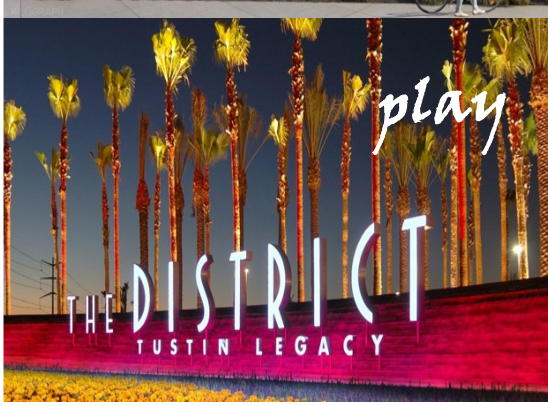

Comprehensive Annual Financial Report

For the year ended June 30, 2016

CITY OF TUSTIN
CALIFORNIA

CITY OF TUSTIN, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2016

Prepared By: Finance Department

CITY OF TUSTIN

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CITY OF TUSTIN

Elected and Administrative Officials

MAYOR

John Nielsen

CITY COUNCIL

Dr. Allan Bernstein, Mayor Pro Tem
Rebecca Gomez
Al Murray
Charles E. Puckett

AUDIT COMMISSION

Craig Shimomura, Chair
R. Lawrence Friend, Chair Pro Tem
Robert Ammann
Daniel Erickson
Thomas Stroud

CITY MANAGER/CITY TREASURER

Jeffrey C. Parker

David E. Kendig
City Attorney

Elizabeth A. Binsack
Director, Community Development

John Buchanon
Director, Economic Development

Jennifer Leisz
Acting Director, Finance

Erica N. Rabe
City Clerk

Charles Celano
Chief of Police

Derick Yasuda
Director of Human Resources

David Wilson
Director, Parks and Recreation Services

Douglas S. Stack
Director, Public Works City Engineer

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Finance Department

TUSTIN

BUILDING OUR FUTURE
HONORING OUR PAST

December 19, 2016

HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
CITIZENS OF THE CITY OF TUSTIN
City of Tustin
Tustin, California 92780

The Comprehensive Annual Financial Report (CAFR) of the City of Tustin for the fiscal year ended June 30, 2016, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

The report consists of management's representations concerning the finances of the City of Tustin. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Tustin. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Tustin's financial statements for the year ended June 30, 2016, have been audited by White Nelson Diehl Evans LLP, an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Tustin's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

300 Centennial Way, Tustin, CA 92780 • P: (714) 573-3060 • F: (714) 832-0825 • www.tustinca.org

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Tustin's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF TUSTIN

The City of Tustin is located in the central part of Orange County, about forty miles southeast of Los Angeles and eighty miles north of San Diego, at the intersection of the 5 and 55 Freeways. Tustin covers over eleven square miles and adjoins the cities of Orange, Santa Ana and Irvine. The State of California Department of Finance has estimated the City's January 1, 2016 population at 82,717, a 2.2% increase from 2015. Among cities with a population above 30,000, growth was distributed throughout California, with cities in Orange County included in the top ten. While Tustin is surrounded by much of the County's main industrial employment, it is essentially a residential community.

The City was incorporated under the General Laws of the State of California in 1927 as the "City of Tustin". Government was by a five member elected City Council. The Council/Administrator form of city government was adopted in 1965 and was modified to the Council/Manager form in 1981. Council members serve staggered, four-year terms, with a two consecutive term limit. The Mayor is selected by the City Council from among its membership and serves a one-year term. The City Manager is appointed by the City Council to carry out the policies and direction of the City Council, oversee the day-to-day operations of the City and appoint department heads.

Tustin is a full service City. The services provided by the City include police, street and park maintenance, water, recreation, traffic/transportation, public improvements, planning, zoning, and general administrative services. The City contracts with the Orange County Fire Authority for fire suppression services. Also included in the City's overall operations are the Tustin Public Financing Authority and the City of Tustin Housing Authority (Housing Authority). The activities of both entities are included in these financial statements. Additional information for the Tustin Public Financing Authority and the Tustin Housing Authority is available in Note 1 of the Notes to Basic Financial Statements.

The key element of the City's financial management process is the development and approval of the annual budget. The City Council conducts various open budget workshops as necessary and adopts the budget at a noticed public meeting. The budget is prepared pursuant to generally accepted accounting principles (GAAP) and is balanced by fund. The level of appropriations is controlled by the City Council for each fund. The City Manager is authorized to transfer appropriations within the fund between the various programs and/or departments. Budgetary control is maintained by a real-time financial reporting system. Budget to actual comparisons are provided through display or reports and through budget controls set within the purchasing and accounts payable modules for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund this comparison is presented on page 98 as part of the required supplementary information, and for nonmajor governmental funds this comparison is presented on pages 108-115 as part of the other supplementary information for the governmental funds. Successor Agency expenses are restricted by the State of California Department of Finance (DOF) to enforceable obligations. The enforceable obligations are approved annually by the DOF through the submission of a Recognized Obligation Payment Schedule. The Successor Agency is presented as a Private Purpose Trust Fund on pages 28-29.

ECONOMIC OUTLOOK

The State of California maintains a stable economy since the economic downturn. The statewide unemployment rate has dropped from 5.8% in October 2015 to 5.5% for October 2016, which is 0.6% higher than the United States unemployment rate of 4.9% for October 2016. The Orange County unemployment rate has decreased 0.9% from October 2015 to 4.2% for October 2016. The City's sales tax revenue continues to be the largest revenue source for the General Fund. It is 44% of total General Fund revenues. Annual sales tax revenue increased from fiscal year 2014-2015 to fiscal year 2015-2016 to $24.5 million. Sales tax revenue for fiscal year 2016-2017 is expected to decrease slightly, about $0.4 million from prior year, primarily due to conservative estimates considering the volatility of this revenue source. Property tax revenue is the second largest General Fund revenue source (16% of total revenues). Orange County property values and property sales have increased; therefore, property tax revenue is estimated to increase $0.2 million from prior year to $9.2 million for fiscal year 2016-2017.

Development at the Marine Corp Air Station Base also referred to as the Legacy continues to move forward. Community Facilities District 14-01 was formed to raise two special taxes in relation to this development for public services provided such as public safety, parks and street maintenance and to pay debt service for bonds which were issued in November 2015. With the development, funds will be committed to help fund the construction of backbone infrastructure. Staff is monitoring the costs of providing public services and maintaining streets, sidewalks and parks which are funded by the service tax provided by the various Community Facilities Districts.

The City Council continues to take a proactive approach for maintaining the City's healthy financial position by monitoring revenues and expenses. General Fund Revenues for fiscal year 2016-17 are estimated to be $2.0 million less than fiscal year 2015-16, primarily due to the decrease in sales tax for the final triple flip payment which was received in fiscal year 2015-16 and conservative estimates for sales tax revenue. Expenditures are $2.3 million more than budgeted in fiscal year 2015-16 primarily due to the increased salary and benefit costs, operational costs, and capital expenditures. The City expects a $2.4 million deficit for fiscal year 2016-17 to be funded with planned use of excess reserves, bringing the projected General Fund reserve percentage to 39.5%, which is well above the 20% City policy. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2017.

ACCOMPLISHMENTS AND FUTURE PROJECTS

During fiscal year 2016 the City refunded the bond issues for Community Facilities Districts No. 06-1 and 07-1, taking advantage of the lower interest rate environment, decreasing total debt service requirements by $17.9 million over the life of the bonds. In September 2016, the Tustin Public Financing Authority issued Water Refunding Bonds to refund the 2011 Water Revenue Bonds, resulting in additional cost savings. Also in September 2016 the Successor Agency to the Tustin Redevelopment Agency issued Tax Allocation Refunding Bonds to refund the 2010 Housing Tax Allocation Bonds and the 2010 MCAS Tax Allocation Bonds, again taking advantage of the lower interest rates, resulting in cost savings.

Major capital improvement projects completed include the following:

- Improvements for Frontier Park Playground, Centennial Park and Laurel Glen Park
- Frontier Park Water Play Recirculation
- Biofiltration retrofit at various locations
- Warner Extension from Redhill to Armstrong
- Barranca Parkway Improvements
- IRWD Sewer Relocation at Tustin Ranch Road and Barranca

In addition, Legacy Road and Victory Park were completed in fiscal year 2016 with funding from developer contributions. The City's capital projects for fiscal year 2016-2017 are budgeted at $122 million. Funding sources for the capital projects include revenues from gas tax, Community Development Block Grant, water revenues, Community Facility bond proceeds, Measure M2, Park Development Funds, former Redevelopment Agency bond proceeds and Water Revenue Bond proceeds. Major capital projects for fiscal year 2016-2017 include:

- Annual Roadway and Public Infrastructure Maintenance Program (MOE)
- Victory Road Extension: Red Hill Avenue to Armstrong Avenue
- Detention Basin landscaping and Water Quality Installation at the corner of Red Hill Avenue and Barranca Parkway
- Peters Canyon Channel Improvements
- Moffett Drive Extension from Park Avenue to east of Peters Canyon Channel
- Park Avenue Extension from Victory Road to Moffett Drive
- Tustin Linear Park between Barranca Parkway and Armstrong Avenue
- Drill and Install Wellhead – Edinger Well

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tustin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the twenty-ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

I wish to express my appreciation to the entire Finance Department staff for their contribution to the department during the year. Their efforts are reflected in this report and in other documents resulting from the annual audit process. Special thanks are due to Sean Tran, Administrative Services Manager, Alberto Preciado, Senior Accountant, Sharon Ting, Accountant, Glenda Babbitt, Management Analyst, Elizabeth Andrew C.P.A., the finance staff, and consultant Melissa Shirah, C.P.A. Their significance in preparing the final financial documents is reflected in the quality of this report.

The Mayor and members of the City Council are to be commended for their interest and support in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Jennifer Leisz
Acting Finance Director

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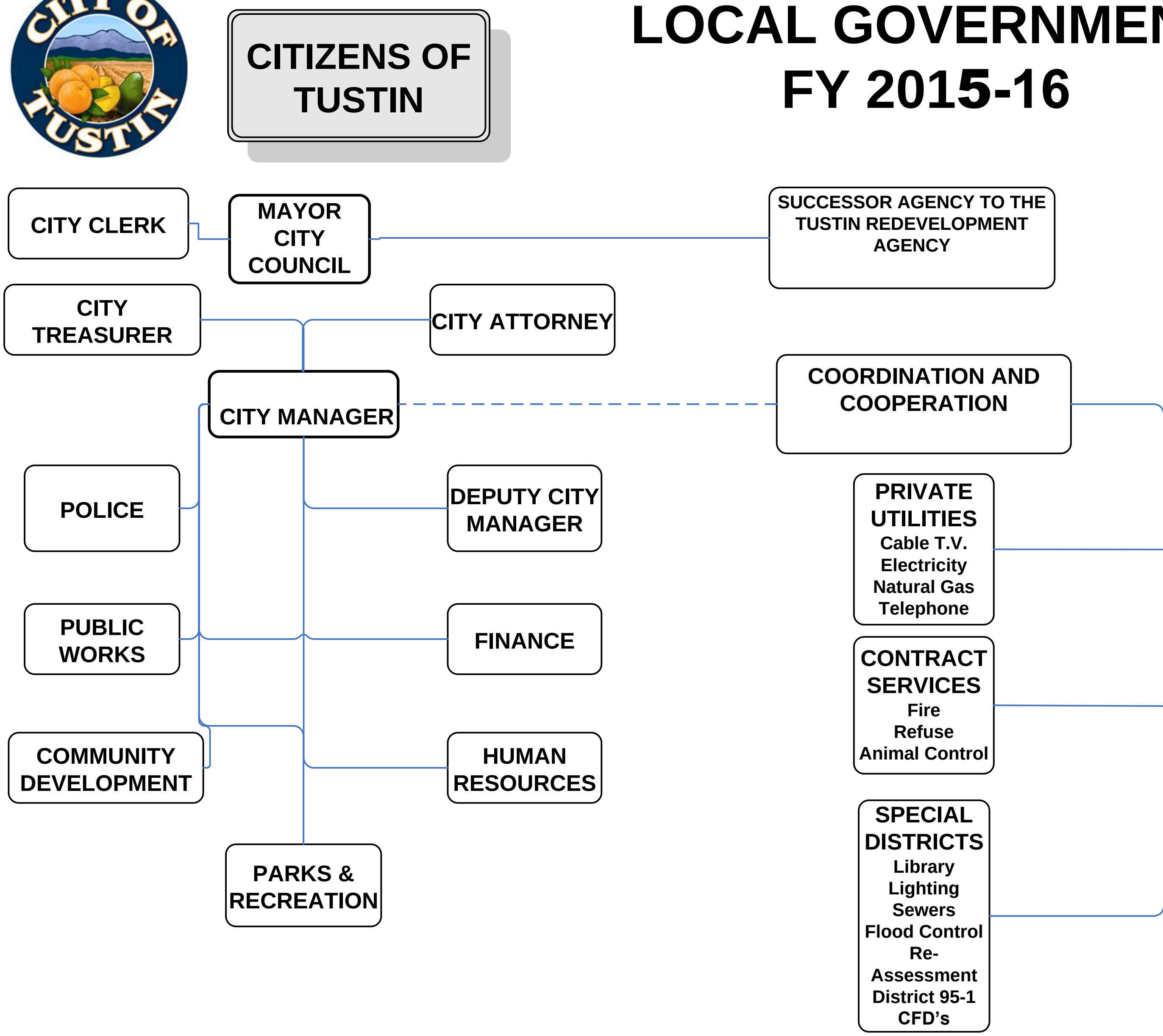
LOCAL GOVERNMENT
FY 2015-16



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tustin

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Honorable City Council
of the City of Tustin
Tustin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Tustin (the City), as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic 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.

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Offices located in Orange and San Diego Counties

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Tustin, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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, the safety plan schedule of proportionate share of the net pension liability and the schedule of contributions, the miscellaneous plan schedule of changes in the net pension liability and related ratios and the schedule of contributions, the other post-employment benefit plan schedule of funding progress, and the budgetary comparison schedule for the general fund, identified as Required Supplementary Information (RSI) in the accompanying 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements (supplementary information), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
December 19, 2016

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As management of the City of Tustin, California (City), we offer readers of the City of Tustin's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2016, by $723.4 million (*net position*). Net position consists of $508.7 million invested in capital assets, $95.2 million in restricted net position and $119.5 million in unrestricted net position.
- The government's total net position increased by $17 million during the fiscal year ended June 30, 2016. The primary reasons for the increase are due to the receipt of $26.4 million from the issuance of bonds for CFD 14-1 within the former Marine Corps Air Station known as the Legacy. This increase was partially offset by increased spending for construction costs for development at the Legacy.
- As of June 30, 2016, the City's governmental funds reported combined ending fund balances of $268.2 million, a decrease of $16.6 million in comparison with the prior year. The decrease in ending fund balances is primarily due to the reclassification of $34 million of land held for resale to land reported as capital assets which is not reflected in the governmental funds statements. This decrease was partially offset by the bond proceeds received for development at the Legacy mentioned above. Approximately $88.6 million of the fund balance is nonspendable; $73.1 million is restricted; and $26.9 million is assigned.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the City's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All 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 are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Government-wide financial statements distinguish City governmental activities that are principally supported by taxes and intergovernmental revenues from other business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the City, and the Tustin Public Financing Authority, a blended component unit, include general government, public safety, community services and public works. Business-type activity of the City is the Water Utility.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a 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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains various individual governmental funds organized by their type (special revenue, debt service and capital projects funds). Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The General Fund, MCAS 2010 Capital Project Fund, and the CFD Construction Capital Project Fund are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts a bi-annual appropriated budget for its General Fund and the special revenue funds to demonstrate compliance with the annual budget law. Budgetary comparison schedules have been provided to demonstrate compliance with this budget requirement elsewhere in this report.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Proprietary funds. The City of Tustin maintains one type of proprietary (Enterprise) fund. This enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Water Utility.

The proprietary fund financial statements can be found immediately following the governmental funds financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement, because the resources of those funds are *not* available to support the City's own programs. The City utilizes a private-purpose trust fund to account for the assets, liabilities and activities of the Successor Agency. The Successor Agency was created on February 1, 2012 with the dissolution of the Tustin Community Redevelopment Agency.

The second fiduciary fund is an agency fund which is used to account for the assets of Community Facility Districts 04-1, 06-1, 07-1, 13-1, and 2014-1. The fiduciary funds financial statements can be found immediately following the proprietary fund financial statements.

Notes to the Basic Financial Statements

The notes to the basic 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 basic financial statements can be found immediately following the fiduciary funds financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes a Budgetary Comparison Schedule for the General Fund and schedules outlining the pension liabilities, contributions and funding status for the City's defined benefit pension plan and other postemployment healthcare benefits plan. Required supplementary information can be found immediately following the notes to the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented for all nonmajor Special Revenue Funds and nonmajor Capital Projects Funds. These combining and individual fund statements and schedules can be found immediately following the required supplementary information.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

The largest portion of the City's net position (70 percent) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Tustin
Summary of Net Position
As of June 30, 2016
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Assets:							
Current and other assets	$298.1	$282.9	$38.3	$37.2	$336.4	$320.1	
Capital assets	456.6	483.3	45.7	48.8	502.3	532.1	
Total Assets	754.7	766.2	84.0	$86.0	838.7	$852.2	1.6%
Deferred Outflows of Resources	8.6	4.7	0.6	0.6	9.2	5.3	
Liabilities:							
Current liabilities	12.4	13.5	3.2	4.6	15.6	18.1	
Non-Current liabilities	69.7	67.6	44.6	44.1	114.3	111.7	
Total Liabilities	82.1	81.1	47.8	48.7	129.9	129.8	(0.2%)
Deferred Inflows of Resources	10.9	4.1	0.7	0.2	11.6	4.3	
Net Position:							
Net investment in capital assets	456.6	483.2	24.3	25.5	480.9	508.7	
Restricted	72.9	95.2	-	-	72.9	95.2	
Unrestricted	140.8	107.3	11.8	12.2	152.6	119.5	
Total Net Position	$670.3	$685.7	$36.1	$37.7	$706.4	$723.4	2.4%

Government-wide Financial Analysis (Continued)

Governmental activities. Net position of the City's governmental activities increased 2.3% to $685.7 million, of which $483.2 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, $95.2 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining $107.3 million is subject to designation for specific purposes as approved by the City Council, and may be used to meet the City's ongoing obligations.

City of Tustin
Summary of Changes in Net Position
For the Year Ended June 30, 2016
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Revenues:							
Program revenues:							
Charges for services	$3.8	$7.8	$19.4	$16.5	$23.2	$24.3	
Operating grants & contributions	3.5	2.7	-	-	3.5	2.7	
Capital grants and contributions	20.2	48.7	-	-	20.2	48.7	
General revenues:							
Taxes	17.9	20.2	-	-	17.9	20.2	
Sales taxes shared state revenues	22.3	24.5	-	-	22.3	24.5	
Motor vehicle taxes	6.4	6.8	-	-	6.4	6.8	
Earnings on investments	1.1	2.4	0.2	0.5	1.3	2.9	
Miscellaneous	7.8	2.7	0.5	0.1	8.3	2.8	
Gain on sale of assets	48.1	-	-	-	48.1	-	
Contribution from Successor Agency	32.1	-	-	-	32.1	-	
Total Revenues	163.2	115.8	20.1	17.1	183.3	132.9	(27.5%)
Expenses:							
General government	17.1	20.0	-	-	17.1	20.0	
Public safety	29.9	27.8	-	-	29.9	27.8	
Public works	34.4	47.3	-	-	34.4	47.3	
Community services	3.7	7.9	-	-	3.7	7.9	
Water	-	-	16.0	15.6	16.0	15.6	
Total Expenses	85.1	103.0	16.0	15.6	101.1	118.6	17.3%
Change in net position, before extraordinary item	78.1	12.8	4.1	1.5	82.2	14.3	
Extraordinary Items:							
Contribution of capital assets from Successor Agency	-	1.6	-	-	-	1.6	
Repayment of funds from Successor Agency to City of Tustin's Housing Authority	-	1.0	-	-	-	1.0	
Change in net position	78.1	15.4	4.1	1.5	82.2	17.0	
Net Position - Beginning	637.6	670.3	34.4	36.1	672.0	706.4	
Restatement for Prior Period Adjustment	(45.4)	-	(2.4)	-	(47.8)	-	
Net Position - Ending	$670.3	$685.7	$36.1	$37.7	$706.4	$723.4	2.4%

Government-wide Financial Analysis (Continued)

In governmental activities, the increase in net position of $15.4 million is primarily due to the following reasons:

- Deferred inflows related to pension plans decreased $6.8 million mostly due to the decline in the net differences between projected and actual earnings on plan investments.

- Total governmental assets increased $11.5 million, mostly due to the receipt of $26.4 million from the issuance of bonds for CFD 14-1 within the former Marine Corps Air Station known as the Legacy. This increase was partially offset by increased spending for construction costs for development at the Legacy. In addition, the City received $1.6 million in contributed capital assets from the Successor Agency to the Tustin Community Redevelopment Agency and $1.0 million for repayment of funds from the Successor Agency to the City of Tustin's Housing Authority.

Overall, governmental revenues decreased $47.4 million from prior year. The primary reasons for the decrease were significant revenues recognized in fiscal year 2015 from the sale of Land Held for Resale to Standard Pacific for the development of 375 residential homes ($48.1 million) and the transfer of unspent bond proceeds from the Successor Agency to the Tustin Community Redevelopment Agency to the City ($32.1 million). Capital grants and contributions increased $28.5 million from fiscal year 2015 primarily due to the receipt of $26.4 million from the issuance of bonds for CFD 14-1 within the former Marine Corps Air Station known as the Legacy. Also contributing to the increase in capital grants and contributions was an adjustment of $1.8 million to recognize deposits for TSIP Area A-B as revenue.

Charges for services increased $4 million during fiscal year 2016 primarily due to increases in Public Works and General Government classifications. Public Works increases were due to increased building activity resulting in higher plan check fees and building permits, and park in lieu fees which generated about $0.8 million in revenue. General Government increases were due to higher rental income and reimbursement of cost of issuance for the CFD 2014-1 bonds for City staff and administration. Taxes increased $2.3 million from prior year primarily due to:

- Hotel Bed Tax increased $0.5 million due to the increase in the Hotel Bed Tax rate. The citizens of Tustin voted in November 2014 to increase the Hotel Bed Tax from 6% to 10%. The new rate became effective January 1, 2015, resulting in a full year at the new higher rate in 2016.

- Property tax revenue increased $1.9 million mostly due to the receipt of tax revenue for the newly formed CFD 2014-1 at Tustin Legacy. Special tax A, which must be used for facilities and improvements at Tustin Legacy, totaled about $1.4 million and special tax B for services at Tustin Legacy totaled about $0.5 million.

