

CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

**SUCCESSOR AGENCY TO THE
ORANGE COUNTY DEVELOPMENT AGENCY
(SANTA ANA HEIGHTS PROJECT AREA)
TAX ALLOCATION REFUNDING BONDS, ISSUE OF 2014**



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

**SUCCESSOR AGENCY TO THE
ORANGE COUNTY DEVELOPMENT AGENCY
(SANTA ANA HEIGHTS PROJECT AREA)
TAX ALLOCATION REFUNDING BONDS, ISSUE OF 2014**

<i>MATURITY DATE</i>	<i>CUSIP*</i>
September 1, 2016	684248 AE7
March 1, 2017	684248 AF4
September 1, 2017	684248 AG2
March 1, 2018	684248 AH0
September 1, 2018	684248 AJ6
March 1, 2019	684248 AK3
September 1, 2019	684248 AL1
March 1, 2020	684248 AM9
September 1, 2020	684248 AN7
March 1, 2021	684248 AP2
September 1, 2021	684248 AQ0
March 1, 2022	684248 AR8
September 1, 2022	684248 AS6
March 1, 2023	684248 AT4
September 1, 2023	684248 AU1

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AGENCY AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR
ENDED JUNE 30, 2015 A-1**

INTRODUCTION

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated March 28, 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 Santa Ana Heights Project Area Tax Allocation Refunding Bonds, Issue of 2014 (the "2014 SAH Bonds").

Delivery of the Annual Report

The Successor Agency has agreed under the Continuing Disclosure Certificate (the "Disclosure Certificate") and pursuant to the Rule 15c2-12 of the Securities Exchange Act of 1934 (the "Rule") to provide certain annual financial information and operating data and notices of certain reporting of significant events. These covenants have been made in order to comply with the Rule. As provided in that certain Disclosure Certificate, dated January 9, 2014, executed by the Successor Agency in connection with the issuance of the 2014 SAH Bonds, this Annual Report is being prepared for publication with the Electronic Municipal Market Access ("EMMA"), a service of the Municipal Securities Rulemaking Board for the benefit of the owners of the 2014 SAH Bonds and the participating underwriters. Capitalized terms used herein which are not otherwise defined shall have the respective meaning specified in the Disclosure Certificate.

The information herein is being provided as required under Section 4 of the Disclosure Certificate.

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.

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NUMERICAL AND TABULAR INFORMATION

Pursuant to the Disclosure Certificate, the Numerical and Tabular Information herein consists of updated versions of the financial information and operating data contained in Tables 1, 2 and 7 in the Official Statement.

Table 1 – Historical Aircraft Assessments

The table below shows the historic amounts of unsecured value in the Project Area due to commercial aircraft for the most recent 11 Fiscal Years, including the current year.

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

<i>Unsecured Roll Year</i>	<i>Commercial Aircraft Value</i>	<i>Percent Change</i>	<i>Total Unsecured Roll</i>	<i>% of Unsecured Roll</i>	<i>Total Assessed Value</i>	<i>% Total Assessed Value</i>
2005-06	\$513,981,607	-4.70%	\$612,841,001	83.87%	\$1,239,132,689	41.48%
2006-07	372,759,071	-27.48	493,608,858	75.52	1,232,010,603	30.26
2007-08	418,087,739	12.16	544,584,293	76.77	1,333,756,359	31.35
2008-09	456,850,022	9.27	704,375,773	64.86	1,542,433,460	29.62
2009-10	415,236,254	-9.11	662,671,838	62.66	1,514,803,538	27.41
2010-11	452,011,545	8.86	612,962,648	73.74	1,377,769,404	32.81
2011-12	386,614,387	-14.47	535,260,521	72.23	1,300,731,939	29.72
2012-13	384,116,291	-0.65	511,842,287	75.05	1,324,329,197	29.00
2013-14	382,116,993	-0.52	452,217,717	84.50	1,336,998,588	28.58
2014-15	351,404,038	-8.04	568,816,619	61.78	1,531,907,896	22.94
2015-16	353,601,261	0.63	447,183,082	79.07	1,451,719,342	24.36

Source: County of Orange Assessor's Office.

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Table 2 – Ten Largest Secured and Unsecured Roll Taxpayers

The following table lists the ten largest taxable property owners within the Project Area for the Fiscal Year 2015-16.

