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## CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

## FINANCIAL/OPERATING FILING (NON-CUSIP)

### Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: Successor Agency to OCDA NDAPP Continuing Disclosure Annual Report, for the year ended 06/30/2015

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## Documents

### Financial Operating Filing

00127517.PDF posted 01/29/2016

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## The following Issuers are associated with this Continuing Disclosure submission:

Issuer Name	Issue Description	State	Dated Date
ORANGE COUNTY, CALIFORNIA (SUCCESSOR AGENCY TO THE) DEVELOPMENT AGENCY	TAX ALLOCATION REFUNDING BONDS, ISSUE OF 2014 (PRIVATE PLACEMENT)	CA	08/20/2014

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# **CONTINUING DISCLOSURE ANNUAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2015**

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**SUCCESSOR AGENCY TO THE  
ORANGE COUNTY DEVELOPMENT AGENCY  
(NEIGHBORHOOD DEVELOPMENT AND PRESERVATION PROJECT)  
TAX ALLOCATION REFUNDING BONDS, ISSUE OF 2014**

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**COUNTY OF ORANGE  
COUNTY EXECUTIVE OFFICE  
333 West Santa Ana Boulevard, 3<sup>rd</sup> Floor  
Santa Ana, California 92701-4062**

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## **INTRODUCTION**

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated January 29, 2016 (the “Annual Report”) has been prepared to satisfy the obligations of the Successor Agency to the Orange County Development Agency, a public body corporate and politic, duly organized and existing under the laws of the State of California (the “Successor Agency”), with respect to the 2014 Neighborhood Development and Preservation Project (“NDAPP”) Bonds.

### **Delivery of the Annual Report**

The Successor Agency has agreed under Section 5.1 of the Indenture to provide certain reports, certifications, annual financial information and operating data. As provided in the Indenture, this Annual Report is being prepared for publication with EMMA for the benefit of the 2014 NDAPP Bondholder.

## **AUDITED FINANCIAL STATEMENTS**

The audited financial statements of the Successor Agency for the fiscal year ended June 30, 2015 is attached hereto as Appendix A.

## **LIMITATION OF INDEBTEDNESS REPORT**

The Successor Agency prepared a report from an independent redevelopment consultant to the Bondholders showing the total amount of Tax Increment Revenues remaining available to be received by the Successor Agency under the Redevelopment Plan’s cumulative annual debt service respect to the 2014 NDAPP Bonds (the “Limitation of Indebtedness Report”). A copy of the Limitation of Indebtedness Report is attached hereto as Appendix B.

## CERTIFICATION OF RATIO OF PLEDGED TAX REVENUES TO SCHEDULED DEBT SERVICE FOR FISCAL YEAR 2014-15

The following table sets forth the percent by which annual Pledged Tax Revenues have provided coverage for debt service on the Bonds for Fiscal Year 2014-15.

### Percentage of Debt Service Coverage in FY 14-15

Pledged Tax Revenue	\$ 23,611,599	
FY 14-15 Debt Service Payment	\$ 2,824,271	836%

Source: County of Orange, CEO Public Finance Unit

## ASSESSED VALUATIONS OF TAXABLE PROPERTY

The following table shows the actual assessed values for Fiscal Years 2014-15 to 2015-16 based upon the Orange County Auditor-Controller's equalized rolls and incremental values of property within the Neighborhood Development and Preservation Project (based on an exclusion of assessed values from the unsecured roll).

### Neighborhood Development and Preservation Project Assessed Valuations of the Taxable Property Fiscal Years 2014-15 and 2015-16

	<i>FY 2014-15 Taxable Value</i>	<i>FY 2015-16 Taxable Value</i>
Secured Values <sup>(1)</sup>		
Local Secured Value	\$3,379,360,032	\$3,579,086,623
Public Utility Value	-	-
Total Secured Values	<u>\$3,379,360,032</u>	<u>\$3,579,086,623</u>
Unsecured Values	<u>\$69,762,495</u>	<u>\$65,717,681</u>
GRAND TOTAL	<u>\$3,449,122,527</u>	<u>\$3,644,804,304</u>
Base Year Value	\$967,767,272	\$967,767,272
Annual Incremental Value	\$2,481,355,255	\$2,677,037,032

<sup>(1)</sup> Secured values include state assessed non-unitary utility property.

