

CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)

FINANCIAL/OPERATING FILING (CUSIP-9 BASED)

Rule 15c2-12 Disclosure

Annual Financial Information and Operating Data: Continuing Disclosure Annual Report, for the year ended 06/30/2018

Documents

Financial Operating Filing

00214331.PDF posted 03/28/2019

The following issuers are associated with this continuing disclosure submission:

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

The following 19 securities have been published with this continuing disclosure submission:

CUSIP-9	Maturity Date
684248AA5	09/01/2014
684248AB3	03/01/2015
684248AC1	09/01/2015
684248AD9	03/01/2016
684248AE7	09/01/2016
684248AF4	03/01/2017
684248AG2	09/01/2017
684248AH0	03/01/2018
684248AJ6	09/01/2018
684248AK3	03/01/2019
684248AL1	09/01/2019
684248AM9	03/01/2020

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

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CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

**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
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Prepared By:

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**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, 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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INTRODUCTION

THIS CONTINUING DISCLOSURE ANNUAL REPORT, dated March 28, 2019 (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, 2018 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 Fiscal Years 2008-09 to 2018-19.

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>
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
2016-17	364,250,154	3.01	436,747,788	83.40	1,547,180,201	23.54
2017-18	379,716,708	4.25	520,103,951	73.01	1,681,809,742	22.58
2018-19	400,573,966	5.49	512,962,847	78.09	1,735,317,895	23.08

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 2018-19.

TABLE 2
SUCCESSOR AGENCY TO THE
ORANGE COUNTY DEVELOPMENT AGENCY
Santa Ana Heights Project Area
Ten Largest Secured and Unsecured Roll Taxpayers
Fiscal Year 2018-19

<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>
1. Southwest Airlines Co	2	\$94,327,142	\$18,333,000	\$5,713,712	\$118,373,854	6.7%
2. American Airlines	3	90,255,271	8,245,428	2,616,301	101,117,000	5.7
3. 100 Bayview LLC	3	113,038	28,216,343	72,739,395	101,068,776	5.7
4. United Airlines	2	65,542,501	7,758,600	2,449,400	75,750,501	4.3
5. Alaska Airlines Inc	2	57,671,884	4,549,497	1,434,737	63,656,118	3.6
6. SK Hart Bayview LLC	4	-	12,059,329	50,624,640	62,683,969	3.5
7. Netjets Aviation Inc	0	32,525,900	-	-	32,525,900	1.8
8. Delta Airlines Inc	2	25,597,887	4,662,977	1,475,576	31,736,440	1.8
9. Newport Bay Terrace LLC	1	-	23,813,781	7,912,423	31,726,204	1.8
10. Host International Inc	1	6,998,027	13,832,520	9,221,680	30,052,227	1.7
Project Area Total	20	\$373,031,650	\$121,471,475	\$154,187,864	\$648,690,989	36.6%
	1,396	\$528,336,307	\$740,777,571	\$501,225,593	\$1,770,339,471	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 net of exemptions.

Sources: 2018-19 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 Fiscal Years 2013-14 to 2017-18. 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

