CITY OF TUSTIN

90 YEARS

TUSTIN • CALIFORNIA

1927 - 2017

Comprehensive Annual Financial Report

CAFR

For the year ended June 30, 2017

Provide effective, high-quality services that foster safety, quality of life, and economic vitality throughout our community

CITY OF TUSTIN, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2017

Prepared By: Finance Department

CITY OF TUSTIN

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CITY OF TUSTIN

Elected and Administrative Officials

MAYOR

Dr. Alan Bernstein

CITY COUNCIL

Al Murray, Mayor Pro Tem
Rebecca "Beckie" Gomez
Charles E. "Chuck" Puckett
Letitia Clark

AUDIT COMMISSION

R. Lawrence Friend, Chair
Robert Ammann, Chair Pro Tem
Colin Deering
Daniel Erickson
Craig Shimomura

CITY MANAGER/CITY TREASURER

Jeffrey C. Parker

DEPUTY CITY MANAGER

Matthew S. West

David E. Kendig
City Attorney

Elizabeth A. Binsack
Director, Community Development

John A. Buchanan
Director, Economic Development/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 12, 2017

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, 2017, 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 fairly present 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, 2017, 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, 2017, 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, 2017 population at 82,372, a 0.4% decrease from 2016. There were 8 cities in Orange County showing minor decreases in population, with most cities and counties throughout the state experiencing increases in population. The County of Orange experienced a 0.7% increase in population. 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 biannual budget. The two-year budget for the City is part of our strategic plan to enhance financial sustainability. Council adopted this type of budget to improve our financial projections and to focus on programs essential to providing quality services to our community. This document is available on our City website at www.tustinca.org. 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 Council approves budgeted appropriations annually. 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 100 as part of the required supplementary information, and for nonmajor governmental funds, this comparison is presented on pages 110-116 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 30-31.

ECONOMIC OUTLOOK

The State of California has maintained a stable economy since the economic downturn. The statewide unemployment rate has dropped from 5.5% in October 2016 to 4.9% for October 2017, which is 0.8% higher than the United States unemployment rate of 4.1% for October 2017. The Orange County unemployment rate has decreased 0.5% from October 2016 to 3.7% for October 2017. The City's sales tax revenue continues to be the largest continuing revenue source for the General Fund. It is 43% of total General Fund revenues, excluding the significant one-time proceeds received in fiscal year 2017 related to land sales at Tustin Legacy. Annual sales tax revenue increased from fiscal year 2015-2016 to fiscal year 2016-2017 to $25.1 million. The projected sales tax revenue for fiscal year 2017-2018 and fiscal year 2018-2019 is expected to increase over fiscal year 2016-2017 by 3.1%. A 3.1% increase in sales tax revenue over the next two fiscal years reflects a healthy stable economy. Staff is comfortable with the projected amounts for fiscal year 2017-18 and 2018-19, but also mindful of the fact that sales tax trends must be carefully monitored throughout the year. Property tax revenue is the second largest General Fund revenue source (42% of total revenues). Property tax revenue for fiscal year 2017-18 and 2018-19 reflects a 2.4% increase for each year based on information from the City's property tax consultants and information from the County Assessor. This is a positive trend because property tax revenue was relatively flat several years ago. As with sales tax, property tax will be carefully monitored throughout the year.

Development at the Marine Corp Air Station Base also referred to as The Legacy continues to move forward. 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

Facility Districts. Lincoln Properties is developing Phase 1 of Flight at Tustin Legacy, a 400,000-square-foot creative office campus which invites collaborative, non-traditional workspaces. Flight will feature several amenities, including a market food hall with chef-driven food and beverage concepts, a 6,000-square-foot conference center for meetings and special events, and direct access to Tustin Legacy Park creating a dynamic indoor/outdoor environment. When built-out, Flight will be home to approximately 4,500 employees, which will have a multiplier effect that reaches beyond the boundaries of Flight. Legacy Park, a City-owned passive park with trails and open space areas, will ultimately connect all of Tustin Legacy from the Metrolink Station to the corner of Red Hill Avenue and Barranca Avenue. Flight will assist in benefiting the City in balancing job growth with housing needs.

Regency Centers is currently developing the Village at Tustin Legacy. The 22-acre neighborhood commercial center will be comprised of two major components:

- A retail center anchored by a Blue Ribbon Stater Bros., CVS, Bank of America, Chipotle, and Dunkin' Donuts.
- A medical plaza with a medical center and an acute care hospital/rehabilitation facility. Hoag Memorial Hospital Presbyterian, as a component of this medical center, is building a new 60,000-square-foot medical office building at The Village at Tustin Legacy.

The City Council continues to take a proactive approach for maintaining the City's healthy financial position by monitoring revenues and expenses. We anticipate that General Fund revenues will increase slightly over the next two fiscal years by approximately 3.5% from fiscal year 2016-17 which requires managing expenditures to balance the budget and continue to provide core City services. Estimated expenditures for fiscal year 2017-18 are about the same as the budget in fiscal year 2016-17. The City expects a $1.2 million deficit for fiscal year 2017-18 to be funded with planned use of excess reserves, bringing the projected General Fund reserve percentage to 35.3%, which is well above the 20% City policy. Budgeted expenditures for fiscal year 2018-19 show an increase of about $1.9 million over the fiscal year 2016-17. Again, this is expected to be funded with excess reserves, bringing the reserve percentage to 29.9%. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2018.

A major factor facing the sustainability of future budgets is our effort to address the City's pensions and unfunded liabilities. The City Council has directed staff to develop a strategy to significantly reduce or eliminate our unfunded liability. By accomplishing this, we will reduce the annual impact to the General Fund, insuring the financial stability necessary to provide quality services to our community.

The other major operating fund is the Water Enterprise Fund. The last several years of drought and drought enforcement have reduced revenues and expenditures in the Water Enterprise Fund.

After years of strict regulations, the Governor has declared an end to the drought emergency. This does not mean that California residents should not continue to be responsible with water use. In this vein, the Tustin City Council has implemented permanent water restrictions and has given water customers more watering days. Staff is anticipating that revenues and expenditures will increase as Tustin water customers begin using more water. The final year of the water rate increase from the 2010 five-year program was fiscal year 2014-15. Due to the complications of the serious drought California is experiencing and in light of the recent court ruling regarding Proposition 218 and tiered rates, staff will analyze the need for another possible rate adjustment program and provide the information to City Council during fiscal year 2017-18.

ACCOMPLISHMENTS AND FUTURE PROJECTS

During fiscal year 2017 the City refunded the bond issues for the 2011 Water Revenue Bonds, taking advantage of the lower interest rate environment and decreasing total debt service requirements by $3.8 million over the life of the bonds. Also during fiscal year 2017, the Successor Agency to the Tustin Redevelopment Agency refunded 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 of $11.9 million over the life of the bonds.

