

**CITY OF IRVINE, CALIFORNIA**  
**ORANGE COUNTY GREAT PARK FUNDS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**CITY OF IRVINE**  
**ORANGE COUNTY GREAT PARK FUNDS**  
**TABLE OF CONTENTS**  
**June 30, 2019**

---

---

	<u>Page Number</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet	3
Statements of Revenues, Expenditures, and Changes in Fund Balance	4
Notes to Financial Statements	5
Required Supplementary Information:	12
Budgetary Comparison Schedule	13
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 <i>Government Auditing Standards</i>	16

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
of the City of Irvine  
Irvine, California

We have audited the accompanying financial statements of the Orange County Great Park Funds of the City of Irvine, California (the City), which include the Operations Special Revenue Fund and the Development Capital Projects Fund (Orange County Great Park Funds), as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City'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 City'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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Orange County Great Park Funds of the City, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule for the Orange County Great Park Operations Special Revenue Fund be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this 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 financial statements, and other knowledge we obtained during our audit of the 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.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Orange County Great Park Funds and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2019, the changes in its financial position for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of the City'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 and 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.

*White Nelson Dick Evans LLP*

Irvine, California  
November 1, 2019

CITY OF IRVINE  
ORANGE COUNTY GREAT PARK FUNDS

BALANCE SHEET

June 30, 2019  
(amounts expressed in thousands)

	Special Revenue Fund	Capital Projects Fund	
	Orange County Great Park Operations	Orange County Great Park Development	Total
<b>ASSETS</b>			
Cash and investments	\$ 135,619	\$ 19,593	\$ 155,212
Receivables, net of allowances	155	-	155
Accrued interest	371	35	406
Escrow deposits	-	967	967
Due from other governments	3,033	-	3,033
Due from Successor Agency	209,082	-	209,082
	<b>\$ 348,260</b>	<b>\$ 20,595</b>	<b>\$ 368,855</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,892	\$ 1,471	\$ 3,363
Accrued liabilities	55	-	55
Due to Irvine Community Land Trust	20,908	-	20,908
Due to other City fund	27	-	27
Due to other governments	13	-	13
Retention payable	-	328	328
Unearned revenue	62	-	62
	<b>22,957</b>	<b>1,799</b>	<b>24,756</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	3,033	-	3,033
	<b>3,033</b>	<b>-</b>	<b>3,033</b>
<b>FUND BALANCES</b>			
Restricted	52,234	-	52,234
Assigned	270,036	18,796	288,832
	<b>322,270</b>	<b>18,796</b>	<b>341,066</b>
	<b>\$ 348,260</b>	<b>\$ 20,595</b>	<b>\$ 368,855</b>

See accompanying notes to financial statements.

CITY OF IRVINE  
ORANGE COUNTY GREAT PARK FUNDS

STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

For the year ended June 30, 2019  
(amounts expressed in thousands)

	Special Revenue Fund Orange County Great Park Operations	Capital Projects Fund Orange County Great Park Development	Total
<b>REVENUES</b>			
Investment income	\$ 4,534	\$ 341	\$ 4,875
Charges for services	5,936	-	5,936
Revenue from developers	7,750	-	7,750
Special assessments	9,485	-	9,485
Contributions from other City funds	41	8,109	8,150
Other revenue	108	-	108
TOTAL REVENUES	<u>27,854</u>	<u>8,450</u>	<u>36,304</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,732	4	2,736
Public safety	459	-	459
Public works	6,173	53	6,226
Community development	28	-	28
Community services	5,677	-	5,677
Capital outlay	-	8,159	8,159
TOTAL EXPENDITURES	<u>15,069</u>	<u>8,216</u>	<u>23,285</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>12,785</u>	<u>234</u>	<u>13,019</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	11,701	11,701
Transfers out	(11,701)	-	(11,701)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,701)</u>	<u>11,701</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,084	11,935	13,019
FUND BALANCES, BEGINNING OF YEAR	<u>321,186</u>	<u>6,861</u>	<u>328,047</u>
FUND BALANCES, END OF YEAR	<u>\$ 322,270</u>	<u>\$ 18,796</u>	<u>\$ 341,066</u>

See accompanying notes to financial statements.

