

**CITY OF IRVINE, CALIFORNIA**  
**ORANGE COUNTY GREAT PARK CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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ORANGE COUNTY GREAT PARK CORPORATION

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Orange County Great Park Corporation, a component unit of the City of Irvine, California (the Corporation) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation'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 opinions 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.



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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Orange County Great Park Corporation, a component unit of the City of Irvine, California as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis as presented 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 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* in considering the Corporation's internal control over financial reporting and compliance.

*Lance, Soll & Luyhard, LLP*

Brea, California  
October 24, 2014

# Orange County Great Park Corporation

## Management's Discussion and Analysis

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, 2014. We encourage readers to consider the information presented here in conjunction with the Corporation's financial statements and related notes, which follow this discussion.

### 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, contributions from external organizations have been made directly to the Corporation in support of programs. 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. In addition to contributions from external organizations, the Corporation also records a contribution from the City. The City's contributions are for expenditures related to hosting the U.S. Department of Energy sponsored Solar Decathlon 2013 (Solar Decathlon).

During the fiscal year ended June 30, 2014, in the governmental fund the Corporation received \$1,627,822 from organizations for support of programs, \$91,873 from charges for services and the City contributed \$1,603,046 for the Solar Decathlon.

### 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.

### 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 Position* presents information on the Corporation's assets and liabilities, with the difference between assets and liabilities reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statement of Activities* presents information on how the Corporation's net position changed during the fiscal year. Changes in net position 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 statement provides 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*

## Orange County Great Park Corporation Management's Discussion and Analysis

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 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 in the Notes to Financial Statements 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. The notes to the financial statements can be found immediately following the budgetary comparison statement.

### Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the Corporation's overall financial condition. 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 to or from the City.

As of June 30, 2014, the Corporation had assets of \$136,410 comprised of \$52,177 in cash received from The Scotts Company for the Farm + Food Lab site enhancements and educational exhibits and an \$84,233 receivable from the Water Science Park funding agreement.

The Corporation recorded an offsetting liability to the cash received from The Scotts Company in the amount of \$52,177 as unearned revenue. During the fiscal year the net position of the Corporation decreased to \$84,233.

#### Orange County Great Park Corporation Summary of Net Position June 30, 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash	\$ 52,177	\$ 277,177
Accounts Receivable	84,233	294,152
Prepaid	-	481,438
Total Assets	136,410	1,052,767
<b>Liabilities</b>		
Unearned Revenue	52,177	277,177
Due to City of Irvine	-	209,919
Total Liabilities	52,177	487,096
<b>Net Position</b>		
Unrestricted	84,233	565,671
Total Net Position	\$ 84,233	\$ 565,671

## Orange County Great Park Corporation Management's Discussion and Analysis

Overall, Corporation revenues for the fiscal year ended June 30, 2014 increased by \$1.5 million, a 94% increase from the prior year. The increase was attributed to contributions, grants and charges for services received from the Solar Decathlon event which took place during the year. Similarly, total expenses also increased by \$2.6 million due to the Solar Decathlon.

### Orange County Great Park Corporation Summary of Changes in Net Position For the Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program Revenues:		
Contributions from the City of Irvine	\$ 1,603,046	\$ 455,829
Contribution from others	594,050	718,423
Charges for Service	91,873	-
Intergovernmental	823,853	431,984
Total Revenues	3,112,822	1,606,236
<b>Expenses</b>		
Contributions to the City of Irvine	51	143,959
Rent	-	78,601
Solar Decathlon	3,594,209	818,005
Total Expenses	3,594,260	1,040,565
Change in Net Position	(481,438)	565,671
Beginning Net Position, as restated	565,671	-
Ending Net Position	\$ 84,233	\$ 565,671

### Governmental Fund Financial Analysis

The focus of the Corporation's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the Corporation's financing requirements.

As of June 30, 2014, the Corporation had no fund balance to report. Revenues and contributions received by the Corporation are immediately contributed from the Corporation to the City for deposit in the Great Park Special Fund to offset expenditures for the appropriate programs. As such, the Corporation fund balance at the end of the fiscal year is zero.

