

CITY OF IRVINE, CALIFORNIA
ORANGE COUNTY GREAT PARK CORPORATION
FINANCIAL STATEMENTS
JUNE 30, 2012

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ORANGE COUNTY GREAT PARK CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

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- ◆ David E. Hale, CPA, CFP
A Professional Corporation
- ◆ Donald G. Slater, CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Orange County Great Park Corporation
City of Irvine, California

We have audited the accompanying financial statements of the governmental activities and the corporation governmental fund of the Orange County Great Park Corporation (Corporation) as of and for the year ended June 30, 2012, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the corporation governmental fund of the Corporation, as of June 30, 2012, and the respective changes in financial position, and the respective budgetary comparison for the Orange County Great Park Corporation for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012, on our consideration of the Corporation'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 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic



To the Board of Directors
Orange County Great Park Corporation
City of Irvine, California

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lance, Soll & Lingham, LLP

Brea, California
October 22, 2012

ORANGE COUNTY GREAT PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

As management of the Orange County Great Park Corporation (Corporation), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Corporation's financial statements and related notes, which follow this section.

FINANCIAL HIGHLIGHTS

As a blended component unit of the City of Irvine (City), all revenues, expenses, assets and liabilities are held and recorded by the City as part of its Comprehensive Annual Financial Report. Throughout the year, however, monetary contributions from external organizations have been made directly to the Corporation in support of programs and construction projects. These contributions are immediately contributed from the Corporation to the City for deposit in the Orange County Great Park Fund, a special revenue fund to offset expenses for programs and construction projects. In addition to contributions from external organizations, the Corporation also records a contribution from the City. The City's contributions pay for expenses related to hosting the U.S. Department of Energy sponsored Solar Decathlon 2013 (Solar Decathlon) and lease expenses related to the Corporation's office space.

During the fiscal year ended June 30, 2012, the Corporation received \$206,622 from organizations for support of programs and construction projects and the City contributed \$175,298 to the Corporation for the office space lease expenses as well as \$118,500 for Solar Decathlon expenses.

All revenues are deposited in the Orange County Great Park Fund (OCGP) and expenditures of the Corporation are funded from the OCGP, the Corporation does not have any related assets, liabilities, or fund balance at the end of the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's financial statements. The Corporation's financial statements consist of three components: the government-wide financial statements, the fund financial statements and notes to the financial statements.

ORANGE COUNTY GREAT PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements

The government-wide financial statements provide readers with a broad overview of the Corporation's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The Statement of Activities presents information showing how the Corporation's net assets changed during the fiscal year. Changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in the current statement for some items that will result in cash flows in future fiscal periods.

Fund financial statements

The fund financial statements provide detailed information about the Corporation's only fund. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The Corporation's only fund is considered a governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Such a comparison may give readers a better understanding of the long-term impact of

ORANGE COUNTY GREAT PARK CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis

The financial activity related to the Corporation is recorded in a City special revenue fund; these financial statements provide only long-term and short-term information about the revenues and expenditures that flow directly through the Corporation. This analysis therefore does not address the financial condition of the Orange County Great Park as a whole but only those activities that flow through the Corporation either to or from the City.

As of June 30, 2012, the Corporation had assets of \$143,910 comprised of a \$59,677 receivable from the City to pay for Solar Decathlon expenses and an \$84,233 receivable from Clearwater for the Water Science Park funding agreement. The Corporation included the \$59,677 as a liability since the invoices for Solar Decathlon expenses incurred in Fiscal Year 2011-12 were not received until July, 2012. The \$84,233 was also recorded as a liability, since, once received, the Corporation will immediately contribute funds to the City for deposit in the Great Park Fund.

The Corporation's revenues and expenditures for the Fiscal Year 2011-12 were \$500,420. Of the \$500,420 in revenues, \$55,622 was a grant from the U.S. Department of Housing and Urban Development for the Hangar 244 project, and \$151,000 was received in sponsorships from program partners. As the Corporation wished to defer a drawdown from the U.S. Department of Energy for the Solar Decathlon, the City contributed \$118,500 for Solar Decathlon expenses in FY 2011-12. Additionally, since the lease agreement for the Corporation's offices is between the Corporation and Heritage Fields El Toro, LLC, the Corporation must record a contribution from the City in the amount of the lease

ORANGE COUNTY GREAT PARK CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

payments paid from the City's Great Park fund on behalf of the Corporation. At June 30, 2012, the City contributed \$175,298 for the lease expenditures.