Source: Orange County Auditor-Controller.

## TOP TEN TAXPAYERS

The following table shows the top ten taxpayers by assessed value in the Neighborhood Development and Preservation Project for Fiscal Year 2015-16.

### Neighborhood Development and Preservation Project Top Ten Taxpayers by Assessed Value Fiscal Year 2015-16

	<i>Property Owner</i>	<i>No. of Parcels</i>	<i>Primary Land Use</i>	<i>Secured Assessed Valuation</i>	<i>Unsecured Assessed Valuation</i>	<i>Total Assessed Valuation</i>	<i>Percent of Total Valuation</i>
1	Orchard Lake Forest CA LP	5	Commercial	\$121,045,176	\$ -	\$121,045,176	3.32%
2	Buchheim Properties I, II, III, IV	9	Commercial	48,293,428	-	48,293,428	1.32
3	Casa Pacifica	1	Commercial	31,422,151	-	31,422,151	0.86
4	H & H Investments LP	1	Commercial	16,110,479	-	16,110,479	0.44
5	Business Properties	7	Commercial	15,040,841	-	15,040,841	0.41
6	Ashley Furniture	1	Commercial	14,155,216	-	14,155,216	0.39
7	Brixton El Toro Sq LLC	3	Commercial	13,664,671	-	13,664,671	0.37
8	Roberta J. Thompson	1	Commercial	12,387,225	-	12,387,225	0.34
9	Prothero Enterprise Inc.	2	Commercial	12,075,914	-	12,075,914	0.33
10	Sherman Pickrell	5	Commercial/Single Family Residential	11,905,300	-	11,905,300	0.33
				<u>\$296,100,401</u>	<u>\$ -</u>	<u>\$296,100,401</u>	<u>8.11%</u>
Total Project Area Assessed Value				<u>\$3,579,086,623</u>	<u>\$65,717,681</u>	<u>\$3,644,804,304</u>	

Source: Orange County Assessor 2015-16 Secured and Unsecured Roll, Orange County Auditor-Controller, Core Logic Metro Scan .

## **CERTAIN DISCLAIMERS**

The information contained in this Annual Report expresses only the views of the applicable party. An explanation of the significance of any such information may be obtained from the applicable party; provided, however, that no information provided by any party is incorporated in this Annual Report. The Successor Agency undertakes no responsibility to oppose any revision or withdrawal of such information contained in this Annual Report.

To the extent the Successor Agency provides information in this Annual Report, the Successor Agency is not obligated to present or update information in future Annual Reports.

By providing the information in this Annual Report, the Successor Agency does not imply or represent (a) that all information provided in this Annual Report is material to investors' decisions regarding investment in the 2014 NDAPP Bonds, (b) the completeness or accuracy of any financial, operational or other information not included herein, (c) that no changes, circumstances or events have occurred since the date of this Annual Report (other than as contained herein), or (d) that no other information exists which may have a bearing on the Successor Agency's financial condition, the security for the 2014 NDAPP Bonds or an investor's decision to buy, sell or hold the 2014 NDAPP Bonds.

The information set forth in this Annual Report or incorporated in this Annual Report has been furnished by the Successor Agency and is believed to be accurate and reliable but is not guaranteed as to accuracy or completeness. Statements contained in or incorporated by this Annual Report which involves estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. Further, expressions of opinion contained in this Annual Report or incorporated in this Annual Report are subject to change without notice and the delivery of this Annual Report will not, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency. The Successor Agency is relying upon and has not independently confirmed or verified the accuracy or completeness of information provided by others or other information incorporated by reference therein.

No statement contained in this Annual Report should be construed as a prediction or representation about future financial performance of the Successor Agency. Historical results presented herein may not be indicative of future operating results.