# Orange County Great Park Corporation Management's Discussion and Analysis

Orange County Great Park Corporation  
Summary of Changes in Fund Balances  
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program Revenues:		
Contributions from the City of Irvine	\$ 1,603,046	\$ 455,829
Contribution from Others	594,050	718,423
Charges for Service	91,873	-
Intergovernmental	1,033,772	137,832
Total Revenues	3,322,741	1,312,084
<b>Expenses</b>		
Contributions to the City of Irvine	51	143,959
Rent	-	78,601
Solar Decathlon	3,594,209	818,005
Total Expenditures	3,594,260	1,040,565
Net Change in Fund Balance	\$ ( 271,519)	\$ 271,519

## Budgetary Highlights

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

- Contributions to and from the City were not budgeted in the Corporation but are budgeted within the, Orange County Great Park fund.
- Contributions from Others were \$294,050 greater than budgeted. These funds pertain to sponsorship revenue received for the Solar Decathlon.
- Intergovernmental revenue was \$54,228 less than budgeted. Grant revenue from the U.S. Department of Energy is reimbursed on actual costs incurred during the current period. Actual costs incurred during the year were \$54,228 less than budgeted.
- Solar Decathlon expenditures were \$295,764 greater than budget due to additional sponsorship contributions received, as noted above, which were used to provide additional services.

## Requests for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. 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 POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
JUNE 30, 2014

	Corporation Governmental Fund	Adjustments	Statement of Net Position
<b>Assets:</b>			
Cash	\$ 52,177	\$ -	\$ 52,177
Accounts Receivable	84,233	-	84,233
<b>Total Assets</b>	<b>\$ 136,410</b>	<b>-</b>	<b>136,410</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>			
<b>Liabilities:</b>			
Unearned Revenue	\$ 52,177	-	52,177
<b>Total Liabilities</b>	<b>52,177</b>	<b>-</b>	<b>52,177</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	84,233	(84,233)	-
<b>Total Deferred Inflows of Resources</b>	<b>84,233</b>	<b>(84,233)</b>	<b>-</b>
<b>Fund Balance:</b>			
Unrestricted	-	-	
<b>Total Fund Balance</b>	<b>-</b>	<b>-</b>	
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 136,410</b>	<b>\$ (84,233)</b>	
<b>Net Position:</b>			
Unrestricted			84,233
<b>Total Net Position</b>			<b>\$ 84,233</b>

ORANGE COUNTY GREAT PARK CORPORATION

STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2014

	Corporation Governmental Fund	Adjustments	Statement of Activities
<b>Program Revenues:</b>			
Contributions from the City of Irvine	\$ 1,603,046	\$ -	\$ 1,603,046
Contributions from others	594,050	-	594,050
Charges for services	91,873	-	91,873
Intergovernmental	1,033,772	(209,919)	823,853
<b>Total Program Revenues</b>	<b>3,322,741</b>	<b>(209,919)</b>	<b>3,112,822</b>
<b>Program Expenditures:</b>			
Contributions to the City of Irvine	51	-	51
Solar Decathlon	3,594,209	-	3,594,209
<b>Total Program Expenses</b>	<b>3,594,260</b>	<b>-</b>	<b>3,594,260</b>
Net Program Revenues (Expenses)/ Change in Fund Balances/Net Assets	(271,519)	<b>\$ (209,919)</b>	(481,438)
Fund Balances, Beginning of Year	(209,919)		
Restatements	481,438		
Fund Balances, Beginning of Year, as restated	271,519		
<b>Fund Balances, End of Year</b>	<b>\$ -</b>		
Net Position, Beginning of Year			84,233
Restatements			481,438
Net Position, Beginning of Year, as restated			565,671
<b>Net Position, End of Year</b>			<b>\$ 84,233</b>