Major capital improvement projects completed include the following:

- Heritage Park Playground Renovation
- City Council Chamber Renovation
- Annual Major Building Maintenance (Accessibility Improvements, Replace HVAC Units, Repair Tile Roofs)
- Annual Roadway and Public Infrastructure Maintenance Program (MOE)
- Laurelwood Curb Ramp Construction
- Detention Basin Landscaping and Water Quality Installation at the corner of Red Hill Avenue and Barranca Parkway
- Park Avenue Extension from Victory Road to Moffett Drive
- TUSD School Site Grading
- Grading of the City Property Adjacent to the TUSD Site, future Legacy Road, future Moffett Drive, and Tustin Ranch Road

The City's capital projects for fiscal year 2017-2018 are budgeted at $136 million. The budget reflects a substantial increase in capital improvement projects funded by Legacy Backbone Infrastructure Funds and proceeds from sale of land at the Legacy Development. Other funding sources for the capital projects include former Redevelopment Agency Bond proceeds, Water Revenue Bond proceeds, water revenues, gas tax, Park Development Funds, Measure M2, Community Facility Bond proceeds, and Community Development Block Grants. Major capital projects for fiscal year 2017-2018 include:

- Annual Roadway and Public Infrastructure Maintenance Program (MOE)
- Veterans Sports Park at Tustin Legacy
- Victory Road Extension: Red Hill Avenue to Armstrong Avenue (formerly Bell Avenue)
- Armstrong Avenue Extension: Warner Avenue to Barranca Parkway
- Peters Canyon Channel Improvements
- Moffett Drive Extension from Park Avenue to east of Peters Canyon Channel
- Red Hill Avenue Widening between Barranca Parkway and Warner Avenue
- Red Hill Avenue Widening between Warner Avenue and Edinger Avenue
- Red Hill Avenue Median Improvements between Barranca Parkway and north of Valencia Avenue
- Legacy Park between Barranca Parkway and Armstrong Avenue
- Flight Way (formerly Aston) Extension between Barranca Parkway and Legacy Park
- South Hangar Renovation – Phase I
- Moffett Drive Extension from Future Legacy Road Extension to Park Avenue
- Legacy Road (formerly Kensington Park Drive) Extension from Valencia Avenue to Future Moffett Drive Extension
- Park Avenue Widening between Tustin Ranch Road and Warner Avenue
- Westbound El Camino Real at Tustin Ranch Road Improvement
- Traffic Control Facilities – Main Street Improvements
- Median Landscape Rehabilitation
- Street Light LED Conversion Project
- Emergency Operations Center and City Maintenance Yard
- Annual Major Park Maintenance
- Simon Ranch Reservoir, Booster Pump Station and Pipeline Replacement
- Northwest Well Site Acquisition

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, 2016. This was the thirtieth 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, Deputy Director – Administrative Services, Glenda Babbitt, Management Analyst, Andrea Campbell, Senior Accountant, Sharon Ting, Accountant, 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,

John Buchanan

John A. Buchanan
Acting Finance Director

Jennifer Leisz
Deputy Director – Financial Services

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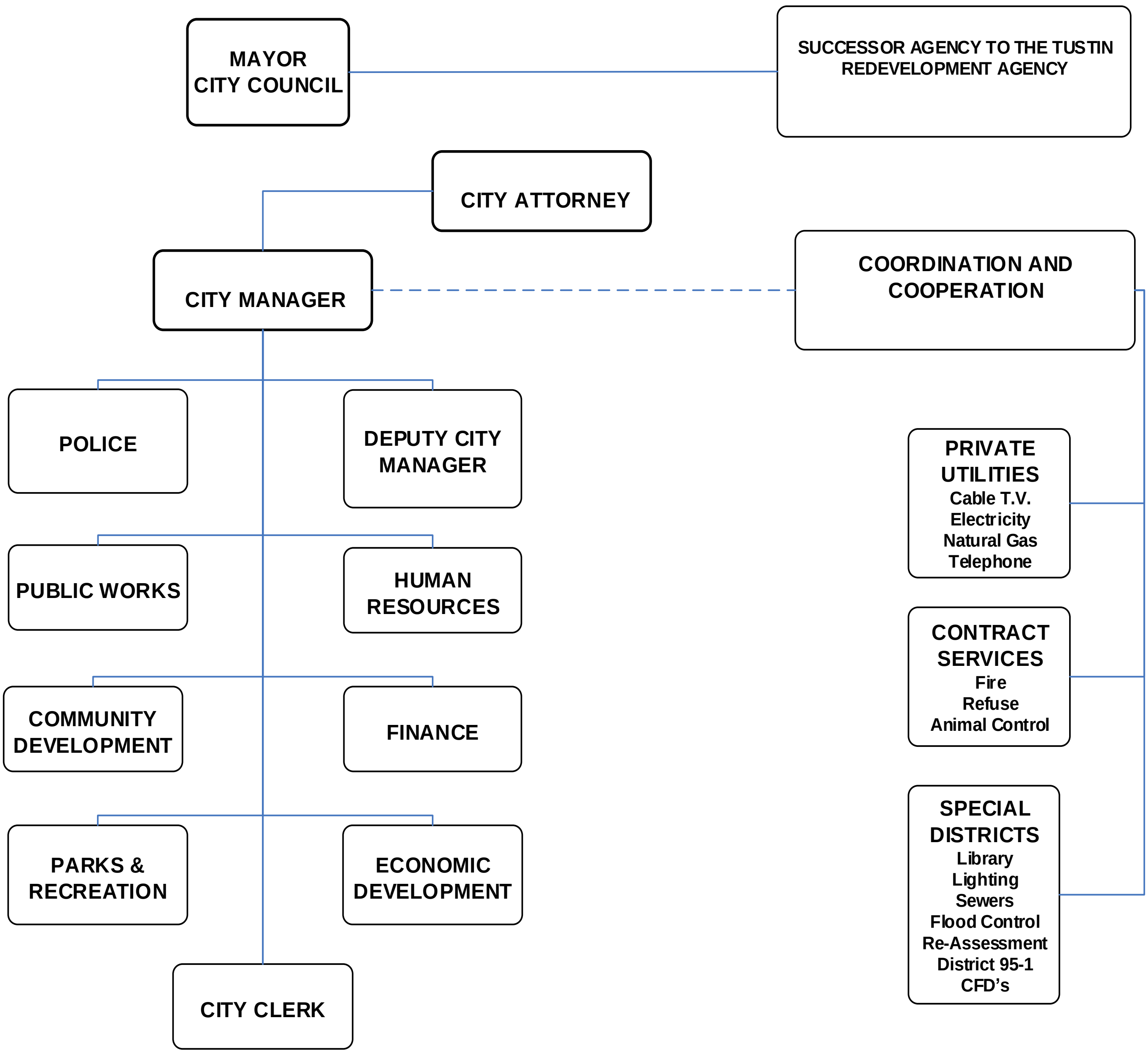
CITIZENS OF TUSTIN

LOCAL GOVERNMENT FY 2016-2017



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, 2016

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, 2017, 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, 2017, 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 schedules for the general fund and major special revenue 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 12, 2017, 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 12, 2017

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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, 2017. 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, 2017, by $775.4 million (*net position*). Net position consists of $513.9 million invested in capital assets, $102 million in restricted net position and $159.5 million in unrestricted net position.

- The government's total net position increased by $52 million during the fiscal year ended June 30, 2017. The primary reason for the increase is $31.3 million in earned profit participation from CalAtlantic Homes for residential housing sales in the Greenwood development at Tustin Legacy. Also contributing to the increase is the gain on sale of land held for resale of $17.6 million for the development of modern creative office space and supporting retail from Flight Venture LLC, and $6.2 million for the development of a neighborhood shopping center from Regency Center within the former Marine Corps Air Station known as the Legacy.

- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of $293.3 million, an increase of $25.1 million in comparison with the prior year. The increase in ending fund balances is primarily due to the gain on sale of land held for resale discussed above. Approximately $84.3 million is nonspendable; $86 million is restricted; and $20.4 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 (Continued)

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 and Measure M Special Revenue 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.

Fund Financial Statements (Continued)

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 Measure M Special Revenue Fund, schedules outlining the pension liabilities, contributions and funding status for the City's defined benefit pension plan and other post-employment 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 (67 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.

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Net Position
As of June 30, 2017
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2017	2016	2017	2016	2017	2016-2017
Assets:							
Current and other assets	$282.9	$323.9	$37.2	$34.7	$320.1	$358.6	
Capital assets	483.3	490.6	48.8	48.7	532.1	539.3	
Total Assets	766.2	814.5	86.0	83.4	852.2	897.9	5.4%
Deferred Outflows of Resources	4.7	13.3	0.6	4.3	5.3	17.6	
Liabilities:							
Current liabilities	13.5	16.2	4.6	3.5	18.1	19.7	
Non-Current liabilities	67.6	72.3	44.1	45.7	111.7	118.0	
Total Liabilities	81.1	88.5	48.7	49.2	129.8	137.7	(6.1%)
Deferred Inflows of Resources	4.1	2.3	0.2	0.1	4.3	2.4	
Net Position:							
Net investment in capital assets	483.2	490.6	25.5	23.3	508.7	513.9	
Restricted	95.2	102.0	-	-	95.2	102.0	
Unrestricted	107.3	144.4	12.2	15.1	119.5	159.5	
Total Net Position	$685.7	$737.0	$37.7	$38.4	$723.4	$775.4	7.2%

Governmental activities. Net position of the City's governmental activities increased 7.5% to $737 million, of which $490.6 million is invested in capital assets such as equipment, buildings, and infrastructure. Of the remaining total, $102 million is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties. The remaining $144.4 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.

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Changes in Net Position
For the Year Ended June 30, 2017
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2017	2016	2017	2016	2017	2016-2017
Revenues:							
Program revenues:							
Charges for services	$7.8	$6.2	$16.5	$17.1	$24.3	$23.3	
Operating grants & contributions	2.7	2.7	-	-	2.7	2.7	
Capital grants and contributions	48.7	26.6	-	-	48.7	26.6	
General revenues:							
Taxes	20.2	28.4	-	-	20.2	28.4	
Sales taxes shared state revenues	24.5	25.1	-	-	24.5	25.1	
Motor vehicle taxes	6.8	-	-	-	6.8	-	
Earnings on investments	2.4	0.6	0.5	0.1	2.9	0.7	
Miscellaneous	2.7	4.6	0.1	0.2	2.8	4.8	
Gain on sale of assets	-	24.2	-	-	-	24.2	
Profit Participation	-	31.3	-	-	-	31.3	
Total Revenues	115.8	149.7	17.1	17.4	132.9	167.1	25.7%
Expenses:							
General government	20.0	24.5	-	-	20.0	24.5	
Public safety	27.8	34.6	-	-	27.8	34.6	
Public works	47.3	24.8	-	-	47.3	24.8	
Community services	7.9	19.5	-	-	7.9	19.5	
Water	-	-	15.6	16.7	15.6	16.7	
Total Expenses	103.0	103.4	15.6	16.7	118.6	120.1	1.3%
Change in net position, before extraordinary item and special item	12.8	46.3	1.5	0.7	14.3	47.0	
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		
Special Item:							
Reduction in debt to Successor Agency	-	5.0	-	-	-	5.0	
Change in net position	15.4	51.3	1.5	0.7	17.0	52.0	
Net Position - Beginning	670.3	685.7	36.1	37.7	706.4	723.4	
Net Position - Ending	$685.7	$737.0	$37.7	$38.4	$723.4	$775.4	7.2%

Government-wide Financial Analysis (Continued)

In governmental activities, the increase in net position of $51.3 million is primarily due to the following reasons:

- Deferred outflows related to pension plans increased $8.6 million mostly due to the increase in the net differences between projected and actual earnings on plan investments.

- Total governmental assets increased $48.3 million, mostly due to $31.3 million in earned profit participation from CalAtlantic Homes for residential housing sales in the Greenwood development at Tustin Legacy. Also contributing to the increase are gains on the sale of land held for resale of $17.6 million from Flight Venture LLC for the development of modern creative office space and supporting retail, and $6.2 million from Regency Center for the development of a neighborhood shopping center within the former Marine Corps Air Station known as the Legacy.

- Deferred inflows of resources decreased $1.8 million mostly due to changes in assumptions.

- Governmental liabilities increased $7.4 million mostly due to the long-term liabilities for pension and OPEB (Other Post Employment Benefits). Pension and OPEB liabilities increased about $13.4 million due to the interest on the total pension liability. That increase was offset by a reduction of $8.2 million Due to the Successor Agency, resulting from debt forgiveness of $5 million and the annual payment of $3.2 million per the terms of the settlement agreement with the DOF (Department of Finance). Short-term liabilities account for about $2.2 million of the increase due to higher developer deposits and accounts payable resulting from increased construction costs.

Overall, governmental revenues increased $33.9 million from prior year. The primary reasons for the increase were significant revenues recognized in fiscal year 2017 from the profit participation and sale of Land Held for Resale discussed above. This was offset by a decrease in Capital grants and contributions of $22.1 million from fiscal year 2016 primarily due to the receipt in the prior year of $26.4 million from the issuance of bonds for CFD 14-1 within the former Marine Corps Air Station known as the Legacy.

Charges for services decreased $1.6 million during fiscal year 2017 primarily due to the decrease in the Public Works classification. This decrease was due to increased building activity in fiscal year 2016 that resulted in higher plan check fees and building permits, and park in lieu fees which generated about $0.8 million in revenue. Taxes increased $8.2 million primarily due to the reclassification of property tax in lieu of VLF from motor vehicle taxes to taxes. The City received $7.1 million in property tax in lieu of VLF (Vehicle License Fee) for fiscal year 2017. The Property Tax in lieu of VLF is determined by the growth in gross assessed valuation. The City has seen a growth in its property tax in lieu of VLF revenues due in part to the development of the former Marine Corp Air Station, known as Tustin Legacy. There were also minor increases in other types of tax revenue including property taxes, special services, franchise, transient occupancy, and business license.

Sales tax revenues increased $0.6 million due to vibrant and stable economic conditions. In general, increases in several market sectors outweighed declines in others. The growth in Autos and Transportation continue to lead other market sectors. The current economic outlook is optimistic and reflects an increase in the sale of taxable goods.

Government-wide Financial Analysis (Continued)

Earnings on investments decreased $1.8 million from fiscal year 2016 mostly due to an unfavorable market adjustment of $0.9 million recorded at June 30, 2017. The remainder of the decrease during fiscal year 2017 was caused by lower average cash balances and the decrease in the weighted average maturity. The average cash balance for fiscal year 2016-17 was $185 million with an average weighted portfolio yield of 1.07% and average weighted days to maturity of 471 days. 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 decrease in the weighted average maturity was primarily caused by the decision to increase liquidity in the portfolio (higher balances in Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP)). This is due to planned outflows in the near term for the new TUSD school building project ($50 million) and various capital projects primarily within the Legacy development. The average weighted portfolio yield was up slightly (0.11%) due to the continued rising interest rate environment.

