid are distributed to the appropriate taxing entities.

Background

On December 6, 1994, the County of Orange (County) filed for protection under Chapter 9 of the United States Bankruptcy Code as a result of losses arising out of the Orange County Investment Pool (Pool). The liquidation of the Pool's portfolio resulted in the realization of an investment loss of approximately $1.6 billion. This loss was recorded on the County's books and records in fiscal year 1994-95 with approximately $600 million allocable (on a pro rata basis) to the County's accounts, and substantially all

of the remainder allocable to accounts of non-County Pool participants, such as cities, school districts and special districts. Approximately $11.3 million of that loss was allocated to the Orange County Development Agency (OCDA) and was reported in the year ended June 30, 1995.

In response to the bankruptcy, the County prepared a comprehensive recovery plan, which incorporated budget cuts, administrative reorganization, a settlement agreement with Pool participants, and various methods to raise funds. The County obtained State legislation consisting of Chapters 745, 746, 747 and 748 of the 1995 Statutes to provide for certain monies received from the State that would have otherwise been allocated to other County funds and other governmental agencies, to be deposited to the County's General Fund.

The United States Bankruptcy Court for the Central District of California in its Order Confirming Modified Second Amended Plan of Adjustment entered May 16, 1996, confirmed the Plan. On June 12, 1996, the Plan became effective and the County emerged from bankruptcy.

Impact of County Bankruptcy on the former OCDA

The former OCDA was a component unit of the County of Orange. Due to statutory and regulatory restrictions, revenues generated by the former OCDA are not available for County General Fund purposes. However, as a result of the State legislation described above, the former OCDA is required to pay to the County an amount equal to $4 million per year, for 20 years beginning on July 1, 1996. The former OCDA's long-term debt obligations are obligations of the former OCDA payable solely from a pledge of the net revenues of the former OCDA and a pledge of the funds and accounts established under the trust indenture securing the former OCDA's long-term debt obligations. The former OCDA did not file for bankruptcy protection; however, it was significantly impacted by the County's bankruptcy because of investment losses and the reallocation of $4 million of its revenue each year until the diversion of funds ends in fiscal year 2015-16.

Impact of Legislation on County Bankruptcy

On December 29, 2011, the California Supreme Court (the Court) issued an opinion in CRA v. Matosantos on the constitutionality of ABx1 26 & 27. In their opinion, the Court upheld the provisions of ABx1 26, effectively eliminating redevelopment agencies statewide, but struck down ABx1 27 the legislation that would have allowed redevelopment agencies to continue so long as they provided payments to the State.

Effective February 1, 2012, the Orange County Development Agency (OCDA) was eliminated under the provisions of ABx1 26. As a result of the elimination of OCDA, property tax revenues began being used to pay required payments on existing bonds, other obligations, and pass-through payments to local governments. However, since the County's Bankruptcy Recovery Plan predates ABx1 26, no interruption to the existing payment schedules is anticipated. In addition, this obligation has been listed and approved by the Department of Finance on all applicable Recognized Obligation Payment Schedules (ROPS). The Successor Agency will continue to list this obligation on all future ROPS until 2016 when the obligation expires.

The Successor Agency follows the County's policy guidelines for pooling its cash and investments with the County Treasurer. The County Treasurer abides by the Investment Policy Statement (IPS) in investing the Pool's monies.

Pooled Cash and Investments

The County Treasurer maintains the County Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. At June 30, 2014, the Pool contains deposits and investments in U.S. government agencies, negotiable certificates of deposits, bankers' acceptances, commercial paper, medium-term notes, repurchase agreements, and money market mutual funds with an average maturity of approximately 465 days. Pooled investments are stated at fair value. The County Treasurer contracts with an outside service to provide pricing for the fair value of investments in the portfolio. The investments are marked to market and the net asset value is calculated for the County Pool each business day. Securities listed or traded on a national securities exchange are valued at the last quoted sales price. Short-term money market instruments are valued using an average of closing prices and rate data commonly known as matrix pricing. Interest is apportioned to individual funds based generally on the average daily balances on deposit with the County Treasurer.