***1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accompanying financial statements present only the Orange County Great Park Operations Special Revenue Fund and Development Capital Projects Fund (Orange County Great Park Funds) of the City of Irvine, California (the City), and do not include any other funds of the City. The City's basic financial statements are available at City Hall.

a. Historical Background

The Orange County Great Park (OCGP) was formed by the City to transform the former United States Marine Corps Air Station (MCAS) El Toro into the first great metropolitan park of the twenty-first century. The former military base was built as a wartime air station for the purpose of aircraft squadron formation and unit training prior to overseas combat. In February 2005, the land was purchased during auction by Lennar Corporation, one of the country's leading residential and commercial developers. This purchase was the beginning of a unique partnership between the City, the federal government, and Lennar Corporation that will result in the formation of the greatest metropolitan park in the United States. Under the terms of a development agreement between Lennar Corporation and the City, Lennar Corporation was granted limited development rights in return for the land and capital that will allow the construction of the OCGP. The agreement required Lennar to transfer more than 1,347 acres to public ownership and contribute \$200 million dollars toward the development of the OCGP. The Great Park Plan will allow development on the property that is consistent with the uses allowed by the voter-approved Measure W. Under the Great Park Plan, the 4,639-acre El Toro property will become a master planned community.

b. Basis of Accounting

The accompanying financial statements for the Orange County Great Park Funds of the City, have been prepared on the modified accrual basis of accounting. Generally, revenues are recognized when they become susceptible to accrual, that is, measurable and available to finance expenditures of the current period. Revenues susceptible to accrual include property taxes and intergovernmental and investment earnings received within 60 days of year-end. Expenditures are recognized when the fund liability is incurred, if measurable. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c. Measurement Focus

The Orange County Great Park Funds are accounted for on a spending or financial flow measurement focus. This means that generally only current assets, current liabilities, and deferred inflow of resources are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance for the Orange County Great Park Funds generally presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

d. 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 balances 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 the restricted fund balance to have been depleted before using any of the components of the unrestricted fund balance. Further, when the components of the unrestricted fund balance can be used for the same purpose, the committed fund balance is depleted first, followed by the assigned fund balance. The unassigned fund balance is applied last.

e. Cash and Investments

Cash and investments are pooled with the City's cash and investments for investment purposes. The Orange County Great Park Funds' share of the pooled cash and investments is stated at fair value, as determined by the City.

f. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Orange County Great Park Operations Special Revenue Fund has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category: unavailable revenues from special assessments. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

***1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

g. Use of Estimates

The preparation of financial statements in accordance 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.

h. Budgetary Basis of Accounting

The budget for the Orange County Great Park Operations Special Revenue Fund is adopted at a budget category by department level of control, and the budget for the Orange County Great Park Development Capital Projects Fund is adopted at the project level on a basis consistent with the accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with the related budget amounts without any significant reconciling items. Budget amounts contained within the required supplementary information section are the original and final amended amounts as reviewed by the Board of Directors and approved by the City Council.

**2. CASH AND INVESTMENTS**

**Investments Authorized by the California Government Code**

Any cash of the Orange County Great Park Funds is entirely pooled with the City's cash and investment pool. The table below identifies the investment types that are authorized by the City'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 Treasury Obligations	5 years	None	None
Federal Agencies (United States Government-Sponsored Agency Securities)	5 years	None	None
Banker's Acceptances	180 days	25%	\$5,000,000
Commercial Paper	270 days	15%	3%
Repurchase Agreements	75 days	25%	None
Reverse Repurchase Agreements	75 days	15%	None
California Local Agency Investment Fund (LAIF)	N/A	25%	N/A
Municipal Bonds	5 years	25%	None
Corporate Medium-Term Notes	5 years	15%	3%
Money Market Mutual Funds	N/A	20%	2%
Supranationals	5 years	10%	None

**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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**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. There are minimum ratings required by the California Government Code and the City's investment policy (where more restrictive). See the City's Comprehensive Annual Financial Report for further details.

## 2. CASH AND INVESTMENTS (CONTINUED)

### Concentration of Credit Risk

The City's investment policy generally limits the amount that can be invested in any obligations of one entity or single security except US Treasuries, US Government-Sponsored Enterprise Securities, and LAIF, which is subject to a 25% limitation.

### 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 and the City's investment policy do 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.

### Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements), inputs are quoted price of similar assets in active markets (Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

### Additional Information

Any cash of the Orange County Great Park Funds is entirely pooled with the City's cash and investment pool. Information regarding the exposure of the City's cash and investment pool to interest rate risk, credit risk, concentration of credit risk, custodial risk, and fair value measurements is available in the City's Comprehensive Annual Financial Report.