Sales taxes increased $2.3 million due to a large county pool reallocation made by the State board of Equalization for prior year out-of-state use tax purchases and increases in auto-transportation sales.

Earnings on investments increased $1.3 million from fiscal year 2015 due to higher average cash balances over the past year, along with the slight increase in the average weighted portfolio yield and careful monitoring of the City's cash flow needs and diversification of investments. The average cash balance for fiscal year 2015-16 was $191 million with an average weighted portfolio yield of 0.96% and average weighted days to maturity of 673 days. The average cash balance for fiscal year 2014-15 was $188.7 million with an average weighted portfolio yield of 0.82% and average weighted days to maturity of 707 days. The decrease in the weighted average maturity was primarily caused by a significant number of called investments with longer maturity dates due to continued low interest rates. The increase in investment earnings was also impacted by a favorable market adjustment of $0.7 million recorded at June 30, 2016.

Government-wide Financial Analysis (Continued)

Miscellaneous revenue decreased $5.1 million, mostly due to higher revenues for fiscal year 2015, including the reimbursement of $1.2 million for street maintenance to meet the city's Maintenance of Effort requirement to receive Measure M sales tax revenue from the Orange County Transportation Authority; the receipt of $0.7 million for the reimbursement of state mandated costs from the past few years; the sale of 5.7 acres of land held for resale for $0.5 million to the South Orange County Community College; and other one-time revenues.

Governmental expenses increased $17.9 million from prior year primarily due to the increase in Public Works spending on capital projects. In analyzing the final construction costs upon completion, approximately $18.9 million was expensed in the government-wide statements due to construction completed for assets not owned by the City including OFCD channel improvements, wet and dry utilities, City of Santa Ana improvements, Irvine Ranch Water District improvements, and City of Irvine infrastructure. These expenses, previously included in construction in progress in the statement of financial position are causing an increase in the public works and community services expense categories in the government wide activities.

Community Services expenses increased $4.2 million from prior year due to a $4.0 million advance to Tustin Unified School District (TUSD) for the planning and design of the 6-12 School Project per the School Facilities Implementation, Funding, and Mitigation Agreement. Per the terms of the agreement, the City plans to fund an additional $40 million over the next 12 months.

General Government expenses increased $2.9 million from fiscal year 2015 primarily due to charges for $1.9 million in required maintenance of effort (MOE) and capital expenses in the Other Capital Projects Fund per the adopted budget. About $1 million of the increase is due to a change in classification of CalPERS payments for the unfunded liability portion of the employer expense, caused by changes in the way that these costs are billed by CalPERS. Prior to fiscal year 2016, these costs were factored into the percentage paid by employers and charged to the respective department budgets, but beginning in 2016, the flat amount reducing the existing liability is not allocated by employee.

Public Safety expenses decreased $2.1 million from prior year primarily due to the payoff in fiscal year 2015 of the Public Safety Side Fund pension liability of $4.3 million.

Extraordinary Items due to the contribution of capital assets from the SATCRDA of $1.6 million and repayment of funds from the Successor Agency to the City of Tustin's Housing Authority also lead to the increase in net position. The capital assets contributed included the following properties located in Tustin:

- 450 El Camino Real – Old Town Respite Park
- 445 C Street – Stevens Square Parking Structure
- 1021 Edinger Avenue and 15012 Newport Avenue – future Newport Avenue Extension

Business-Type activities net position increased $1.5 million from prior year. Charges for services decreased $2.9 million from fiscal year 2015 due to the decline in water consumption caused by drought restrictions and voluntary water saving over the past year. Water operation costs decreased $0.4 million primarily because less water was purchased from the East Orange County Water District due to water conservation.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Financial Analysis of the Government's Funds (Continued)

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of $268.2 million, a decrease of $16.6 million in comparison with the prior year. The decrease is primarily due to the reclassification of Land Held for Resale totaling $34.0 million for 310 acres of land at the Legacy development to be given to another governmental agency and to be used for parks and roads. In addition the Valencia Parcels (about 5 acres) were reclassified due to a change in the intended use of the property. These parcels will be retained by the City and will be used to create the new Veterans Sports Park. These transactions resulted in a reduction in the fund balance for the governmental funds and an increase in land in the government-wide statement of net position. Approximately $88.6 million (33.2%) of the City's governmental fund balance constitutes nonspendable fund balance. Of the nonspendable amount, $88.0 million is Land Held for Resale. The remainder of the fund balance consists of $73.1 million in restricted funds, $26.9 million assigned to capital projects, and $79.7 million in unassigned funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $79.7 million, while total fund balance was $186.9 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 117% of the total General Fund expenditures.

City of Tustin
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2016
(*in millions of dollars*)

	2015	2016	Total % Change 2015-2016
Revenues:			
Taxes	$43.7	$48.0	
Charges for services	1.8	2.3	
Intergovernmental	2.6	3.2	
Fines and forfeitures	0.8	1.0	
Licenses and permits	0.9	1.3	
Other	22.4	4.3	
Gain on sale of land held for resale	48.1	-	
Total Revenues	120.3	60.1	(50.0%)
Expenditures:			
General government	16.6	19.1	
Public safety	33.0	27.8	
Public works	6.3	6.5	
Community services	2.9	7.0	
Capital Outlay	5.8	3.4	
Debt service	5.0	4.1	
Total Expenses	69.6	67.9	(2.4%)
Excess of Revenues Over (Under) Expenditures	50.7	(7.8)	
Other Financing Sources (Uses):			
Net transfers	2.1	5.3	
Special Item	21.4	(34.0)	
Net Change in Fund Balance	74.2	(36.5)	(149.2%)

Financial Analysis of the Government's Funds (Continued)

Transactions impacting revenues in the General Fund were as follows:

- Property tax revenue totaled about $16 million reflecting an increase of approximately $1 million from prior year due to the increase in property values.
- Sales tax revenue increased about $2.3 million due to a large county pool reallocation made by the State board of Equalization for prior year out-of-state use tax purchases and increases in auto-transportation sales.
- Intergovernmental revenue increased $0.6 million from fiscal year 2015 primarily due to an adjustment to recognize deposits for TSIP Area A-B as revenue.
- License and Permits increased $0.4 million due to the increase in building permits from prior year. Overall building activity was higher in fiscal year 2016.
- Other Revenue decreased $18.1 million from prior year primarily due to significant increases that occurred in fiscal year 2015. In 2015, the City received $16.9 million from Standard Pacific for construction of backbone infrastructure in the Legacy. Reimbursement for cost recovery increased in fiscal year 2015 as well, by $1.2 million for street maintenance to meet the City's Maintenance of Effort requirement to receive Measure M sales tax revenue from the Orange County Transportation Authority.
- As stated previously the Gain on Sale of Land Held for Resale decreased $48.1 million from prior fiscal year due to the sale of Land Held for Resale in the Legacy to Standard Pacific for the development of 375 residential homes.

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2016:

- General Government expenditures increased $2.5 million from prior year. About $1 million of the increase is due to a change in classification of CalPERS payments for the unfunded liability portion of the employer expense, caused by changes in the way that these costs are billed by CalPERS. Prior to fiscal year 2016, these costs were factored into the percentage paid by employers, but beginning in 2016, the flat amount reducing the existing liability is not allocated by employee. Also contributing to the increase in general government expenses was increased spending for improvements and professional and consulting related to the Legacy development and increased landscape and maintenance costs due to the impact of five years of drought and removal of median vegetation.
- Public safety expenditures decreased $5.2 million from prior year primarily due to the payment in fiscal year 2015 of the Public Safety Side Fund pension liability of $4.3 million and a $0.5 million increase in claims paid.
- Community Services expenditures increased $4.1 million due to a $4.0 million advance to Tustin Unified School District (TUSD) for the planning and design of the 6-12 School Project per the School Facilities Implementation, Funding, and Mitigation Agreement. Per the terms of the agreement, the City plans to fund an additional $40 million over the next 12 months.
- Capital Outlay decreased $2.4 million primarily due to the decrease in construction projects funded by the General Fund. During fiscal year 2016, the primary activity was planning and design for future construction projects with more funding provided with bond proceeds from the Community Facilities Districts.
- Debt Service decreased $0.9 million due to a decline in the annual payment to the Successor Agency from the initial payment of $5 million in 2015 to the payment amount of $4.1 million in 2016. The final payment amount of $4.1 million due to the Successor Agency was paid in August 2016.
- Net Transfers increased $3.2 million from prior year due to the transfer from the CFD Construction Capital Projects Fund totaling $1.6 million to repay amounts transferred to cover negative cash in prior years (See Note 4).

Financial Analysis of the Government's Funds (Continued)

Changes in Special Item presented in the Summary of Changes in Fund Balances – General Fund are the result of the following transactions:

- The Special Item of $21.4 million in fiscal year 2015 is due to a decision from the DOF to allow the City to pay a Due to the Successor Agency promissory note with the former Redevelopment Agency over a five-year period; therefore, it was reclassified to long-term debt (See Note 9).
- As mentioned previously, the Special Item in fiscal year 2016 totaling negative $34 million is the reclassification of Land Held for Resale for 310 acres of land at the Legacy development to be given to another governmental agency and to be used for parks and roads. In addition the Valencia Parcels (about 5 acres) were reclassified due to a change in the intended use of the property. These parcels will be retained by the City and will be used to create the new Veterans Sports Park. These transactions resulted in a reduction in the fund balance for the governmental funds and an increase in land in the government-wide statement of net position.

The MCAS 2010 Capital Project Fund's decrease in excess of revenues over expenditures of $41.9 million is primarily due to the DOF allowing the use of unspent bond proceeds that were outstanding when the former Tustin Community Redevelopment Agency was dissolved February 1, 2012. The $32.1 million contribution from the Successor Agency received in fiscal year 2015 will be used for backbone infrastructure within the Legacy area per the bond covenants. Capital outlay increased $9.4 million during 2016, contributing to the decrease in excess of revenues over expenditures.

The CFD Construction Capital Project Fund's increase in excess of revenues over expenditures of $39 million is primarily due to the issuance of bonds for CFD 2014-1 totaling $26.4 million received in fiscal year 2016 restricted for use in the Legacy area according to bond covenants. Also contributing to the excess of revenues over expenditures was a $7.1 million reduction in expenditures during 2016 due to reduced construction activity and an increase in intergovernmental revenue of $5.8 million due to the refunding of bonds for CFD 06-1 and CFD 07-1.

General Fund Budgetary Highlights

Differences between the General Fund actual revenues and amended budgeted revenues were $6.8 million primarily due to budgeted developer contributions that were not received. Contributions in conjunction with the sale of land to Regency Center totaling $10.3 million were received in August 2016. The amended budgeted expenditures were $90.6 million, an increase in appropriations of $9.8 million from the original budgeted expenditures of $80.8 million. The increase in appropriations was due to on-going development at the Tustin Legacy. $4 million was appropriated to facilitate the opening of the Heritage Elementary School and $0.4 million was for the design efforts for Moffett Drive and Kensignton Park Drive streets which border the school site. An appropriation of $0.9 million was for the Orange County Animal Shelter building project, $0.5 million for preparation of the mixed use concept and business plan with Oliver McMillan, and consulting services for the Red Hill Corridor with Kimley Horn. In Addition, after the mid-year budget review, there was a $1.8 million appropriation for salary and benefit increases in accordance with negotiated Memorandums of Understanding. Actual General Fund expenditures were less than the amended budgeted amount of $90.6 million by $22.7 million due to the decrease in capital project spending and use of professional and consulting services. Actual transfers in exceeded budgeted transfers in by $2 million, largely due to $3.4 million for Special Tax B which was not included in the budget for fiscal year 2016. In addition, there was $1.5 million transferred from the CFD Construction Capital Projects Fund to repay amounts transferred to cover negative cash in prior years.

Financial Analysis of the Proprietary Funds

The City has one proprietary fund which is the Water Enterprise Fund. Total revenues for the Water Fund exceeded total expenses by $1.6 million, resulting in an increase in net position during fiscal year 2016, from $36.1 million as of June 30, 2015, to $37.7 million as of June 30, 2016.

Operating revenues decreased significantly from $19.4 million in fiscal year 2015 to $16.5 million in 2016, due to reduced water consumption resulting from water conservation efforts. Related operating costs decreased $0.5 million from prior fiscal year, due to less water purchased from outside sources.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to $532 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City of Tustin
Summary of Changes in Capital Assets
For the Year Ended June 30, 2016
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Land	$44.1	$86.2	$1.2	$1.2	$45.3	$87.4	
Right of way	43.8	43.8	-	-	43.8	43.8	
Construction in progress	57.8	28.5	3.6	8.1	61.4	36.6	
Buildings and improvements	76.4	78.8	4.5	4.3	80.9	83.1	
Machinery and equipment	3.2	4.7	-	-	3.2	4.7	
Infrastructure	231.4	241.2	-	-	231.4	241.2	
Property, plant and equipment	-	-	36.4	35.2	36.4	35.2	
Total Capital Assets, Net	$456.7	$483.2	$45.7	$48.8	$502.4	$532.0	5.9%

The major activity affecting capital assets this year was the reclassification of $34 million of land from land held for resale discussed previously. Approximately 310 acres of land at the Legacy development was reclassified to be given to another governmental agency and to be used for parks and roads. In addition the Valencia Parcels (about 5 acres) were reclassified due to a change in the intended use of the property. These parcels will be retained by the City and will be used to create the new Veterans Sports Park. There was a decrease in construction in progress due to the completion of improvements for Frontier Park Playground, Centennial Park and Laurel Glen Park, Frontier Park Water Play Recirculation, biofiltration retrofit at various locations, Warner Extension from Redhill to Armstrong, Barranca Parkway Improvements, IRWD Sewer Relocation at Tustin Ranch Road and Barranca. In addition, Legacy Road and Victory Park were completed in fiscal year 2016 with funding from developer contributions. In analyzing the final construction costs upon completion, approximately $18.9 million was expensed in the government-wide statements due to construction completed for assets not owned by the City including OFCD channel improvements, wet and dry utilities, City of Santa Ana improvements, Irvine Ranch Water District improvements, and City of Irvine infrastructure. These expenses are causing an increase in the public works and community services categories in the government wide activities. Infrastructure increased $9.8 million mostly due to completion of the Warner Avenue Extension.

Additional information on the City's capital assets can be found in the notes to the basic financial statements section of this report (beginning on page 54).

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term liabilities of $111.6 million. Of this amount, $41.6 million are secured solely by specified revenue sources such as property tax increment and water service charges.

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2016
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2015	2016	2015	2016	2015	2016	2015-2016
Bonds payable	$-	$-	$42.6	$41.6	$42.6	$41.6	
Due to Successor Agency to the Tustin Community Redevelopment Agency	16.4	12.3	-	-	16.4	12.3	
Claims and judgments	5.1	4.8	-	-	5.1	4.8	
Postemployment benefits obligation	5.7	7.2	-	-	5.7	7.2	
Termination benefits	1.3	0.6	-	-	1.3	0.6	
Compensated absences	3.0	3.1	0.2	0.2	3.2	3.3	
Pension liabilities	38.2	39.5	1.8	2.3	40.0	41.8	
Total Outstanding Debt	$69.7	$67.5	$44.6	$44.1	$114.3	$111.6	2.4%

Overall, long-term debt decreased $2.7 million from the prior year balances mostly due to the payment of $4.1 million reducing the Due to Successor Agency to the Tustin Community Redevelopment Agency. This decrease was offset by an increase of $1.8 million in pension liabilities, comprised of reductions for the Safety (police) Plans totaling $1.5 million and an increase of $3.3 million for the Miscellaneous (all other) Plans. The decrease in the Safety Plans was mostly due to the payoff in fiscal year 2015 of the plan's side fund, which impacted the actuarial valuation of the remaining balances. The increase in the Miscellaneous Plans was mostly due to the interest on the total pension liability which accrues at the rate determined by CalPERS of 7.65%.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements section of this report starting on page 56.

Next Year's Budget and Rates

The City Council adopted the fiscal year 2016-2017 Budget with total appropriations of $219.6 million which includes $10.9 million of capital outlay for the Water Enterprise Fund. The General Fund fiscal year 2016-2017 estimated revenues are $55.6 million and budgeted appropriations are $58 million resulting in an estimated operating deficit of $2.4 million. The operating deficit will be covered by planned use of excess General Fund reserves. The appropriations are $3.7 million higher than prior year's appropriation. The primary reason for the increase in appropriations is due to increased salary and benefit costs, operational costs, and capital expenditures. An increase of about $2 million is associated with the various Memorandum of Understanding (MOU) agreements as well as various personnel changes outlined in the adopted budget. An increase of $1.9 million is associated with various capital projects funded from the General Fund which include council chamber improvements, citywide pedestrian improvements and various building improvements. All other appropriations are consistent with fiscal year 2015. There were no fee increases as part of the preparation and adoption of the fiscal year 2016-17 budget.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Tustin, 300 Centennial Way, Tustin, California, 92780**.**

CITY OF TUSTIN

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	$ 134,387,214	$ 16,207,860	$ 150,595,074
Receivables:			
Accounts	9,656,992	2,920,396	12,577,388
Interest	310,168	46,052	356,220
Loans	899,029	-	899,029
Allowance for uncollectibles	(562,687)	-	(562,687)
Prepaid items and deposits	578,393	26,035	604,428
Land held for resale	88,484,827	-	88,484,827
Restricted assets:			
Cash and investments	49,228,190	17,878,663	67,106,853
Capital assets:			
Not being depreciated	158,525,364	9,237,662	167,763,026
Being depreciated, net	324,703,771	39,610,461	364,314,232
TOTAL ASSETS	766,211,261	85,927,129	852,138,390
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	-	364,908	364,908
Deferred amounts on pension plans	4,671,159	277,520	4,948,679
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,671,159	642,428	5,313,587
LIABILITIES:			
Accounts payable and accrued liabilities	7,220,215	3,486,580	10,706,795
Interest payable	-	481,980	481,980
Deposits payable	6,333,893	562,770	6,896,663
Noncurrent liabilities:			
Due within one year	12,372,470	1,010,640	13,383,110
Due in more than one year	55,177,464	43,124,345	98,301,809
TOTAL LIABILITIES	81,104,042	48,666,315	129,770,357
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts on pension plans	4,083,439	232,034	4,315,473
NET POSITION:			
Net investment in capital assets	483,229,135	25,443,651	508,672,786
Restricted for:			
Community services	2,974,062	-	2,974,062
Public safety	169,036	-	169,036
Public works	92,097,927	-	92,097,927
Unrestricted	107,224,779	12,227,557	119,452,336
TOTAL NET POSITION	$ 685,694,939	$ 37,671,208	$ 723,366,147

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 20,023,280	$ 2,072,540	$ 22,487	$ -
Public safety	27,779,830	1,195,350	245,079	-
Public works	47,326,664	3,538,906	1,751,492	48,248,575
Community services	7,869,124	953,149	703,920	463,008
Total governmental activities	102,998,898	7,759,945	2,722,978	48,711,583
Business-type activity:				
Water	15,586,463	16,511,795	-	-
Total	$ 118,585,361	$ 24,271,740	$ 2,722,978	$ 48,711,583

General revenues:
Taxes:
Property
Franchise
Transient occupancy
Business license
Sales taxes shared state revenues
Motor vehicle taxes shared state revenues
Earnings on investments
Miscellaneous

Total general revenues

Change in net position, before extraordinary items

Extraordinary Items:
Contribution of capital assets from Successor Agency
Repayment of funds from Successor Agency to City of Tustin's Housing Authority

Change in net position

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activity	Total
$ (17,928,253)	$ -	$ (17,928,253)
(26,339,401)	-	(26,339,401)
6,212,309	-	6,212,309
(5,749,047)	-	(5,749,047)
(43,804,392)	-	(43,804,392)
-	925,332	925,332
(43,804,392)	925,332	(42,879,060)
16,451,763	-	16,451,763
1,839,963	-	1,839,963
1,554,754	-	1,554,754
406,891	-	406,891
24,513,610	-	24,513,610
6,778,329	-	6,778,329
2,430,087	480,050	2,910,137
2,671,845	149,374	2,821,219
56,647,242	629,424	57,276,666
12,842,850	1,554,756	14,397,606
1,570,400	-	1,570,400
976,042	-	976,042
15,389,292	1,554,756	16,944,048
670,305,647	36,116,452	706,422,099
$ 685,694,939	$ 37,671,208	$ 723,366,147

CITY OF TUSTIN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General	Capital Projects Funds: MCAS 2010	Capital Projects Funds: CFD Construction	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 81,708,848	$ 22,617,699	$ 24,814	$ 30,035,853	$ 134,387,214
Restricted cash and investments	18,633,011	-	30,595,179	-	49,228,190
Receivables:					
Accounts	8,176,000	-	-	1,480,992	9,656,992
Interest	158,627	34,321	-	117,220	310,168
Loans	515,233	-	-	383,796	899,029
Allowance for uncollectibles	(528,891)	-	-	(33,796)	(562,687)
Prepaid items and deposits	576,471	-	-	1,922	578,393
Land held for resale	88,002,743	-	-	482,084	88,484,827
TOTAL ASSETS	$ 197,242,042	$ 22,652,020	$ 30,619,993	$ 32,468,071	$ 282,982,126
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	$ 4,500,945	$ 1,720,922	$ 156,112	$ 842,236	$ 7,220,215
Deposits payable	5,523,648	-	-	810,245	6,333,893
TOTAL LIABILITIES	10,024,593	1,720,922	156,112	1,652,481	13,554,108
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	313,713	-	-	898,488	1,212,201
FUND BALANCES:					
Nonspendable	88,579,214	-	-	1,922	88,581,136
Restricted	18,657,461	-	30,463,881	23,974,462	73,095,804
Assigned	-	20,931,098	-	5,940,718	26,871,816
Unassigned	79,667,061	-	-	-	79,667,061
TOTAL FUND BALANCES	186,903,736	20,931,098	30,463,881	29,917,102	268,215,817
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 197,242,042	$ 22,652,020	$ 30,619,993	$ 32,468,071	$ 282,982,126

See accompanying notes to basic financial statements.