Cash and Investments with Trustee

Cash and investments with trustee represent amounts held by a trustee bank, which are restricted for servicing long-term debt of the Successor Agency as required by the bond indentures. The trustee as fiscal agent is mandated by the bond indentures as to the types of authorized investments. All investments with trustee are recorded at fair value.

At June 30, 2014, cash and investments of the Successor Agency are summarized as follows:

Cash and investments pooled by the County Treasurer	$ 10,226,721
Investments held by trustee:	
Money market mutual funds	2,290,350
Total	$ 12,517,071

Investment Disclosures

As of June 30, 2014, the major classes of Successor Agency's investments consisted of the following:

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
County Investment Pool	$10,226,721	$ -			1.274
Restricted Investment with Trustee:					
Money Market Mutual Funds	2,290,350	2,290,350	Variable	On Demand	-
Total Restricted Investment with Trustee	2,290,350	2,290,350			
Portfolio Weighted Average Maturity:					1.04

Interest Rate Risk

Interest rate risk refers to the risk that changes in interest rates will affect the fair value of an investment. The Agency manages exposure to declines in fair value by limiting the weighted average maturity (WAM) in accordance with the Investment Policy Statement (IPS). At June 30, 2014, the WAM for the Pool approximated 465 days (1.274 years).

Custodial Credit Risk

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 possession of an outside party. At year-end, the Successor Agency's external investment pools and specific investments did not have any securities exposed to custodial credit risk and there was no securities lending.

Credit Risk

The IPS sets forth the minimum acceptable credit ratings for investments from any two of the following nationally recognized statistical rating organizations. For an issuer of short-term debt, the rating must be no less than A-1 (Standard & Poor's), P-1 (Moody's), or F-1 (Fitch). For an issuer of long-term debt, the rating must be no less than an "A". As of June 30, 2014, the County Pool is rated at AAA Principal Stability Fund Rating (AAAm) by Standard & Poor's and the money market mutual fund is rated at AAA by Standard & Poor's.

Land and improvements held for resale is recorded at the lower of acquisition cost or estimated net realizable value. At June 30, 2014, the cost of land and improvements is $1,171,694 with an estimated net realizable value of $618,477. There were no Successor Agency land parcels sold during the year.

The following is a summary of changes in long-term liabilities for the period July 1, 2013 through June 30, 2014. The beginning balance of the long-term liabilities has been restated to reflect effects from the implementation of GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*.

	Balance July 1, 2013 (As Restated)	Additions	Discount/ Premium Amortization	Retirements	Balance June 30, 2014	Due Within One Year
Orange County Development Agency Tax Allocation Refunding Bonds, Series 2003-SAH	$ 24,875,000	$ -	$ -	$ (24,875,000)	$ -	$ -
Bond premium on Tax Allocation Refunding Bonds, Series 2003 - SAH	1,123,458	-	(1,123,458)	-	-	-
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014 - SAH	-	20,960,000	-	-	20,960,000	2,360,000
Bond premium on Tax Allocation Refunding Bonds, Series 2014 - SAH	-	1,806,653	-	-	1,806,653	53,090
Orange County Development Agency Tax Allocation Refunding Bonds, Series 2001-NDAPP	16,625,000	-	-	(1,340,000)	15,285,000	1,415,000
Bond premium on Tax Allocation Refunding Bonds, Series 2001 - NDAPP	127,156	-	(110,190)	-	16,966	64,296
Total long-term liabilities	$ 42,750,614	$ 22,766,653	$ (1,233,648)	$ (26,215,000)	$ 38,068,619	$ 3,892,386

Orange County Development Agency Tax Allocation Refunding Bonds, Series 2001-NDAPP