**APPENDIX A**

**SUCCESSOR AGENCY TO THE ORANGE COUNTY DEVELOPMENT AGENCY  
AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2015**



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**COUNTY OF ORANGE REDEVELOPMENT  
SUCCESSOR AGENCY  
(A Component Unit of the County of Orange, California)**

Independent Auditor's Reports,  
Basic Financial Statements and Supplemental Information

For the Year Ended June 30, 2015



Certified  
Public  
Accountants

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**COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**  
(A Component Unit of the County of Orange, California)

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## Independent Auditor's Report

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

### Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Successor 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 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 County of Orange Redevelopment Successor Agency, as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States 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, 2015, 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 8, 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.

### **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 opinion on the financial statements that collectively comprise the Successor Agency's financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is 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 supplemental information is fairly stated, in all material respects, in relation to the financial statements.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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 and compliance and the results of that testing, and not to provide an opinion on 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 17, 2015

**COUNTY OF ORANGE**  
**REDEVELOPMENT SUCCESSOR AGENCY**  
Statement of Fiduciary Net Position  
June 30, 2015

**Assets**

Current assets:

Pooled cash and investments (Note 3)	\$ 15,663,251
Restricted assets - cash and investments with trustee (Note 3)	4,630,108
Interest receivable	43,093

Noncurrent assets:

Land and improvements held for resale (Note 4)	618,477
Total assets	<u>20,954,929</u>

**Deferred Outflows of Resources**

Deferred charge on refunding	454,641
Total deferred outflows of resources	<u>454,641</u>

**Liabilities**

Current liabilities:

Bond interest payable	428,705
Due to other governmental agencies	22,310
Bonds payable, net (Note 5)	3,587,144

Noncurrent liabilities:

Bonds payable (Note 5)	30,041,419
Total liabilities	<u>34,079,578</u>

**Deferred Inflows of Resources**

Deferred charge on refunding	149,229
Total deferred inflows of resources	<u>149,229</u>

**Net position**

Held in trust for other governments (Note 8)	<u><u>\$ (12,819,237)</u></u>
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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, 2015

**Additions:**

Intergovernmental revenue	\$ 17,568,438
Other revenue	785,676
Interest	46,518
Less: investment expense	(6,798)
Total additions	<u>18,393,834</u>

**Deductions:**

Professional services	249,681
Tax pass-throughs (Note 6)	4,000,000
Interest on long-term debt	1,539,479
Bond issuance costs	183,311
Total deductions	<u>5,972,471</u>

Change in net position	12,421,363
Net position (deficit), July 1, 2014	<u>(25,240,600)</u>
Net position (deficit), June 30, 2015 (Note 8)	<u><u>\$ (12,819,237)</u></u>

See accompanying notes to the financial statements.

## **COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County of Orange, California)

Notes To The Financial Statements

For The Year Ended June 30, 2015

### **Note 1 –Summary of Significant Accounting Policies**

#### Reporting Entity

On January 24, 2012, the County of Orange (County) elected to become the Successor Agency to the former Orange County Development Agency (Successor Agency) 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, was established to account for the assets and liabilities of the former Orange County Development Agency (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 of America.

#### 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.

## **COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

### **Note 1 –Summary of Significant Accounting Policies (Continued)**

#### **Deferred Charges on Refunding**

The deferred charges on refunding are deferred and amortized over the life of the Successor Agency Tax Allocation Refunding Bonds Neighborhood Development and Preservation Project (NDAPP), Series 2014 and Santa Ana Heights (SAH), Series 2014 using the straight-line method. The deferred charge on refunding is recorded as a deferred inflows of resources or outflows of resources, as appropriate.

The deferred charge on refunding for the NDAPP bonds is recorded as a deferred outflows of resources. With the refunding of the SAH bonds, it is recorded as a deferred inflows of resources.

#### **Bond Premium**

The bond premium is deferred and amortized over the life of the Successor Agency Tax Allocation Refunding Bonds SAH, Series 2014 using the effective interest method. Bonds payable are reported net of the applicable bond premium.

The bond premium is 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 Redevelopment Agency (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.

### **Note 2 – County of Orange Bankruptcy**

#### **Background**

On December 6, 1994, the 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 accounting 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 OCDA and was reported in the year ended June 30, 1995.