CITY OF TUSTIN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2016

Fund balances - total governmental funds		$ 268,215,817
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental funds.		483,229,135
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position. Balances at June 30, 2016 are:		
Claims and judgments payable	$ (4,785,201)	
Compensated absences payable	(3,139,635)	
Due to Successor Agency	(12,303,512)	
Post employment benefits obligation	(7,162,634)	
Termination benefits payable	(660,426)	
Total long-term liabilities		(28,051,408)
Pension related debt applicable to the City's governmental activites are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred outflows of resources	4,671,159	
Deferred inflows of resources	(4,083,439)	
Pension liability	(39,498,526)	
		(38,910,806)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.		1,212,201
Net position of governmental activities		$ 685,694,939

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2016

	General	Capital Projects Funds MCAS 2010	Capital Projects Funds CFD Construction	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 48,039,509	$ -	$ -	$ -	$ 48,039,509
Licenses and permits	1,334,311	-	-	-	1,334,311
Fines and forfeitures	982,123	-	-	-	982,123
Investment income	1,641,999	390,360	27,884	361,829	2,422,072
Intergovernmental revenue	3,159,110	-	5,820,080	9,345,203	18,324,393
Charges for services	2,335,827	-	-	21,441	2,357,268
Rental income	1,090,681	-	-	218,171	1,308,852
Other revenue	1,500,995	-	-	3,213,106	4,714,101
Contribution from property owners - special assessments	-	-	26,357,490	-	26,357,490
TOTAL REVENUES	60,084,555	390,360	32,205,454	13,159,750	105,840,119
EXPENDITURES:					
Current:					
General government	19,082,646	-	-	1,289,808	20,372,454
Public safety	27,791,298	-	-	105,884	27,897,182
Public works	6,489,414	692,966	-	-	7,182,380
Community services	7,016,001	-	-	292,497	7,308,498
Capital outlay	3,418,762	10,175,955	1,536,523	7,367,381	22,498,621
Debt service:					
Principal retirement	4,101,171	-	-	-	4,101,171
TOTAL EXPENDITURES	67,899,292	10,868,921	1,536,523	9,055,570	89,360,306
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,814,737)	(10,478,561)	30,668,931	4,104,180	16,479,813
OTHER FINANCING SOURCES (USES):					
Transfers in	5,405,924	-	48,064	-	5,453,988
Transfers out	(48,064)	-	(1,572,719)	(3,833,205)	(5,453,988)
TOTAL OTHER FINANCING SOURCES (USES)	5,357,860	-	(1,524,655)	(3,833,205)	-
NET CHANGE IN FUND BALANCES, BEFORE SPECIAL AND EXTRAORDINARY ITEM	(2,456,877)	(10,478,561)	29,144,276	270,975	16,479,813
SPECIAL ITEM	(34,026,499)	-	-	-	(34,026,499)
EXTRAORDINARY ITEM	-	-	-	976,042	976,042
NET CHANGE IN FUND BALANCES	(36,483,376)	(10,478,561)	29,144,276	1,247,017	(16,570,644)
FUND BALANCES - BEGINNING OF YEAR	223,387,112	31,409,659	1,319,605	28,670,085	284,786,461
FUND BALANCES - END OF YEAR	$ 186,903,736	$ 20,931,098	$ 30,463,881	$ 29,917,102	$ 268,215,817

See accompanying notes to basic financial statements.

CITY OF TUSTIN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Net change in fund balances - total governmental funds		$ (16,570,644)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures and contributions exceeded depreciation and disposition of capital assets in the current period:		
Capital outlay	$ 11,661,381	
Contribution of capital assets to other entities	(18,887,000)	
Contribution of capital assets from a developer	9,610,141	
Contribution of capital assets from the Successor Agency	1,570,400	
Reclassification of assets from land held for resale	34,026,499	
Disposition of capital assets	(174,837)	
Depreciation expense	(11,226,534)	26,580,050
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt and changes in other long-term liabilities affects the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term liabilities:		
Principal payment	$ 4,101,171	
Postemployment benefits obligation	(1,468,416)	
Claims and judgments payable	363,554	
Compensated absences payable	(114,617)	
Termination benefits payable	660,426	3,542,118
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources		1,446,280
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are reported as available revenues in the governmental funds:		
Net change in unavailable revenue		391,488
Change in net position of governmental activities		$ 15,389,292

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2016

	Business-type Activity Water Enterprise Fund
ASSETS:	
CURRENT ASSETS:	
Cash and investments	$ 16,207,860
Accounts receivable	2,920,396
Interest receivable	46,052
Prepaid items	26,035
Restricted cash and investments	17,878,663
TOTAL CURRENT ASSETS	37,079,006
NONCURRENT ASSETS:	
Capital assets:	
Not being depreciated	9,237,662
Being depreciated, net	39,610,461
TOTAL NONCURRENT ASSETS	48,848,123
TOTAL ASSETS	85,927,129
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	364,908
Deferred amounts on pension plans	277,520
TOTAL DEFERRED OUTFLOWS OF RESOURCES	642,428
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	3,486,580
Deposits payable	562,770
Compensated absences payable	180,853
Termination benefits payable	14,787
Interest payable	481,980
Bonds payable	815,000
TOTAL CURRENT LIABILITIES	5,541,970
LONG-TERM LIABILITIES:	
Compensated absences payable	20,094
Bonds payable	40,833,043
Net pension liability	2,271,208
TOTAL LONG-TERM LIABILITIES	43,124,345
TOTAL LIABILITIES	48,666,315
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts on pension plans	232,034
NET POSITION:	
Net investment in capital assets	25,443,651
Unrestricted	12,227,557
TOTAL NET POSITION	$ 37,671,208

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the year ended June 30, 2016

	Business-type Activity Water Enterprise Fund
OPERATING REVENUES:	
Charges for services	$ 16,511,795
OPERATING EXPENSES:	
Personnel services	2,849,928
Purchased water	5,488,071
Maintenance and operation	3,675,377
Depreciation and amortization	1,759,296
TOTAL OPERATING EXPENSES	13,772,672
OPERATING INCOME	2,739,123
NONOPERATING REVENUES (EXPENSES):	
Investment income	480,050
Other income	149,374
Interest expense and other fiscal charges	(1,806,578)
Loss on sale of assets	(7,213)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,184,367)
CHANGE IN NET POSITION	1,554,756
NET POSITION AT BEGINNING OF YEAR	36,116,452
NET POSITION AT END OF YEAR	$ 37,671,208

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2016

	Business-type Activity Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 16,611,810
Payments to suppliers	(6,714,784)
Payments to other funds for services	(1,200,000)
Payments to employees	(2,969,194)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,727,832
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(4,686,122)
Principal paid on bonds	(790,000)
Interest paid	(2,070,165)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,546,287)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	352,405
Change in the fair value of investments	112,262
NET CASH PROVIDED BY INVESTING ACTIVITIES	464,667
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,353,788)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	35,440,311
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 34,086,523
CASH AND CASH EQUIVALENTS:	
Cash and investments - current assets	$ 16,207,860
Cash and investments - restricted assets	17,878,663
TOTAL CASH AND CASH EQUIVALENTS	$ 34,086,523

See accompanying notes to basic financial statements. (Continued)

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
(CONTINUED)

For the year ended June 30, 2016

	Business-type Activity Water Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 2,739,123
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,759,296
Other nonoperating income	149,374
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(129,273)
(Increase) decrease in prepaid items	(25,925)
(Increase) decrease in deferred ouflows of resources	(82,119)
Increase (decrease) in accounts payable and accrued liabilities	1,282,775
Increase (decrease) in deposits payable	79,915
Increase (decrease) in compensated absences	4,719
Increase (decrease) in termination benefits payable	(14,787)
Increase (decrease) in net pension liability	438,294
Increase (decrease) in deferred inflows of resources	(473,560)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,727,832

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	$ 3,162,611	$ 62,102
Restricted cash and investments	4,658,297	12,899,136
Receivables:		
Taxes	-	78,835
Due from City of Tustin	12,303,512	-
Prepaid items and deposits	5,562	-
TOTAL ASSETS	20,129,982	$ 13,040,073
LIABILITIES:		
Accounts payable	10,540	$ 981
Interest payable	975,760	-
Deposits payable	1,000	-
Due to bondholders	-	13,039,092
Long-term liabilities:		
Due within one year	5,821,171	-
Due in more than one year	67,224,632	-
TOTAL LIABILITIES	74,033,103	$ 13,040,073
NET POSITION:		
Held in trust	$ (53,903,121)	

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2016

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Tax revenue	$ 4,994,874
Rental income	8,750
Contribution from the City of Tustin	125,821
Investment income	17,534
TOTAL ADDITIONS	5,146,979
DEDUCTIONS:	
Administrative expenses	44,895
Community services	141,013
Interest	3,051,599
TOTAL DEDUCTIONS	3,237,507
CHANGE IN NET POSITION BEFORE EXTRAORDINARY ITEMS	1,909,472
EXTRAORDINARY ITEMS:	
Contribution of capital assets to the City of Tustin	(1,570,400)
Repayment of funds to the City of Tustin's Housing Authority	(976,042)
CHANGE IN NET POSITION	(636,970)
NET POSITION - BEGINNING OF YEAR	(53,266,151)
NET POSITION - END OF YEAR	$ (53,903,121)

See accompanying notes to basic financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

   a. The Financial Reporting Entity:

      The City of Tustin (City) was incorporated in 1927 as a “General Law” City governed by an elected five-member city council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Tustin (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from each other. However, the City of Tustin’s elected officials have a continuing full or partial accountability for fiscal matters of the other entities. The financial reporting entity consists of: (1) the City, (2) organizations for which the City is financially accountable, and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

      An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit’s balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit’s governing body is substantially the same as the City’s or the component unit provides services almost entirely to the City.

      Blended Component Units

      <u>The Tustin Public Financing Authority (the Authority)</u> is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement dated May 1, 1995. The members of the City Council constitute the members of the Board of Directors of the Authority. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes, and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City or Assessment Districts of the City.

      <u>The City of Tustin Housing Authority (the Housing Authority)</u> was established by the City Council in 2011, and is responsible for the administration of providing affordable housing in the City. The Housing Authority is governed by a five-member Board of Directors which consists of members of the City Council, which designates management and has full accountability for the Housing Authority’s financial affairs. The Housing Authority’s financial transactions are reported in the Special Revenue Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. The Financial Reporting Entity (Continued):

Since the City Council serves as the governing board for these component units and management of the City has operational responsibility for these component units, all of the City’s component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance, part of the City’s operations and so data from these units are reported within the funds of the primary government. These component units do not issue separate component unit financial statements.

b. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the reporting government as a whole, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activity, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, inter-fund services have been eliminated; however, those transactions between governmental and business-type activity have not been eliminated.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Government-wide and Fund Financial Statements (Continued):

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the City's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary fund statements, even though excluded from the government-wide financial statements, include financial information for private purpose trust funds and agency funds.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (fiduciary funds do not have a measurement focus) financial statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statements of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds result from providing services and producing and delivering goods. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Property taxes are recognized as revenue in the year for which they are levied. Operating revenues are those that result from providing services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources”. Governmental fund operating 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.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

Property taxes, franchise taxes, licenses, intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City’s fiduciary funds consist of a private purpose trust fund, which is reported using the economic resources measurement focus, and the agency funds which have no measurement focus, but utilize the accrual basis for reporting its assets and liabilities.

All governmental activities, business-type activities and proprietary funds of the City follow Governmental Accounting Standards Board (GASB) pronouncements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Fund Classifications

The funds designated as major funds are determined by a mathematical calculation. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City and is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The MCAS 2010 Capital Projects Fund is used to account for capital project costs at the Marine Corps Air Station.

The CFD Construction Capital Projects Fund is used to account for construction and improvements to the Tustin Legacy area.

The City reports the following major proprietary fund:

The Water Enterprise Fund is used to account for the City's water service operations to residents and businesses.

The City's fund structure also includes the following fund types:

Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds

Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Tustin Community Redevelopment Agency.

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for taxes received for special assessments debt for which the City is not obligated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements:

Current Year Standards

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *"Fair Value Measurement and Application"*. GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73 - *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*, was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, and is effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 76 - *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"*, was required to be implemented in the current fiscal year and did not impact the City.

GASB Statement No. 79 - *"Certain External Investment Pools and Pool Participants"*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82, *"Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73"*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.

- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.

- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.

- GASB 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.

- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.

- GASB 79 - "*Certain External Investment Pools and Pool Participants*", contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.

- GASB 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.

- GASB 81 - "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.

- GASB 82 - "*Pension Issues*", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

   e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity:

Cash, Cash Equivalents and Investments

Investments are stated at fair value (the value at which a financial instrument would be exchanged in a current transaction between willing parties other than a forced or liquidation sale), except for certain investments which have a remaining life of less than one year when purchased and investment contracts, which are stated at amortized cost.

The City's proprietary fund participates in the pooling of City-wide cash and investments. Amounts held in the City pool are available to the fund on demand and are considered to be cash and cash equivalents for statement of cash flow purposes. Investments not held in the City pool that are short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of contribution. Capital asset purchases (other than infrastructure) in excess of $10,000 are capitalized if they have an expected useful life of five years or more. Infrastructure assets with a cost exceeding $150,000 are capitalized.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, storm drains, bridges, and right-of-way corridors within the City.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the enterprise fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective statement of net position. The lives used for depreciation purposes of each capital asset class are:

Buildings	5 - 40 years
Improvements other than buildings	5 - 40 years
Property and plant	5 - 40 years
Machinery and equipment	4 - 10 years
Infrastructure	25 - 75 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

   e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued):

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred charge on refunding, net of accumulated amortization, reported in the government-wide statement of net position and the proprietary fund financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

- Deferred outflows related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 3.8 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

   e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued):

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the governmental funds 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 net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans, which is 2.7 to 3.8 years.

- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans, which is 2.7 to 3.8 years.

- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued):

Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value determined only upon the execution of a disposition and development agreement.

Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. The City accrues as revenues only those taxes which are received within 60 days after year end in the fund financial statements.

Property Tax Calendar

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1^{st}
Levy period	July 1^{st} to June 30^{th}
Levy date	On or before 4^{th} Monday in September
Due date	November 1^{st} - 1^{st} installment
	February 1^{st} - 2^{nd} installment
Collection date	December 10^{th} - 1^{st} installment
	April 10^{th} - 2^{nd} installment

Interest and penalties are assessed after the collection date.

Compensated Absences

All vested vacation and compensatory leave time is recognized as an expense and as a liability in the proprietary type fund at the time the liability vests. Governmental fund types recognize the vested vacation and compensatory time as an expenditure in the current year to the extent it is paid during the year or is due and payable at year-end. Any additional accrued vacation and compensatory time relating to governmental funds and amounts relating to the proprietary fund type are included as long-term liabilities within the statement of net position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued):

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

f. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net position date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain liabilities. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 150,595,074
Restricted cash and investments	67,106,853
Fiduciary Funds:	
Cash and investments	3,224,713
Restricted cash and investments	17,557,433
Total Cash and Investments	$ 238,484,073

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued)

Cash and investments as of June 30, 2016, consist of the following:

Cash on hand	$ 9,100
Deposits with financial institutions	7,124,276
Investments	231,350,697
Total Cash and Investments	$ 238,484,073

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by the City's Policy	Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Negotiable certificates of deposit	None	30%	None
Prime quality commercial paper	270 days *	25%	None
Government sponsored pools (LAIF, mutual funds)	N/A	None	None
Commercial bank time drafts (Bankers acceptances)	180 days	25%	30%
Medium-term notes	5 years	15%	None
Municipal and state securities	None	15%	5%
Federal agency bonds or notes	5 years	75%	None
United States (U.S). Treasury securities	5 years	None	None
Money market funds	N/A	None	None
Repurchase agreements	1 year	None	None

N/A - Not Applicable

* Average weighted maturity shall not exceed ninety (90) days if commercial paper exceeds fifteen (15) percent of total portfolio assets.

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Agency Securities	None	None	None
Banker's Acceptances	270 days	None	None
Commercial Paper	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Certificates of Deposit	None	None	None
Corporate Notes	None	None	None
Repurchase Agreements	None	None	None

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. 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.

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Remaining Maturity				
Investment Type	12 Months or Less	13 - 24 Months	25 - 60 Months	Over 60 Months	Total
U.S. Treasury Notes	$ 12,010,416	$ 15,547,500	$ 7,046,760	$ -	$ 34,604,676
U.S. Government Sponsored Agency Securities:					
Federal National Mortgage Association (FNMA)	-	2,012,730	8,020,413	-	10,033,143
Federal Home Loan Bank (FHLB)	9,019,849	3,001,222	5,533,189	-	17,554,260
Federal Home Loan Mortgage Corporation (FHLMC)	4,007,930	1,000,174	3,552,006	-	8,560,110
Federal Farm Credit Bank (FFCB)	2,000,166	4,020,675	4,006,268	-	10,027,109
Local Agency Investment Pool (LAIF)	48,834,412	-	-	-	48,834,412
Orange County Investment Pool	10,482,773	-	-	-	10,482,773
Negotiable Certificates of Deposit	1,737,774	2,989,513	8,627,495	-	13,354,782
Medium-term Notes	10,050,920	4,145,274	8,673,355	-	22,869,549
Municipal Bonds	-	2,010,320	3,082,810	-	5,093,130
Held by Fiscal Agents:					
Money Market Mutual Funds	49,936,753	-	-	-	49,936,753
	$148,080,993	$ 34,727,408	$ 48,542,296	$ -	$231,350,697

2. CASH AND INVESTMENTS (CONTINUED):

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the Standard and Poor's actual rating as of year end for each investment type.

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	Exempt from Disclosure	AAA	AA+	AA	Other	Not Rated
U.S. Treasury Notes	$ 34,604,676	N/A	$ 34,604,676	$ -	$ -	$ -	$ -	$ -
U.S. Government Sponsored								
Agency Securities:								
FNMA	10,033,143	N/A	-	-	10,033,143	-	-	-
FHLB	17,554,260	N/A	-	-	17,554,260	-	-	-
FHLMC	8,560,110	N/A	-	-	8,560,110	-	-	-
FFCB	10,027,109	N/A	-	-	10,027,109	-	-	-
Local Agency Investment Pool	48,834,412	N/A	-	-	-	-	-	48,834,412
Orange County Investment Pool	10,482,773	N/A	-	-	-	-	-	10,482,773
Negotiable Certificates								
of Deposit	13,354,782	N/A	-	-	-	-	-	13,354,782
Medium-term Notes	22,869,549	A	-	4,080,153	-	7,032,413	9,745,323	2,011,660
Municipal Bonds	5,093,130	A	-	-	-	-	4,059,200	1,033,930
Held by Fiscal Agents:								
Money Market Mutual Funds	49,936,753	A	-	49,936,753	-	-	-	-
Total	$ 231,350,697		$ 34,604,676	$ 54,016,906	$ 46,174,622	$ 7,032,413	$ 13,804,523	$ 75,717,557

N/A - Not Applicable

The ratings for the "Other" category above are as follows:

Medium-term Notes:		Municipal Bonds:	
AA-	$ 4,040,826	AA-	$ 4,059,200
A-	1,003,940		
A	2,136,269		
A+	2,564,288		
	$ 9,745,323		

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	United States Government Sponsored Agency Securities	$ 17,554,260

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an investor 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, an investor 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 secures 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Continued)

As of June 30, 2016, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

As of June 30, 2016, the City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Carrying Value
U.S. Treasury Notes	$ 34,604,676
U.S. Government Sponsored Agency Securities	46,174,622
Medium-term Notes	22,869,549
Municipal Bonds	5,093,130
Negotiable Certificates of Deposit	13,354,782

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Investment in County Investment Pool

The Orange County Investment Pool Fund (OCIP) is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCIP are highly liquid as deposits and withdrawal can be made at any time without penalty. The City's fair value of its share in the pool is the same value of the pool shares, which amounted to $10,482,773. Information on OCIP's use of derivative securities in its investment portfolio and OCIP's and the City's exposure to credit, market, or legal risk is not available.

2. CASH AND INVESTMENTS (CONTINUED):

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) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City’s own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City’s own data.

The asset’s level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City’s management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management’s perceived risk of that investment.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued)

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by City's custodian.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments.

For a large portion of the City's portfolio, the City's custodian applies their leveling methodology across all securities in a specific sector (i.e. U.S. Government Sponsored Agency Securities). Inputs to their pricing models are based on observable market inputs in active markets.

The City has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Notes	$ -	$ 34,604,676	$ -	$ 34,604,676
U.S. Government Sponsored Agency Securities:				
FNMA	-	10,033,143	-	10,033,143
FHLB	-	17,554,260	-	17,554,260
FHLMC	-	8,560,110	-	8,560,110
FFCB	-	10,027,109	-	10,027,109
Negotiable Certificates of Deposit	-	13,354,782	-	13,354,782
Medium-term Notes	-	22,869,549	-	22,869,549
Municipal Bonds	-	5,093,130	-	5,093,130
Total Leveled Investments	$ -	$ 122,096,759	$ -	122,096,759
Local Agency Investment Pool*				48,834,412
Orange County Investment Pool*				10,482,773
Held by Fiscal Agents:				
Money Market Mutual Funds*				49,936,753
Total Investment Portfolio				$ 231,350,697

* Not subject to fair value measurements.

3. LOANS RECEIVABLE:

Multi-Family Development Loan: A bridge loan was provided to a senior apartment developer to assist in the development of 53 affordable rental units. The total outstanding balance as of June 30, 2016, was $350,000.

Home Improvement Loans: Home improvement loans were provided to low and moderate income households (rental and ownership). These deferred loans are due upon sale, refinance, or when the rental units are no longer available as affordable units. Term is 30 years. The total outstanding balance as of June 30, 2016, was $33,796. An allowance of $33,796 has been recorded to reflect the amount of the loans not expected to be collectible.

Homebuyer Program Loans: Down payment assistance was provided to qualified first time homebuyers. The loans provided in the Ambrose Lane Development were due beginning in 2016, or when the homeowner sells or refinances. The loans provided in the Tustin Grove Development were due when the homeowner sells or refinances. If the homeowner did not sell or refinance before July 2015, the loan was forgiven. In fiscal year 2015-16, the loans were forgiven. However, there was no impact in the financial statements because an allowance for the full amount was recorded in the prior year.

Orange County Rescue Mission: On February 10, 2015, the City entered into an agreement with the Orange County Rescue Mission (OCRM), whereby the City agreed to convey two residential buildings to the OCRM to be used for housing for homeless veterans. In exchange, the OCRM executed a promissory note to the City in the amount of $533,000. The note is payable after 30 years with 3% interest. For every year that the OCRM uses the property for homeless veterans housing, the promissory note and any accrued interest will be forgiven by 1/30th. Should the OCRM successfully utilize the properties for homeless veterans housing for all 30 years in which the note is in effect, as stipulated in the deed of trust, it will owe no money to the City. The total outstanding balance at June 30, 2016, including accrued interest of $13,658 was $528,891. An allowance of $528,891 has been recorded to reflect the amount of the note not expected to be collectible.