Miscellaneous revenue increased $1.9 million, mostly due to a $1.4 million increase in the City's Maintenance of Effort requirement to receive Measure M sales tax revenue from the Orange County Transportation Authority (funded by budgeted General Government expenditures); the sale of two properties owned by the Tustin Housing Authority resulting in a gain on sale of land held for resale of $0.5 million (14542 Newport Ave., Unit 3 and 27 Look Out Lane); and other one-time revenues.

Overall Governmental expenses increased $0.4 million from the prior year. Community Services expenses increased $11.6 million from prior year due to a $15 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 $50 million over the next 12 months.

General Government expenses increased $4.5 million from fiscal year 2016 mostly due to the following: $1.6 million for a new environmental insurance policy at Tustin Legacy; $1.2 million in commissions paid at settlement for the sale of 39 acres at Tustin Legacy to Flight Venture LCC; and $1.4 million in required Maintenance of Effort (MOE) and per the adopted budget (referred to above).

Public Safety expenses increased $6.8 million from prior year due to the following: $1.9 million increase in liability claims primarily the result of three significant cases; $2.2 million increase due to larger percentage of the pooled net pension liability; $1.3 million primarily due to reclassification of pension contributions reported in General Government expenses in prior years (change in billing method by CalPERS). Other smaller increases contributing to the overall increase were related to contract fire services with Orange County Fire Authority, compensation, and overtime.

Public Works expenses decreased $22.5 million from prior year mostly due to higher costs in fiscal year 2016 in construction costs, primarily for OCFCD (Orange County Flood Control District) channel improvements, wet and dry utilities, City of Sana Ana improvements, Irvine Ranch Water District improvements, and City of Irvine infrastructure.

Contributing to the increase in net position is a Special Item for Reduction in Debt to Successor Agency of $5 million resulting from debt forgiveness of $5 million per the terms of a new settlement agreement with the Department of Finance (see Due to Successor Agency to the Tustin Community Redevelopment Agency footnote number 9 on page 63 for more information). Partially offsetting the Special Item is a decrease in Extraordinary Items totaling $2.6 million due to the contribution in fiscal year 2016 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 of $1.0 million.

Government-wide Financial Analysis (Continued)

Business-Type activities net position increased $0.7 million from prior year. Charges for services increased $0.6 million from fiscal year 2016 due to increased water consumption caused by the easing of drought restrictions and less voluntary water saving over the past year. Water operation costs increased $1.1 million primarily due to higher costs from the Orange County Water District for water basin replenishment. The increase in this cost is correlated to the increase in consumption.

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.

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of $293.3 million, an increase of $25.1 million in comparison with the prior year. The increase is primarily due to the gain on sale of land held for resale totaling $24.2 million from the sale of land at the Legacy development. In addition, the City received $23.5 million in profit participation due to the sale of homes in the Greenwood development at the Legacy. Approximately $84.3 million (28.8%) of the City's governmental fund balance constitutes nonspendable fund balance. Of the nonspendable amount, $83.9 million is Land Held for Resale. The remainder of the fund balance consists of $86 million in restricted funds, $20.4 million assigned to capital projects, and $102.5 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 $102.5 million, while total fund balance was $221.8 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 111% of the total General Fund expenditures.

Financial Analysis of the Government's Funds (Continued)

City of Tustin
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2017
(*in millions of dollars*)

	2016	2017	Total % Change 2016-2017
Revenues:			
Taxes	$48.0	$50.0	
Charges for services	2.3	2.0	
Intergovernmental	3.2	1.6	
Fines and forfeitures	1.0	1.0	
Licenses and permits	1.3	0.9	
Other	4.3	3.0	
Developer contribution	-	16.8	
Profit participation	-	23.5	
Gain on sale of land held for resale	-	23.8	
Total Revenues	60.1	122.6	104%
Expenditures:			
General government	19.1	23.0	
Public safety	27.8	30.6	
Public works	6.5	7.0	
Community services	7.0	18.4	
Capital outlay	3.4	9.0	
Debt service	4.1	4.1	
Total Expenses	67.9	92.2	35.8%
Excess of Revenues Over (Under) Expenditures	(7.8)	30.4	
Other Financing Sources (Uses):			
Net transfers	5.3	4.1	
Capital lease issued	-	0.4	
Special Item	(34.0)	-	
Net Change in Fund Balance	(36.5)	34.9	195.6 %

Financial Analysis of the Government's Funds (Continued)

Transactions impacting revenues in the General Fund were as follows:

- Property tax revenue totaled about $24.4 million reflecting an increase of approximately $8.2 million primarily due to the reclassification of property tax in lieu of VLF from motor vehicle taxes to taxes. The City received $7.1 million in property tax in lieu of VLF for fiscal year 2017. The Property Tax in lieu of VLF is determined by the growth in gross assessed valuation. The City has seen a growth in its property tax in lieu of VLF revenues due in part to the development of the former Marine Corp Air Station, known as Tustin Legacy. The remainder of the increase of about $1.1 million is due to the increase in property values.
- Sales tax revenue increased $0.6 million due to vibrant and stable economic conditions. In general, increases in several market sectors outweighed declines in others. The growth in Autos and Transportation continues to lead other market sectors. The current economic outlook is optimistic and reflects an increase in the sale of taxable goods.
- Intergovernmental revenue decreased $1.6 million from fiscal year 2016 primarily due to an adjustment in 2016 to recognize deposits for TSIP Area A-B as revenue.
- License and Permits decreased $0.4 million due to the decrease in building permits from prior year. Overall building activity was higher in fiscal year 2016.
- Other Revenue decreased $1.3 million from prior year primarily due to an unfavorable market adjustment for investments.
- As stated previously the Gain on Sale of Land Held for Resale increased $23.8 million from prior fiscal year due to the sale of Land Held for Resale in the Legacy development.
- The increase in Profit Participation of $23.5 million is due to the sale of homes in the Greenwood development at the Legacy.
- The increase in Developer Contribution of $16.8 million was due to Project Fair Share Contributions in conjunction with the sale of land held for resale at the Legacy of $10.3 million from Regency Center and $6.5 million from Flight Venture LLC.

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2017:

- General Government expenditures increased $3.9 million from prior year mostly due to $1.6 million for a new environmental insurance policy at Tustin Legacy; $1.2 million in commissions paid at settlement for the sale of 39 acres at Tustin Legacy to Flight Venture LCC; and $1.4 million in required maintenance of effort (MOE) per the adopted budget.
- Public safety expenditures increased $2.8 million from prior year primarily due to the reclassification of $1.3 million in pension contributions reported in General Government expenses in prior years (change in billing method by CalPERS). Other smaller increases contributing to the overall increase were related to contract fire services with Orange County Fire Authority, compensation, and overtime.
- Community Services expenditures increased $11.4 million due to a $15 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 $50 million over the next 12 months.
- Public Work expenditures increased $0.5 million due to salary increases.
- Capital Outlay increased $5.6 million primarily due to construction costs at the Legacy development, including grading related to the new TUSD school site.
- Net Transfers decreased $1.2 million from prior year mostly due to the transfer in fiscal year 2016 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 General Fund Expenditures (Continued):

- 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 Measure M Special Revenue Fund's increase in excess of revenues over expenditures of $0.7 million is primarily due to higher costs in fiscal year 2016 for the Peters Canyon Channel Improvements.