**3. *DUE FROM SUCCESSOR AGENCY***

The City loaned the former redevelopment agency \$134,000,000 to fund the purchase of property located in the Orange County Great Park Redevelopment Area. Upon dissolution of the redevelopment agency on February 1, 2012, this loan balance became a debt of the Successor Agency. On October 24, 2014, a settlement agreement was entered into that resolved lawsuits filed by the City, Successor Agency, and Irvine Community Land Trust against the State of California. The lawsuit was related to debts owed by the former Redevelopment Agency to the City and Irvine Community Land Trust that the State Department of Finance denied property tax funding. The settlement agreement calls for the State of California to remit to the Successor Agency a total of \$292,000,000 in property tax receipts over an unspecified period, which when received by the Successor Agency will be remitted to the City. As of June 30, 2019, the outstanding balance due from the Successor Agency is \$209,082,306.

As part of the settlement agreement, the City agreed to pay the Irvine Community Land Trust 5% of the settlement agreement for a total of \$14,600,000. On January 26, 2016, the City Council approved an increase in funding to the Irvine Community Land Trust from 5% to 10% of the settlement agreement. The total due to the Irvine Community Land Trust from the City at June 30, 2019, was \$20,908,231.

**4. *INTERFUND TRANSFERS***

Interfund transfers of \$11,701,099 were made to fund various capital projects related to the OCGP.

**5. *LEASES***

The City has various operating lease rental agreements producing annual rental revenue to the Orange County Great Park Funds. Rental revenue is included in charges for services in the accompanying financial statements.

The OCGP fund receives revenue for several operating leases for sites within the former MCAS El Toro. The OCGP is currently under development, and thus, lease rentals are only projected as far out as to the fiscal year ended June 30, 2025, with some leases expiring or planned to be terminated sooner. The leases are for green waste recycling, office/manufacturing buildings, farming, and other uses of the property.

A lease with Tierra Verde Industries began in May 2006 has been amended and restated over the years and is for two parcels located in the OCGP. The first parcel is approximately 44 acres and is used as a green waste recycling center. The quarterly rent for this property as of June 30, 2019 is \$97,404. An additional \$0.69 per ton is charged as a Green Waste Host Fees, and the amount collected June 30, 2019, was \$598,740. The second parcel under this lease is buildings used for office space, light maintenance, and manufacturing. The amount of rent received for both parcels for the fiscal year ended June 30, 2019, was \$411,918. The current lease agreement terminates May 20, 2020.

**CITY OF IRVINE**  
**ORANGE COUNTY GREAT PARK FUNDS**  
**Notes to Financial Statements**  
**June 30, 2019**

---

**5. LEASES (CONTINUED)**

OCGP has a farming lease with El Toro Farms, LLC to grow strawberries and vegetable crop. The lease began in July 2005 and has been renewed over the years and currently terminates June 30, 2021. Rental revenue at June 30, 2019, was \$31,596.

OCGP has a lease with Orange County Produce to grow strawberries and other crops. The lease began in July 2010 and terminates July 25, 2025. Rental revenue at June 30, 2019, was \$30,045.

OCGP has a lease with AMCI/Omnicom for the use of other sites within OCGP. The lease is month to month with \$236,484 received in the fiscal year June 30, 2019.

The future minimum rental revenue to be received from the aforementioned operating leases as of June 30, 2019, is as follows:

Fiscal Year Ending June 30,	Annual Rent
2020	\$ 428,110
2021	61,641
2022	30,045
2023	30,045
2024	30,045
2025-2029	2,086
	<u>\$ 581,972</u>

**6. LITIGATION**

At June 30, 2019, the City was involved as a defendant in several lawsuits and claims arising out of ordinary conduct of its affairs as they relate to the OCGP. It is the opinion of management and the City’s legal counsel that settlement of these lawsuits and claims, if any, will not have a material effect on the financial position of the Orange County Great Park Funds.