4. INTERFUND TRANSFERS:

The composition of interfund transfers for the year ended June 30, 2016, is as follows:

Transfers In	Transfers Out	Amount
General Fund	CFD Construction Capital Projects Fund	$ 1,572,719
	Other Governmental Funds	3,833,205
CFD Construction Capital Projects Fund	General Fund	48,064
		$ 5,453,988

4. INTERFUND TRANSFERS (CONTINUED):

The transfers during the fiscal year ended June 30, 2016, were for the following purposes:

A transfer from the CFD Construction Capital Projects Fund totaling $1,572,719 to the General Fund was made to repay amounts transferred to cover negative cash in prior years.

A transfer from other governmental funds totaling $3,427,578 to the General Fund to pay for public safety services provided for the Special Tax B area.

A transfer from other governmental funds totaling $310,200 was made to the General Fund per the adopted budget for fiscal year 2015-16.

A transfer from other governmental funds totaling $95,427 to the General Fund to pay for services provided for Measure M.

The General Fund transferred $48,064 to the CFD Construction Capital Projects Fund to eliminate negative cash until reimbursement is received from the fiscal agent.

5. LAND HELD FOR RESALE:

Land held for resale as of June 30, 2016, consisted of the following:

Pacific Park	$ 30,787,557
South A Street property	131,818
Tustin Legacy	57,083,368
27 Look Out	127,157
14542 Newport Avenue #3	354,927
Total Land Held for Resale	$ 88,484,827

6. LAND TRANSFER FROM THE UNITED STATES GOVERNMENT:

On May 13, 2002, the City entered into an agreement with the United States of America (the Government) wherein the Government agreed to convey to the City a portion of the former Marine Corps Air Station Tustin (MCAS Tustin). The transfer is pursuant to the authority provided by Section 2905(b)4 of the Defense Base Closure and Realignment Act of 1990, as amended, and the implementing regulations of the Department of Defense to convey surplus property at a closing installation to the local redevelopment authority at no cost for economic development purposes.

6. LAND TRANSFER FROM THE UNITED STATES GOVERNMENT: (CONTINUED):

The real properties, consisting of approximately 1,153 acres of land located within the bounds of the former MCAS Tustin, were conveyed to the City in multiple parcels, by separate conveyances. Parcel Group I, (consisting of approximately 977 acres), was conveyed to the City on May 14, 2002. A portion of Parcel Group I (consisting of approximately 23 acres) was conveyed to the City during fiscal year 2003 and the remainder was conveyed to the City in fiscal year 2004. Conveyance of Parcel Group II (consisting of a total of 49 acres) was conveyed in September 2006 and May and July 2003. Conveyance of Parcel Group III (consisting of approximately 18 acres) and Parcel Group IV (consisting of approximately 119 acres) were conveyed in September 2006 and April 2008, respectively. As part of the agreement, the City also received certain personal property and utilities on the base. The land parcels were recorded at their estimated fair values at the dates of conveyance.

Subsequent to the conveyance of properties from the Government, the Agreement required the City to convey approximately 22 acres to Santa Ana Unified School District (SAUSD), 15 acres to Rancho Santiago Community College District (RSCCD) and 65 acres to South Orange County Community College District (SOCCCD) subject to certain conditions as detailed in the agreement with the Government and the terms and conditions of the settlement and release agreements between the City and SAUSD and the City and the RSCCD.

The SAUSD declined the conveyance of the land from the City and instead of receiving the land, the SAUSD was paid $60,000,000 under an agreement dated December 20, 2002. The City conveyed the RSCCD parcel during fiscal year 2003. Conveyance of the SOCCCD parcel happened in fiscal year 2004.

On May 21, 2013, the City Council approved a General Plan Amendment, MCAS Tustin Specific Plan Amendment, Development Agreement, and Agreement for Exchange of Real Property with the SOCCCD. The Exchange Agreement delineates the terms and processes associated with the exchange of the ultimate ownership of approximately 89 acres of land within Planning Area 1 of Tustin Legacy. The City of Irvine has identified concerns about that project’s traffic impacts in Irvine, and about the traffic analysis of projects in the MCAS Tustin Specific Plan area generally. In July 2013, the City entered into a settlement agreement with the City of Irvine which allowed the City to proceed with the Exchange Agreement. The transfer of the parcels occurred August 2014 and was considered an even exchange.

The City also entered into a separate agreement with the SOCCCD in July 2014 to acquire the Valencia Parcels, approximately 5 acres of land, for $1,083,220 less a demolition credit of $500,000.

In August 2014, the City sold 74 acres of the land to a developer for $56,000,000 resulting in a gain on land held for resale of $48,136,121.

In February 2015, the City entered into an Exchange Agreement with the United States of America Department of Army. The Exchange Agreement delineates the terms associated with the exchange of the ultimate ownership of approximately 15 acres of usable land and improvements. The transfer of the property occurred in April 2015 and was determined to be of equivalent value.

6. LAND TRANSFER FROM THE UNITED STATES GOVERNMENT: (CONTINUED):

In fiscal year 2015-16, the City reclassified 310 acres of the land held for resale related to the land transfer from the United States Government to land to be used for government purposes. The reclassification was for land to be given to another governmental agency and to be used for parks and roads. In addition, the Valencia Parcels (about 5 acres) were reclassified due to a change in the intended use of the property. These parcels were retained by the City and will be used to create the new veteran's sports park. As a result, land held for resale was reduced by $34,026,499 in the General Fund and is reported as land in the government-wide statement of net position.

The recorded value of the remaining parcels as of June 30, 2016, was $57,083,368. The value was based on an assumption that most of the land will be sold in a bulk sale to a single developer and the remaining property not sold will be park space or conveyed to other governmental agencies.

7. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2016, is as follows:

	Balance at July 1, 2015	Additions	Deletions	* Transfers	Balance at June 30, 2016
Capital assets, not being depreciated:					
Land	$ 44,140,596	$ 40,637,298	$ -	$ 1,464,000	$ 86,241,894
Right of way	43,758,156	-	-	-	43,758,156
Construction in progress	57,814,454	16,213,971	(45,503,111)	-	28,525,314
Total capital assets, not being depreciated	145,713,206	56,851,269	(45,503,111)	1,464,000	158,525,364
Capital assets, being depreciated:					
Buildings	71,350,715	2,170,531	-	190,000	73,711,246
Improvements other than buildings	26,134,906	2,474,698	-	-	28,609,604
Machinery and equipment	15,381,429	2,528,331	(224,099)	-	17,685,661
Infrastructure	335,749,305	17,889,303	(388,858)	-	353,249,750
Total capital assets, being depreciated	448,616,355	25,062,863	(612,957)	190,000	473,256,261
Less accumulated depreciation for:					
Buildings	(15,442,817)	(1,470,051)	-	(83,600)	(16,996,468)
Improvements other than buildings	(5,598,386)	(943,464)	-	-	(6,541,850)
Machinery and equipment	(12,217,058)	(987,350)	211,457	-	(12,992,951)
Infrastructure	(104,422,215)	(7,825,669)	226,663	-	(112,021,221)
Total accumulated depreciation	(137,680,476)	(11,226,534)	438,120	(83,600)	(148,552,490)
Total capital assets, being depreciated, net	310,935,879	13,836,329	(174,837)	106,400	324,703,771
Total governmental activities capital assets, net	$ 456,649,085	$ 70,687,598	$ (45,677,948)	$ 1,570,400	$ 483,229,135

* - Transfer of capital assets from the Successor Agency to the Tustin Community Redevelopment Agency to the City (see Note 22).

7. CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	$ 224,380
Public safety	347,619
Public works	10,122,172
Community services	532,363
	$ 11,226,534

A summary of changes in the Business-type Activity capital assets for the year ended June 30, 2016, is as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets, not being depreciated				
Land	$ 1,177,216	$ -	$ -	$ 1,177,216
Construction in progress	3,551,265	4,716,968	(207,787)	8,060,446
Total capital assets, not being depreciated	4,728,481	4,716,968	(207,787)	9,237,662
Capital assets, being depreciated:				
Buildings and improvements	9,500,377	-	-	9,500,377
Property, plant and equipment	57,760,809	338,816	(14,071)	58,085,554
Total capital assets, being depreciated	67,261,186	338,816	(14,071)	67,585,931
Less accumulated depreciation for:				
Buildings and improvements	(4,959,934)	(238,848)	-	(5,198,782)
Property, plant and equipment	(21,317,158)	(1,466,388)	6,858	(22,776,688)
Total accumulated depreciation	(26,277,092)	(1,705,236)	6,858	(27,975,470)
Total capital assets, being depreciated, net	40,984,094	(1,366,420)	(7,213)	39,610,461
Total business-type activity capital assets, net	$ 45,712,575	$ 3,350,548	$ (215,000)	$ 48,848,123

During the fiscal year ended June 30, 2016, the City capitalized interest of $161,874.

8. LONG-TERM LIABILITIES:

A summary of long-term liability activity for the year ended June 30, 2016, is as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year
Governmental activities:					
Due to Successor Agency to the Tustin Community Redevelopment Agency (Note 9)	$ 16,404,683	$ -	$ (4,101,171)	$ 12,303,512	$ 4,101,171
Pension liability (Note 10c)	38,089,096	1,409,430	-	39,498,526	-
Postemployment benefits obligation (Note 11)	5,694,218	2,084,000	(615,584)	7,162,634	-
Claims and judgments (Note 13)	5,148,755	2,389,008	(2,752,562)	4,785,201	4,785,201
Termination benefits	1,320,852	-	(660,426)	660,426	660,426
Compensated absences	3,025,019	2,670,160	(2,555,544)	3,139,635	2,825,672
Total governmental activities long-term liabilities	$ 69,682,623	$ 8,552,598	$ (10,685,287)	$ 67,549,934	$ 12,372,470
Business-type activity:					
2011 Water Revenue bonds	$ 20,760,000	$ -	$ -	$ 20,760,000	$ -
Bond premium	263,911	-	(10,200)	253,711	-
2012 Refunding Water Revenue bonds	6,765,000	-	(745,000)	6,020,000	770,000
Bond premium	633,615	-	(81,757)	551,858	-
2013 Water Revenue bonds	14,000,000	-	(45,000)	13,955,000	45,000
Bond premium	111,418	-	(3,944)	107,474	-
Pension liability (Note 10c)	1,832,914	438,294	-	2,271,208	-
Termination benefits	29,574	-	(14,787)	14,787	14,787
Compensated absences	196,228	212,518	(207,799)	200,947	180,853
Total business-type activity long-term liabilities	$ 44,592,660	$ 650,812	$ (1,108,487)	$ 44,134,985	$ 1,010,640

8. LONG-TERM LIABILITIES (CONTINUED):

Termination Benefits Payable

In June 2012, the City Council approved the offering of an early retirement incentive program administered by Public Agency Retirement Services (PARS) to directly reduce General Fund expenditures while also making is easier to restructure staffing levels and operations in a more economical and efficient manner. The City offered early retirement incentives to all regular employees meeting the following criteria: a) Employed by the City in a full-time or part-time benefited position as of June 5, 2012; and b) 50 years of age with 5 years of City service and 5 years of CalPERS service as of October 31, 2012; and c) Resigned from City employment effective no later than October 31, 2012; and d) Retired under CalPERS effective no later than November 1, 2012. The incentive provided a benefit of 7% of the employee's base salary. Employees chose one of 14 options on how they would receive the benefit. Thirty-five City employees accepted the City's offer. The City purchased an annuity through Pacific Life Insurance Company to fund the plan with 5 annual payments of $675,213. As of June 30, 2016, the outstanding liability due to fund the plan is $675,213, ($660,426 reported in the governmental activities and $14,787 in the business-type activity). The final payment was made in September 2016.

Business-type Activity

2011 Water Revenue Bonds

On May 25, 2011, the Public Financing Authority issued $20,760,000, 2011 Water Revenue Bonds. The Bonds were issued to finance certain water system improvements. The Bonds are payable in annual installments ranging from $735,000 to $1,690,000 until maturity on April 1, 2041. Interest is payable semiannually on April 1 and October 1, with rates ranging from 5.0% to 5.25% per annum.

The City has pledged net revenues received from the operation of the Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2016, total interest and principal remaining on the bonds was $39,378,063. During the fiscal year, the total interest expense incurred is $1,047,625 and net revenues were $4,498,419.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2011 Water Revenue Bonds (Continued)

The annual debt service requirements to amortize the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ -	$ 1,047,625	$ 1,047,625
2018	-	1,047,625	1,047,625
2019	-	1,047,625	1,047,625
2020	-	1,047,625	1,047,625
2021	-	1,047,625	1,047,625
2022 - 2026	2,315,000	5,126,125	7,441,125
2027 - 2031	4,700,000	4,199,313	8,899,313
2032 - 2036	6,040,000	2,861,750	8,901,750
2037 - 2041	7,705,000	1,192,750	8,897,750
	20,760,000	18,618,063	39,378,063
Add: Premium	253,711	-	253,711
Totals	$ 21,013,711	$ 18,618,063	$ 39,631,774

2012 Refunding Water Revenue Bonds

On March 27, 2012, the City issued $8,910,000, 2012 Refunding Water Revenue Bonds. The Bonds were issued to provide funds to defease the 2003 Refunding Water Revenue Bonds and prepay certain outstanding notes payable incurred to finance improvements to the Water Enterprise.

The Bonds are payable in annual installments ranging from $710,000 to $960,000 until maturity on April 1, 2023. Interest is payable semiannually on April 1 and October 1, with rates ranging from 2.0% to 4.0% per annum.

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $594,664. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2023. The remaining balance at June 30, 2016, is $364,908.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2012 Refunding Water Revenue Bonds (Continued)

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2016, total interest and principal remaining on the bonds is $6,973,525. During the fiscal year, the total interest expense incurred was $250,425, principal payments were $745,000, and net revenues were $4,498,419.

The annual debt service requirements to amortize the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 770,000	$ 228,075	$ 998,075
2018	795,000	197,275	992,275
2019	830,000	165,475	995,475
2020	860,000	138,500	998,500
2021	885,000	110,600	995,600
2022 - 2023	1,880,000	113,600	1,993,600
	6,020,000	953,525	6,973,525
Add: Premium	551,858	-	551,858
Totals	$ 6,571,858	$ 953,525	$ 7,525,383

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2013 Water Revenue Bonds

On April 1, 2014, the City issued $14,045,000, 2013 Water Revenue Bonds. The Bonds were issued to finance certain water system improvements. The Bonds are payable in annual installments ranging from $45,000 to $2,615,000 until maturity on April 1, 2043. Interest is payable semiannually on April 1 and October 1, with rates ranging from 2.0% to 5.00% per annum.

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2016, total interest and principal remaining on the bonds is $27,684,230. During the fiscal year, the total interest expense incurred was $653,120 and net revenues were $4,498,419.

The annual debt service requirements to amortize the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 45,000	$ 652,220	$ 697,220
2018	50,000	651,320	701,320
2019	50,000	650,320	700,320
2020	50,000	648,320	698,320
2021	55,000	646,320	701,320
2022 - 2026	1,110,000	3,160,880	4,270,880
2027 - 2031	1,980,000	2,829,375	4,809,375
2032 - 2036	2,430,000	2,376,081	4,806,081
2037 - 2041	3,080,000	1,732,650	4,812,650
2042 - 2043	5,105,000	381,744	5,486,744
	13,955,000	13,729,230	27,684,230
Add: Premium	107,474	-	107,474
Totals	$ 14,062,474	$ 13,729,230	$ 27,791,704

9. DUE TO SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY:

On December 31, 2008, the City entered into a promissory note with the former Redevelopment Agency in the amount of $18,881,750. The City promised to pay the former Redevelopment Agency on December 1, 2013, the principal amount of $18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the former Redevelopment Agency was dissolved and the promissory note was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate to be used as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and also agreed to five installment payments with the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency was $21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling $5,000,000 was made within the required time period. The remaining balance is payable in four annual installments of $4,101,171 beginning on or before December 31, 2015, and again on or before December 31 of each of the following three years (2016, 2017 and 2018). The outstanding balance as of June 30, 2016, is $12,303,512. Subsequent to year-end, the City amended the settlement agreement (see Note 23).

10. PENSION PLANS:

a. General Information about the Pension Plans:

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police) and Miscellaneous (all other) Plans. The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan, and the Safety Plan is a cost-sharing multiple employer defined benefit pension plan. Both of these Plans are administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

10. PENSION PLANS (CONTINUED):

a. General Information about the Pension Plans (Continued):

Benefits Provided

CalPERS provides service retirement and disability retirement benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or their beneficiaries. Benefits are based on three factors: service credit (up to one year of service per fiscal year), benefit factor (based on plan and age at retirement), and final compensation (highest pensionable compensation for a consecutive 12 or 36 month period, depending on plan). Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. Members of all but one plan available to employees are eligible to retire upon reaching age 50 and attaining 5 years of service credit. PEPRA Miscellaneous members (membership date on or after January 1, 2013) are eligible to retire upon reaching age 52 and attaining 5 years of service. All members are eligible for non-duty disability retirement benefits after 5 years of service. Safety members are eligible for industrial disability retirement benefits, regardless of age or years of service, if they are determined to be industrially disabled within the meaning of the retirement law. The survivors of members are eligible for the Basic Death Benefit, the 1957 Survivor Benefit, and/or the 1959 Survivor Benefit. The survivors of Safety members who die prior to retirement are also eligible for the Pre-Retirement Option 2W Death Benefit and, if the member is actively employed and dies in the course of duty, the Special Death Benefit. Each plan provides retirees with a cost-of-living adjustment of up to 2% per year.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous		
Hire date	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Benefit formula	2%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50+	50+	52+
Monthly benefits, as a % of eligible compensation	2%	2%	2%
Required employee contribution rates	10%	10%	6.25%
Required employer contribution rates	10.338%	10.338%	13.338%

10. PENSION PLANS (CONTINUED):

a. General Information about the Pension Plans (Continued):

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety		
Hire date	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Benefit formula	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50+	50+	50+
Monthly benefits, as a % of eligible compensation	3%	2%	2.7%
Required employee contribution rates	12%	12%	11.5%
Required employer contribution rates	24.849%	10.813%	11.153%

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	225
Inactive employees entitled to but not yet receiving benefits	296
Active employees	180
Total	701

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

10. PENSION PLANS (CONTINUED):

b. Net Pension Liability:

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	(1)	(1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

(1) Depending on age, service and type of employment.
(2) Net of pension plan investment expenses, including inflation.
(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. for more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

10. PENSION PLANS (CONTINUED):

b. Net Pension Liability (Continued):

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

10. PENSION PLANS (CONTINUED):

b. Net Pension Liability (Continued):

Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

10. PENSION PLANS (CONTINUED):

c. Changes in the Net Pension Liability:

The changes in the net pension liability for the Miscellaneous Plan, using the measurement date of June 30, 2015, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2014	$ 93,683,688	$ 79,584,353	$ 14,099,335
Changes in the Year:			
Service cost	1,779,008	-	1,779,008
Interest on the total pension liability	6,982,672	-	6,982,672
Differences between actual and expected experience	452,122	-	452,122
Changes in assumptions	(1,770,351)	-	(1,770,351)
Changes in benefit terms	-	-	-
Plan to plan resource movement	-	(114)	114
Contribution - employer	-	1,503,081	(1,503,081)
Contribution - employee	-	905,331	(905,331)
Net investment income	-	1,753,374	(1,753,374)
Administrative expenses	-	(89,714)	89,714
Benefit payments, including refunds of employee contributions	(3,956,389)	(3,956,389)	-
Net Changes	3,487,062	115,569	3,371,493
Balance at June 30, 2015 (Measurement Date)	$ 97,170,750	$ 79,699,922	$ 17,470,828

10. PENSION PLANS (CONTINUED):

c. Changes in the Net Pension Liability (Continued):

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability for the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	$ 24,298,906

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Safety
Proportion - June 30, 2014	0.68843%
Proportion - June 30, 2015	0.58972%
Change - Increase (Decrease)	-0.09871%

10. PENSION PLANS (CONTINUED):

c. Changes in the Net Pension Liability (Continued):

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	$ 31,013,880	$ 40,457,639
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 17,470,828	$ 24,298,906
1% Increase	8.65%	8.65%
Net Pension Liability	$ 6,350,370	$ 11,049,042

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

10. PENSION PLANS (CONTINUED):

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2016, the City recognized pension expense of $2,994,628. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 4,558,292	$ -
Differences between actual and expected experience	-	(70,329)
Change in assumptions	-	(2,747,431)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	390,387	-
Net differences between projected and actual earnings on plan investments	-	(1,497,713)
Total	$ 4,948,679	$ (4,315,473)

$4,558,292 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	$ (2,142,835)
2018	(2,017,145)
2019	(1,631,038)
2020	1,865,932
2021	-
Thereafter	-

e. Payable to the Pension Plans:

At June 30, 2016, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

11. POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description

The City provides other post-employment benefits (OPEB) to retired employees in the form of a contribution towards their medical premiums under the PERS health plan, a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. Survivor benefits are not provided. The City's OPEB plan does not issue a separate stand-alone report.

Eligibility

Employees hired prior to July 1, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with five years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. Employees hired after June 30, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with ten years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2016:

	Police	General	Management	Confidential	Police Support	Total
Retirees Receiving Benefits	41	30	24	1	6	102
Eligible Active Employees	90	87	43	7	43	270

The above table does not reflect current retirees not enrolled in the PERS health plan who may be eligible to enroll in the plan at a later date.

Funding Policy

The City's current contributions are made on a pay-as-you-go basis. As of July 1, 2015, the City's monthly contribution rate was $250 for the Confidential, General, and Police Support groups; $350 for the Police and Management group. For the year ended June 30, 2016, the City paid $615,584 in contributions for postemployment health care benefits. Current active employees are not required to contribute any portion towards these benefits.

Annual OPEB Cost and Net OPEB Obligation. - The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years.

11. POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED):

Funding Policy (Continued)

The City's ARC for the year ended June 30, 2016 was $2,404,000. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	Police	General	Management	Confidential	Police Support	Total
ARC	$ 846,570	$ 756,097	$ 432,978	$ 51,699	$ 316,656	$ 2,404,000
Interest on net OPEB obligation	76,065	67,935	38,903	4,645	28,452	216,000
Adjustment to ARC	(188,753)	(168,581)	(96,537)	(11,527)	(70,602)	(536,000)
Annual OPEB cost	733,882	655,451	375,344	44,817	274,506	2,084,000
Contributions made	(255,128)	(130,365)	(198,124)	(4,509)	(27,458)	(615,584)
Increase in net OPEB obligation	478,754	525,086	177,220	40,308	247,048	1,468,416
Net OPEB obligation, beginning	1,788,142	1,845,615	883,248	365,484	811,729	5,694,218
Net OPEB obligation, ending	$ 2,266,896	$ 2,370,701	$ 1,060,468	$ 405,792	$ 1,058,777	$ 7,162,634

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/14	$ 1,107,635	37.50%	$ 4,970,150
6/30/15	1,142,391	36.62%	5,694,218
6/30/16	2,084,000	29.54%	7,162,634

11. POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED):

Funding Status and Progress

As of June 30, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $19.79 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $19.79 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0%. The covered payroll (annual payroll of active employees) was $22.23 million and the ratio of the UAAL to the covered payroll was 89.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The required contribution for the fiscal year 2016 was determined as part of the June 30, 2015 actuarial valuation. The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.00% investment rate of return (which is based on assumed long-term investment return on plan assets and on the City's assets, as appropriate), annual inflation rate of 3%, annual payroll increase of 3.25% and an annual healthcare cost trend rate at 7.5% in 2016 decreasing by .5% to 5.0% in 2021. The UAAL is being amortized as a level percentage of projected payroll over a closed period of 15 years.