General Fund Budgetary Highlights

Differences between the General Fund actual revenues and amended budgeted revenues were $42.1 million primarily due to unbudgeted profit participation and developer contributions during fiscal year 2017. The amended budgeted expenditures were $106.8 million, an increase in appropriations of $6.4 million from the original budgeted expenditures of $100.4 million. The increase in appropriations was due to increased costs associated with development and improvement of the City's infrastructure and parks which include: Heritage Park Playground Renovation ($15,000), Peppertree Park Lighting Project ($143,911), Moffett Drive Bridge and Roadway Construction ($867,376), Purchase of Enhanced Police Safety Equipment and Personnel Assessment (PD Personnel Assessment $75,000, Body Worn Camera, In-Car Video $670,613, and Enhanced Police Safety Equipment $148,326), a new environmental insurance policy at Tustin Legacy ($1,577,969), and the acquisition of SCE (Southern California Edison)-Owned Street Lights ($1,786,665).

Actual General Fund expenditures were less than the amended budgeted amount of $106.8 million by $14.6 million due to appropriations for capital projects spanning multiple years, such as Moffett Drive Extensions (various segments), South Hangar renovation and study, and Legacy Road extension.

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 $0.7 million, resulting in an increase in net position during fiscal year 2017, from $37.7 million as of June 30, 2016, to $38.4 million as of June 30, 2017.

Operating revenues increased slightly from $16.5 million in fiscal year 2016 to $17.1 million in 2017, due to increased water consumption resulting from the easing of water conservation efforts. Related operating costs increased $1.1 million from prior fiscal year, due to higher costs from the Orange County Water District for water basin replenishment due to the increase in consumption.

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, 2017 amounts to $539.3 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, 2017
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2017	2016	2017	2016	2017	2016-2017
Land	$86.2	$86.2	$1.2	$1.2	$87.4	$87.4	
Right of way	43.8	43.8	-	-	43.8	43.8	
Construction in progress	28.5	40.8	8.1	9.7	36.6	50.5	
Buildings and improvements	78.8	77.0	4.3	4.1	83.1	81.1	
Machinery and equipment	4.7	6.6	-	-	4.7	6.6	
Infrastructure	241.2	236.1	-	-	241.2	236.1	
Property, plant and equipment	-	-	35.2	33.8	35.2	33.8	
Total Capital Assets, Net	$483.2	$490.5	$48.8	$48.8	$532.0	$539.3	1.4%

Total capital assets increased $7.3 million during fiscal year 2017. There was an increase in construction in progress of about $13.9 million due to continued construction at the following major projects: Sports Park and Linear Park at the Legacy development, City Corporate Yard Facilities, Detention Basin Landscaping and Water Quality at Red Hill / Barranca, Victory Road Extension – Red Hill to Armstrong, Moffet Drive Extension – Park Ave. to Peters Channel, and Drill and Install Wellhead-Edinger Ave. Well. In addition, three major construction projects were completed during FY 2017: Park Ave. Extension from Victory Road to Moffett Drive, FY 2016 Roadway Rehabilitation and Sidewalk Repair, and Council Chamber Renovation. Machinery and equipment additions totaled $3.3 million mostly due to new Police Motorola dispatch consoles and portable radios ($1.4 million) and the Council chamber audio/visual equipment upgrade ($0.5 million). Infrastructure additions totaled $3.2 million mostly due to completion of the FY 2016 Roadway Rehabilitation and Sidewalk Repair Project. Additions to buildings and improvements totaled $0.8 million due to the Council Chamber Renovation. These increases were offset by depreciation of about $13.5 million.

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 55).

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term liabilities of $118 million. Of this amount, $42.5 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, 2017
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2017	2016	2017	2016	2017	2016-2017
Bonds payable	$-	$-	$41.6	$42.5	$41.6	$42.5	
Due to Successor Agency to the Tustin Community Redevelopment Agency	12.3	3.2	-	-	12.3	3.2	
Claims and judgments	4.8	5.5	-	-	4.8	5.5	
Postemployment benefits obligation	7.2	8.7	-	-	7.2	8.7	
Termination benefits	0.6	-	-	-	0.6	-	
Compensated absences	3.1	3.1	0.2	0.2	3.3	3.3	
Lease Payable	-	0.4	-	-	-	0.4	
Pension liabilities	39.5	51.4	2.3	3.0	41.8	54.4	
Total Outstanding Debt	$67.5	$72.3	$44.1	$45.7	$111.6	$118.0	5.7%

Overall, long-term debt increased $6.4 million from the prior year balances mostly due to the increase in pension liabilities of $12.6 million. This increase in pension liabilities was comprised of increases for both the Safety (police) Plans and the Miscellaneous (all other) plans of $7.1 million and $5.4 million respectively. The increases were mostly due to the interest on the total pension liability which accrues at the rate determined by CalPERS of 7.65%. There was also an increase in the postemployment benefits obligation of $1.5 million due to the actuarially determined required contribution exceeding the contributions made during the year. These increases were offset by a decrease of $9.1 million in Due to Successor Agency to the Tustin Community Redevelopment Agency, resulting from debt forgiveness of $5 million and a $4.1 million annual payment per the terms of a settlement agreement with the Department of Finance. The final payment of $3.2 million will be made in December 2017.

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 57.

Next Year's Budget and Rates

The City Council adopted the fiscal year 2017-2018 Budget with total appropriations of $249.3 million which includes $134.9 million of capital outlay. The General Fund fiscal year 2017-2018 estimated revenues are $58.8 million and budgeted appropriations are $60 million resulting in an estimated operating deficit of $1.2 million. The operating deficit will be covered by planned use of excess General Fund reserves. The appropriations are $0.3 million lower than the prior year's appropriation. The primary reason for the decrease in appropriations is due to all departments adjusting their needs to ensure the budget balanced without impairing core City Services. Overall, the appropriations are consistent with fiscal year 2017. There were no fee increases as part of the preparation and adoption of the fiscal year 2017-18 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, 2017