	<i>FY 2013-14</i>	<i>FY 2014-15</i>	<i>FY 2015-16</i>	<i>FY 2016-17</i>	<i>FY 2017-18</i>
Secured	\$884,780,871	\$963,091,277	\$1,004,536,260	\$1,110,432,413	\$1,161,705,791
Unsecured	452,217,717	568,816,619	447,183,082	436,747,788	520,103,951
Total Assessed Value	1,336,998,588	1,531,907,896	1,451,719,342	\$1,547,180,201	1,681,809,742
Less: Base Year Value	(226,651,538)	(226,651,538)	(226,651,538)	(226,651,538)	(226,801,638)
Incremental Assessed Value⁽¹⁾	\$1,110,347,050	\$1,305,256,358	\$1,225,067,804	\$1,320,528,663	\$1,455,008,104
Tax Levy Rate	1.00%	1.00%	1.00%	1.00%	1.00%
Tax Increment ⁽²⁾	\$11,103,471	\$13,052,564	\$12,250,678	\$13,205,287	\$14,550,081
Less: HSC 33676 Payment	(401,563)	(406,548)	(427,380)	(443,578)	(460,531)
Less: O.C. Flood Control Pass Through	(210,892)	(307,019)	(293,194)	(304,216)	(343,585)
Less: O.C. Water District Pass Through	(14,634)	(48,590)	(37,402)	(38,496)	(42,545)
Less: Low/Mod Housing Set Aside ⁽³⁾	0	0	0	0	0
Less: County Admin. Fees ⁽⁴⁾	(117,972)	(131,372)	(115,239)	(74,077)	(116,158)
Net Estimated Tax Revenues	10,358,410	12,159,035	11,377,463	12,344,920	13,587,262
Actual Receipts/Deposits⁽⁵⁾⁽⁶⁾	\$9,055,057	\$12,104,995	\$7,660,625	\$8,806,399	\$9,277,546

⁽¹⁾ Net non-homeowner exemptions.

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

⁽³⁾ Following the Dissolution Act the housing set aside is no longer required and is not presented after FY 2012-13.

⁽⁴⁾ Actual fee (SB2557) recovered for the administration of property tax per the Orange County Auditor-Controller. Previously, the fee is recovered for costs incurred in the preceding fiscal year. e.g. the 2013-14 fee is for the 2012-13 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 RPTTF 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.

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, 2018**

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COUNTY OF ORANGE
REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)

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

For the Year Ended June 30, 2018



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

**COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)**

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

To the 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 (County), as of and for the year ended June 30, 2018, 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.

Auditors' 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 auditors' 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 opinion.

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, 2018, and the changes in its fiduciary net 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, 2018, and the changes in its financial position, for the year 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 7, the Successor Agency trust fund reported a deficit net position. The deficit resulted from the Due Diligence Review of payments required by Assembly Bill 1484. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Successor Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control over financial reporting and compliance.



Laguna Hills, California
December 10, 2018

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Statement of Fiduciary Net Position (Deficit)
June 30, 2018

Assets

Current assets:

Pooled cash and investments (Note 2)	\$ 5,203,737
Restricted assets - cash equivalents and investments with trustee (Note 2)	4,675,439
Interest receivable	33,182
Due from other governmental agencies	544

Noncurrent assets:

Land and improvements held for resale (Note 3)	133,070
Total assets	<u>10,045,972</u>

Deferred Outflows of Resources

Deferred charge on refunding	<u>272,784</u>
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Liabilities

Current liabilities:

Bond interest payable	289,525
Due to other governmental agencies	15,748
Bonds payable (Note 4)	4,157,281

Noncurrent liabilities:

Bonds payable, net of current portion (Note 4)	<u>18,089,729</u>
Total liabilities	<u>22,552,283</u>

Deferred Inflows of Resources

Deferred charge on refunding	<u>96,560</u>
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Net Position (Deficit)

Held in trust for other governments (Note 7)	<u><u>\$ (12,330,087)</u></u>
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See accompanying notes to the financial statements.

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Statement of Changes in Fiduciary Net Position (Deficit)
For the Year Ended June 30, 2018

Additions:

Intergovernmental revenue	\$	5,058,978
Other revenue		909,802
Interest		154,360
Less: investment expense		(5,800)
Total additions		6,117,340

Deductions:

Professional services		95,272
Tax pass-throughs (Note 5)		5,142,101
Interest on long-term debt		743,182
Total deductions		5,980,555

Change in net position 136,785

Net position (deficit), Beginning of year (12,466,872)

Net position (deficit), End of year (Note 7) \$ (12,330,087)

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements
For the Year Ended June 30, 2018

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 (deficit). Additions are recorded when earned and deductions 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.

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

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 1 –Summary of Significant Accounting Policies (continued)

2014 and Santa Ana Heights (SAH), Series 2014 using the straight-line method.