12. IRS SECTION 457 DEFERRED COMPENSATION PLAN:

In accordance with federal law, all part-time employees must be enrolled in Social Security or another “qualified” retirement plan. Since the City does not participate in Social Security, part-time employees are enrolled in the City’s IRS Section 457 deferred compensation plan. Nationwide Retirement Solutions, Inc. acts as the third party administrative services provider for the defined contribution plan. Employees are required to contribute 5.5% of salary to the deferred compensation plan every pay period. The City contributes an additional 2% of salary, for a total contribution of 7.5%. Council established the plan by resolution in fiscal year 2011-2012, and has the authority to amend contribution requirements. Contributions to the participants account must equal at least 7.5% of the participant’s compensation, or such other minimum amount as required for the plan to be considered a retirement system under applicable government code and legal requirements. Total contributions to the plan during fiscal year 2016 were $67,252.

13. SELF-INSURANCE PROGRAM/RISK POOL:

The City uses a combination of insured and self-insured programs to finance its property and casualty risk. The City is self-insured for worker’s compensation, automotive, and general liability risks. Excess liability coverage for the City’s self-insurance retention of $250,000 per occurrence is provided through a risk sharing pool, the California Insurance Pool Authority (CIPA). The CIPA provides excess liability coverage above $2,000,000 per occurrence and $40,000,000 annual aggregate. The City’s self-insurance retention limit is $400,000 per occurrence for worker’s compensation claims. Worker’s compensation claims which exceed the self-insurance retention are insured by CIPA up to the California statutory limit for worker’s compensation. Property and employment practices liability risk are financed through insurance contracts and have various limits and deductibles.

The City is a member of CIPA in order to jointly purchase insurance coverage and to share costs for professional risk management, claim administration, and group purchasing of insurance products with ten other Orange County cities. Members may be assessed the difference between the funds available and the $40,000,000 annual aggregate in proportion to their annual premium. CIPA uses independent actuaries and underwriters to determine premiums and help set insurance limits and deductible levels.

The pool is managed by an independent general manager and contracted legal advisers. Two internal subcommittees are made up of City members to provide direction on underwriting and claims activities. The Governing Board of CIPA is comprised of one member from each participating City and is responsible for the selection of the independent general manager, legal counsel, and electing subcommittee members. The financial statements of the CIPA are available at the administrative office located at 240 Newport Center Drive, Suite 210, Newport Beach, California.

13. SELF-INSURANCE PROGRAM/RISK POOL (CONTINUED):

The government retains a risk of loss, due to the fact that actual losses may exceed estimated claims or coverage amounts. Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years, and there were no reductions in the City's coverage during the year ended June 30, 2016. At June 30, 2016, estimated claims payable of $4,785,201, which includes a provision for incurred but not reported claims and loss adjustment expenses, are reported as a long-term liability.

Changes in the balances of claims liabilities for the years ended June 30, 2015 and 2016, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Beginning Balance	Additions	Deletions	Ending Balance
2015	$ 4,278,500	$ 3,874,920	$ 3,004,665	$ 5,148,755
2016	$ 5,148,755	2,389,008	2,752,562	4,785,201

14. SPECIAL ASSESSMENT DISTRICTS' BONDS:

Special assessment districts exist in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The bonds listed below were issued pursuant to the Refunding Act of 1984 for the 1915 Improvement Act Bonds and the Improvement Bond Act of 1915 and are the liabilities of the property owners and are secured by liens against the assessed property. The City Treasurer acts as an agent for collection of principal and interest payments by the property owners and remittance of such monies to bondholders.

Neither the faith and credit nor the general taxing power of the City have been pledged to the payment of the bonds. Therefore, none of the following special assessment bonds have been included in the accompanying financial statements.

District Bonds	Amount of Issue	Outstanding June 30, 2016
Community Facilities District 04-1, 2013	$ 9,350,000	$ 8,795,000
Community Facilities District 06-1, 2015A	49,740,000	49,740,000
Community Facilities District 06-1, 2015B	2,735,000	2,735,000
Community Facilities District 07-1, 2015A	13,155,000	13,155,000
Community Facilities District 07-1, 2015B	1,500,000	1,500,000
Community Facilities District 2014-01, 2015A	27,665,000	27,665,000
	$ 104,145,000	$ 103,590,000

14. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

In May 2013, the City issued $9,350,000 of Special Tax Refunding Bonds, Series 2013 to, to refund in full and defease the City of Tustin Community Facilities District No. 04-1 Special Tax Bonds, Series 2004. The 2004 series were originally issued to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, pay capitalized interest on bonds through September 1, 2032, and pay costs of issuing the Series 2013 Bonds. Serial current interest bonds will mature from September 1, 2032 to September 1, 2032. Term current interest bonds will mature on September 1, 2014, with mandatory sinking payments from September 1, 2030 through September 1, 2032. Interest maturity rates of the current interest bonds range from 2.00% at September 1, 2014 to 5.00% at September 1, 2028 - and current term interest bonds are 5.375% and 5.50% on their respective maturity dates. At June 30, 2016, the outstanding amount of the Special Tax Refunding Bonds, Series 2013 was $8,795,000.

In September 2007, the City issued $53,570,000 of Special Tax Bonds, Series 2007A, to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds were used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, pay capitalized interest on bonds and pay costs of issuing the bonds. The outstanding bonds in the amount of $52,925,000 of the 2007A Bonds were refunded in advance from bond proceeds of the $49,740,000 Community Facilities District No. 06-1 Special Tax Refunding Bonds, Series 2015A.

In October 2010, the City issued $1,675,000 of Special Tax Bonds, Series 2010 to, to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds were used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, and pay costs of issuing the Series 2010 Bonds. The outstanding bonds in the amount of $1,645,000 of the 2010 Bonds were refunded in advance from bond proceeds of the $49,740,000 Community Facilities District No. 06-1 Special Tax Refunding Bonds, Series 2015A.

14. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

In September 2007, the City issued $13,680,000 of Special Tax Bonds, Series 2007, to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds were used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, and pay costs of issuing the Series 2007 Bonds. The outstanding bonds in the amount of $13,250,000 Special Tax Bonds, Series 2007 were refunded in advance from bond proceeds of the $13,155,000 Community Facilities District No. 07-1 Special Tax Refunding Bonds, Series 2015A.

In November 2015, the City issued $27,665,000 Community Facilities District No. 2014-01 Special Tax Bonds, Series 2015A (CFD 2014-01 2015A Special Tax Bonds). The CFD 2014-01 2015A Special Tax Bonds were issued to finance certain infrastructure improvements and school facilities, fund a reserve account, and pay for costs of issuance and administrative costs. Serial current interest bonds will mature from September 1, 2016 to September 1, 2035 with interest rates ranging from 2.0% to 5.0%. Term current interest bonds will mature on September 1, 2040 and September 1, 2045, with mandatory sinking payments from September 1, 2036 through September 1, 2045 with interest rates of 5.0%.

In December 2015, the City issued $13,155,000 Community Facilities District No. 07-1 Special Tax Refunding Bonds, Series 2015A (CFD 07-1 2015A Refunding Bonds). The CFD 07-1 2015A Refunding Bonds were issued to refund in full and defease the CFD 07-1 Series 2007 Bonds. Serial bonds will mature from September 1, 2021 to September 1, 2025 with interest rates ranging from 2.5% to 3.125%. Term current interest bonds will mature on September 1, 2030 and September 1, 2037, with mandatory sinking payments from September 1, 2030 through September 1, 2037 with interest rates of 5.00%. The City's refunding of the CFD 07-1 Series 2007 Bonds resulted in a decrease of its total debt service payments by $2,152,849 and an economic gain (difference between the present values of the old and new debt) of $1,423,246.

In December 2015, the City issued $1,500,000 Community Facilities District No. 07-1 Special Tax Bonds, Series 2015B (CFD 07-1 Special Tax 2015B Bonds). The CFD 07-1 Special Tax 2015B Bonds were issued to finance public improvements, fund a reserve account and pay for costs of issuance. Serial bonds will mature from September 1, 2016 to September 1, 2020 with interest rates ranging from 2.00% to 2.25%.

14. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

In November 2015, the City issued $49,740,000 Community Facilities District No. 06-1 Special Tax Refunding Bonds, Series 2015A (CFD 06-01 2015A Refunding Bonds). The CFD 06-01 2015A Refunding Bonds were issued to refund in full and defease the CFD No 06-1 Series 2007A Bonds and Special Tax Bonds 2010. Serial current bonds will mature from September 1, 2016 to September 1, 2035 with interest rates ranging from 2.0% to 5.0%. Term current interest bonds will mature on September 1, 2037 with an interest rate of 5.00%, September 1, 2037 with an interest rate of 3.75% and September 1, 2039 with an interest rate of 4.0% with mandatory sinking fund payments due September 1, 2036 through September 1, 2039. The City's refunding of the CFD No. 06-1 Series 2007A Bonds and Special Tax Bonds 2010 resulted in a decrease of its total debt service payments by $15,726,836 and an economic gain (difference between the present values of the old and new debt) of $7,020,039.

In November 2015, the City issued $2,735,000 Community Facilities District No. 06-1 Special Tax Bonds, Series 2015B (CFD 06-1 Special Tax 2015B Bonds). The CFD 06-1 Special Tax 2015B Bonds were issued to finance public improvements, fund a reserve account and pay for costs of issuance. Serial current bonds will mature from September 1, 2016 to September 1, 2033 with interest rates ranging from 2.0% to 3.75%. Term current interest bonds will mature on September 1, 2035 with an interest rate of 3.75%, and September 1, 2037 with an interest rate of 3.75% with mandatory sinking fund payments due September 1, 2035 through September 1, 2037.

Neither the general taxing power of the City nor the faith or credit of the PFA or the City have been pledged to the payment of the bonds. Therefore, the bonds have not been included in the accompanying financial statements.

15. COMMITMENTS AND CONTINGENCIES:

There are certain legal actions pending against the City which have arisen in the normal course of operations. In the opinion of management and the City Attorney, the ultimate resolution of such actions is not expected to have a significant impact, if any, on the financial statements or operations of the City.

16. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The fund balances reported on the fund statements consist of the following categories:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned - This classification includes amounts that are intended to be used for specific purposes as indicated by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes. City Council has not delegated such authority.

Unassigned - This classification includes the residual balance for the City's general fund including all spendable amounts not contained in other classifications. Negative fund balance in governmental funds, after determining the fund balance classifications described above, is also reported as unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

16. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

	General Fund	Capital Projects Funds MCAS 2010	Capital Projects Funds CFD Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	$ 576,471	$ -	$ -	$ 1,922	$ 578,393
Land held for resale	88,002,743	-	-	-	88,002,743
Restricted for:					
Capital projects (1)	18,657,461	-	30,463,881	21,418,151	70,539,493
Public safety program	-	-	-	169,036	169,036
Housing projects	-	-	-	2,387,275	2,387,275
Assigned to:					
Capital projects (2)	-	20,931,098	-	5,940,718	26,871,816
Unassigned	79,667,061	-	-	-	79,667,061
Total fund balances	$186,903,736	$ 20,931,098	$ 30,463,881	$ 29,917,102	$ 268,215,817

(1) The General Fund balance restricted for capital projects ($18,657,461) is comprised of funds legally restricted for backbone infrastructure at the Tustin Legacy development. The CFD Construction Capital Project fund balance restricted for capital projects ($30,463,881) is comprised of bond proceeds restricted for uses specified in the bond indenture. A majority of the fund balance restricted for capital projects in the other governmental funds ($21,418,151) includes State gas taxes restricted for allowable street-related purposes and developer fees to improve City parks.

(2) The MCAS 2010 Capital Projects fund balance assigned to capital projects ($20,931,098) is for financing development activities within or for the benefit of the MCAS-Tustin redevelopment project area as indicated by the 2010 MCAS Bond indenture. The other governmental funds balance assigned to capital projects ($5,940,718) is to be used for specific projects indicated in the adopted budget.

17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Excess of Expenditures over Appropriations:

	Budget	Actual	Variance with Final Budget
Other Governmental Funds:			
Asset Forfeiture Special Revenue Fund	$ 317,246	$ 361,943	$ (44,697)
Supplemental Law Enforcement Special Revenue Fund	106,500	107,674	(1,174)

18. JOINT POWERS AUTHORITY:

Orange County Fire Authority

In January 1995, the City of Tustin entered into a joint powers agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Villa Park, and Yorba Linda and the County of Orange (County) to create the Orange County Fire Authority. The purpose of the Authority is to provide for mutual fire protection, prevention, and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services.

The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County pays all structural fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered "cash contract cities" and, accordingly, make cash contributions based on the Authority's annual budget.

The financial statements of the Orange County Fire Authority are available at 1 Fire Authority Road, Irvine, California.

19. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the Dissolution Act) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each Dissolved RDA) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with the other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On September 20, 2011, the City elected to serve as the Successor Agency to the Tustin Community Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards are to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community did not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets were transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Tustin Housing Authority elected on January 17, 2012 to serve as the Housing Successor Agency.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

19. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Dissolution Act and AB 1484 also established roles for the County Auditor-Controller (the CAC), the California Department of Finance (the DOF) and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller was charged with establishing a Redevelopment Property Tax Trust Fund (the RPTTF) for each Successor Agency and depositing into the RPTTF the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the ROPS) approved by the oversight board setting forth the amounts due for each enforceable obligation. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

The State Controller of the State of California was directed to review the propriety of any transfers of assets between the Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller was required to order the available assets to be transferred to the public body designated as the successor agency. The State Controller completed its review on July 31, 2014, and did not identify any unallowable transfers of assets that occurred during the audit between the former RDA, the City and or other public agencies.

20. SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES:

The assets and liabilities of the former redevelopment agency were transferred to the Successor Agency to the Tustin Community Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former redevelopment agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Due from the City of Tustin

On December 31, 2008, the City entered into a promissory note with the former Redevelopment Agency in the amount of $18,881,750. The City promised to pay the former Redevelopment Agency on December 1, 2013, the principal amount of $18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the former Redevelopment Agency was dissolved and the promissory note was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and also agreed to five installment payments with the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency was $21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling $5,000,000 was made within the required time period. The remaining balance is payable in four annual installments of $4,101,171 beginning on or before December 31, 2015, and again on or before December 31 of each of the following three years (2016, 2017 and 2018). The outstanding balance as of June 30, 2016 is $12,303,512. Subsequent to year-end, the City amended the settlement agreement (see Note 23).

20. SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED):

Capital Assets

	Balance at July 1, 2015	Additions	Transfers to City	Balance at June 30, 2016
Capital assets, not being depreciated				
Land	$ 1,464,000	$ -	$(1,464,000)	$ -
Capital assets, being depreciated:				
Buildings	190,000	-	(190,000)	-
Less accumulated depreciation	(83,600)	-	83,600	-
Total capital assets, being depreciated, net	106,400	-	(106,400)	-
Successor Agency capital assets, net	$ 1,570,400	$ -	$(1,570,400)	$ -

Long-Term Liabilities

A summary of long-term liabilities activity for the year ended June 30, 2016, is as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year
Tax allocation bonds	$ 66,170,000	$ -	$ (4,785,000)	$ 61,385,000	$ 1,720,000
Unamortized premium	85,368	-	(3,532)	81,836	-
Unamortized discount	(754,169)	-	29,624	(724,545)	-
Note payable to County Auditor Controller	16,404,683	-	(4,101,171)	12,303,512	4,101,171
Total long-term liabilities	$ 81,905,882	$ -	$ (8,860,079)	$ 73,045,803	$ 5,821,171

20. SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable

1998 Town Center Tax Allocation Bonds

On July 1, 1998, the Tustin Community Redevelopment Agency issued $20,805,000 Tax Allocation Refunding Bonds to refund the Agency's Town Center Area Redevelopment Project Tax Allocation Refunding Bonds, Series 1987, in aggregate principal amount of $5,145,000 and the Agency's Town Center Area Redevelopment Project Subordinate Tax Allocation Bonds, Series 1991 in aggregate principal amount of $12,880,000. As of June 30, 2006, the 1987 and 1991 bonds have been fully redeemed.

Serial bonds are payable in annual installments ranging from $775,000 to $1,315,000 commencing on December 1, 1998. Interest is payable semiannually on June 1 and December 1, with rates ranging from 3.5% to 5.0% per annum. The bonds maturing on or after December 1, 2009, are subject to redemption prior to maturity as a whole or in part, at the option of the Agency, on any date on or after December 1, 2008 at prices ranging from 100% to 101% of principal.

In fiscal year 2015-16, the 1998 Bonds remaining outstanding balance of $3,120,000 was paid in full.

20. SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2010 Housing Tax Allocation Bonds

On March 1, 2010, the Tustin Community Redevelopment Agency issued $26,170,000 Tax Allocation Housing Bonds, Series 2010 to refinance low and moderate income housing activities throughout the geographic boundaries of the City and, in particular, to repay a reimbursement obligation from the Agency to the City, relating to the City's write down of land for use for affordable housing purposes. Serial bonds are payable in annual installments ranging from $550,000 to $1,300,000 commencing on September 1, 2010. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2% to 5% per annum. At June 30, 2016, the 2010 Housing Bonds outstanding balance was $21,225,000.

The annual debt service requirements to amortize the tax allocation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 815,000	$ 993,106	$ 1,808,106
2018	850,000	959,806	1,809,806
2019	880,000	925,206	1,805,206
2020	920,000	889,206	1,809,206
2021	955,000	851,706	1,806,706
2022 - 2026	5,415,000	3,595,753	9,010,753
2027 - 2031	4,620,000	2,251,125	6,871,125
2032 - 2036	3,375,000	1,352,531	4,727,531
2037 - 2040	3,395,000	367,895	3,762,895
Totals	$ 21,225,000	$ 12,186,334	$ 33,411,334

20. SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2010 MCAS Tax Allocation Bonds

On October 27, 2010, the Tustin Community Redevelopment Agency issued $44,170,000 Tax Allocation Bonds, Series 2010 for the purpose of financing redevelopment activities within or for the benefit of the Agency's MCAS-Tustin Redevelopment Project Area. The bonds are payable in annual installments ranging from $640,000 to $12,230,000 commencing on September 1, 2011. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2.0% to 5.0% per annum. The bonds maturing on or after September 1, 2019, are subject to optional redemption prior to maturity, as a whole or in part, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. At June 30, 2016, the 2010 MCAS Bonds outstanding balance was $40,160,000.

The annual debt service requirements to amortize the tax allocation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 905,000	$ 1,904,300	$ 2,809,300
2018	935,000	1,872,025	2,807,025
2019	970,000	1,833,925	2,803,925
2020	1,010,000	1,794,325	2,804,325
2021	1,050,000	1,753,125	2,803,125
2022 - 2026	5,955,000	8,035,881	13,990,881
2027 - 2031	7,520,000	6,422,431	13,942,431
2032 - 2036	9,585,000	4,302,625	13,887,625
2037 - 2041	12,230,000	1,588,000	13,818,000
Totals	$ 40,160,000	$ 29,506,637	$ 69,666,637

20. SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities (Continued)

Note Payable to County Auditor Controller

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency remitted $14,317,623 to the County Auditor-Controller (CAC) on December 18, 2012 for the low and moderate income housing funds due diligence review. The amount due to the CAC for the Other Funds due diligence review is $28,295,637, of which $6,418,355 was remitted by the Successor Agency on May 10, 2013. The City negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate of 2.54% which was in effect at the time the City entered into the promissory note with the former Redevelopment Agency and has agreed to installment payments over four years after the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount receivable from the City and payable to CAC as of June 30, 2014 was $21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling $5,000,000 was made within the required time period. The remaining balance is payable in four annual installments of $4,101,171 beginning on or before December 31, 2015, and again on or before December 31 of each of the following three years (2016, 2017 and 2018). The outstanding balance as of June 30, 2016 is $12,303,512. Subsequent to year-end, the City amended the settlement agreement (see Note 23).

21. SCHOOL FACILITIES IMPLEMENTATION COMMITMENT:

In August 2015, the City entered into a school facilities implementation, funding and migration agreement, and related site conveyance agreement with the Tustin Unified School District (TUSD) as well as a joint community facilities agreement with TUSD and Standard Pacific that provides a framework for development of grades 6-12 schools on the 40-acre designated site, along with the opening of Heritage Elementary School as a magnet elementary site in the fall of 2016. The estimated cost to complete the project is $75,117,850. In order to facilitate the implementation plan, the City will advance funds to the project development with three different approaches. First the City advanced $4 million in October 2015. Second, the City will deposit an additional $15 million in the project development account which occurred on August 1, 2016. Third, the City will have the option to advance additional funds for the entire project or just certain projects. The City also issued 2014-1 Community Facilities District Special Tax Bonds, Series 2015A, totaling $27,665,000. Of the $27,665,000, $7,858,391 are available to be spent on school facilities.

22. EXTRAORDINARY AND SPECIAL ITEMS:

Extraordinary Items

The Successor Agency to the Tustin Redevelopment Agency Private-Purpose Trust Fund transferred $1,570,400 of assets to the City upon final completion of the property management plan and acceptance by the California Department of Finance required under the redevelopment agency dissolution process. The Successor Agency to the Tustin Redevelopment Agency Private-Purpose Trust Fund also transferred $976,042 of Redevelopment Property Tax Trust Fund funds received through the California Department of Finance approval of the recognized obligation payment schedule to the Housing Authority Special Revenue Fund for repayment of Town Center Housing set-aside funds diverted to support non-housing redevelopment activities in Town Center. These amounts are reported as an extraordinary loss in the statement of changes in fiduciary net position of the Successor Agency to the Tustin Redevelopment Agency Private-Purpose Trust Fund. The $1,570,400 is reported as an extraordinary gain in the City's statement of activities and the $976,042 is reported as an extraordinary gain in the City's statement of activities and the statement of revenues, expenditures, and changes in fund balances in governmental funds.

Special Item

The City reclassified $34,026,499 previously reported as land held for resale in the general fund to land to be used for general government purposes for roads and parks, and land to be contributed to another governmental agency. This amount is reported as a special item by reducing the general fund balance.