The former OCDA issued these bonds on July 11, 2001, in the original principal amount of $26,160,000 at a premium of $326,700. A substantial portion of the NDAPP Refunding Bonds proceeds and certain other monies were used to defease $26,140,000 of the $27,072,000 outstanding NDAPP Series A 1992 Tax Allocation Revenue Bonds. The NDAPP Refunding Bonds, payable through September 2022, are secured by a pledge of tax increment revenues allocated and paid to OCDA attributable to the Neighborhood Development and Preservation Project Area. The bonds are due in annual principal installments ranging from $280,000 to $2,005,000 beginning September 1, 2002 through 2022, at interest rates ranging from 4.00% to 5.50%. The principal amount outstanding at June 30, 2014 is $15,285,000. Interest expense and total pledged revenues were $749,449 and $2,177,151, respectively, during the fiscal year.

Fiscal Year 2013-14 Debt Obligation Activity

During FY 2013-14, the following events concerning debt obligations took place:

Orange County Development Agency Tax Allocation Refunding Bonds, Series 2003 – Santa Ana Heights

The former OCDA issued these bonds on November 13, 2003, in the original principal amount of $38,465,000 at a premium of $1,660,485. The proceeds of the bonds and other available monies were used to refund and defease the outstanding 1993 Tax Allocation Revenue Bonds, fund a reserve account for the new bonds, and pay the cost of issuing the bonds. The Santa Ana Heights (SAH) Refunding Bonds, payable through September 2023, were secured by a pledge of tax increment revenues allocated and paid to OCDA attributable to the Santa Ana Heights Project Area. The bonds were due in annual principal installments ranging from $1,340,000 to $2,855,000 beginning September 1, 2004 through 2023, at interest rates ranging from 2.00% to 5.250%. As discussed below, these bonds were redeemed.

Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Issue of 2014 – Santa Ana Heights

On January 9, 2014, the Successor Agency to OCDA issued Tax Allocation Refunding Bonds for the Santa Ana Heights Project Area in the principal amount of $20,960,000 at a premium of $1,806,653. The Bonds were issued to redeem the outstanding 2003 Tax Allocation Refunding Bonds, fund a reserve fund, and pay the cost of issuing the bonds. The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $1,123,458. The difference is reported as a deferred amount on refunding. There is no current year amortization amount for the deferred amount on refunding. The refunding resulted in a reduction of debt service payments over the next 10 years by $2,812,860 and resulted in an economic gain of $2,277,139. The SAH Refunding Bonds, payable through September 2023, are secured by a pledge of property tax revenues from the Santa Ana Heights Project Area. The Bonds were issued for a debt service savings and have a final maturity of September 1, 2023. The principal amount outstanding at June 30, 2014 is $20,960,000. The total pledged revenues were $6,157,736 during the fiscal year.

[illegible]

[illegible]

The annual requirements to amortize outstanding bonds included in the Statement of Fiduciary Net Position as of June 30, 2014, including interest, are as follows:

	Santa Ana Heights		NDAPP	
Year(s) Ending	2014 Tax Allocation Bonds		2001 Tax Allocation Bonds	
June 30	Principal	Interest	Principal	Interest
2015	2,360,000	1,122,856	1,415,000	740,244
2016	1,810,000	903,150	1,485,000	664,119
2017	1,895,000	816,125	1,570,000	582,944
2018	1,995,000	720,125	1,650,000	499,500
2019	2,095,000	619,125	1,735,000	414,875
2020-2024	10,805,000	1,395,125	7,430,000	736,000
Total	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

The former OCDA entered into agreements with various governmental entities to “pass-through” applicable portions of property tax revenues received by the Santa Ana Heights and NDAPP project areas attributable to these entities to the extent that their territorial limits reside within the former OCDA’s project areas.