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	$ 157,019,524	$ 18,000,732	$ 175,020,256
Receivables:			
Accounts	12,173,738	2,968,645	15,142,383
Interest	379,774	45,709	425,483
Loans	881,263	-	881,263
Notes	7,831,903	-	7,831,903
Allowance for uncollectibles	(546,186)	-	(546,186)
Internal balances	-	-	-
Prepaid items and deposits	435,588	42,257	477,845
Land held for resale	83,911,082	-	83,911,082
Restricted assets:			
Cash and investments	61,886,110	13,528,036	75,414,146
Capital assets:			
Not being depreciated	170,831,055	10,833,293	181,664,348
Being depreciated, net	319,743,592	37,929,002	357,672,594
TOTAL ASSETS	814,547,443	83,347,674	897,895,117
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	-	3,486,398	3,486,398
Deferred amounts on pension plans	13,325,584	826,798	14,152,382
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,325,584	4,313,196	17,638,780
LIABILITIES:			
Accounts payable and accrued liabilities	8,794,332	2,480,043	11,274,375
Interest payable	-	383,974	383,974
Deposits payable	7,443,795	584,782	8,028,577
Unearned revenue	16,773	-	16,773
Noncurrent liabilities:			
Due within one year	11,599,997	1,046,367	12,646,364
Due in more than one year	60,677,946	44,680,396	105,358,342
TOTAL LIABILITIES	88,532,843	49,175,562	137,708,405
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts on pension plans	2,294,753	103,179	2,397,932
NET POSITION:			
Net investment in capital assets	490,574,647	23,252,432	513,827,079
Restricted for:			
Community services	2,511,782	-	2,511,782
Public safety	276,193	-	276,193
Public works	99,239,878	-	99,239,878
Unrestricted	144,442,931	15,129,697	159,572,628
TOTAL NET POSITION	$ 737,045,431	$ 38,382,129	$ 775,427,560

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 24,504,764	$ 1,979,211	$ 47,902	$ -
Public safety	34,611,078	1,255,299	277,897	-
Public works	24,822,480	1,861,045	1,635,923	26,298,588
Community services	19,524,660	1,101,294	780,418	237,105
Interest on long-term liabilities	5,802	-	-	-
Total governmental activities	103,468,784	6,196,849	2,742,140	26,535,693
Business-type activity:				
Water	16,654,429	17,100,836	-	-
Total	$ 120,123,213	$ 23,297,685	$ 2,742,140	$ 26,535,693

General revenues:
Taxes:
Property
Franchise
Transient occupancy
Business license
Sales taxes shared state revenues
Motor vehicle taxes shared state revenues
Earnings on investments
Gain on sale of land held for resale
Profit participation
Miscellaneous

Total general revenues

Change in net position, before special item

Special item:
Reduction in debt to Successor Agency

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
$ (22,477,651)	$ -	$ (22,477,651)
(33,077,882)	-	(33,077,882)
4,973,076	-	4,973,076
(17,405,843)	-	(17,405,843)
(5,802)	-	(5,802)
(67,994,102)	-	(67,994,102)
-	446,407	446,407
(67,994,102)	446,407	(67,547,695)
24,437,717	-	24,437,717
1,931,185	-	1,931,185
1,609,318	-	1,609,318
420,684	-	420,684
25,133,146	-	25,133,146
37,056	-	37,056
611,964	108,669	720,633
24,241,261	-	24,241,261
31,327,612	-	31,327,612
4,594,651	155,845	4,750,496
114,344,594	264,514	114,609,108
46,350,492	710,921	47,061,413
5,000,000	-	5,000,000
51,350,492	710,921	52,061,413
685,694,939	37,671,208	723,366,147
$ 737,045,431	$ 38,382,129	$ 775,427,560

CITY OF TUSTIN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	General	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 109,475,670	$ 5,232,535	$ 42,311,319	$ 157,019,524
Restricted cash and investments	34,968,951	-	26,917,159	61,886,110
Receivables:				
Accounts	5,566,035	5,663,706	943,997	12,173,738
Interest	226,912	8,104	144,758	379,774
Loans	497,467	-	383,796	881,263
Notes	7,831,903	-	-	7,831,903
Allowance for uncollectibles	(512,391)	-	(33,795)	(546,186)
Prepaid items and deposits	433,666	-	1,922	435,588
Land held for resale	83,911,082	-	-	83,911,082
TOTAL ASSETS	$ 242,399,295	$ 10,904,345	$ 70,669,156	$ 323,972,796
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	$ 5,938,987	$ 222,705	$ 2,632,640	$ 8,794,332
Deposits payable	6,687,024	-	756,771	7,443,795
Unearned revenue	-	-	16,773	16,773
TOTAL LIABILITIES	12,626,011	222,705	3,406,184	16,254,900
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	8,009,031	5,400,504	1,063,542	14,473,077
FUND BALANCES:				
Nonspendable	84,344,748	-	1,922	84,346,670
Restricted	34,901,943	5,281,136	45,788,572	85,971,651
Assigned	-	-	20,408,936	20,408,936
Unassigned	102,517,562	-	-	102,517,562
TOTAL FUND BALANCES	221,764,253	5,281,136	66,199,430	293,244,819
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 242,399,295	$ 10,904,345	$ 70,669,156	$ 323,972,796

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, 2017

Fund balances - total governmental funds		$ 293,244,819
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.		490,574,647
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, 2017 are:		
Claims and judgments payable	$ (5,523,351)	
Compensated absences payable	(3,116,825)	
Due to Successor Agency	(3,202,341)	
Post employment benefits obligation	(8,733,323)	
Capital lease payable	(340,324)	
Total long-term liabilities		(20,916,164)
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	13,325,584	
Deferred inflows of resources	(2,294,753)	
Pension liability	(51,361,779)	
		(40,330,948)
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.		14,473,077
Net position of governmental activities		$ 737,045,431

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, 2017

	General	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ 49,958,547	$ -	$ -	$ 49,958,547
Licenses and permits	853,990	-	-	853,990
Fines and forfeitures	953,665	-	-	953,665
Investment income	337,746	20,063	251,079	608,888
Intergovernmental revenue	1,555,744	2,627,491	6,066,063	10,249,298
Charges for services	1,979,850	-	20,010	1,999,860
Rental income	1,303,724	-	238,557	1,542,281
Other revenue	1,523,798	637	4,325,502	5,849,937
Developer contribution	16,804,964	-	-	16,804,964
Profit participation	23,495,709	-	-	23,495,709
Gain on sale of land held for resale	23,788,238	-	453,023	24,241,261
TOTAL REVENUES	122,555,975	2,648,191	11,354,234	136,558,400
EXPENDITURES:				
Current:				
General government	23,005,830	3,922	1,043,163	24,052,915
Public safety	30,631,067	-	102,457	30,733,524
Public works	7,040,652	-	551,224	7,591,876
Community services	18,365,414	-	361,843	18,727,257
Capital outlay	9,004,457	1,558,658	16,094,062	26,657,177
Debt service:				
Principal retirement	4,129,203	-	-	4,129,203
Interest expense	5,802	-	-	5,802
TOTAL EXPENDITURES	92,182,425	1,562,580	18,152,749	111,897,754
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,373,550	1,085,611	(6,798,515)	24,660,646
OTHER FINANCING SOURCES (USES):				
Transfers in	4,180,410	-	61,799	4,242,209
Transfers out	(61,799)	(105,230)	(4,075,180)	(4,242,209)
Capital lease issued	368,356	-	-	368,356
TOTAL OTHER FINANCING SOURCES (USES)	4,486,967	(105,230)	(4,013,381)	368,356
NET CHANGE IN FUND BALANCES	34,860,517	980,381	(10,811,896)	25,029,002
FUND BALANCES - BEGINNING OF YEAR	186,903,736	4,300,755	77,011,326	268,215,817
FUND BALANCES - END OF YEAR	$ 221,764,253	$ 5,281,136	$ 66,199,430	$ 293,244,819