23. SUBSEQUENT EVENTS:

The City entered into an amended agreement with the California State Department of Finance to receive a credit of $5,000,000 to decrease the amount due from the Successor Agency under the promissory note described in Note 20. In the amended agreement the amount due is reduced to $7,303,512 with $4,101,171 due December 31, 2016 and $3,202,341 due December 31, 2017. The $4,101,171 payment was paid early by the City on August 17, 2016, bringing the remaining balance due down to $3,202,341.

In September 2016, the Successor Agency to the Tustin Community Redevelopment Agency issued $55,940,000 Tax Allocation Refunding Bonds, Series 2016, to refund in advance the 2010 Housing Tax Allocation Bonds of which $21,225,000 remained outstanding and the 2010 MCAS Tax Allocation Bonds of which $40,160,000 remained outstanding.

In September 2016, the Tustin Public Financing Authority issued $21,515,000 2016 Water Refunding Revenue Bonds to refund in advance the 2011 Water Revenue Bonds of which $20,760,000 remained outstanding.

In preparing these financial statements, the City has evaluated other events and transactions for potential recognition or disclosure through December 19, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.35401%	0.41499%
Plan's proportionate share of the net pension liability	$ 24,298,906	$ 25,822,675
Plan's covered - employee payroll	$ 9,495,434	$ 9,640,345
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	255.90%	267.86%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	$ 3,182,851	$ 2,544,912

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown. Additional years' information will be displayed as it becomes available.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 2,708,192	$ 3,045,919
Contributions in relation to the actuarially determined contributions	(2,708,192)	(7,049,591)
Contribution deficiency (excess)	$ -	$ (4,003,672)
Covered - employee payroll	$ 10,013,668	$ 9,495,434
Contributions as a percentage of covered - employee payroll	27.04%	74.24%

Notes to Schedule:

Valuation Date	6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years**
Mortality	Morality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown. Additional years' information will be displayed as it becomes available.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF TUSTIN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Measurement period	June 30, 2015	June 30, 2014
Total Pension Liability:		
Service cost	$ 1,779,008	$ 1,747,494
Interest on total pension liability	6,982,672	6,613,765
Differences between expected and actual experience	452,122	-
Changes in assumptions	(1,770,351)	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(3,956,389)	(3,974,724)
Net Change in Total Pension Liability	3,487,062	4,386,535
Total Pension Liability - Beginning of Year	93,683,688	89,297,153
Total Pension Liability - End of Year (a)	$ 97,170,750	$ 93,683,688
Plan Fiduciary Net Position:		
Contributions - employer	$ 1,503,081	$ 1,379,562
Contributions - employee	905,331	962,617
Net investment income	1,753,374	11,900,167
Benefit payments	(3,956,389)	(3,974,724)
Plan to plan resource movement	(114)	-
Administrative expense	(89,714)	-
Net Change in Plan Fiduciary Net Position	115,569	10,267,622
Plan Fiduciary Net Position - Beginning of Year	79,584,353	69,316,731
Plan Fiduciary Net Position - End of Year (b)	$ 79,699,922	$ 79,584,353
Net Pension Liability - Ending (a)-(b)	$ 17,470,828	$ 14,099,335
Plan fiduciary net position as a percentage of the total pension liability	82.02%	84.95%
Covered - employee payroll	$ 12,847,036	$ 12,270,014
Net pension liability as percentage of covered- employee payroll	135.99%	114.91%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown. Additional years' information will be displayed as it becomes available.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2016	June 30, 2015
Actuarially determined contribution	$ 1,850,100	$ 1,503,081
Contributions in relation to the actuarially determined contributions	(1,850,100)	(1,503,081)
Contribution deficiency (excess)	$ -	$ -
Covered - employee payroll	$ 13,828,003	$ 12,847,036
Contributions as a percentage of covered - employee payroll	13.38%	11.70%

Notes to Schedule:

Valuation Date	6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	2.0% at 55 retirement age from 55-67, 2% at 62 retirement age 52-67**
Mortality	Morality assumptions are based on mortality rates resulting from the 2010 CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown. Additional years' information will be displayed as it becomes available.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF TUSTIN

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN

For the year ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/(c)
06/30/09	$ -	$ 8,584,000	$ 8,584,000	0.00%	$ 23,100,000	37.16%
06/30/11	-	9,801,000	9,801,000	0.00%	21,515,000	45.55%
06/30/13	-	12,047,000	12,047,000	0.00%	20,346,000	59.21%
06/30/15	-	19,794,000	19,794,000	0.00%	22,227,000	89.05%

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2016

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	$ 46,509,900	$ 46,509,900	$ 48,039,509	$ 1,529,609
Licenses and permits	1,074,500	1,074,500	1,334,311	259,811
Fines and forfeitures	726,000	726,000	982,123	256,123
Investment income	185,000	185,000	1,641,999	1,456,999
Intergovernmental	2,735,800	2,735,800	3,159,110	423,310
Charges for services	2,969,100	2,969,100	2,335,827	(633,273)
Rental income	1,072,900	1,072,900	1,090,681	17,781
Other revenue	1,287,100	1,307,100	1,500,995	193,895
Developer contribution	10,305,600	10,305,600	-	(10,305,600)
TOTAL REVENUES	66,865,900	66,885,900	60,084,555	(6,801,345)
EXPENDITURES:				
Current:				
General government	19,603,100	24,055,312	19,082,646	4,972,666
Public safety	30,137,100	30,137,100	27,791,298	2,345,802
Public works	6,831,200	7,539,793	6,489,414	1,050,379
Community services	3,429,100	7,429,100	7,016,001	413,099
Capital outlay	15,754,400	16,415,604	3,418,762	12,996,842
Debt service:				
Principal retirement	5,000,000	5,000,000	4,101,171	898,829
TOTAL EXPENDITURES	80,754,900	90,576,909	67,899,292	22,677,617
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,889,000)	(23,691,009)	(7,814,737)	15,876,272
OTHER FINANCING SOURCES (USES):				
Transfers in	3,423,300	3,423,300	5,405,924	1,982,624
Transfers out	(2,389,100)	(2,389,100)	(48,064)	2,341,036
TOTAL OTHER FINANCING SOURCES (USES)	1,034,200	1,034,200	5,357,860	4,323,660
SPECIAL ITEM	-	-	(34,026,499)	(34,026,499)
NET CHANGE IN FUND BALANCE	(12,854,800)	(22,656,809)	(36,483,376)	(13,826,567)
FUND BALANCE - BEGINNING OF YEAR	223,387,112	223,387,112	223,387,112	-
FUND BALANCE - END OF YEAR	$ 210,532,312	$ 200,730,303	$ 186,903,736	$ (13,826,567)

See accompanying note to required supplementary information.

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgets.

(1) The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.

(2) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This “appropriated budget” covers City expenditures in all governmental funds, except for capital improvement projects carried forward from prior years.

The City Manager is authorized to transfer budgeted amounts between departments. Actual expenditures may not exceed budgeted appropriations at the fund level. Budget figures used in the accompanying required supplementary information are the original and final adjusted amounts.

(3) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Capital projects appropriations are an automatic supplemental appropriation for the next year. All others lapse unless they are encumbered at year-end or re-appropriated through the formal budget process. There were no outstanding encumbrances at year-end.

(4) Annual budgets are adopted for the General and Special Revenue Funds on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the City’s Proprietary Funds as the City is not legally required to adopt budgets for these fund types. Budgetary comparisons of Capital Projects Funds are primarily “long-term” budgets, which emphasize capital outlay plans extending over one year. Because of the long-term nature of these budgets, “annual” budget comparisons are not considered meaningful and accordingly, no budgetary information is provided.

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SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specific purpose.

Gas Tax - This fund accounts for revenues and expenditures apportioned under the Street and Highways Code of the State of California. Expenditures may be made for any street-related purpose allowable under the Code.

Measure M - This fund is used to account for monies received from the County for street and maintenance projects.

Park Acquisition and Development - This fund is used to account for fees received from developers to develop the City's park system.

Asset Forfeiture - This fund is used to account for monies received from the Federal government that are used for special law enforcement purchases.

Air Quality - This fund is used to account for funds received from South Coast Air Quality Management District to be used for reducing pollution.

Supplemental Law Enforcement - This law was established under Government Code Section 30061 enacted by AB3229, Chapter 134, of the 1996 Statutes and is an appropriation from the State Budget for the "Citizen Option for Public Safety Program". This fund can only be used for police front line municipal activities that provide police services to the City in prevention of drug abuse, crime prevention, and community awareness programs.

Housing Authority - This fund is used to account for revenues and associated expenditures to be used for increasing or improving low and moderate income housing.

Special Tax B - This fund is used to account for Special Tax B perpetual tax levied on taxable property in the Tustin Legacy to pay for authorized services and administrative expenses.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Construction 95-1 - This fund accounts for infrastructure improvements to the Tustin 95-1 Area.

Other Capital Projects - This fund is used to account for capital projects which are not funded by a specific source.

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2016

	Special Revenue Funds			
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture
ASSETS				
Cash and investments	$ 5,376,459	$ 4,205,827	$ 8,516,552	$ 54,392
Receivables:				
Accounts	129,424	741,522	949	-
Interest	8,159	6,382	12,923	82
Loans	-	-	-	-
Allowance for uncollectibles	-	-	-	-
Prepaid items and deposits	-	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	$ 5,514,042	$ 4,953,731	$ 8,530,424	$ 54,474
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	$ 266,022	$ 185,189	$ 42,630	$ 10
Deposits payable	-	-	-	-
TOTAL LIABILITIES	266,022	185,189	42,630	10
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	467,787	-	-
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	5,248,020	4,300,755	8,487,794	54,464
Assigned	-	-	-	-
TOTAL FUND BALANCES	5,248,020	4,300,755	8,487,794	54,464
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,514,042	$ 4,953,731	$ 8,530,424	$ 54,474

Special Revenue Funds (Continued)				Capital Projects Funds		
Air Quality	Supplemental Law Enforcement	Housing Authority	Special Tax B	Construction 95-1	Other Capital Projects	Total Other Governmental Funds
$ 269,909	$ 111,889	$ 1,930,467	$ -	$ 3,084,045	$ 6,486,313	$ 30,035,853
27,235	569	-	6,764	-	574,529	1,480,992
410	170	82,150	-	-	6,944	117,220
-	-	383,796	-	-	-	383,796
-	-	(33,796)	-	-	-	(33,796)
-	-	1,922	-	-	-	1,922
-	-	482,084	-	-	-	482,084
$ 297,554	$ 112,628	$ 2,846,623	$ 6,764	$ 3,084,045	$ 7,067,786	$ 32,468,071
$ 17	$ 4,820	$ 16,789	$ -	$ -	$ 326,759	$ 842,236
-	-	9,936	-	-	800,309	810,245
17	4,820	26,725	-	-	1,127,068	1,652,481
-	-	430,701	-	-	-	898,488
-	-	1,922	-	-	-	1,922
297,537	107,808	2,387,275	6,764	3,084,045	-	23,974,462
-	-	-	-	-	5,940,718	5,940,718
297,537	107,808	2,389,197	6,764	3,084,045	5,940,718	29,917,102
$ 297,554	$ 112,628	$ 2,846,623	$ 6,764	$ 3,084,045	$ 7,067,786	$ 32,468,071

CITY OF TUSTIN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2016

	Special Revenue Funds			
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture
REVENUES:				
Investment income	$ 78,529	$ 61,620	$ 118,319	$ 2,784
Intergovernmental revenue	1,660,492	2,898,230	1,075,598	31,501
Charges for services	-	-	21,441	-
Rental income	-	-	218,171	-
Other revenue	-	2,960	-	-
TOTAL REVENUES	1,739,021	2,962,810	1,433,529	34,285
EXPENDITURES:				
Current:				
General government	869,888	2,953	51,088	361,943
Public safety	-	-	-	-
Community services	-	-	-	-
Capital outlay	776,002	2,581,523	731,695	-
TOTAL EXPENDITURES	1,645,890	2,584,476	782,783	361,943
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	93,131	378,334	650,746	(327,658)
OTHER FINANCING USES:				
Transfers out	-	(95,427)	-	-
TOTAL OTHER FINANCING USES	-	(95,427)	-	-
NET CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEM	93,131	282,907	650,746	(327,658)
EXTRAORDINARY ITEM	-	-	-	-
NET CHANGE IN FUND BALANCES	93,131	282,907	650,746	(327,658)
FUND BALANCES - BEGINNING OF YEAR	5,154,889	4,017,848	7,837,048	382,122
FUND BALANCES - END OF YEAR	$ 5,248,020	$ 4,300,755	$ 8,487,794	$ 54,464

Special Revenue Funds (Continued)				Capital Projects Funds		
Air Quality	Supplemental Law Enforcement	Housing Authority	Special Tax B	Construction 95-1	Other Capital Projects	Total Other Governmental Funds
$ 3,336	$ 1,402	$ 17,862	$ -	$ -	$ 77,977	$ 361,829
101,285	143,755	-	3,434,342	-	-	9,345,203
-	-	-	-	-	-	21,441
-	-	-	-	-	-	218,171
-	-	6,126	-	1,997	3,202,023	3,213,106
104,621	145,157	23,988	3,434,342	1,997	3,280,000	13,159,750
153	-	-	-	-	3,783	1,289,808
-	105,884	-	-	-	-	105,884
-	-	292,497	-	-	-	292,497
-	1,790	-	-	-	3,276,371	7,367,381
153	107,674	292,497	-	-	3,280,154	9,055,570
104,468	37,483	(268,509)	3,434,342	1,997	(154)	4,104,180
-	-	-	(3,427,578)	(310,200)	-	(3,833,205)
-	-	-	(3,427,578)	(310,200)	-	(3,833,205)
104,468	37,483	(268,509)	6,764	(308,203)	(154)	270,975
-	-	976,042	-	-	-	976,042
104,468	37,483	707,533	6,764	(308,203)	(154)	1,247,017
193,069	70,325	1,681,664	-	3,392,248	5,940,872	28,670,085
$ 297,537	$ 107,808	$ 2,389,197	$ 6,764	$ 3,084,045	$ 5,940,718	$ 29,917,102

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 78,529	$ 78,529
Intergovernmental revenue	1,657,800	1,657,800	1,660,492	2,692
TOTAL REVENUES	1,657,800	1,657,800	1,739,021	81,221
EXPENDITURES:				
Current:				
General government	1,125,300	1,125,300	869,888	255,412
Capital outlay	1,047,400	1,047,400	776,002	271,398
TOTAL EXPENDITURES	2,172,700	2,172,700	1,645,890	526,810
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(514,900)	(514,900)	93,131	608,031
FUND BALANCE - BEGINNING OF YEAR	5,154,889	5,154,889	5,154,889	-
FUND BALANCE - END OF YEAR	$ 4,639,989	$ 4,639,989	$ 5,248,020	$ 608,031

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 2,000	$ 2,000	$ 61,620	$ 59,620
Intergovernmental revenue	3,755,800	3,755,800	2,898,230	(857,570)
Other revenue	-	-	2,960	2,960
TOTAL REVENUES	3,757,800	3,757,800	2,962,810	(794,990)
EXPENDITURES:				
Current:				
General government	-	-	2,953	(2,953)
Capital outlay	3,759,800	3,759,800	2,581,523	1,178,277
TOTAL EXPENDITURES	3,759,800	3,759,800	2,584,476	1,175,324
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,000)	(2,000)	378,334	380,334
OTHER FINANCING USES:				
Transfers out	(39,000)	(39,000)	(95,427)	(56,427)
NET CHANGE IN FUND BALANCE	(41,000)	(41,000)	282,907	323,907
FUND BALANCE - BEGINNING OF YEAR	4,017,848	4,017,848	4,017,848	-
FUND BALANCE - END OF YEAR	$ 3,976,848	$ 3,976,848	$ 4,300,755	$ 323,907

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK ACQUISITION AND DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 55,000	$ 55,000	$ 118,319	$ 63,319
Intergovernmental revenue	-	-	1,075,598	1,075,598
Charges for services	15,000	15,000	21,441	6,441
Rental income	128,000	128,000	218,171	90,171
TOTAL REVENUES	198,000	198,000	1,433,529	1,235,529
EXPENDITURES:				
Current:				
General government	-	-	51,088	(51,088)
Capital outlay	6,736,700	6,736,700	731,695	6,005,005
TOTAL EXPENDITURES	6,736,700	6,736,700	782,783	5,953,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,538,700)	(6,538,700)	650,746	7,189,446
FUND BALANCE - BEGINNING OF YEAR	7,837,048	7,837,048	7,837,048	-
FUND BALANCE - END OF YEAR	$ 1,298,348	$ 1,298,348	$ 8,487,794	$ 7,189,446

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ASSET FORFEITURE SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 1,000	$ 1,000	$ 2,784	$ 1,784
Intergovernmental revenue	100,000	100,000	31,501	(68,499)
TOTAL REVENUES	101,000	101,000	34,285	(66,715)
EXPENDITURES:				
Current:				
General government	275,000	317,246	361,943	(44,697)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(174,000)	(216,246)	(327,658)	(111,412)
FUND BALANCE - BEGINNING OF YEAR	382,122	382,122	382,122	-
FUND BALANCE - END OF YEAR	$ 208,122	$ 165,876	$ 54,464	$ (111,412)

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 100	$ 100	$ 3,336	$ 3,236
Intergovernmental revenue	82,000	82,000	101,285	19,285
TOTAL REVENUES	82,100	82,100	104,621	22,521
EXPENDITURES:				
Current:				
General government	-	-	153	(153)
Capital outlay	98,000	98,000	-	98,000
TOTAL EXPENDITURES	98,000	98,000	153	97,847
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,900)	(15,900)	104,468	120,368
FUND BALANCE - BEGINNING OF YEAR	193,069	193,069	193,069	-
FUND BALANCE - END OF YEAR	$ 177,169	$ 177,169	$ 297,537	$ 120,368

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 1,402	$ 1,402
Intergovernmental revenue	173,500	173,500	143,755	(29,745)
TOTAL REVENUES	173,500	173,500	145,157	(28,343)
EXPENDITURES:				
Current:				
Public safety	100,100	106,500	105,884	616
Capital outlay	-	-	1,790	(1,790)
TOTAL EXPENDITURES	100,100	106,500	107,674	(1,174)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,400	67,000	37,483	(29,517)
FUND BALANCE - BEGINNING OF YEAR	70,325	70,325	70,325	-
FUND BALANCE - END OF YEAR	$ 143,725	$ 137,325	$ 107,808	$ (29,517)

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 17,862	$ 17,862
Other revenue	5,600	5,600	6,126	526
TOTAL REVENUES	5,600	5,600	23,988	18,388
EXPENDITURES:				
Current:				
Community services	335,700	335,700	292,497	43,203
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(330,100)	(330,100)	(268,509)	61,591
EXTRAORDINARY ITEM	-	-	976,042	(976,042)
NET CHANGE IN FUND BALANCE	(330,100)	(330,100)	707,533	(914,451)
FUND BALANCE - BEGINNING OF YEAR	1,681,664	1,681,664	1,681,664	-
FUND BALANCE - END OF YEAR	$ 1,351,564	$ 1,351,564	$ 2,389,197	$ (914,451)

CITY OF TUSTIN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SPECIAL TAX B SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental revenue	$ -	$ -	$ 3,434,342	$ 3,434,342
OTHER FINANCING USES:				
Transfers out	-	-	(3,427,578)	(3,427,578)
NET CHANGE IN FUND BALANCE	-	-	6,764	6,764
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ 6,764	$ 6,764

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CITY OF TUSTIN

AGENCY FUNDS

June 30, 2016

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations and other governments.

Community Facilities District 04-01 - This fund records the deposit of monies held to pay the debt service requirements of the community facilities district.

Community Facilities District 06-01 - This fund records the deposit of monies held to pay the debt service requirements of the community facilities district.

Community Facilities District 07-01 - This fund records the deposit of monies held to pay the debt service requirements of the community facilities district.

Community Facilities District 13-01 - This fund records the deposit of monies held to pay the debt service requirements of the community facilities district.

Community Facilities District 2014-1 - This fund records the deposit of monies held to pay the debt service requirements of the community facilities district.