[illegible]

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2013, the Successor Agency adopted the provisions of GASB Statement No. 65 and restated the beginning net position of the private-purpose trust fund in the amount of $294,009 to write off unamortized bond issuance costs previously reported as an asset and bond issuance costs included in the unamortized loss on refunding previously reported as a contra liability. In addition, the remaining unamortized prepaid insurance costs and loss on refunding were reclassified to deferred outflows of resources.

[illegible]

OC Community Resources, a department of the County of Orange, is the primary administrative support to the County's Successor Agency, and is responsible for preparation of all payment schedules, financial reports, and project related matters. OC Community Resources also oversees the Orange County Housing Authority, the entity elected to be the County's Housing Successor. County Counsel provides all legal support services, and OC Public Works' Corporate Real Estate Unit provides project support on real estate issues. All debt service related matters are handled through the CEO's Public Finance Unit.

[illegible]

The Successor Agency trust fund reported a deficit net position of $25,240,600. The deficit resulted from the Due Diligence Review payments required by Assembly Bill 1484. Enforceable Obligations will be paid by future property tax increment apportioned to the Successor Agency.

[illegible]

The following summarizes recent GASB pronouncements and their impact, if any, on current and future financial statements:

In March 2012, GASB issued Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* This statement established accounting and financial reporting standards that reclassified, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provided other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2012, which required the Successor Agency to implement this statement in FY 2013-14. See *Note 7 – Adjustment to Beginning Net Position Due to Change in Accounting Principle* for further detail on the implementation of GASB Statement No. 65 *"Items Previously Reported as Assets and Liabilities"* and its effect.

In March 2012, GASB issued Statement No. 66, *"Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62."* This statement amended Statement No. 10 by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amended Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The provisions of this Statement were effective for financial statements for periods beginning after December 15, 2012, which required the Successor Agency to implement this statement in FY 2013-14. There was no impact to the Successor Agency financial statements.

In June 2012, GASB issued Statement No. 67, *“Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25”* and Statement No. 68, *“Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.”* Both Statements resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The primary objective of these statements was to improve financial reporting by state and local governmental pension plans.

Statement No. 67 replaced the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that were administered through trusts or equivalent arrangements that meet certain criteria. This statement enhanced note disclosures and required supplemental information (RSI) for both defined benefit and defined contribution pension plans. It also required the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this statement were effective for financial statements for periods beginning after June 15, 2013, which requires the Successor Agency to implement this statement in FY 2013-14. There was no impact to the Successor Agency financial statements.

Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. It also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the Successor Agency to implement this statement in FY 2014-15.

In November 2013, GASB issued Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68”*. This statement requires that, at transition to the new accounting standards in accordance with GASB Statement No. 68, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. However, it continues to require that the beginning balances for other deferred outflows and deferred inflows be reported at transition only if it is practical to determine such amounts. Both Statements No. 68 and 71 are effective simultaneously for periods beginning after June 15, 2014, which requires the Successor Agency to implement this statement in FY 2014-15.

At its December 19, 2013 meeting, the Oversight Board directed staff to proceed with refunding the Tax Allocation Refunding Bonds, Series 2001 Neighborhood Development and Preservation Project. On June 17, 2014 acting as the Successor Agency to the Orange County Development Agency (OCDA) the Board of Supervisors authorized the issuance and sale of the Tax Allocation Refunding Bonds. On August 20, 2014, the Successor Agency to OCDA issued Tax Allocation Refunding Bonds for the Neighborhood Development and Preservation Project Area in the principal amount of $14,090,000. The Bonds were issued to redeem the outstanding Tax Allocation Refunding Bonds, Series 2001 and are secured by a pledge of property tax revenues from the Neighborhood Development and Preservation Project Area. The Bonds were issued for a debt service savings and have a final maturity of September 1, 2022.

