

**CITY OF IRVINE, CALIFORNIA**  
**ORANGE COUNTY GREAT PARK CORPORATION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Orange County Great Park Corporation (Corporation) as of and for the year ended June 30, 2013, 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

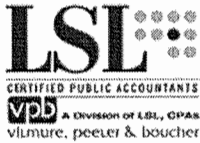
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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, as of June 30, 2013, and, the respective changes in financial position and the respective budgetary comparison for the General Fund 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's discussion and analysis 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 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013 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 of 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 Corporation's internal control over financial reporting and compliance.

Brea, California  
December 27, 2013

## **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, 2013. 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) and the Corporation's office space and business expenses.

During the fiscal year ended June 30, 2013, the Corporation received \$856,255 from organizations for support of programs and the City contributed \$455,829, for office space, business expenditures and 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*

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 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, 2013, the Corporation assets of \$571,329 were comprised of a \$209,919 receivable for Solar Decathlon expenses and \$84,233 for the Water Science Park agreement.

The Corporation's liabilities include \$277,177 in contributions received for the Solar Decathlon, which is unearned until the event takes place and \$209,919 due to the City of Irvine for Solar Decathlon expenses. During the fiscal year the net position of the Corporation increased to \$84,233.

Orange County Great Park Corporation  
Summary of Net Position  
June 30, 2013 and 2012

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Cash	\$ 277,177	\$ -
Accounts Receivable	294,152	84,233
Due from City of Irvine	-	59,677
Total Assets	571,329	143,910
<b>Liabilities</b>		
Accounts Payable	-	59,677
Unearned Revenue	277,177	-
Due to City of Irvine	209,919	84,233
Total Liabilities	487,096	143,910
<b>Net Position</b>		
Unrestricted	84,233	-
Total Net Position	\$ 84,233	\$ -

Overall, Corporation revenues for the fiscal year ended June 30, 2013 increased by \$1.1 million, a 221% increase from the prior year. The increase was attributed to contributions and grants received for the Solar Decathlon event to take place in fiscal year 2013-14. Total expenses also increased by \$1 million. A majority of the increase pertains to the Solar Decathlon.

Orange County Great Park Corporation  
Summary of Changes in Net Position  
For the Years Ended June 30, 2013 and 2012

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
Program Revenues:		
Contributions from the City of Irvine	\$ 455,829	\$ 293,798
Contribution from others	718,423	151,000
Intergovernmental	431,984	55,622
Total Revenues	1,606,236	500,420
<b>Expenses</b>		
Contributions to the City of Irvine	143,959	206,622
Rent	78,601	175,298
Solar Decathlon	1,299,443	118,500
Total Expenses	1,522,003	500,420
Change in Net Position	84,233	-
Beginning Net Position	-	-
Ending Net Position	\$ 84,233	\$ -

**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, 2013, the Corporation reported a fund balance of \$(209,919) due to unavailable grant revenues for the Solar Decathlon. Governmental accounting standards require revenues to be recognized as soon as they are both measurable and available. The grant funds were received later than sixty days after the end of the fiscal year and are not considered available. The grant revenues became available in the following fiscal year.



Orange County Great Park Corporation  
 Summary of Changes in Fund Balances  
 For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Revenues</b>		
Program Revenues:		
Contributions from the City of Irvine	\$ 455,829	\$ 293,798
Contribution from others	718,423	151,000
Intergovernmental	137,832	55,622
Total Revenues	1,312,084	500,420
<b>Expenses</b>		
Contributions to the City of Irvine	143,959	206,622
Rent	78,601	175,298
Solar Decathlon	1,299,443	118,500
Total Expenses	1,522,003	500,420
Net Change in Fund Balance	\$ (209,919)	\$ -

**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.
- Grant revenues for the Solar Decathlon were budgeted in fiscal year 2012-13, but the receipt of some of these revenues will not occur until the event takes place in fiscal year 2013-14.
- Contributions from others were \$545,923 greater than budgeted. These funds pertain to sponsorship revenue related to the Solar Decathlon.
- Solar Decathlon expenditures were \$2,206,656 less than budgeted; most of these expenditures will not be realized until the event takes place in fiscal year 2013-14.

**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, 2013

	Corporation Governmental Fund	Adjustments	Statement of Net Position
<b>Assets:</b>			
Cash	\$ 277,177	\$ -	\$ 277,177
Accounts Receivable	294,152	-	294,152
<b>Total Assets</b>	<b>\$ 571,329</b>	<b>-</b>	<b>571,329</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>			
<b>Liabilities:</b>			
Unearned Revenue	\$ 277,177	-	277,177
Due to City of Irvine	209,919	-	209,919
<b>Total Liabilities</b>	<b>487,096</b>	<b>-</b>	<b>487,096</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	294,152	(294,152)	-
<b>Total Deferred Inflows of Resources</b>	<b>294,152</b>	<b>(294,152)</b>	<b>-</b>
<b>Fund Balance:</b>			
Unrestricted	(209,919)		
<b>Total Fund Balance</b>	<b>(209,919)</b>		
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 571,329</b>	<b>\$ (294,152)</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, 2013