STATEMENT OF ACTIVITIES

	<u>2012</u>	<u>2011</u>
Revenues		
Contributions from the City of Irvine	\$ 293,798	\$171,999
Contributions from others	<u>\$ 206,622</u>	<u>\$503,078</u>
Total Revenues	<u>\$ 500,420</u>	<u>\$675,077</u>
Expenses		
Contributions to the City of Irvine	\$ 206,622	\$503,078
Solar Decathlon	\$ 118,500	\$ -
Rent	<u>\$ 175,298</u>	<u>\$171,999</u>
Total Expenses	<u>\$ 500,420</u>	<u>\$675,077</u>
Net Assets		
Beginning	<u>\$ -</u>	<u>\$ -</u>
Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Fund Financial Statement Analysis

The focus of the Corporation's governmental fund is to provide information on near-term inflows, outflows and balances that are available for spending.

As all revenues are contributed to/from the City in support of Corporation activities, therefore there is no fund balance to report at June 30, 2012.

ORANGE COUNTY GREAT PARK CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL**

	<u>2012</u>	<u>2011</u>
Revenues		
Contributions from the City of Irvine	\$ 293,798	\$171,999
Contributions from others	<u>\$ 206,622</u>	<u>\$503,078</u>
Total Revenues	<u>\$ 500,420</u>	<u>\$675,077</u>
Expenses		
Contributions to the City of Irvine	\$ 206,622	\$503,078
Solar Decathlon	\$ 118,500	\$ -
Rent	<u>\$ 175,298</u>	<u>\$171,999</u>
Total Expenses	<u>\$ 500,420</u>	<u>\$675,077</u>
Net Assets		
Beginning	<u>\$ -</u>	<u>\$ -</u>
Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ORANGE COUNTY GREAT PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

CORPORATION BUDGETARY HIGHLIGHTS

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Contributions from the City of Irvine	\$ -	\$ -	\$ 293,798
Solar Decathlon	\$ -	\$ 92,000	\$ -
Contributions from others	\$ 1,000,000	\$ 250,000	\$ 151,000
Intergovernmental	\$ 475,000	\$ 55,622	\$ 55,622
Total Revenues	\$ 1,475,000	\$ 397,622	\$ 500,420
Expenditures:			
Contributions to the City of Irvine	\$ 1,475,000	\$ 239,023	\$ 206,622
Solar Decathlon	\$ -	\$ 158,599	\$ 118,500
Rent	\$ -	\$ -	\$ 175,298
Total Expenditures	\$ 1,475,000	\$ 397,622	\$ 500,420
Net Change in Fund Balances	\$ -	\$ -	\$ -
Fund Balances, Beginning of Year	\$ -	\$ -	\$ -
Fund Balances, End of Year	\$ -	\$ -	\$ -

Differences between the Corporation's final adjusted budget and the actual revenues received are summarized as follows:

- The contributions from the City were not budgeted in the Corporation.
- Solar Decathlon revenues from the U.S. Department of Energy were budgeted but the drawdown was deferred until FY 2012-13.

ORANGE COUNTY GREAT PARK CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

June 30, 2012

- Contributions from others were \$99,000 less than budget. Sponsorship revenues were less than anticipated due to the lack of additional development staff until late in the fiscal year

Differences between the Corporation's final adjusted budget and the actual expenditures are summarized as follows:

- The contributions to the City for program and construction support were \$32,401 less than budgeted.
- Solar Decathlon expenditures were \$40,099 less than budgeted.
- Expenditures for rent were not budgeted in the Corporation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Corporation does not own any capital assets nor does it have any long-term liabilities as of June 30, 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are signs the national and local economy is beginning to recover from the previous recession. Unemployment rates for Orange County fell from 9.1% in June, 2011 to 7.9% in June of 2012. Due to a low inventory of properties, and low mortgage rates, there has been a 1.2% annual gain for single-family home prices in the past fiscal year and in terms of retail sales, Orange County's gross sales tax receipts increased 5.08% from second quarter 2011 to second quarter 2012.

CONTACTING THE AGENCY'S FINANCIAL DIVISION

This financial report is designed to provide a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, at the City of Irvine, One Civic Center Plaza, Irvine, CA 92623-9575.