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 the former 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 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.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.

Note 2 – 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.

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, 2018, the Pool contains deposits and investments in U.S. government agencies, negotiable certificates of deposits, medium-term notes, repurchase agreements, and money market mutual funds with an average maturity of approximately 349 days. The Successor Agency’s cash and investments are combined with the County’s pooled investments, and therefore, do not represent specific identifiable investments. The County

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (continued)

categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in the internal County investment pool are not subject to reporting within the level hierarchy. Interest is apportioned to individual funds based generally on the average daily balances on deposit with the County Treasurer.

Cash Equivalents and Investments with Trustee

Cash equivalents 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. The investments of money market mutual funds are reported at net asset value, and as such, are not subject to the fair value hierarchy.

Summary of Cash and Investments

At June 30, 2018, cash and investments of the Successor Agency are summarized as follows:

Cash and investments pooled by the County Treasurer	\$ 5,203,737
Investments held by trustee:	
Money market mutual funds	4,675,439
Total	<u>\$ 9,879,176</u>

Investment Disclosures

As of June 30, 2018, the major classes of the Successor Agency’s investments consisted of the following:

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Maturity (Years)
County Investment Pool	<u>\$ 5,203,737</u>	<u>\$ 5,203,737</u>			0.957
Restricted Investment with Trustee:					
Money Market Mutual Funds	<u>4,675,439</u>	<u>4,675,439</u>	Variable	On Demand	-
Total Restricted Investment with Trustee	<u>\$ 4,675,439</u>	<u>\$ 4,675,439</u>			
Portfolio Weighted Average Maturity					0.504

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 2 – 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 IPS. At June 30, 2018, the WAM for the Pool approximated 349 days (0.957 years). The money market mutual funds are government money market fund with the highest ratings by S&P and Moody's, as indicated by the trustee.

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 investment in the County Pool and Money Market Fund 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" or "SP-1" (Standard & Poor's), "MIG 1/VMIG 1" (Moody's), or "F1" (Fitch). For an issuer of long-term debt, the rating must be no less than an "A". As of June 30, 2018, the Pool is rated at AAAM Principal Stability Fund Rating (AAAM) by S&P and the money market fund is rated at AAAM by S&P.

Additional information regarding the Pool, including the investment portfolio and related interest rate, the custodial credit, credit, concentration of credit risks, and fair value measurements is presented in Note 4 of the County's Comprehensive Annual Financial Report (CAFR). The CAFR is available by accessing the Auditor-Controller's website at <http://acdcweb01.ocgov.com/reports/cafrreports/>.

Note 3 – 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, 2018, the cost of land and improvements is \$607,747 with an estimated net realizable value of \$133,070.

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 4 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the period July 1, 2017 through June 30, 2018.

	Balance July 1, 2017	Discount/ Premium Amortization	Retirements	Balance June 30, 2018	Due Within One Year
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014-SAH	\$ 14,895,000	\$ -	\$ (1,995,000)	\$ 12,900,000	\$ 2,095,000
Bond premium on Tax Allocation Refunding Bonds, Series 2014 – SAH	1,447,737	(230,727)	-	1,217,010	252,281
Successor Agency to the Orange County Development Agency Tax Allocation Refunding Bonds, Series 2014-NDAPP	<u>9,895,000</u>	<u>-</u>	<u>(1,765,000)</u>	<u>8,130,000</u>	<u>1,810,000</u>
Total long-term liabilities	<u>\$ 26,237,737</u>	<u>\$ (230,727)</u>	<u>\$ (3,760,000)</u>	<u>\$ 22,247,010</u>	<u>\$ 4,157,281</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 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, 2018 is \$12,900,000. Interest paid and total tax increment revenues were \$720,125 and \$2,759,301 respectively, during the fiscal year.

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 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, 2018 is \$8,130,000. Interest paid and total tax increment revenues were \$260,150 and \$2,066,368, respectively, during the fiscal year.