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, 2017

Net change in fund balances - total governmental funds		$ 25,029,002
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	$ 19,556,459	
Disposition of capital assets	(424,606)	
Depreciation expense	(11,786,341)	7,345,512
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	4,129,203	
Capital lease issued	(368,356)	
Reduction in debt to Succeesor Agency	5,000,000	
Postemployment benefits obligation	(1,570,689)	
Claims and judgments payable	(738,150)	
Compensated absences payable	22,810	
Termination benefits payable	660,426	7,135,244
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		(1,420,142)
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		13,260,876
Change in net position of governmental activities		$ 51,350,492

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2017

	Business-type Activity Water Enterprise Fund
ASSETS:	
CURRENT ASSETS:	
Cash and investments	$ 18,000,732
Accounts receivable	2,968,645
Interest receivable	45,709
Prepaid items	42,257
Restricted cash and investments	13,528,036
TOTAL CURRENT ASSETS	34,585,379
NONCURRENT ASSETS:	
Capital assets:	
Not being depreciated	10,833,293
Being depreciated, net	37,929,002
TOTAL NONCURRENT ASSETS	48,762,295
TOTAL ASSETS	83,347,674
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	3,486,398
Deferred amounts on pension plans	826,798
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,313,196
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	2,480,043
Deposits payable	584,782
Compensated absences payable	201,367
Interest payable	383,974
Bonds payable	845,000
TOTAL CURRENT LIABILITIES	4,495,166
LONG-TERM LIABILITIES:	
Compensated absences payable	22,374
Bonds payable	41,679,297
Net pension liability	2,978,725
TOTAL LONG-TERM LIABILITIES	44,680,396
TOTAL LIABILITIES	49,175,562
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts on pension plans	103,179
NET POSITION:	
Net investment in capital assets	23,252,432
Unrestricted	15,129,697
TOTAL NET POSITION	$ 38,382,129

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, 2017

	Business-type Activity Water Enterprise Fund
OPERATING REVENUES:	
Charges for services	$ 17,100,836
OPERATING EXPENSES:	
Personnel services	3,203,733
Purchased water	5,975,184
Maintenance and operation	3,853,781
Depreciation and amortization	1,833,732
TOTAL OPERATING EXPENSES	14,866,430
OPERATING INCOME	2,234,406
NONOPERATING REVENUES (EXPENSES):	
Investment income	108,669
Other income	155,845
Interest expense and other fiscal charges	(1,787,999)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,523,485)
CHANGE IN NET POSITION	710,921
NET POSITION AT BEGINNING OF YEAR	37,671,208
NET POSITION AT END OF YEAR	$ 38,382,129

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2017

	Business-type Activity Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 17,230,443
Payments to suppliers	(9,668,662)
Payments to other funds for services	(1,200,000)
Payments to employees	(3,149,404)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,212,377
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(1,417,435)
Principal paid on bonds	(815,000)
Payment to refunding bond escrow agent	(24,287,475)
Proceeds from issuance of bonds	21,515,000
Premium from issuance of bonds	1,189,965
Bond issue costs	(286,744)
Interest paid	(1,777,455)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(5,879,144)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	109,012
NET CASH PROVIDED BY INVESTING ACTIVITIES	109,012
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,557,755)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	34,086,523
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 31,528,768
CASH AND CASH EQUIVALENTS:	
Cash and investments - current assets	$ 18,000,732
Cash and investments - restricted assets	13,528,036
TOTAL CASH AND CASH EQUIVALENTS	$ 31,528,768

See accompanying notes to basic financial statements. (Continued)

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
(CONTINUED)

For the year ended June 30, 2017

	Business-type Activity Water Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 2,234,406
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,833,732
Other nonoperating income	155,845
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(48,249)
(Increase) decrease in prepaid items	(16,222)
(Increase) decrease in deferred ouflows of resources	(549,278)
Increase (decrease) in accounts payable and accrued liabilities	(1,006,538)
Increase (decrease) in deposits payable	22,012
Increase (decrease) in compensated absences	22,794
Increase (decrease) in termination benefits payable	(14,787)
Increase (decrease) in net pension liability	707,517
Increase (decrease) in deferred inflows of resources	(128,855)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,212,377

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	$ 2,894,215	$ -
Restricted cash and investments	69	11,421,736
Receivables:		
Taxes	-	62,501
Due from City of Tustin	3,202,341	-
Prepaid items and deposits	5,563	-
TOTAL ASSETS	6,102,188	$ 11,484,237
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charge on refunding	7,171,137	
LIABILITIES:		
Accounts payable	354	$ 1,956
Interest payable	717,042	-
Due to bondholders	-	11,482,281
Long-term liabilities:		
Due within one year	5,227,341	-
Due in more than one year	60,246,109	-
TOTAL LIABILITIES	66,190,846	$ 11,484,237
NET POSITION:		
Held in trust	$ (52,917,521)	

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2017

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Tax revenue	$ 4,101,171
Contribution from the City of Tustin	3,431
Investment income	2,852
TOTAL ADDITIONS	4,107,454
DEDUCTIONS:	
Administrative expenses	250,000
Community services	39,131
Bond issuance costs	693,568
Interest	2,139,156
TOTAL DEDUCTIONS	3,121,855
CHANGE IN NET POSITION BEFORE SPECIAL ITEMS	985,599
SPECIAL ITEMS:	
Gain from reduction in note payable to County	5,000,000
Loss in reduction in amounts due from the City	(5,000,000)
TOTAL SPECIAL ITEMS	-
CHANGE IN NET POSITION	985,599
NET POSITION - BEGINNING OF YEAR	(53,903,120)
NET POSITION - END OF YEAR	$ (52,917,521)

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

The Tustin Public Financing Authority (the Authority) 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.

The City of Tustin Housing Authority (the Housing Authority) 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 Governmental Accounting Standards Board (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 private purpose trust fund (fiduciary agency 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, current liabilities, and deferred inflows of resources 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 activity and fund financial statements 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 Measure M Special Revenue Fund is used to account for monies received from the County for street and maintenance projects.

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

GASB 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for periods beginning after June 15, 2016, and did not impact the City.

GASB 77 - *Tax Abatement Disclosure*, effective for periods beginning after December 15, 2015, and did not impact the City.

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, and did not impact the City.

GASB 80 - *Blending Requirements for Certain Component Units*, effective for periods beginning after June 15, 2016, and did not impact the City.

Pending Accounting Standards

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

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

- 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.

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.

- GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017.

- GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017.

- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.

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 acquisition 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 outflow 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.

- Deferred outflow 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.

- Deferred outflow 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):

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 inflow 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.

- Deferred inflow 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.

- Deferred inflow 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.