ORANGE COUNTY GREAT PARK CORPORATION

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2012

	Corporation Governmental Fund	Adjustments	Statement of Net Assets
Assets:			
Due from City of Irvine	\$ 59,677	\$ -	\$ 59,677
Accounts receivable	84,233	-	84,233
Total Assets	\$ 143,910	\$ -	\$ 143,910
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 59,677	\$ -	\$ 59,677
Due to City of Irvine	84,233	-	84,233
Total Liabilities	143,910	-	143,910
Fund Balance:			
Unassigned	-		
Total Fund Balance	-		
Total Liabilities and Fund Balance	\$ 143,910		
Net Assets:			
Unrestricted			-
Total Net Assets			\$ -

ORANGE COUNTY GREAT PARK CORPORATION

STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012

	Corporation Governmental Fund	Adjustments	Statement of Activities
Program Revenues:			
Contributions from the City of Irvine	\$ 293,798	\$ -	\$ 293,798
Contributions from others	151,000	-	151,000
Intergovernmental	55,622	-	55,622
Total Program Revenues	500,420	-	500,420
Program Expenditures:			
Contributions to the City of Irvine	206,622	-	206,622
Rent	175,298	-	175,298
Solar Decathlon	118,500	-	118,500
Total Program Expenses	500,420	-	500,420
Net Program Revenues (Expenses)/ Change in Fund Balances/Net Assets	-	<u>\$ -</u>	-
Fund Balances, Beginning of Year	-		
Fund Balances, End of Year	\$ -		
Net Assets, Beginning of Year			-
Net Assets, End of Year			\$ -

ORANGE COUNTY GREAT PARK CORPORATION

BUDGETARY COMPARISON STATEMENT
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final		
Revenues:				
Contributions from the City of Irvine	\$ -	\$ -	\$ 293,798	\$ 293,798
Contributions from others	1,000,000	250,000	151,000	(99,000)
Intergovernmental	475,000	55,622	55,622	-
Solar Decathlon	-	92,000	-	(92,000)
Total Revenues	1,475,000	397,622	500,420	102,798
Expenditures:				
Contributions to the City of Irvine	1,475,000	239,023	206,622	32,401
Rent	-	-	175,298	(175,298)
Solar Decathlon	-	158,599	118,500	40,099
Total Expenditures	1,475,000	397,622	500,420	(102,798)
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -

**CITY OF IRVINE
ORANGE COUNTY GREAT PARK CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1: Summary of Significant Accounting Policies

a. Financial Statement Presentation

Government entities are required to report information on a government-wide basis and on a fund basis (with emphasis placed on major funds of the entity). The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component units. The governmental fund financial statements (i.e., balance sheet and the statement of revenues, expenditures and changes in fund balance) report information on individual funds of the government. A fund is considered to be separate accounting entity with a self-balancing set of accounts.

Since the Orange County Great Park Corporation (the Corporation) is engaged in a single governmental activity, and it has no component units, the government-wide and governmental fund financial statements have been combined with a reconciliation of the individual line items in a separate column entitled "Adjustments" on the financial statements. The government-wide financial statements are reported in the "Statement of Net Assets" and "Statement of Activities" columns. The governmental fund financial statements are reported in the "General Fund" column.

b. Measurement Focus

"Measurement focus" is a term used to describe which transactions are recorded within the various financial statements. "Basis of accounting" refers to when transactions are recorded, regardless of the measurement focus applied.

On the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

In the governmental fund financial statements, all funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources." Governmental fund statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

CITY OF IRVINE
ORANGE COUNTY GREAT PARK CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 1: Summary of Significant Accounting Policies (Continued)

c. Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

For government-wide financial reporting, the Corporation has elected to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

In the governmental fund financial statements, funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means that the amounts can be estimated, or otherwise determined. "Available" means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. The Corporation considers sponsorship, advertising, and investment income to be available if it is collected within 60 days of the end of the current fiscal period. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Voluntary, non-exchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Reconciliation of Fund Financial Statements Government-Wide Financial Statements

In order to reconcile the Corporation governmental fund financial statements to the government-wide statements, certain adjustments may be needed to account for the differences in each of the statement's measurement focus and basis of accounting. For the year ended June 30, 2012, no such adjustments were required.

e. Tax Exempt Status

The Corporation is a non-profit corporation that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Corporation is exempt from California income or franchise taxes under California Revenue and Taxation Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements.

**CITY OF IRVINE
ORANGE COUNTY GREAT PARK CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

f. Cash and Investments

The Corporation's cash and investments are pooled with the City of Irvine, California's cash and investments for investment purposes. The Corporation's share of the pooled cash and investments is stated at fair value, as determined by the City. Investment income earned on pooled cash and investments is allocated to all participating funds based on each fund's average daily cash balance. For the year ended June 30, 2012, the Corporation's average daily cash balance was zero; therefore, no investment income was earned.

g. Capital Assets

The Corporation capitalizes assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

h. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2: Reporting Entity

The Corporation was formed by the City of Irvine as a support entity to assist in the development, operation and maintenance of public parks, museums and open space at the former United States Marine Corps Air Station, El Toro. The Corporation was incorporated on July 7, 2003, pursuant to the State of California Nonprofit Public Benefit Corporation Law.