ORANGE COUNTY GREAT PARK CORPORATION

BUDGETARY COMPARISON STATEMENT  
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Contributions from the City of Irvine	\$ -	\$ -	\$ 1,603,046	\$ 1,603,046
Contributions from others	300,000	300,000	594,050	294,050
Charges for services	-	-	91,873	91,873
Intergovernmental	1,088,000	1,088,000	1,033,772	(54,228)
<b>Total Revenues</b>	<b>1,388,000</b>	<b>1,388,000</b>	<b>3,322,741</b>	<b>1,934,741</b>
<b>Expenditures:</b>				
Contributions to the City of Irvine	-	-	51	(51)
Solar Decathlon	2,842,846	3,298,445	3,594,209	(295,764)
<b>Total Expenditures</b>	<b>2,842,846</b>	<b>3,298,445</b>	<b>3,594,260</b>	<b>(295,815)</b>
Net Change in Fund Balances	(1,454,846)	(1,910,445)	(271,519)	1,638,926
Fund Balances, Beginning of Year	(209,919)	(209,919)	(209,919)	-
Restatements	-	-	481,438	481,438
<b>Fund Balances, End of Year</b>	<b>\$ (1,664,765)</b>	<b>\$ (2,120,364)</b>	<b>\$ -</b>	<b>\$ 2,120,364</b>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**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 Position 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 Position" 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 Position 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, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**c. Basis of Accounting**

In the government-wide Statement of Net Position 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.

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. Net position flow assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**e. Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF IRVINE  
ORANGE COUNTY GREAT PARK CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**f. Reconciliation of Fund Financial Statements to the 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, 2014, the governmental fund balance sheet includes unavailable revenue which is reported as intergovernmental revenue on the Statement of Activities. The detail of the \$84,233 unavailable revenue difference is as follows:

Unavailable revenue:	
Clearwater Funding	<u>\$ 84,233</u>
Net adjustment to increase fund balance of total governmental funds to arrive at net position of governmental activities	<u>\$ 84,233</u>

**g. 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.

**h. 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. For the year ended June 30, 2014, the Corporation's ending cash balance is \$52,177.

**i. 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.

**j. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grant sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**k. 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.

**l. Budgetary basis of accounting**

Budgets for the Corporation are adopted at a fund legal level of control and on a basis consistent with the generally accepted accounting principles. Accordingly, actual revenues and expenditures can be compared with the related budget amounts without any significant reconciling items. Budget amounts contained within this report are the original and final amended amounts as approved by the Board of Directors.

Excess of Expenditures over Appropriations

For the year ended June 30, 2014, the Orange County Great Park Corporation had expenditures exceed the appropriations in the amount of \$295,815. The overage is primarily due to the solar decathlon.

**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. Previously, five of the nine directors on the Corporation's board are required to be duly elected or appointed members of the City Council. In January 2013 the directors reduced to five, which are all council members. 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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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**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 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%	3%
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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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

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 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 cash deposits with depository financial institutions during the year ended June 30, 2014, of \$52,177.

**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. \$51 of the contributions to the Corporation in the year ended June 30, 2014, were contributed to the City to cover related expenditures for the programs of the Corporation.

**Note 5: Fund Balance/Net Position Restatement**

Expenditures, relating to the Solar Decathlon Event, were corrected and reported in the current year, which should have been reported as a prepaid item in prior year.

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 Honorable Mayor and Members of the City Council  
Orange County Great Park Corporation, a component unit of the City of Irvine, 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 governmental activities and general fund of the Orange County Great Park Corporation, a component unit of the City of Irvine, California, (the Corporation) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 24, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Corporation'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 Corporation'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*.



To the Honorable Mayor and Members of the City Council  
Orange County Great Park Corporation,  
A component unity of the City of Irvine, California

### **Fund Balance/Net Position Restatement**

A fund balance/net position restatement was made for an expenditure that should have been a prepaid cost in the prior year. The expenditure was related to a deposit on a contract for a vendor who participated with the Solar Decathlon event which was actually incurred in the current period. This was corrected with a restatement of \$481,438.

### **Management Response**

The financial statements of the Orange County Great Park Corporation (OCGPC), which is a component of the Orange County Great Park fund are audited and completed prior to the finalization of the City's audit and Comprehensive Annual Financial Report (CAFR). Due to the timing of the OCGPC financial statements, an adjusting entry made for the CAFR was not included in the OCGPC financial statements last year. This has been rectified by producing the OCGPC financial statements after the CAFR is completed.

The Management's response above was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lance, Soll & Lingham, LLP*

Brea, California  
October 24, 2014