COUNTY OF ORANGE
REDEVELOPMENT SUCCESSOR AGENCY
Combining Statement of Changes in Fiduciary Net Position by Trust Fund
For the Year Ended June 30, 2014

	Private-Purpose Trust Funds			
	Redevelopment Retirement Obligation **Santa Ana Debt Service**	Redevelopment Retirement Obligation **NDAPP Debt Service**	OCDA Redevelopment **Successor Agency**	**Total**
Additions:				
Intergovernmental revenue	$ 6,157,736	$ 2,177,151	$ -	$ 8,334,887
Use of property	-	-	65	65
Other revenue	51,721	7,087	344,967	403,775
Interest	12,344	10,261	28,329	50,934
Less: investment expense	(1,682)	(1,537)	(4,469)	(7,688)
Total additions	6,220,119	2,192,962	368,892	8,781,973
Deductions:				
Services and supplies	-	-	1,818	1,818
Professional services	21,827	18,394	211,343	251,564
Tax pass-throughs	4,000,000	758,853	1,441,349	6,200,202
Interest on long-term debt	1,669,280	749,449	-	2,418,729
Bond issuance costs	425,403	-	-	425,403
Total deductions	6,116,510	1,526,696	1,654,510	9,297,716
Change in net position	103,609	666,266	(1,285,618)	(515,743)
Net position - June 30, 2013	(18,388,554)	(13,529,081)	7,486,787	(24,430,848)
Adjustment due to change in accounting principle	(200,108)	(93,901)	-	(294,009)
Net position - June 30, 2013, as restated	(18,588,662)	(13,622,982)	7,486,787	(24,724,857)
Net position - June 30, 2014	$ (18,485,053)	$ (12,956,716)	$ 6,201,169	$ (25,240,600)

COUNTY OF ORANGE
REDEVELOPMENT SUCCESSOR AGENCY
Combining Statement of Fiduciary Net Position by Trust Fund
June 30, 2014

	Private-Purpose Trust Funds			
	Redevelopment Retirement Obligation **Santa Ana Debt Service**	Redevelopment Retirement Obligation **NDAPP Debt Service**	OCDA Redevelopment **Successor Agency**	**Total**
Assets				
Current assets				
Pooled cash and investments	$ 2,623,681	$ 1,971,654	$ 5,631,386	$ 10,226,721
Restricted assets - cash and investments with trustee	2,290,350	-	-	2,290,350
Interest receivable	5,276	4,226	9,754	19,256
Prepaid bond insurance	-	15,091	-	15,091
Noncurrent assets:				
Land and improvements held for resale	-	-	618,477	618,477
Prepaid bond insurance	-	120,727	-	120,727
Total assets	4,919,307	2,111,698	6,259,617	13,290,622
Deferred Outflow of Resources				
Deferred charge on refunding	-	493,879	-	493,879
Total Deferred Outflow of Resources	-	493,879	-	493,879
Liabilities				
Current liabilities:				
Bond interest payable	475,285	259,129	-	734,414
Due to other governmental agencies	1,099	1,198	58,448	60,745
Bonds payable	2,413,090	1,479,296	-	3,892,386
Noncurrent liabilities:				
Bonds payable	20,353,563	13,822,670	-	34,176,233
Total liabilities	23,243,037	15,562,293	58,448	38,863,778
Deferred Inflow of Resources				
Deferred charge on refunding	161,323	-	-	161,323
Total Deferred Inflow of Resources	161,323	-	-	161,323
Net position				
Net position held in trust for other governments	$ (18,485,053)	$ (12,956,716)	$ 6,201,169	$ (25,240,600)

MGO Certified Public Accountants.

Newport Beach
4675 MacArthur Court, Suite 600
Newport Beach, CA 92660
949.221.0025

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

Independent Auditor's 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*

Oversight Board
County of Orange Redevelopment Successor Agency
Santa Ana, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Orange Redevelopment Successor Agency (Successor Agency), a private purpose trust fund of the County of Orange, California (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2014. Our report includes an emphasis of matter paragraphs.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 opinions 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 Successor Agency'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 misstatement, 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 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*.

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.

Macias Gini & O'Connell LLP

Newport Beach, California
December 9, 2014