The Corporation has been accounted for as a "blended" component unit of the City of Irvine, California (the City). Despite being legally separate, the Corporation is so intertwined with the City that it is, in substance, part of the City's operations. Five of the nine directors on the Corporation's board are required to be duly elected or appointed members of the City Council. Also, the Corporation's articles of incorporation may not be amended without the prior written consent of a majority of these five directors. Accordingly, the balances and transactions of the Corporation are included in the Orange County Great Park Special Revenue Fund of the City's Comprehensive Annual Financial Report, a copy of which can be obtained at the City of Irvine, 1 Civic Center Plaza, Irvine, CA 92606

Note 3: Cash and Investments

Investments Authorized by the California Government Code:

Any cash of the Corporation is entirely pooled with the City of Irvine's cash and investment pool. The table below identifies the investment types that are authorized by the City of Irvine's investment pool and the California Government Code (where more restrictive). The table also

**CITY OF IRVINE
ORANGE COUNTY GREAT PARK CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 3: Cash and Investments (Continued)

identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States (U.S.) Treasury Obligations	5 years	None	None
U.S. Government Sponsored Enterprise Securities	5 years	None	None
Banker's Acceptances	180 days	25%	\$ 5,000,000
Commercial Paper	270 days	15%	1%
Repurchase Agreements	75 days	25%	None
Reverse Repurchase Agreements	75 days	15%	None
Local Agency Investment Fund (LAIF)	N/A	25%	N/A
Municipal Bonds	5 years	None	None
Corporate Medium Term Notes	5 years	15%	1%
Money Market Mutual Funds	N/A	20%	10%

N/A Not Applicable

Disclosures Relating to Interest Rate Risk:

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

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The Corporation has no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

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

**CITY OF IRVINE
ORANGE COUNTY GREAT PARK CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 3: Cash and Investments (Continued)

requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Corporation's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Corporation had no cash deposits with depository financial institutions during the year ended June 30, 2012.

Additional Information:

Any cash of the Corporation is entirely pooled with the City of Irvine's cash and investment pool. Information regarding the exposure of the City of Irvine's cash and investment pool to interest rate risk, credit risk, concentration of credit risk and custodial risk is available in the City of Irvine's Comprehensive Annual Financial Report.

Note 4: Contributions to the City of Irvine

During the fiscal year, the Corporation solicited sponsorships and advertising revenues and received contributions for certain City events that promoted the Orange County Great Park. Contributions to the Corporation in the year ended June 30, 2012, were contributed to the City to cover related expenditures for the programs of the Corporation, as follows:

- The Corporation received grant funding from the Department of Housing and Urban Development for the redevelopment of Hangar 244 in the Great Park. In turn, the Corporation contributed these amounts to the City to cover the City expenditures related to the redevelopment of the Hangar.
- The Corporation entered into a charitable pledge agreement with the Scotts Company LLC for the Farm and Food Lab and Community Gardens Program. In this agreement the Corporation will receive \$500,000 in five equal annual installments of \$100,000.

HUD Grant	\$	55,622
Scotts Charitable Pledge		100,000
Various grants and sponsorships		51,000
	\$	<u>206,622</u>

**CITY OF IRVINE
ORANGE COUNTY GREAT PARK CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Note 5: Operating Lease

During the year, the City made these rental payments totaling \$175,298 on behalf of the Corporation. As a result, the Corporation has recorded contribution revenue from the City in an amount equal to the rent expense. The lease agreement has been extended up to December 2012. Currently the Corporation is paying month to month rent in the amount of \$14,333 per month.



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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 Board of Directors
Orange County Great Park Corporation
City of Irvine, California

We have audited the financial statements of the Orange County Great Park Corporation (Corporation), a component unit of the City of Irvine, California as of and for the year ended June 30, 2012, and have issued our report thereon dated October 22, 2012. 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.

Internal Control Over Financial Reporting

Management of the Orange County Great Park Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures 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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.



To the Board of Directors
Orange County Great Park Corporation
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This report is intended for the information and use of the Board of Directors and the management of the Orange County Great Park Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Lance, Soll & Loughard, LLP

Brea, California
October 22, 2012