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 4 – Long-Term Liabilities (continued)

The annual requirements to amortize outstanding bonds included in the Statement of Fiduciary Net Position (Deficit) as of June 30, 2018, including interest, are as follows:

Year(s) Ending June 30	SAH		NDAPP	
	2014 Tax Allocation Bonds		2014 Tax Allocation Bonds	
	Principal	Interest	Principal	Interest
2019	\$2,095,000	\$619,125	\$1,810,000	\$211,269
2020	2,195,000	513,125	1,860,000	161,150
2021	2,310,000	402,000	1,910,000	109,656
2022	2,430,000	285,000	1,760,000	56,788
2023	2,550,000	162,000	790,000	10,862
2024	1,320,000	33,000	-	-
Total	<u>\$ 12,900,000</u>	<u>\$2,014,250</u>	<u>\$8,130,000</u>	<u>\$549,725</u>

Note 5 – 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 6 – Related Party Transactions

Orange County Community Resources (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 CEO’s Corporate Real Estate Unit provides project support on real estate issues. All debt service related matters are administered by the CEO’s Public Finance Unit.

Note 7 – Deficit Net Position

The Successor Agency reported a deficit net position of \$12,330,087. 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.

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 8 – New Accounting Pronouncements

The following lists recent Governmental Accounting Standards Board (GASB) pronouncements implemented or are effective in fiscal year 2017-18:

In June 2015, GASB issued Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*” 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 No. 43, and Statement No. 50, “*Pension Disclosures.*” The provisions of this statement are effective for financial statement for periods beginning after June 15, 2016. The County’s OPEB plans are calendar year based; therefore, it requires the County and the Successor Agency to implement this statement in fiscal year 2017-18. 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. There was no impact to the Successor Agency Financial Statements.

In June 2015, GASB issued Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*” 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.* 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 statements for periods beginning after June 15, 2017, which requires the County and the Successor Agency to implement this statement in fiscal year 2017-18. There was no impact to the Successor Agency Financial Statements.

In March 2016, GASB Issued Statement No. 81 “*Irrevocable Split-Interest Agreements*”. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for financial statements beginning after December 15, 2016, which requires the County and the Successor Agency to implement this statement in fiscal year 2017-18. There was no impact to the Successor Agency Financial Statements.

In March 2017, GASB issued Statement No. 85, “*Omnibus 2017.*” This statement addresses issues that have been identified during implementation and application of certain GASB Statements. The topics include issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits and more. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County and the Successor Agency to implement this statement in fiscal year 2017-18. There was no impact to the Successor Agency Financial Statements.

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 8 – New Accounting Pronouncements (continued)

In May 2017, GASB issued Statement No. 86, “*Certain Debt Extinguishment Issues.*” This statement establishes disclosure requirements of in-substance defeasance of debt using only existing resources and prepaid insurance related to extinguished debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2017, which requires the County and the Successor Agency to implement this statement in fiscal year 2017-18. There was no impact to the Successor Agency Financial Statements.

The following summarizes recent GASB pronouncements issued but not yet adopted that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following Statements may have on the financial statements of the Successor Agency.

In November 2016, GASB issued Statement No. 83, “*Certain Asset Retirement Obligations.*” This statement requires the recognition of a liability and a corresponding deferred outflows of resources associated with an asset retirement obligation based on the criteria and the measurement established in the statement. This statement also requires disclosure of required information about the asset retirement obligations. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the Successor Agency to implement this statement in fiscal year 2018-19, if applicable.

In January 2017, GASB issued Statement No. 84, “*Fiduciary Activities.*” This statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement also describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which requires the Successor Agency to implement this statement in FY 2019-20, if applicable.

In June 2017, GASB issued Statement No. 87, “*Leases.*” This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflows of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the Successor Agency to implement this statement in FY 2020-21, if applicable.

In April 2018, GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*” This statement clarifies which liabilities governments should include when disclosing information related to debt. The statement requires that additional essential information related to debt be disclosed in notes to financial statements. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, which requires the Successor Agency to implement this statement in FY 2018-19, if applicable.