## **COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

### **Note 2 – County of Orange Bankruptcy (Continued)**

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 (Plan) 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 the County's 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 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 (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 OCDA was dissolved under the provisions of ABx1 26. As a result of the dissolution 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 ROPS. The Successor Agency will continue to list this obligation on all future ROPS until fiscal year 2015-2016 when the obligation expires.

### **Note 3 – Cash and Investments**

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.

**COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

**Note 3 – Cash and Investments (Continued)**

Pooled Cash and Investments

The County Treasurer maintains the 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, 2015, 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 392 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, 2015, cash and investments of the Successor Agency are summarized as follows:

Cash and investments pooled by the County Treasurer	\$ 15,663,251
Investments held by trustee:	
Money market mutual funds	4,630,108
Total	<u>\$ 20,293,359</u>

*Investment Disclosures*

As of June 30, 2015, 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	<u>\$ 15,663,251</u>	\$ -			1.073
Restricted Investment with Trustee:					
Money Market Mutual Funds	<u>4,630,108</u>	<u>4,630,108</u>	Variable	On Demand	-
Total Restricted Investment with Trustee	<u>4,630,108</u>	<u>4,630,108</u>			
Portfolio Weighted Average Maturity					0.83

**COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

**Note 3 – Cash and Investments (Continued)**

*Interest Rate Risk*

Interest rate risk refers to the risk that changes in interest rates will affect the fair value of an investment. The County 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, 2015, the WAM for the Pool approximated 392 days (1.073 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, 2015, the County Pool is rated at AAA Principal Stability Fund Rating (AAAm) by Standard & Poor's and the money market fund is rated at AAA by Standard & Poor's.

**Note 4 – Land and Improvements Held for Resale**

Land and improvements held for resale is recorded at the lower of acquisition cost or estimated net realizable value. At June 30, 2015, 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.

**COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**  
(A Component Unit of the County Of Orange, California)  
Notes To The Financial Statements (Continued)  
For The Year Ended June 30, 2015

**Note 5 – Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the period July 1, 2014 through June 30, 2015.

	Balance July 1, 2014	Additions	Discount/ Premium Amortization	Retirements	Balance June 30, 2015	Due Within One Year
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014- SAH	\$ 20,960,000	\$ -	\$ -	\$ (2,360,000)	\$ 18,600,000	\$ 1,810,000
Bond premium on Tax Allocation Refunding Bonds, Series 2014 – SAH	1,806,653	-	(53,090)	-	1,753,563	117,144
Orange County Development Agency Tax Allocation Refunding Bonds, Series 2001- NDAPP	15,285,000	-	-	(15,285,000)	-	-
Bond premium on Tax Allocation Refunding Bonds, Series 2001 – NDAPP	16,966	-	(16,966)	-	-	-
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014- NDAPP	-	14,090,000	-	(815,000)	13,275,000	1,660,000
Total long-term liabilities	<u>\$ 38,069,619</u>	<u>\$ 14,090,000</u>	<u>\$ (70,056)</u>	<u>\$ (18,460,000)</u>	<u>\$ 33,628,563</u>	<u>\$ 3,587,144</u>

**Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Issue 2014 - Santa Ana Heights (SAH)**

On January 9, 2014, the Successor Agency issued Tax Allocation Refunding Bonds for the SAH 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. The refunding resulted in a reduction of debt service payments over the next 10 years by \$2,812,860 and obtained 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, 2015 is \$18,600,000. Interest paid and total tax increment revenues were \$1,122,856 and \$9,478,987 respectively, during the fiscal year.

**Fiscal Year 2014-15 Debt Obligation Activity**

During FY 2014-15, the following events concerning debt obligations took place:

**COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

**Note 5 – Long-Term Liabilities (Continued)**

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%. As discussed below, these bonds were redeemed.

Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Issue 2014 - Neighborhood Development and Preservation Project (NDAPP)

On August 20, 2014, the Successor Agency issued Tax Allocation Refunding Bonds, for the NDAPP Area in the principal amount of \$14,090,000. The Bonds were issued to redeem the outstanding Tax Allocation Refunding Bonds, Series 2001. The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$16,966. The difference is reported as a deferred amount on refunding. The refunding resulted in reduction of debt service payments over the next 9 years by \$3,155,648 and resulted in an economic gain of \$1,315,872. The NDAPP Refunding Bonds, payable through September 2022, 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 maturity of September 1, 2022. The principal amount outstanding at June 30, 2015 is \$13,275,000. Interest paid and total tax increment revenues were \$205,577 and \$8,089,451, respectively, during the fiscal year.