**7. SUBSEQUENT EVENTS**

Events occurring after June 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of November 1, 2019, which is the date these financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF IRVINE  
ORANGE COUNTY GREAT PARK OPERATIONS SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2019  
(amounts expressed in thousands)

	Budgeted Amount		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Investment income	\$ 1,448	\$ 1,448	\$ 4,534	\$ 3,086
Charges for services	7,143	7,143	5,936	(1,207)
Revenue from developers	7,750	7,750	7,750	-
Special assessment	10,230	10,230	9,485	(745)
Contributions from other City funds	41	41	41	-
Other revenue	-	-	108	108
	<u>26,612</u>	<u>26,612</u>	<u>27,854</u>	<u>1,242</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Current				
City Manager				
Personnel	1,319	1,319	832	487
Supplies	114	114	24	90
Internal service allocations	66	66	66	-
Contract services	3,142	3,142	1,380	1,762
Training and business expense	30	30	17	13
Capital equipment	20	20	-	20
Miscellaneous	116	116	30	86
	<u>4,807</u>	<u>4,807</u>	<u>2,349</u>	<u>2,458</u>
Total City Manager				
Administrative Services				
Personnel	408	408	366	42
Internal service allocations	14	14	14	-
Contract services	7	7	3	4
Training and business expenses	2	2	-	2
	<u>431</u>	<u>431</u>	<u>383</u>	<u>48</u>
Total Administrative Services				
Public Safety				
Personnel	604	604	431	173
Supplies	4	4	-	4
Internal service allocations	14	14	14	-
Capital equipment	15	15	14	1
	<u>637</u>	<u>637</u>	<u>459</u>	<u>178</u>
Total Public Safety				

(Continued)

CITY OF IRVINE  
ORANGE COUNTY GREAT PARK OPERATIONS SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE  
(CONTINUED)

For the year ended June 30, 2019  
(amounts expressed in thousands)

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Public Works				
Personnel	\$ 1,282	\$ 1,282	\$ 1,068	\$ 214
Supplies	197	197	143	54
Internal service allocations	48	48	48	-
Contract services	5,735	5,735	3,955	1,780
Training and business expenses	6	6	-	6
Utilities	1,138	1,138	878	260
Capital equipment	91	91	81	10
Total Public Works	<u>8,497</u>	<u>8,497</u>	<u>6,173</u>	<u>2,324</u>
Community Development				
Personnel	35	35	-	35
Supplies	3	3	-	3
Contract services	582	582	28	554
Total Community Development	<u>620</u>	<u>620</u>	<u>28</u>	<u>592</u>
Community Services				
Personnel	3,172	3,109	2,696	413
Supplies	313	299	193	106
Internal service allocations	1,023	1,023	1,023	-
Contract services	1,824	1,901	1,422	479
Training and business expenses	35	35	7	28
Capital equipment	300	300	234	66
Miscellaneous	217	217	101	116
Repairs and maintenance	9	9	1	8
Total Community Services	<u>6,893</u>	<u>6,893</u>	<u>5,677</u>	<u>1,216</u>
Transportation				
Personnel	20	20	-	20
Contract services	10	10	-	10
Total Transportation	<u>30</u>	<u>30</u>	<u>-</u>	<u>30</u>
TOTAL EXPENDITURES	<u>21,915</u>	<u>21,915</u>	<u>15,069</u>	<u>6,846</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,697</u>	<u>4,697</u>	<u>12,785</u>	<u>8,088</u>

(Continued)

CITY OF IRVINE  
ORANGE COUNTY GREAT PARK OPERATIONS SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE  
(CONTINUED)

For the year ended June 30, 2019  
(amounts expressed in thousands)

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (14,404)</u>	<u>\$ (14,404)</u>	<u>\$ (11,701)</u>	<u>\$ 2,703</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,404)</u>	<u>(14,404)</u>	<u>(11,701)</u>	<u>2,703</u>
NET CHANGE IN FUND BALANCES	(9,707)	(9,707)	1,084	10,791
FUND BALANCES, BEGINNING OF YEAR	<u>321,186</u>	<u>321,186</u>	<u>321,186</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 311,479</u></u>	<u><u>\$ 311,479</u></u>	<u><u>\$ 322,270</u></u>	<u><u>\$ 10,791</u></u>

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  
of the City of Irvine  
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 Governmental Auditing Standards issued by Comptroller General of the United States, the financial statements of the Orange County Great Park Funds of the City of Irvine (the City), which include the Operations Special Revenue Fund and the Development Capital Projects Fund, as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated November 1, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as it relates to the Orange County Great Park Funds to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control related to the Orange County Great Park Funds. Accordingly, we do not express an opinion on the effectiveness of the City's internal control related to the Orange County Great Park Funds.

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 City'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 financial statements of the Orange County Great Park Funds are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance related to the Orange County Great Park Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance related to the Orange County Great Park Funds. Accordingly, this communication is not suitable for any other purpose.

*White Nelson Dick Evans LLP*

Irvine, California  
November 1, 2019