In June 2018, GASB issued Statement No. 89, “*Accounting for Interest Cost Incurred Before the End of a Construction Period.*” This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2018

Note 8 – New Accounting Pronouncements (continued)

a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019, which requires the Successor Agency to implement this statement in FY 2020-21, if applicable.

In August 2018, GASB issued Statement No. 90, “*Majority Equity Interests.*” This statement improves the consistency and comparability of a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The statement requires that a component unit in which a government has a 100% equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100% equity interest in the component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2018, which requires the Successor Agency to implement this statement in FY 2019-20, if applicable.

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COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Combining Statement of Fiduciary Net Position (Deficit) by Trust Fund
June 30, 2018

	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	\$ 1,128,929	\$ 390,695	\$ 3,684,113	\$ 5,203,737
Restricted assets - cash equivalents and investments with trustee	3,663,965	1,011,474	-	4,675,439
Interest receivable	4,851	1,680	26,651	33,182
Due from other governmental agencies	-	-	544	544
Noncurrent assets:				
Land and improvements held for resale	-	-	133,070	133,070
Total assets	<u>4,797,745</u>	<u>1,403,849</u>	<u>3,844,378</u>	<u>10,045,972</u>
Deferred Outflows of Resources				
Deferred charge on refunding	-	272,784	-	272,784
Liabilities				
Current liabilities:				
Bond interest payable	215,000	74,525	-	289,525
Due to other governmental agencies	6,322	4,906	4,520	15,748
Bonds payable	2,347,281	1,810,000	-	4,157,281
Noncurrent liabilities:				
Bonds payable, net of current portion	11,769,729	6,320,000	-	18,089,729
Total liabilities	<u>14,338,332</u>	<u>8,209,431</u>	<u>4,520</u>	<u>22,552,283</u>
Deferred Inflows of Resources				
Deferred charge on refunding	96,560	-	-	96,560
Net Position (deficit)				
Held in trust for other governments	<u>\$ (9,637,147)</u>	<u>\$ (6,532,798)</u>	<u>\$ 3,839,858</u>	<u>\$ (12,330,087)</u>

COUNTY OF ORANGE REDEVELOPMENT SUCCESSOR AGENCY
(A Private-Purpose Trust Fund of the County of Orange, California)
Combining Statement of Changes in Fiduciary Net Position (Deficit) by Trust Fund
For the Year Ended June 30, 2018

	Private-Purpose Trust Funds			
	Redevelopment Retirement Obligation SAH Debt Service	Redevelopment Retirement Obligation NDAPP Debt Service	OCDA Redevelopment Successor Agency	Total
Additions:				
Intergovernmental revenue	\$ 2,759,301	\$ 2,066,368	\$ 233,309	\$ 5,058,978
Other revenue	117,476	16,171	776,155	909,802
Interest	47,783	10,975	95,602	154,360
Less: investment expense	(746)	(303)	(4,751)	(5,800)
Total additions	2,923,814	2,093,211	1,100,315	6,117,340
Deductions:				
Professional services	22,402	22,024	50,846	95,272
Tax pass-throughs	-	-	5,142,101	5,142,101
Interest on long-term debt	438,592	304,590	-	743,182
Total deductions	460,994	326,614	5,192,947	5,980,555
Change in net position	2,462,820	1,766,597	(4,092,632)	136,785
Net position (deficit), Beginning of year	(12,099,967)	(8,299,395)	7,932,490	(12,466,872)
Net position (deficit), End of year	\$ (9,637,147)	\$ (6,532,798)	\$ 3,839,858	\$ (12,330,087)



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

To the 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 (County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2018. Our report includes emphasis of matter paragraphs stating the financial statements of the Successor Agency do not present fairly the financial position of the County and the Successor Agency trust fund reported a deficit net position as of June 30, 2018.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material 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.



Laguna Hills, California
December 10, 2018