TABLE 2
SUCCESSOR AGENCY TO THE
ORANGE COUNTY DEVELOPMENT AGENCY
Santa Ana Heights Project Area
Ten Largest Secured and Unsecured Roll Taxpayers
Fiscal Year 2015-16

<i>Taxpayer Name</i>	<i># of Parcels</i>	<i>Personal Property Value</i>	<i>Land Value</i>	<i>Improvement Value</i>	<i>Total Assessed Value</i>	<i>% of Total Assessed Value</i>
Southwest Airlines Co	2	\$131,909,394	\$8,637,454	\$2,559,988	\$143,106,836	9.6%
100 Bayview LLC	3	4,524	26,713,291	68,864,653	95,582,468	6.4
American Airlines	3	78,700,716	2,858,399	868,148	82,427,263	5.6
SK Hart Bayview LLC	4	--	11,416,943	44,721,553	56,138,496	3.8
United Airlines	2	50,422,363	4,147,431	1,255,358	55,825,152	3.8
Alaska Airlines Inc	2	36,957,872	1,965,280	591,008	39,514,160	2.7
De Marco, James R Tr	1	--	22,545,248	7,490,939	30,036,187	2.0
Host International Inc	2	7,746,201	13,102,260	8,734,840	29,583,301	2.0
Delta Airlines Inc	2	23,756,969	1,885,258	564,064	26,206,291	1.8
HMH Properties Inc	3	1,647,014	7,588,972	16,731,062	25,967,048	1.8
Subtotal (Top 10)	24	331,145,053	100,860,536	152,381,613	584,387,202	39.5
Total Assessed Value	1,326	\$463,191,394	\$583,872,847	\$436,533,402	\$1,483,597,643	100.0%

Note: Personal property value excludes personal aircraft, which is not included in tax increment pursuant to the Redevelopment Plan. Total secured and unsecured values listed are not net of exemptions. No exemptions apply to the top 10 taxpayers shown here.

Sources: 2015-16 Orange County Secured and Unsecured Tax Rolls.

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Table 7 – Historical Taxable Valuations and Tax Revenues

The following table is a schedule of the taxable valuations and resulting Pledged Tax Revenues in the Project Area for the most recent five Fiscal Years. The base year valuations for the Project Area were established in Fiscal Year 1985-86.

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

	2010-11	2011-12	2012-13	2013-14	2014-15
Secured	\$764,806,756	\$765,471,418	\$812,486,910	\$884,780,871	\$963,091,277
Unsecured	612,962,648	535,260,521	511,842,287	452,217,717	568,816,619
Total Assessed Value	1,377,769,404	1,300,731,939	1,324,329,197	1,336,998,588	1,531,907,896
Less: Base Year Value	(226,651,538)	(226,651,538)	(226,651,538)	(226,651,538)	(226,651,538)
Incremental Assessed Value⁽¹⁾	\$1,151,117,866	\$1,074,080,401	\$1,097,677,659	\$1,110,347,050	\$1,305,256,358
Tax Levy Rate	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Increment ⁽²⁾	\$11,511,179	\$10,740,804	\$10,976,777	\$11,103,471	\$13,052,564
Less: HSC 33676 Payment	(354,102)	(361,580)	(361,782)	(401,563)	(406,548)
Less: O.C. Flood Control Pass Through	(251,650)	(92,692)	(134,597)	(210,892)	(307,019)
Less: O.C. Water District Pass Through	(9,134)	(11,851)	(5,973)	(14,634)	(48,590)
Less: Low/Mod Housing Set Aside ⁽³⁾	(2,302,236)	(2,148,161)	(2,195,355)	0	0
Less: County Admin. Fees ⁽⁴⁾	(114,007)	(109,352)	(118,911)	(117,972)	(131,372)
Net Estimated Tax Revenues	8,480,050	8,017,168	8,160,159	10,358,410	12,159,035
Actual Receipts/Deposits⁽⁵⁾⁽⁶⁾	\$7,916,849	\$7,760,774	\$8,176,137	\$9,055,057	\$12,104,995

⁽¹⁾ Net non-homeowner exemptions.

⁽²⁾ Estimated at 1% Tax Levy Rate of Incremental Assessed Value

⁽³⁾ Actual housing set aside reported for FY 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 2011-12 fee is for the 2010-11 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.

Source: County of Orange Auditor-Controller Property Tax Unit.

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 SAH 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 SAH Bonds or an investor's decision to buy, sell or hold the 2014 SAH 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.



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	20,954,929

Deferred Outflows of Resources

Deferred charge on refunding	454,641
Total deferred outflows of resources	454,641

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	34,079,578

Deferred Inflows of Resources

Deferred charge on refunding	149,229
Total deferred inflows of resources	149,229

Net position

Held in trust for other governments (Note 8)	\$ (12,819,237)
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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	18,393,834

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	5,972,471

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

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	\$ 20,293,359

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	\$15,663,251	\$ -			1.073
Restricted Investment with Trustee:					
Money Market Mutual Funds	4,630,108	4,630,108	Variable	On Demand	-
Total Restricted Investment with Trustee	4,630,108	4,630,108			
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
Assets				
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>
Deferred Outflows of Resources				
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>
Liabilities				
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>
Deferred Inflows of Resources				
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>
Net position				
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
Additions:				
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	<u>9,590,647</u>	<u>8,111,549</u>	<u>691,638</u>	<u>18,393,834</u>
Deductions:				
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	<u>2,911,176</u>	<u>2,855,580</u>	<u>205,715</u>	<u>5,972,471</u>
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	<u>\$ (11,805,582)</u>	<u>\$ (7,700,747)</u>	<u>\$ 6,687,092</u>	<u>\$ (12,819,237)</u>

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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.

Macias Gini & O'Connell LLP

Newport Beach, California
December 17, 2015