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2016

	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Community Facilities District 13-01	Community Facilities District 2014-1	Total
ASSETS						
Cash and investments	$ 14,133	$ 7,902	$ 9,870	$ -	$ 30,197	$ 62,102
Restricted cash and investments	1,062,260	6,712,608	1,835,892	-	3,288,376	12,899,136
Taxes receivable	7,064	49,379	-	-	22,392	78,835
TOTAL ASSETS	$ 1,083,457	$ 6,769,889	$ 1,845,762	$ -	$ 3,340,965	$13,040,073
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ 981	$ -	$ 981
Due to bondholders	1,083,457	6,769,889	1,845,762	(981)	3,340,965	13,039,092
TOTAL LIABILITIES	$ 1,083,457	$ 6,769,889	$ 1,845,762	$ -	$ 3,340,965	$13,040,073

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
COMMUNITY FACILITIES DISTRICT 04-01				
ASSETS:				
Cash and investments	$ 18,529	$ 1,307,784	$ 1,312,180	$ 14,133
Restricted cash and investments	1,075,291	673,061	686,092	1,062,260
Taxes receivable	14,372	7,064	14,372	7,064
TOTAL ASSETS	$ 1,108,192	$ 1,987,909	$ 2,012,644	$ 1,083,457
LIABILITIES:				
Accounts payable	$ -	$ 673,059	$ 673,059	$ -
Due to bondholders	1,108,192	1,299,983	1,324,718	1,083,457
TOTAL LIABILITIES	$ 1,108,192	$ 1,973,042	$ 1,997,777	$ 1,083,457
COMMUNITY FACILITIES DISTRICT 06-01				
ASSETS:				
Cash and investments	$ 99,759	$ 5,651,435	$ 5,743,292	$ 7,902
Restricted cash and investments	9,246,015	5,190,023	7,723,430	6,712,608
Taxes receivable	57,846	49,379	57,846	49,379
TOTAL ASSETS	$ 9,403,620	$ 10,890,837	$ 13,524,568	$ 6,769,889
LIABILITIES:				
Accounts payable	$ -	$ 3,682,508	$ 3,682,508	$ -
Due to bondholders	9,403,620	64,792,474	67,426,205	6,769,889
TOTAL LIABILITIES	$ 9,403,620	$ 68,474,982	$ 71,108,713	$ 6,769,889
COMMUNITY FACILITIES DISTRICT 07-01				
ASSETS:				
Cash and investments	$ -	$ 2,013,084	$ 2,003,214	$ 9,870
Restricted cash and investments	1,933,317	914,963	1,012,388	1,835,892
TOTAL ASSETS	$ 1,933,317	$ 2,928,047	$ 3,015,602	$ 1,845,762
LIABILITIES:				
Accounts payable	$ -	$ 915,500	$ 915,500	$ -
Due to bondholders	1,933,317	16,968,346	17,055,901	1,845,762
TOTAL LIABILITIES	$ 1,933,317	$ 17,883,846	$ 17,971,401	$ 1,845,762

(Continued)

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
(CONTINUED)

For the year ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
COMMUNITY FACILITIES DISTRICT 13-01				
ASSETS:				
Cash and investments	$ 980	$ 217,122	$ 218,102	$ -
TOTAL ASSETS	$ 980	$ 217,122	$ 218,102	$ -
LIABILITIES:				
Accounts payable	$ 980	$ 3,921	$ 3,920	$ 981
Due to bondholders	-	217,122	218,103	(981)
TOTAL LIABILITIES	$ 980	$ 221,043	$ 222,023	$ -
COMMUNITY FACILITIES DISTRICT 2014-01				
ASSETS:				
Cash and investments	$ -	$ 1,608,646	$ 1,578,449	$ 30,197
Restricted cash and investments	-	3,906,014	617,638	3,288,376
Taxes receivable	-	22,392	-	22,392
TOTAL ASSETS	$ -	$ 5,537,052	$ 2,196,087	$ 3,340,965
LIABILITIES:				
Accounts payable	$ -	$ 1,349,419	$ 1,349,419	$ -
Due to bondholders	-	4,177,357	836,392	3,340,965
TOTAL LIABILITIES	$ -	$ 5,526,776	$ 2,185,811	$ 3,340,965
TOTAL ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	$ 119,268	$ 10,798,071	$ 10,855,237	$ 62,102
Restricted cash and investments	12,254,623	10,684,061	10,039,548	12,899,136
Taxes receivable	72,218	78,835	72,218	78,835
TOTAL ASSETS	$ 12,446,109	$ 21,560,967	$ 20,967,003	$ 13,040,073
LIABILITIES:				
Accounts payable	$ 980	$ 6,624,407	$ 6,624,406	$ 981
Due to bondholders	12,445,129	87,455,282	86,861,319	13,039,092
TOTAL LIABILITIES	$ 12,446,109	$ 94,079,689	$ 93,485,725	$ 13,040,073

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2016

This part of the City of Tustin's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents:

Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF TUSTIN

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	$ 285,331,502	$ 343,062,465	$ 357,299,104	$ 360,282,692
Restricted	94,111,615	161,669,815	145,602,640	135,670,302
Unrestricted	(19,936,964)	(14,320,020)	104,037,153	114,737,049
Total governmental activities net position	$ 359,506,153	$ 490,412,260	$ 606,938,897	$ 610,690,043
Business-type activities:				
Net investment in capital assets	$ 22,150,723	$ 22,267,386	$ 24,964,824	$ 24,541,113
Restricted	-	-	1,191,694	-
Unrestricted	199,289,608	172,421,511	1,981,499	1,851,666
Total business-type activities net position	$ 221,440,331	$ 194,688,897	$ 28,138,017	$ 26,392,779
Primary government:				
Net investment in capital assets	$ 307,482,225	$ 365,329,851	$ 382,263,928	$ 384,823,805
Restricted	94,111,615	161,669,815	146,794,334	135,670,302
Unrestricted	179,352,644	158,101,491	106,018,652	116,588,715
Total primary government net position	$ 580,946,484	$ 685,101,157	$ 635,076,914	$ 637,082,822

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 378,911,546	$ 412,683,460	$ 431,761,288	$ 461,673,323	$ 456,649,085	$ 483,229,135
116,718,495	47,727,966	54,367,385	36,693,458	72,929,522	95,241,025
116,545,351	147,513,249	177,532,888	93,877,440	140,727,040	107,224,779
$ 612,175,392	$ 607,924,675	$ 663,661,561	$ 592,244,221	$ 670,305,647	$ 685,694,939
$ 20,872,492	$ 25,479,160	$ 24,171,745	$ 23,657,878	$ 24,270,718	$ 25,443,651
-	-	-	-	-	-
5,541,672	2,795,701	7,094,771	8,326,340	11,845,734	12,227,557
$ 26,414,164	$ 28,274,861	$ 31,266,516	$ 31,984,218	$ 36,116,452	$ 37,671,208
$ 399,784,038	$ 438,162,620	$ 455,933,033	$ 485,331,201	$ 480,919,803	$ 508,672,786
116,718,495	47,727,966	54,367,385	36,693,458	72,929,522	95,241,025
122,087,023	150,308,950	184,627,659	102,203,780	152,572,774	119,452,336
$ 638,589,556	$ 636,199,536	$ 694,928,077	$ 624,228,439	$ 706,422,099	$ 723,366,147

CITY OF TUSTIN

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses:				
Governmental activities:				
General government	$ 7,926,778	$ 8,668,759	$ 8,499,303	$ 7,802,579
Public safety	25,269,653	27,875,230	29,126,019	27,277,141
Public works	19,091,399	30,814,898	22,102,002	20,816,686
Community services	3,444,799	3,442,833	5,112,770	12,742,391
Interest on long-term debt	1,618,814	4,715,026	3,566,782	4,087,839
Total governmental activities expenses	57,351,443	75,516,746	68,406,876	72,726,636
Business-type activities:				
Water	11,879,958	11,870,706	12,569,331	11,938,146
Tustin Legacy	1,518,560	1,279,802	1,259,093	-
Total business-type activities expenses	13,398,518	13,150,508	13,828,424	11,938,146
Program revenues:				
Governmental activities:				
Charges for services:				
General government	2,540,796	2,716,432	1,694,464	1,404,925
Public safety	1,476,811	2,749,660	2,136,772	1,168,348
Public works	2,987,687	1,688,753	2,374,308	3,761,321
Community services	916,075	929,548	897,386	957,545
Operating grants and contributions	3,677,905	3,831,037	4,253,442	3,403,411
Capital grants and contributions	9,652,907	79,210,370	18,865,776	6,287,231
Total governmental activities program revenues	21,252,181	91,125,800	30,222,148	16,982,781
Business-type activities:				
Charges for services:				
Water	10,418,522	10,923,061	11,281,679	10,594,471
Tustin Legacy	409,693	34,370	22,587	-
Capital grants and contributions	-	28,299,036	-	-
Total business-type activities program revenues	10,828,215	39,256,467	11,304,266	10,594,471
Net revenues (expenses):				
Governmental activities	$ (36,099,262)	$ 15,609,054	$ (38,184,728)	$ (55,743,855)
Business-type activities	(2,570,303)	26,105,959	(2,524,158)	(1,343,675)
Total net revenues (expenses)	$ (38,669,565)	$ 41,715,013	$ (40,708,886)	$ (57,087,530)

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 7,854,361	$ 12,266,470	$ 18,705,913	$ 14,825,780	$ 17,121,057	$ 20,023,280
28,622,807	28,800,773	30,702,298	28,440,799	29,886,284	27,779,830
19,809,907	20,765,854	15,087,234	49,538,371	34,435,214	47,326,664
13,150,089	7,078,104	3,201,865	3,498,460	3,699,059	7,869,124
4,814,598	3,057,645	967,115	-	-	-
74,251,762	71,968,846	68,664,425	96,303,410	85,141,614	102,998,898
12,578,667	13,467,541	13,574,149	16,100,137	15,982,078	15,586,463
-	-	-	-	-	-
12,578,667	13,467,541	13,574,149	16,100,137	15,982,078	15,586,463
1,109,150	1,390,073	763,101	249,237	252,074	2,072,540
1,196,830	1,133,096	917,947	920,112	1,071,099	1,195,350
3,508,904	800,328	1,248,595	1,710,813	1,564,314	3,538,906
969,006	974,747	926,432	967,134	892,102	953,149
3,441,281	3,590,210	4,513,158	3,325,304	3,546,823	2,722,978
3,395,929	20,902,629	20,998,311	12,222,106	20,244,479	48,711,583
13,621,100	28,791,083	29,367,544	19,394,706	27,570,891	59,194,506
12,422,746	15,112,161	16,688,773	18,682,821	19,375,359	16,511,795
-	-	-	-	-	-
-	-	-	-	-	-
12,422,746	15,112,161	16,688,773	18,682,821	19,375,359	16,511,795
$ (60,630,662)	$ (43,177,763)	$ (39,296,881)	$ (76,908,704)	$ (57,570,723)	$ (43,804,392)
(155,921)	1,644,620	3,114,624	2,582,684	3,393,281	925,332
$ (60,786,583)	$ (41,533,143)	$ (36,182,257)	$ (74,326,020)	$ (54,177,442)	$ (42,879,060)

CITY OF TUSTIN

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	$ 28,617,969	$ 31,070,501	$ 34,022,959	$ 28,347,659
Transient occupancy taxes	161,105	163,831	154,379	141,335
Business license taxes	N/A	N/A	356,565	337,867
Other taxes	1,534,720	1,665,601	1,689,573	1,720,505
Sales tax	19,317,135	20,428,465	19,858,142	15,917,332
Motor vehicle in lieu, unrestricted	443,222	321,918	252,666	6,122,789
Investment income	4,842,033	7,417,199	4,863,469	4,086,852
Other general revenues	1,598,099	1,523,530	2,314,540	1,520,662
Gain (loss) on disposal of capital assets	-	(1,366,208)	-	-
Gain on sale of land held for resale	-	-	-	-
Transfers	7,943,105	53,668,609	103,805,196	-
Contribution from successor agency	-	-	-	-
Extraordinary item	-	-	-	-
Total governmental activities	64,457,388	114,893,446	167,317,489	58,195,001
Business-type activities:				
Investment income	1,567,316	815,560	164,764	86,654
Gain (loss) on disposal of capital assets	3,519,618	(681)	-	-
Miscellaneous	-	23,337	82,810	25,340
Transfers	(7,943,105)	(53,668,609)	(103,805,196)	-
Total business-type activities	(2,856,171)	(52,830,393)	(103,557,622)	111,994
Total primary government	$ 61,601,217	$ 62,063,053	$ 63,759,867	$ 58,306,995
Changes in net position:				
Governmental activities	$ 28,358,126	$ 130,502,500	$ 129,132,761	$ 2,451,146
Business-type activities	(5,426,474)	(26,724,434)	(106,081,780)	(1,231,681)
Total primary government	$ 22,931,652	$ 103,778,066	$ 23,050,981	$ 1,219,465

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 30,205,879	$ 23,270,718	$ 14,526,101	$ 13,661,771	$ 14,552,535	$ 16,451,763
142,915	137,131	137,064	616,897	1,090,675	1,554,754
358,526	44,800	377,498	393,241	419,148	406,891
1,648,319	1,621,521	1,655,388	1,663,215	1,763,878	1,839,963
18,597,453	19,931,865	21,575,405	22,288,032	22,269,896	24,513,610
6,189,249	5,833,094	5,951,653	6,150,893	6,380,698	6,778,329
2,358,847	958,169	243,921	628,180	1,052,276	2,430,087
1,700,323	14,444,183	7,231,648	4,040,996	7,829,149	2,671,845
-	-	-	-	-	-
-	-	43,335,089	-	48,136,121	-
-	-	-	-	-	-
-	-	-	-	32,137,773	-
-	(27,314,435)	-	1,412,257	-	2,546,442
61,201,511	38,927,046	95,033,767	50,855,482	135,632,149	59,193,684
158,242	156,855	39,700	144,381	249,863	480,050
-	-	-	-	-	-
19,064	59,222	271,858	408,749	489,090	149,374
-	-	-	-	-	-
177,306	216,077	311,558	553,130	738,953	629,424
$ 61,378,817	$ 39,143,123	$ 95,345,325	$ 51,408,612	$ 136,371,102	$ 59,823,108
$ 570,849	$ (4,250,717)	$ 55,736,886	$ (26,053,222)	$ 78,061,426	$ 15,389,292
21,385	1,860,697	3,426,182	3,135,814	4,132,234	1,554,756
$ 592,234	$ (2,390,020)	$ 59,163,068	$ (22,917,408)	$ 82,193,660	$ 16,944,048

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fund Balance prior to GASB 54

	Fiscal Year			
	2007	2008	2009	2010
General fund:				
Reserved	$ 248,372	$ 116,342	$ 120,632,293	$ 144,139,167
Unreserved	20,454,356	24,471,029	1,971,846	5,870,992
Total general fund	$ 20,702,728	$ 24,587,371	$ 122,604,139	$ 150,010,159
All other governmental funds:				
Reserved	$ 68,724,358	$ 76,696,588	$ 49,777,973	$ 66,609,267
Unreserved, reported in:				
Special revenue funds	10,639,839	64,896,223	16,437,130	14,277,683
Debt service funds	-	-	-	(6,774,245)
Capital projects funds	12,388,651	17,558,428	90,474,987	75,663,086
Total all other governmental funds	$ 91,752,848	$ 159,151,239	$ 156,690,090	$ 149,775,791

Fund Balance subsequent to GASB 54

	2007	2008	2009	2010
General fund:				
Nonspendable	$ -	$ -	$ -	$ 144,139,167
Restricted	-	-	-	-
Committed	-	-	-	47,608
Assigned	-	-	-	5,823,384
Unassigned	-	-	-	-
Total general fund	$ -	$ -	$ -	$ 150,010,159
All other governmental funds:				
Nonspendable	$ -	$ -	$ -	$ 34,800,738
Restricted	-	-	-	111,455,097
Committed	-	-	-	344,708
Assigned	-	-	-	11,670,324
Unassigned	-	-	-	(8,495,076)
Total all other governmental funds	$ -	$ -	$ -	$ 149,775,791

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ 144,186,955	$ 144,604,847	$ 128,988,209	$ 129,049,954	$ 122,458,642	$ 88,579,214
-	-	19,615,343	1,352,309	16,650,332	18,657,461
-	-	-	-	-	-
-	-	-	-	-	-
7,443,165	4,077,344	44,368,566	18,781,826	84,278,138	79,667,061
$ 151,630,120	$ 148,682,191	$ 192,972,118	$ 149,184,089	$ 223,387,112	$ 186,903,736
$ 22,352,713	$ 1,710,292	$ 1,287,607	$ -	$ -	$ 1,922
130,673,281	38,274,666	33,885,757	29,820,853	24,048,818	54,438,343
-	-	-	-	-	-
18,603,317	16,239,322	16,880,590	5,493,536	37,350,531	26,871,816
(10,989,463)	-	-	-	-	-
$ 160,639,848	$ 56,224,280	$ 52,053,954	$ 35,314,389	$ 61,399,349	$ 81,312,081

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Revenues:				
Taxes	$ 48,306,569	$ 51,775,505	$ 56,198,002	$ 52,579,529
Licenses and permits	2,095,154	2,710,309	1,692,955	3,538,198
Fines and forfeitures	783,390	818,868	832,188	890,770
Investment income	4,228,582	7,529,488	4,429,915	3,198,484
Intergovernmental revenues	20,136,822	27,394,402	14,626,663	5,378,430
Charges for services	2,043,251	1,583,324	4,497,309	2,708,705
Rental income	349,450	786,438	771,807	869,645
Developer contributions	-	-	-	4,051,180
Gain on sale of land held for resale	-	-	-	-
Contribution from Successor Agency	-	-	-	-
Other revenues	3,160,370	59,309,772	1,188,200	1,028,432
Total revenues	81,103,588	151,908,106	84,237,039	74,243,373
Expenditures:				
Current:				
General government	7,806,916	8,295,887	6,728,236	7,197,709
Public safety	24,450,803	26,561,960	27,759,939	26,359,435
Public works	9,651,745	10,136,680	11,311,291	10,133,685
Community services	3,023,648	2,886,132	5,005,986	12,251,479
Capital outlay	28,503,673	15,080,865	24,772,717	13,125,983
Debt service:				
Principal retirement	1,330,000	1,055,000	11,143,000	7,913,000
Interest and fiscal charges	1,620,897	4,718,806	3,570,834	4,603,661
Bond issue costs	-	-	-	-
Total expenditures	76,387,682	68,735,330	90,292,003	81,584,952
Excess (deficiency) of revenues over (under) expenditures	4,715,906	83,172,776	(6,054,964)	(7,341,579)
Other financing sources (uses):				
Proceeds from debt issuance	25,000,000	-	-	26,274,205
Transfers in	10,795,694	7,803,274	142,866,218	37,207,661
Transfers out	(10,795,694)	(7,803,274)	(41,295,836)	(37,207,661)
Contribution to developer	-	(11,934,400)	-	-
Sale of property	1,676,618	44,658	40,201	7,421
Total other financing sources (uses)	26,676,618	(11,889,742)	101,610,583	26,281,626
Extraordinary gain (loss)	-	-	-	-
Special item	-	-	-	-
Net change in fund balances	$ 31,392,524	$ 71,283,034	$ 95,555,619	$ 18,940,047
Debt service as a percentage of noncapital expenditures	6.57%	12.06%	28.96%	22.37%

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 57,324,011	$ 50,907,306	$ 44,279,024	$ 45,096,520	$ 43,696,204	$ 48,039,509
716,144	443,928	577,044	1,284,232	885,043	1,334,311
893,642	875,068	678,428	631,340	752,597	982,123
1,632,215	472,725	173,890	621,786	1,041,661	2,422,072
5,372,905	6,413,137	21,551,042	7,453,722	15,032,387	18,324,393
5,020,485	2,813,752	2,685,080	1,787,268	1,870,401	2,357,268
358,030	480,255	550,003	751,724	1,113,340	1,308,852
1,593,475	-	-	-	16,934,704	26,357,490
-	-	43,340,797	-	48,136,121	-
-	-	-	-	32,137,773	-
2,425,052	14,075,025	9,773,813	6,110,735	6,302,392	4,714,101
75,335,959	76,481,196	123,609,121	63,737,327	167,902,623	105,840,119
7,505,928	11,656,331	17,357,805	14,205,424	17,568,297	20,372,454
27,508,514	28,714,347	27,944,039	28,170,314	33,062,929	27,897,182
9,110,621	6,954,384	5,980,807	5,797,705	6,417,257	7,182,380
12,740,969	6,506,381	2,752,523	3,081,299	3,170,747	7,308,498
9,979,670	25,816,530	28,487,231	74,422,436	23,800,093	22,498,621
10,659,000	2,590,000	-	-	5,000,000	4,101,171
4,131,435	3,264,323	967,115	-	-	-
429,731	-	-	-	-	-
82,065,868	85,502,296	83,489,520	125,677,178	89,019,323	89,360,306
(6,729,909)	(9,021,100)	40,119,601	(61,939,851)	78,883,300	16,479,813
43,281,289	-	-	-	-	
2,645,014	3,020,291	6,122,454	2,084,612	5,266,102	5,453,988
(2,645,014)	(3,020,291)	(6,122,454)	(2,084,612)	(5,266,102)	(5,453,988)
-	-	-	-	-	-
18,138	43,745	-	-	-	-
43,299,427	43,745	-	-	-	-
-	(98,386,142)	-	1,412,257	-	976,042
-	-	-	-	21,404,683	(34,026,499)
$ 36,569,518	$ (107,363,497)	$ 40,119,601	$ (60,527,594)	$ 100,287,983	$ (16,570,644)
26.76%	10.88%	1.76%	0.00%	6.42%	5.57%

CITY OF TUSTIN

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
(IN THOUSANDS)

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		
	Secured	Unsecured	Taxable Assessed Value
2007	$ 6,397,216	$ 301,747	$ 6,698,963
2008	7,708,506	435,160	8,143,666
2009	7,019,706	341,056	7,360,762
2010	6,874,131	323,694	7,197,825
2011	6,791,003	318,875	7,109,878
2012	6,865,333	294,518	7,159,851
2013	6,975,148	295,303	7,270,451
2014	7,151,192	267,629	7,418,821
2015	7,503,074	287,558	7,790,632
2016	7,924,736	293,492	8,218,228

Notes:
Exemptions are netted directly against individual categories.

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(A) Effective February 1, 2012, the Redevelopment Agency was dissolved. See Notes 18 and 19 for more information.

(B) This rate represents the weighted average of all individual direct rates applied by the City of Tustin.

Redevelopment Agency (A)				
Secured	Unsecured	Taxable Assessed Value (A)	Total Direct Tax Rate (B)
$ 1,496,217	$ 84,203	$ 1,580,420	0.261%
1,826,514	89,863	1,916,377	0.279%
2,432,407	165,392	2,597,799	0.326%
2,175,049	128,194	2,303,243	0.308%
2,180,029	129,387	2,309,416	0.310%
2,085,982	133,065	2,219,047	0.303%
2,107,792	123,929	2,231,721	0.302%
2,192,026	121,534	2,313,560	0.116%
2,362,339	139,834	2,502,173	0.116%
2,643,865	141,934	2,785,799	0.116%

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(rate per $100 of taxable value)

	Fiscal Year			
	2007	2008	2009	2010
Direct Rate:				
City of Tustin	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272
Tustin Unified School District	0.4397	0.4397	0.4397	0.4397
South Orange County Community College District	0.0886	0.0886	0.0886	0.0886
County of Orange	0.0617	0.0617	0.0617	0.0617
Orange County Flood Control District	0.0198	0.0198	0.0198	0.0198
Orange County Library District	0.0167	0.0167	0.0167	0.0167
Orange County Department of Education	0.0161	0.0161	0.0161	0.0161
Various Special Districts	0.2302	0.2302	0.2302	0.2302
Total Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
Tustin Unified School District Bonds	0.0023	0.0317	0.0310	0.0380
Metropolitan Water District Bonds	0.0047	0.0045	0.0043	0.0043
Rancho Santiago Community College District Bonds	0.0191	0.0237	0.0225	0.0274
Irvine Ranch Water District Bonds	0.2138	0.2143	0.2143	0.2242
Santa Ana Unified School District Bonds	0.0392	0.0359	0.0321	0.0739
Total Overlapping Rates	0.2791	0.3101	0.3042	0.3678
Total Direct and Overlapping Rates	$ 1.2791	$ 1.3101	$ 1.3042	$ 1.3678

Source: Hdl, Coren & Cone

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272
0.4397	0.4397	0.4397	0.4397	0.4397	0.4397
0.0886	0.0886	0.0886	0.0886	0.0886	0.0886
0.0617	0.0617	0.0617	0.0617	0.0617	0.0617
0.0198	0.0198	0.0198	0.0198	0.0198	0.0198
0.0167	0.0167	0.0167	0.0167	0.0167	0.0167
0.0161	0.0161	0.0161	0.0161	0.0161	0.0161
0.2302	0.2302	0.2302	0.2302	0.2302	0.2302
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.0596	0.0559	0.0672	0.0891	0.0696	0.0775
0.0037	0.0037	0.0035	0.0035	0.0035	0.0035
0.0314	0.0315	0.0324	0.0333	0.0508	0.0504
0.2242	0.2155	0.2155	0.2155	0.0960	0.0960
0.0717	0.0715	0.0775	0.0736	0.0687	0.0660
0.3906	0.3781	0.3961	0.4150	0.2886	0.2934
$ 1.3906	$ 1.3781	$ 1.3961	$ 1.4150	$ 1.2886	$ 1.2934

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Ten Years Ago

	2016		2006	
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Irvine Company LLC	$ 233,313,029	2.12%	$ 64,428,837	0.79%
Vestar Kimco Tustin LP	168,166,642	1.53%	80,172,000	0.98%
Avalon II California Value I LP	103,839,054	0.95%		
Legacy Villas LLC	100,997,664	0.92%		
Irvine Apartment Communities LP	51,860,610	0.47%	220,714,583	2.70%
Borchard Redhill SKB-Tustin LLC	50,867,718	0.46%	63,731,170	0.78%
Cadigan Communities LP	50,320,770	0.46%		
PK II Larwin Square SC LP	49,508,974	0.45%		
Costco Wholesale Corporation	48,093,830	0.44%		
Ricoh Development of California Inc	48,064,313	0.44%		
MW Housing Partners III LP			133,302,391	1.63%
William Lyon Homes Inc			90,577,571	1.11%
Bascom East Tustin Avenue Apartment LLC			70,241,253	0.86%
Ora Residential Investment LLC			58,392,867	0.72%
Oppenheim Immobilen-Kapi Talanlagegesel			54,550,000	0.67%
WL Homes			53,636,041	0.66%
	$ 905,032,604	8.24%	$ 889,746,713	10.90%

The amounts shown above include the Combined Tax Rolls and the SBE Non-Unitary Tax Roll.