	Corporation Governmental Fund	Adjustments	Statement of Activities
<b>Program Revenues:</b>			
Contributions from the City of Irvine	\$ 455,829	\$ -	\$ 455,829
Contributions from others	718,423	-	718,423
Intergovernmental	137,832	294,152	431,984
<b>Total Program Revenues</b>	<b>1,312,084</b>	<b>294,152</b>	<b>1,606,236</b>
<b>Program Expenditures:</b>			
Contributions to the City of Irvine	143,959	-	143,959
Rent	78,601	-	78,601
Solar Decathlon	1,299,443	-	1,299,443
<b>Total Program Expenses</b>	<b>1,522,003</b>	<b>-</b>	<b>1,522,003</b>
Net Program Revenues (Expenses)/ Change in Fund Balances/Net Assets	(209,919)	<u>\$ 294,152</u>	84,233
Fund Balances, Beginning of Year	-		
<b>Fund Balances, End of Year</b>	<b>\$ (209,919)</b>		
Net Position, Beginning of Year			-
<b>Net Position, End of Year</b>			<b>\$ 84,233</b>

ORANGE COUNTY GREAT PARK CORPORATION

BUDGETARY COMPARISON STATEMENT  
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Contributions from the City of Irvine	\$ -	\$ -	\$ 455,829	\$ 455,829
Contributions from others	172,500	172,500	718,423	545,923
Intergovernmental	-	1,022,500	137,832	(884,668)
<b>Total Revenues</b>	<b>172,500</b>	<b>1,195,000</b>	<b>1,312,084</b>	<b>117,084</b>
<b>Expenditures:</b>				
Contributions to the City of Irvine	-	-	143,959	(143,959)
Rent	-	-	78,601	(78,601)
Solar Decathlon	-	3,506,099	1,299,443	2,206,656
<b>Total Expenditures</b>	<b>-</b>	<b>3,506,099</b>	<b>1,522,003</b>	<b>1,984,096</b>
Net Change in Fund Balances	172,500	(2,311,099)	(209,919)	2,101,180
Fund Balances, Beginning of Year	-	-	-	-
<b>Fund Balances, End of Year</b>	<b>\$ 172,500</b>	<b>\$ (2,311,099)</b>	<b>\$ (209,919)</b>	<b>\$ 2,101,180</b>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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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, 2013**

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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, 2013

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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, 2013, the governmental fund balance sheet includes unavailable revenue which is reported as intergovernmental revenue on the Statement of Activities. The detail of the \$294,152 unavailable revenue difference is as follows:

Unavailable revenue:	
Clearwater Funding	\$ 84,233
Department of Energy	<u>209,919</u>
Net adjustment to increase fund balance of total governmental funds to arrive at net position of governmental activities	<u>\$ 294,152</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, 2013, the Corporation's ending cash balance is \$277,177.

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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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

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

**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

**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, 2013**

**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 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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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

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, 2013, of \$277,177.

**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. Contributions to the Corporation in the year ended June 30, 2013, were contributed to the City to cover related expenditures for the programs of the Corporation, as follows:

- The Corporation received grant funding from Second Harvest Food Bank in the amount of \$5,500 for the "Scarecrows in the Park", and other educational programming in the Farm + Food Lab. In turn, the Corporation contributed these amounts to the City to cover the City expenditures related to the "Scarecrows in the Park", and other educational programming in the Farm + Food Lab.
- 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. During the current year, the Corporation only expended \$47,823 and recorded the remaining \$52,177 as unearned revenue. Due to large scale budget cutbacks within the company, Scotts has opted to terminate the gift agreement. As a result, the Corporation does not anticipate the receipt of the outstanding \$300,000, which would have been gifted on an annual basis from 2013 through 2015.
- The Corporation received grant funding from Kaiser Permanente for the Orange County Great Park Thrive Trail in the amount of \$50,000 for a one year funding period beginning July 1, 2012 through July 1, 2013.
- The Corporation received grant funding from the Gas Company and Pacific Life Foundation in the amount of \$7,500 each for the "Reporting Live" City program. In turn, the Corporation contributed these amounts to the City to cover the City expenditures related to the "Reporting Live".
- In 2011, the City entered into a license agreement with the Irvine Ranch Water District (IRWD), for the purpose of providing a space for a weather station installation. As part of this agreement, IRWD granted \$28,500 to the Corporation for the purpose of installing an educational windmill feature within the Farm + Food Lab. The windmill exhibit has been designed but has not yet been installed.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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**Note 4: Contributions to the City of Irvine (Continued)**

- The Corporation received grant funding from the U.S. Department of Agriculture, Agriculture Marketing Services grant in the amount of \$22,182 for the "Great Park Farmer's Market – Health and Wellness Promotion". In turn, the Corporation contributed these amounts to the City to cover the City expenditures related to the "Great Park Farmer's Market – Health and Wellness Promotion".

Second Harvest Food Banks	\$	5,500
Scotts Charitable Pledge		47,823
Kaiser Permanente		50,000
Gas Company		7,500
Pacific Life Foundation		7,500
U.S. Department of Agriculture		22,182
Various grants and sponsorships		3,454
	\$	<u>143,959</u>

**Note 5: Operating Lease**

During the year, the City made rental payments to Heritage Fields totaling \$78,601 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 ended in November, 2012. The Corporation is provided space at the Discovery Business Center by the City of Irvine. The lease agreement at the Discovery Business Center is between the City of Irvine and the Irvine Company LLC. The value of the space is insignificant and undeterminable, therefore the Corporation does not record contribution revenue.

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  
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 of Orange County Great Park Corporation (Corporation) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 27, 2013.

**Internal Control Over Financial Reporting**

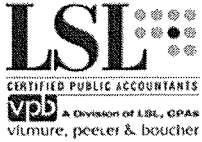
In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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  
City of Irvine, California

#### **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 & Loughard, LLP*

Brea, California  
December 27, 2013