The annual requirements to amortize outstanding bonds included in the Statement of Fiduciary Net Position as of June 30, 2015, including interest, are as follows:

Year(s) Ending June 30	SAH		NDAPP	
	2014 Tax Allocation Bonds		2014 Tax Allocation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 1,810,000	\$ 903,150	\$ 1,660,000	\$ 353,856
2017	1,895,000	816,125	1,720,000	307,725
2018	1,995,000	720,125	1,765,000	260,150
2019	2,095,000	619,125	1,810,000	211,269
2020	2,195,000	513,125	1,860,000	161,150
2021-2023	8,610,000	882,000	4,460,000	177,306
Total	<u>\$ 18,600,000</u>	<u>\$ 4,453,650</u>	<u>\$ 13,275,000</u>	<u>\$ 1,471,456</u>



## **COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

### **Note 6 – Pass-Through Agreements**

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

### **Note 7 – Related Party Transactions**

OC Community Resources, a department of the County, is the primary administrative support to the 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.

### **Note 8 – Deficit Net Position**

The Successor Agency reported a deficit net position of \$12,819,237. 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.

### **Note 9 – New Accounting Pronouncements**

The following lists recent Governmental Accounting Standards Board (GASB) pronouncements implemented or are effective in FY 2014-15:

In June 2012, GASB issued Statement No. 68, “*Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*,” which also results 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. This statement 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 County and the Successor Agency to implement this statement in FY 2014-15. There was no impact to the Successor Agency financial statements.

## COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

### Note 9 – New Accounting Pronouncements (Continued)

In January 2013, GASB issued Statement No. 69, *“Government Combinations and Disposals of Government Operations.”* This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013, which requires the County and the Successor Agency to implement this statement in FY 2014-15. There was no impact to the Successor Agency financial statements.

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. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014, which requires the County and the Successor Agency to implement this statement in FY 2014-15. There was no impact to the Successor Agency financial statements.

The following summarizes recent GASB Pronouncements:

In February 2015, GASB issued Statement No. 72, *“Fair Value Measurement and Application.”* This statement addresses accounting and financial reporting standards related to fair value measurements. Fair value 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. For some assets and liabilities, observable market information might not be available. The objective of fair value measure is to determine the price that would take place between market participants at the measurement date under current market conditions. Valuation techniques used to determine fair value are one or more of three approaches to measure fair value: the market approach, cost approach, and income approach. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015, which requires the County and the Successor Agency to implement this statement in FY 2015-16.

In June 2015, GASB issued Statement No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”* This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68 *“Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27,”* as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67 *“Financial Reporting*

## COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

### Note 9 – New Accounting Pronouncements (Continued)

for Pension Plans” and Statement No.68 for pension plans and pensions that are within their respective scopes. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2015, which requires the County and the Successor Agency to implement this statement in FY 2015-16.

In June 2015, GASB issued Statement No. 76, “*The Hierarchy of General Accepted Accounting Principles for State and Local Governments.*” The “GAAP hierarchy” identifies the sources of guidance that state and local governments follow when preparing financial statements in conformity with GAAP and lists the order of priority for pronouncements to which a government should look for guidance. The objective of this statement is to simplify the structure of the hierarchy of GAAP to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, “*The Hierarchy of General Accepted Accounting Principles for State and Local Governments.*” These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance with less variation. The provisions of this statement are effective for financial reporting for periods beginning after June 15, 2015, and should be applied retroactively, which requires the County and the Successor Agency to implement this statement in FY 2015-16.

GASB Statement No. 74 “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*” The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.*” It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25 “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43,*” and Statement No. 50 “*Pension Disclosures.*” The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2016, which requires the County and the Successor Agency to implement this statement in FY 2016-17.

GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

## **COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY**

(A Component Unit of the County Of Orange, California)

Notes To The Financial Statements (Continued)

For The Year Ended June 30, 2015

### **Note 9 – New Accounting Pronouncements (Continued)**

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this statement are effective for financial statement for periods beginning after June 15, 2017, which requires the County and the Successor Agency to implement this statement in FY 2017-18.

GASB Statement No. 77, *“Tax Abatement Disclosures.”* This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015.

### **Note 10 – Additional Debt Service Payment**

Effective January 1, 2015, Health and Safety Code Section 34182.1 was added to the Dissolution Law. This new code sets the County’s debt service payments as senior to other spending priorities, and requires the County Auditor-Controller to provide a full year’s worth of debt service as part of the dissolution process. As a result, the Successor Agency received an additional payment of \$8,727,006 in its RPTTF for its debt service as part of the June 2, 2015 property tax allocation. Although the Successor Agency did not include these funds on its ROPS 15-16A, the County made an additional debt service payment, as required by its bond indenture, on August 28, 2015. To ensure that these additional funds are properly reported on the ROPS 15-16B, the Successor Agency consulted with Bond Counsel, County staff, and the Department of Finance.

The County’s Oversight Board reviewed and approved the ROPS 15-16B on September 17, 2015. The County’s Board of Supervisors reviewed and approved the ROPS 15-16B on October 6, 2015.

### **Note 11 – Subsequent Events**

In September 2015, the State passed Senate Bill 107 (Bill), which contains additional provisions and provides specifically to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Successor Agency’s management is still evaluating the impact of the Bill to the Successor Agency.

**COUNTY OF ORANGE**  
**REDEVELOPMENT SUCCESSOR AGENCY**  
Combining Statement of Fiduciary Net Position by Trust Fund  
June 30, 2015

	Private-Purpose Trust Funds			
	Redevelopment Retirement Obligation SAH Debt Service	Redevelopment Retirement Obligation NDAPP Debt Service	OCDA Redevelopment Successor Agency	Total
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ 5,357,263	\$ 4,232,041	\$ 6,073,947	\$ 15,663,251
Restricted assets - cash and investments with trustee	3,632,559	997,549	-	4,630,108
Interest receivable	15,001	12,034	16,058	43,093
Noncurrent assets:				
Land and improvements held for resale	-	-	618,477	618,477
Total assets	<u>9,004,823</u>	<u>5,241,624</u>	<u>6,708,482</u>	<u>20,954,929</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	-	454,641	-	454,641
Total deferred outflows of resources	<u>-</u>	<u>454,641</u>	<u>-</u>	<u>454,641</u>
<b>Liabilities</b>				
Current liabilities:				
Bond interest payable	307,017	121,688	-	428,705
Due to other governmental agencies	596	324	21,390	22,310
Bonds payable	1,927,144	1,660,000	-	3,587,144
Noncurrent liabilities:				
Bonds payable	18,426,419	11,615,000	-	30,041,419
Total liabilities	<u>20,661,176</u>	<u>13,397,012</u>	<u>21,390</u>	<u>34,079,578</u>
<b>Deferred Inflows of Resources</b>				
Deferred charge on refunding	149,229	-	-	149,229
Total deferred inflows of resources	<u>149,229</u>	<u>-</u>	<u>-</u>	<u>149,229</u>
<b>Net position</b>				
Net position held in trust for other governments	<u>\$ (11,805,582)</u>	<u>\$ (7,700,747)</u>	<u>\$ 6,687,092</u>	<u>\$ (12,819,237)</u>

**COUNTY OF ORANGE**  
**REDEVELOPMENT SUCCESSOR AGENCY**  
Combining Statement of Changes in Fiduciary Net Position by Trust Fund  
For the Year Ended June 30, 2015