Sources: Hdl, Coren & Cone

CITY OF TUSTIN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2007	$ 30,701,393	$ 28,617,969	93.21%	$ 799,215	$ 29,417,184	95.82%
2008	33,554,781	31,070,501	92.60%	695,793	31,766,294	94.67%
2009	38,515,110	34,022,959	88.34%	1,417,067	35,440,026	92.02%
2010	31,739,378	28,347,659	89.31%	917,222	29,264,881	92.20%
2011	30,713,746	29,541,000	96.18%	610,052	30,151,052	98.17%
2012	30,163,205	20,433,400	67.74%	147,389	20,580,789	68.23%
2013	9,492,638	9,257,817	97.53%	121,715	9,379,532	98.81%
2014	9,862,476	9,655,778	97.90%	121,400	9,777,178	99.14%
2015	9,287,149	9,007,785	96.99%	163,497	9,171,282	98.75%
2016	10,847,984	10,541,516	97.17%	233,935	10,775,451	99.33%

Notes:
The amounts presented include City property taxes and former Redevelopment Agency tax increment.

This schedule also includes amounts collected by the City and former Redevelopment Agency that were passed-through to other agencies.

Effective February 1, 2012, the former Redevelopment Agency was dissolved. See Notes 18 and 19 for more information.

Source: County of Orange Auditor Controller's Office

CITY OF TUSTIN

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal	Governmental Activities					
Year Ended June 30	Tax Allocation Bonds (1)	Tax Allocation Bonds (5)	Tax Allocation Bonds (6)	Notes Payable (2)	Notes Payable (3)	Total Governmental Activities
2007	$ 13,020,000	$ -	$ -	$ 25,000,000	$ -	$ 38,020,000
2008	11,975,000	-	-	25,000,000	-	36,975,000
2009	10,870,000	-	-	14,962,000	19,284,170	45,116,170
2010	9,720,000	26,170,000	-	8,199,000	20,112,456	64,201,456
2011	8,515,000	24,915,000	44,170,000	-	20,976,317	98,576,317
2012	-	-	-	-	21,877,282	21,877,282
2013	-	-	-	-	22,816,940	22,816,940
2014	-	-	-	-	21,404,683	21,404,683
2015	-	-	-	-	16,404,683	16,404,683
2016	-	-	-	-	12,303,512	12,303,512

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) On July 1, 1998 the City issued $20.8 million of Tax Allocation Refunding Bonds to retire Series 1987 Refunding Bonds. On February 1, 2012, the remaining liability of $7,260,000 was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 and 19 for more information.

(2) In April of 2007 the Tustin Redevelopment Agency executed a note payable in the amount of $25 million to acquire property to carry out the program objectives of the Agency.

(3) In December of 2008 the City executed a note payable to the Tustin Redevelopment Agency in the amount of $18,881,750 to increase its deposit of probable compensation per court order pending litigation. As of February 1, 2012, this note is payable to the Successor Agency to the Tustin Community Redevelopment Agency. See Note 19 for more information.

(4) In September of 2003 the City issued $14.355 million of Refunding Water Revenue Bonds to defease the outstanding Certificates of Participation and the Orange County Water District Notes. These bonds were defeased in March 2012.

Business-type Activity							
Water Revenue Bonds (4)	Water Revenue Bonds (7)	Water Revenue Bonds (8)	Water Revenue Bonds (9)	Total Business-type Activity	Total Primary Government	Percentage of Personal Income	Debt Per Capita
$ 13,331,607	$ -	$ -	$ -	$ 13,331,607	$ 51,351,607	2.29%	719
13,080,000	-	-	-	13,080,000	50,055,000	2.11%	696
12,560,000	-	-	-	12,560,000	57,676,170	2.35%	783
11,875,000	-	-	-	11,875,000	76,076,456	3.16%	1,018
11,165,000	20,760,000	-	-	31,925,000	130,501,317	5.52%	1,722
-	20,760,000	8,910,000	-	29,670,000	51,547,282	2.12%	673
-	21,044,310	8,997,129	-	30,041,439	52,858,379	2.16%	678
-	21,034,111	8,205,372	14,160,362	43,399,845	64,804,528	2.73%	827
-	21,023,911	7,398,615	14,111,418	42,533,944	58,938,627	2.44%	752
-	21,013,711	6,571,858	14,062,474	41,648,043	53,951,555	2.21%	652

(5) In March 2010 the Tustin Redevelopment Agency issued $26,170,000 Tax Allocation Housing Bonds, Series 2010 to refinance low and moderate income housing activities throughout the geographic boundaries in the City. On February 1, 2012, the remaining liability of $24,220,000 was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 and 19 for more information.

(6) In November 2010 the Tustin Redevelopment Agency issued $44,170,000 MCAS Tax Allocation Bonds, Series 2010 to finance capital improvements in the MCAS project area. On February 1, 2012, the remaining liability of $43,530,000 was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 and 19 for more information.

(7) In May 2011 the City issued $20,760,000 Water Revenue Bonds, 2011 Series A to finance water capital improvement projects.

(8) In March 2012 the City issued $8.91 million of Refunding Water Revenue Bonds to defease the outstanding 2003 Water Revenue Bonds.

(9) In October 2013 the City issued $14,045,000 Water Revenue Bonds to finance water capital improvement projects.

CITY OF TUSTIN

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt: General Obligation Bonds	Tax Allocation Bonds	Total	Percent of Assessed Value *	Per Capita
2007	$ -	$ 13,020,000	$ 13,020,000	0.16%	$ 182
2008	-	11,975,000	11,975,000	0.12%	166
2009	-	10,870,000	10,870,000	0.11%	148
2010	-	35,890,000	35,890,000	0.38%	480
2011	-	77,600,000	77,600,000	0.82%	1,024
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds. The City currently does not have general bonded debt in either fund.

* - Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

Effective February 1, 2012, the redevelopment agency was dissolved. The outstanding balance of tax allocation bonds were transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 and 19 for more information.

CITY OF TUSTIN

OVERLAPPING DEBT SCHEDULE

June 30, 2016

2015-16 Assessed Valuation	$11,004,027,235
Redevelopment Incremental Valuatior	(2,617,671,840)
Adjusted Assessed Value	$ 8,386,355,395

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/16	(1) % Applicable	City's Share of Debt at 6/30/16
Metropolitan Water District	$ 92,865,000	0.449%	$ 416,964
Rancho Santiago Community College District	268,052,899	0.114	305,580
Rancho Santiago Community College District School Facilities Improvement Dst No. 1	64,240,000	0.192	123,341
Santa Ana Unified School District	274,001,882	0.236	646,644
Tustin Unified School District School Facilities Improvement District No. 2002-1	48,068,292	45.202	21,727,829
Tustin Unified School District School Facilities Improvement District No. 2008-1	90,085,000	43.334	39,037,434
Tustin Unified School District School Facilities Improvement District No. 2012-1	29,830,000	44.069	13,145,783
Tustin Unified School District Community Facilities District No. 88-1	34,700,000	100.000	34,700,000
Tustin Unified School District Community Facilities District No. 06-1	13,395,000	100.000	13,395,000
City of Tustin Community Facilities Districts	103,590,000	100.000	103,590,000
Irvine Unified School District Community Facilities District No. 86-1	65,900,000	0.208	137,072
Irvine Ranch Water District Improvement Districts	447,910,610	5.308-84.102	53,834,861
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			**$ 281,060,508**
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	124,614,000	2.205%	2,747,739
Orange County Pension Obligations	353,417,858	2.205	7,792,864
Orange County Board of Education Certificates of Participatior	14,840,000	2.205	327,222
Municipal Water District of Orange County Water Facilities Corporatior	2,770,000	2.630	72,851
Orange Unified School District Certificates of Participation	27,837,063	0.030	8,351
Orange Unified School District Benefit Obligations	82,965,000	0.030	24,890
Santa Ana Unified School District Certificates of Participation	70,982,229	0.236	167,518
City of Tustin	-	**100.000**	-
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:			11,141,435
Less: MWDOC Water Facilities Corporation (100% self supporting)			72,851
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:			11,068,584
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	$ 154,825,000	0.001-100.00%	$ 62,981,169
GROSS COMBINED TOTAL DEBT			$ 355,183,112 (2)
NET COMBINED TOTAL DEBT			$ 355,110,261

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages wer estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital leas obligations.

Effective February 1, 2012, the former Redevelopment Agency was dissolved. See Notes 18 and 19 for more informatio

Ratios to 2015-16 Assessed Valuations:	
Total Overlapping Tax and Assessment Debt	2.55%
Total Direct Debt	0.00%
Gross Combined Total Debt	3.23%
Net Combined Total Debt	3.23%

Ratios to Redevelopment Incremental Valuations ($2,617,671,840):	
Total Overlapping Tax Increment Debt	2.41%

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2007	2008	2009	2010
Assessed valuation	$ 6,698,963,000	$ 8,143,666,000	$ 7,360,762,000	$ 7,197,825,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,674,740,750	2,035,916,500	1,840,190,500	1,799,456,250
Debt limit percentage	15%	15%	15%	15%
Debt limit	251,211,113	305,387,475	276,028,575	269,918,438
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	$ 251,211,113	$ 305,387,475	$ 276,028,575	$ 269,918,438
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based on 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Sources: County Tax Assessor's Office
City Finance Department

Fiscal Year					
2011	2012	2013	2014	2015	2016
$ 7,109,878,000	$ 7,159,851,000	$ 7,270,451,000	$ 7,418,821,000	$ 7,790,632,000	$ 8,218,228,000
25%	25%	25%	25%	25%	25%
1,777,469,500	1,789,962,750	1,817,612,750	1,854,705,250	1,947,658,000	2,054,557,000
15%	15%	15%	15%	15%	15%
266,620,425	268,494,413	272,641,913	278,205,788	292,148,700	308,183,550
-	-	-	-	-	-
$ 266,620,425	$ 268,494,413	$ 272,641,913	$ 278,205,788	$ 292,148,700	$ 308,183,550
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF TUSTIN

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Water Revenue Bonds Debt Service Principal	Interest	Coverage
2007	$ 10,844,515	$ 9,986,251	$ 858,264	$ 180,000	$ 570,470	1.14
2008	11,240,752	10,053,706	1,187,046	335,000	563,450	1.32
2009	11,510,315	10,573,932	936,383	520,000	550,385	0.87
2010	12,829,902	9,928,608	2,901,294	685,000	530,105	2.39
2011	12,422,746	10,566,435	1,856,311	710,000	502,705	1.53
2012	15,112,161	10,683,621	4,428,540	740,000	1,432,659	2.04
2013	16,688,773	11,462,258	5,226,515	710,000	957,111	3.14
2014	18,955,616	13,198,598	5,757,018	710,000	1,622,859	2.47
2015	19,375,359	12,511,648	6,863,711	770,000	1,973,820	2.50
2016	16,511,795	12,013,376	4,498,419	790,000	1,951,170	1.64

Notes:

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

Operating expenses do not include interest or depreciation and amortization expenses.

Water revenues in 2010 include proceeds from an advance from the City's general fund.

Tax Allocation Bonds			
Tax	Debt Service		
Allocation	Principal	Interest	Coverage
$ 3,956,734	$ 1,000,000	$ 642,040	2.41
3,381,188	1,055,000	594,358	2.05
4,460,947	1,105,000	547,365	2.70
3,831,975	1,150,000	497,180	2.33
17,928,849	2,460,000	2,204,419	3.84
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

CITY OF TUSTIN

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	City of Tustin Population	Personal Income (In Thousands)	Per Capita Personal Income	County of Orange Unemployment Rate
2007	71,383	$ 2,246,281	$ 31,468	3.30%
2008	71,931	2,368,395	32,926	3.80%
2009	73,670	2,450,480	33,263	5.20%
2010	74,736	2,407,036	32,207	8.90%
2011	75,733	2,363,057	31,186	9.40%
2012	76,597	2,429,318	31,716	8.60%
2013	77,983	2,451,708	31,439	5.60%
2014	78,360	2,375,640	30,317	4.90%
2015	78,347	2,411,442	30,779	5.10%
2016	82,717	2,441,169	29,512	4.20%

Source: HdL Coren & Cone, LLC

CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

Employer	2016 Number of Employees	2016 Percent of Total Employment	2006 Number of Employees	2006 Percent of Total Employment
Tustin Unified School District	2,248	5.13%		
Kaiser Foundation Hospitals	593	1.35%		
Youngs Market Company LLC	548	1.25%	1,038	2.77%
City of Tustin	392	0.89%		
Costco Wholesale Corporation	350	0.80%		
Logomark Inc	315	0.72%		
Toshiba America Medical Systs	300	0.68%	300	0.76%
Ricoh Electronics Inc	256	0.58%		
Vita Best Nutrition Inc	250	0.57%		
Balboa Water Group	250	0.57%		
Tustin Hospital Medical Center			200	0.51%
KTBN Channel 40 Trinity Broadcasting			180	0.46%
Texas Instruments			560	1.42%
MacPherson Enterprises			540	1.37%
GE Power Electronics (formerly Cherokee			330	0.84%
Revere Transducers			200	0.51%
Fireman's Fund Insurance			190	0.48%
Safeguard Business Systems			175	0.45%

Sources: Orange County Workforce Investment Board
City of Tustin
US Census Bureau

CITY OF TUSTIN

FULL-TIME CITY EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	31	31	27	27	25	29	26	35	33	38
Community Development	28	29	28	24	17	17	15	15	16	19
Public Works	50	51	50	53	52	51	40	47	48	45
Police	145	144	147	147	140	139	131	140	141	141
Parks and Recreation	17	15	16	15	14	15	13	13	14	14
Redevelopment Agency	5	5	6	6	6	5	3	-	-	-
Water	20	20	23	22	23	25	17	17	18	19
Total	296	295	297	294	277	281	245	267	270	276

The City contracts with the OC Fire Authority for fire services.

Source: City of Tustin Human Resource Department

CITY OF TUSTIN

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations (1)	2	2	2	2	2	2	2	2	2	2
Public Works										
Street (miles)	101.8	106.3	127.2	127.2	127.2	127.2	127.2	129.1	129.1	130.1
Street Lights	2,855	3,285	3,544	3,544	3,544	3,544	3,544	3,640	3,640	3,680
Traffic Signals	97	113	113	116	117	118	118	121	121	125
Storm Drain (miles)	23.7	49.1	49.2	49.2	49.2	49.2	49.2	51.2	51.4	51.8
Street Trees	16,638	15,821	15,853	15,853	15,837	15,786	16,097	16,073	15,815	15,706
Parks and Recreation										
Parks	12	12	12	13	13	13	13	13	13	14
Parks (acres)	81.5	81.5	81.5	98.5	98.5	98.5	98.5	98.5	98.5	116.0
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1	1	1
Water										
Metered Services	14,080	14,117	14,118	14,118	14,139	14,139	14,172	14,181	14,148	14,099
Average daily consumption	17,205	14,970	14,460	14,460	12,899	13,491	13,601	13,975	13,975	9,975
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	12	12	13	13	13	13	13	13	13	13
Water Main (miles)	173	173	173	173	173	173	173	173	173	173
Fire Hydrants	2,200	2,200	2,201	2,201	2,201	2,201	2,201	1,914	1,945	1,945

(1) The City contracts with the OC Fire Authority for fire services, and they have full use of City owned stations.

Source: City of Tustin Finance Department

CITY OF TUSTIN

WATER CONSUMPTION BY CUSTOMER TYPE

Last Ten Fiscal Years

	Fiscal Year			
Type of Customer	2007	2008	2009	2010
Residential	3,319,069	3,202,982	3,012,575	2,749,415
Apartment/Multiple Units	1,312,731	1,264,584	1,226,181	1,142,749
Commercial	360,170	326,987	305,601	287,951
Fire Services	11,453	478	184	217
Irrigation	171,200	174,858	171,382	145,287
Government	265,158	260,688	264,425	238,914
Restaurants	67,378	61,029	54,916	52,761
Hospitals	14,243	14,376	11,222	9,636
Non-Profit	48,320	48,922	45,387	43,985
Industrial	71,065	69,920	67,985	56,360
Hotel/Motels	13,367	12,803	12,890	13,562
All Others	100,604	115,246	105,221	171,781
	5,754,758	5,552,873	5,277,969	4,912,618

Measured in hundred cubic feet.

Source: City of Tustin Finance Department

Fiscal Year					
2011	2012	2013	2014	2015	2016
2,592,741	2,733,482	2,815,322	2,905,069	2,603,538	1,934,761
1,133,899	1,172,823	1,158,480	1,163,159	1,139,321	1,003,808
296,001	305,638	308,376	321,125	310,585	259,459
275	1,242	818	577	837	646
134,408	149,957	151,965	167,346	155,766	96,082
212,561	236,658	268,581	276,292	229,262	134,446
48,873	53,183	53,461	52,520	51,658	45,069
11,587	12,204	12,442	7,634	10,018	11,166
41,291	44,488	44,476	45,920	41,601	22,989
51,760	58,298	57,462	60,438	59,292	40,407
8,332	8,514	10,417	12,866	21,379	23,387
176,248	147,552	82,716	87,785	71,324	68,830
4,707,976	4,924,039	4,964,516	5,100,731	4,694,581	3,641,050

CITY OF TUSTIN

WATER RATES

Last Ten Fiscal Years

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges: Up to 12 HCF	From 13 to 40 HCF	From 41 to 60 HCF	All Over 60 HCF
2007	$ 20.24	$ 0.44	$ 1.42	$ 1.52	$ 1.67
2008	22.26	0.49	1.56	1.67	1.84
2009	22.26	0.49	1.56	1.67	1.84
2010	22.26	0.49	1.56	1.67	1.84

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges: Up to 10 HCF	From 11 to 20 HCF	From 21 to 30 HCF	From 31 to 40 HCF	From 41 to 50 HCF	From 51 to 60 HCF	All Over 61 HCF
2011	$ 34.49	$ 0.58	$ 1.02	$ 1.33	$ 1.65	$ 1.97	$ 2.29	$ 2.62
2012	36.94	0.70	1.22	1.60	1.99	2.37	2.76	3.17
2013	40.63	0.73	1.29	1.69	2.10	2.56	2.97	3.40
2014	43.59	0.79	1.38	1.81	2.25	2.79	3.24	3.70
2015 (1)	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2016	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05

Fiscal Year	Bi-Monthly Fixed Charge	Emergency Drought Stage 2 - Consumption Charges: Up to 8 HCF	From 9 to 16 HCF	From 17 to 24 HCF	From 25 to 32 HCF	From 33 to 40 HCF	From 41 to 48 HCF	All Over 49 HCF
2015 (1)	$ 46.85	$ 0.84	$ 1.48	$ 1.94	$ 2.41	$ 3.05	$ 3.53	$ 4.05
2016	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05

Notes:

HCF = Hundred Cubic Feet (1 HCF = 748 gallons)

(1) A revised seven (7) tiered rate structure was approved on August 5, 2014 to address a stage 2 emergency drought water demand reduction mandate.

A seven (7) tiered rate structure was implemented on July 1, 2010. Additionally, a new fixed charge (Capital Fee) was implemented with the new rate structure, which has been included in the Bi-Monthly Fixed Charge. The rate shown is for a standard residential customer.

The bi-monthly fixed rate shown is based on the standard residential customer meter (5/8"). The City uses the American Water Works Association equivalent meter capacity ratios from the AWWA Manual M6 to calculate fixed charges for meters ranging from 1 to 6 inches.

Source: City of Tustin Finance Department

CITY OF TUSTIN

WATER CUSTOMERS

Current Year and Ten Years Ago

	2016		2006	
Water Customer	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Tustin Unified School District	$ 411,765	2.49%	$ 204,869	3.50%
Tustin Plaza Center, LP	61,664	0.37%		
City of Tustin	61,017	0.37%	52,710	0.90%
AT& T Services, Inc.	53,426	0.32%		
Schroeder Property Management	47,045	0.28%	19,940	0.34%
Ricoh Electronics, Inc.	43,094	0.26%		
Key Inn	37,958	0.23%		
CalTrans - District 12	37,945	0.23%		
15701 TV Way Partnership	36,960	0.22%		
Tustin Acres Community Association	35,803	0.22%	22,501	0.38%
CA 4-14 FUND, LLC	35,599	0.22%		
71286 JMJ LLC	34,829	0.21%		
Briarwood Investment Co. Ltd.	31,307	0.19%	25,311	0.43%
HSA LP	30,527	0.18%	53,459	0.91%
Westchester Park L.P.	29,971	0.18%	19,784	0.34%
Sierra Corporate Management	29,933	0.18%		
Tustin Village Community Association	29,265	0.18%	18,364	0.31%
Bascon East Tustin Ave Apt. LLC			65,410	1.12%
Pacific Bell			50,417	0.86%
V KAY - NNC Valencia Gardens			27,033	0.46%
Greenwood and McKenzie			23,490	0.40%
CMC Association Mgmt.			23,149	0.40%
Alders Apartment Company			20,903	0.36%
Pacific Point Apartments			20,513	0.35%
Arnel Management			18,655	0.32%
Regency West			18,599	0.32%
Sycamore Creek Apartments			17,878	0.31%
Total Water Sales	$ 1,048,108	6.33%	$ 702,985	12.01%

Source: City of Tustin Finance Department

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