	Private-Purpose Trust Funds			
	Redevelopment Retirement Obligation SAH Debt Service	Redevelopment Retirement Obligation NDAPP Debt Service	OCDA Redevelopment Successor Agency	Total
<b>Additions:</b>				
Intergovernmental revenue	\$ 9,478,987	\$ 8,089,451	\$ -	\$ 17,568,438
Other revenue	101,085	14,556	670,035	785,676
Interest	12,079	8,598	25,841	46,518
Less: investment expense	(1,504)	(1,056)	(4,238)	(6,798)
Total additions	9,590,647	8,111,549	691,638	18,393,834
<b>Deductions:</b>				
Professional services	21,772	22,194	205,715	249,681
Tax pass-throughs	2,000,000	2,000,000	-	4,000,000
Interest on long-term debt	889,404	650,075	-	1,539,479
Bond issuance costs	-	183,311	-	183,311
Total deductions	2,911,176	2,855,580	205,715	5,972,471
Change in net position	6,679,471	5,255,969	485,923	12,421,363
Net position (deficit), July 1, 2014	(18,485,053)	(12,956,716)	6,201,169	(25,240,600)
Net position (deficit), June 30, 2015	\$ (11,805,582)	\$ (7,700,747)	\$ 6,687,092	\$ (12,819,237)

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**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, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2015. 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*.



**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.

A handwritten signature in dark ink that reads "Macias Gini E O'Connell LEP". The signature is written in a cursive, flowing style. The "E" is stylized with a horizontal bar. The "LEP" at the end is written in a more blocky, capital-like style.

Newport Beach, California  
December 17, 2015

**APPENDIX B**  
**LIMITATION OF INDEBTEDNESS REPORT**

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RSG, INC.  
309 WEST 4TH STREET  
SANTA ANA, CALIFORNIA  
92701-4502

T 714 541 4585  
F 714 541 1175  
E INFO@WEBRSG.COM  
WEBRSG.COM

Via Electronic Mail

To: Susie Ortiz, Administrative Manager  
CEO/PUBLIC FINANCE, COUNTY OF ORANGE

From: Alexa Smittle, Principal  
ROSENOW SPEVACEK GROUP INC.

Date: January 22, 2016

**SUBJECT: CONTINUING DISCLOSURE - NDAPP**

This memorandum is to confirm that Rosenow Spevacek Group, Inc. ("RSG") has reviewed Covenant 11 of the Indenture of Trust related to Tax Allocation Refunding Bonds, Issue 2014 of \$14,090,000 for the Neighborhood Development and Preservation Project ("NDAPP"). Covenant 11 requests that an independent consultant will report on the total amount of tax increment revenues remaining available to the Successor Agency to the Orange County Development Agency ("Successor Agency") under the Redevelopment Plan's cumulative annual debt service with respect to the bonds.

NDAPP's Redevelopment Plan limitations are as follows.

Time Limit to Incur Debt	Eliminated
Time Limit to Receive Increment	June 27, 2038
Total Bonded Debt Limit	\$500 Million
Total Tax Increment Limit	\$1.6 Billion

Based on data obtained from the Successor Agency, State Department of Finance, and a review of records RSG maintains on file, the 2014 Refunding Bonds are the only bonds associated with the NDAPP Redevelopment Project Area. As such, the \$14.1 million bond indebtedness is well under the \$500 million limitation.

Additionally, RSG obtained annual tax increment collections for NDAPP (inclusive of all Sub Areas) through Fiscal Year 2014-15 from the Orange County Auditor Controller, and reviewed internal records. Through Fiscal Year 2014-15, \$267,413,594.48 in tax increment has been collected from the NDAPP Redevelopment Project Area (all Sub Areas), well below the \$1.6 billion limit.

FISCAL HEALTH  
ECONOMIC DEVELOPMENT  
REAL ESTATE, HOUSING  
AND HEALTHY COMMUNITIES

Though the Indenture of Trust requires this review, Section 34189(a) of the Health and Safety Code was recently amended by Senate Bill 107. It now states that limitations on time and tax increment collections no longer apply if tax increment is still needed for enforceable obligations, including bond debt service.

Based on RSG's projections for available tax increment in 2015-16 utilizing the equalized assessed value roll, the NDAPP Redevelopment Project Area should generate a total of \$17.2 million in tax increment, net of taxing agency pass throughs and County bankruptcy payments, but inclusive of the amount that was once set aside for affordable housing before redevelopment agency dissolution. Approximately \$4.8 million of available \$17.2 million in net revenues is associated with the El Toro Sub Area. Ample revenues are available for debt service coverage on the bonds.