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 1st
Levy period	July 1st to June 30th
Levy date	On or before 4th Monday in September
Due date	November 1st - 1st installment
	February 1st - 2nd installment
Collection date	December 10th - 1st installment
	April 10th - 2nd 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. For governmental activities, compensated absences are primarily liquidated from the general fund. 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, 2017, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 175,020,256
Restricted cash and investments	75,414,146
Fiduciary Funds:	
Cash and investments	2,894,215
Restricted cash and investments	11,421,805
Total Cash and Investments	$ 264,750,422

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued)

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	$ 11,000
Deposits with financial institutions	28,624,293
Investments	236,115,129
Total Cash and Investments	$ 264,750,422

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	1 Year or Less	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Total
U.S. Treasury Notes	$ 20,464,207	$ 6,970,860	$ -	$ -	$	$ 27,435,067
U.S. Government Sponsored						
Agency Securities:						
Federal National Mortgage						
Association (FNMA)	1,998,326	-	6,919,867	3,790,397	-	12,708,590
Federal Home Loan Bank (FHLB)	-	1,993,840	-	2,488,297	7,486,483	11,968,620
Federal Home Loan Mortgage						
Corporation (FHLMC)	5,983,298	991,562	1,999,462	2,531,219	5,978,438	17,483,979
Federal Farm Credit Bank (FFCB)	2,995,867	-	1,984,316	8,486,412	1,991,224	15,457,819
Local Agency Investment Pool (LAIF)	25,747,088	-	-	-	-	25,747,088
California Asset Management Program (CAMP)	23,522,004	-	-	-	-	23,522,004
Orange County Investment Pool	10,546,172	-	-	-	-	10,546,172
Negotiable Certificates of Deposit	2,977,439	4,216,887	11,913,834	4,689,449	3,426,511	27,224,120
Medium-term Notes	5,120,987	3,996,633	2,011,301	4,522,842	1,996,338	17,648,101
Municipal Bonds	1,999,640	-	2,991,890	1,018,130	2,010,170	8,019,830
Held by Fiscal Agents:						
Money Market Mutual Funds	38,353,739	-	-	-	-	38,353,739
	$ 139,708,767	$ 18,169,782	$ 27,820,670	$ 27,526,746	$ 22,889,164	$ 236,115,129

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 & Poor's actual rating as of year end for each investment type.

Investment Type	Total as of June 30, 2017	Minimum Legal Rating	Exempt from Disclosure	AAA	AA+	AA	Other	Not Rated
U.S. Treasury Notes	$ 27,435,067	N/A	$ 27,435,067	$ -	$ -	$ -	$ -	$ -
U.S. Government Sponsored								
Agency Securities:								
FNMA	12,708,590	N/A	-	-	12,708,590	-	-	-
FHLB	11,968,620	N/A	-	-	11,968,620	-	-	-
FHLMC	17,483,979	N/A	-	-	17,483,979	-	-	-
FFCB	15,457,819	N/A	-	-	15,457,819	-	-	-
LAIF	25,747,088	N/A	-	-	-	-	-	25,747,088
CAMP	23,522,004	N/A	-	-	-	-	23,522,004	-
Orange County Investment Pool	10,546,172	N/A	-	-	-	-	-	10,546,172
Negotiable Certificates								
of Deposit	27,224,120	N/A	-	-	-	-	-	27,224,120
Medium-term Notes	17,648,101	A	-	4,010,967	4,009,594	997,927	8,629,613	-
Municipal Bonds	8,019,830	A	-	-	-	-	8,019,830	-
Held by Fiscal Agents:								
Money Market Mutual Funds	38,353,739	A	-	38,353,739	-	-	-	-
Total	$ 236,115,129		$ 27,435,067	$ 42,364,706	$ 61,628,602	$ 997,927	$ 40,171,447	$ 63,517,380

N/A - Not Applicable

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

Medium-term Notes:		Municipal Bonds:		CAMP:	
AA-	$ 1,006,940	AA-	$ 8,019,830	AAAm	$ 23,522,004
A-	1,988,753				
A	2,123,974				
A+	2,510,346				
Aaa*	999,600				
	$ 8,629,613				

*Moody's rating as the note is not rated by Standard & Poor's

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 National Mortgage Association	United States Government Sponsored Agency Securities	$ 12,708,590
Federal Home Loan Bank	United States Government Sponsored Agency Securities	$ 11,968,620
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	$ 17,483,979
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	$ 15,457,819

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, 2017, 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, 2017, 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	$ 27,435,067
U.S. Government Sponsored Agency Securities	57,619,008
Medium-term Notes	17,648,101
Municipal Bonds	8,019,830
Negotiable Certificates of Deposit	27,224,120

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 California Asset Management Program (CAMP)

The City is a voluntary participant in the California Asset Management Program (CAMP) that is regulated by the California Government Code. 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 CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

2. CASH AND INVESTMENTS (CONTINUED):

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 $10,546,172. 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.

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 valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Notes	$ -	$ 27,435,067	$ -	$ 27,435,067
U.S. Government Sponsored Agency Securities:				
FNMA	-	12,708,590	-	12,708,590
FHLB	-	11,968,620	-	11,968,620
FHLMC	-	17,483,979	-	17,483,979
FFCB	-	15,457,819	-	15,457,819
Negotiable Certificates of Deposit	-	27,224,120	-	27,224,120
Medium-term Notes	-	17,648,101	-	17,648,101
Municipal Bonds	-	8,019,830	-	8,019,830
Total Leveled Investments	$ -	$ 137,946,126	$ -	137,946,126
Local Agency Investment Pool*				25,747,088
CAMP*				23,522,004
Orange County Investment Pool*				10,546,172
Held by Fiscal Agents:				
Money Market Mutual Funds*				38,353,739
Total Investment Portfolio				$ 236,115,129

* Not subject to fair value measurements.

3. LOANS AND NOTES 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, 2017, 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, 2017, was $33,795. An allowance of $33,795 has been recorded to reflect the amount of the loans not expected to be collectible.

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, 2017, including accrued interest of $14,923 was $512,391. An allowance of $512,391 has been recorded to reflect the amount of the note not expected to be collectible.

Cal Atlantic Homes: In August 2014, the City had sold land to Cal Atlantic Homes under a Disposition and Development Agreement (DDA) dated August 15, 2014. The original DDA was entered into with Standard Pacific, which merged with Ryland in 2015 to create Cal Atlantic Homes. The DDA required an interim payment of 75% within 30 days of completion of 350 homes and the remaining 25% of payment based on the profitability as defined in the DDA. The total estimated profit is the DDA's estimate at $31,327,613 of which $23,495,709 was received in the fiscal year with the balance of $7,831,903 recorded as a note receivable due within 30 days of the final sale of the 375th residence.

4. INTERFUND TRANSFERS:

The composition of interfund transfers for the year ended June 30, 2017, is as follows:

Transfers In	Transfers Out	Amount
General Fund	Measure M Special Revenue Fund	$ 105,230
	Other Governmental Funds	4,075,180
Other Governmental Funds	General Fund	61,799
		$ 4,242,209

The transfers during the fiscal year ended June 30, 2017, were for the following purposes:

A transfer from the Measure M Special Revenue Fund totaling $105,230 to the General Fund to pay for services provided for Measure M.

A transfer from the other governmental funds totaling $48,064 to the General Fund was made to repay amounts transferred to cover negative cash in prior years.

A transfer from other governmental funds totaling $3,477,116 to the General Fund to pay for public safety services provided for the Special Tax B area.

A transfer from other governmental funds totaling $550,000 was made to the General Fund per the adopted budget for fiscal year 2016-17.

The General Fund transferred $61,799 to the other governmental funds 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, 2017, consisted of the following:

Pacific Park*	$ 30,787,557
South A Street property	131,818
Tustin Legacy	52,991,707
Total Land Held for Resale	$ 83,911,082

*Pacific Park includes several parcels bordered by Del Amo, Valencia, Edinger and Newport Avenue.

During the fiscal year 2016-17, the City sold land held for resale for the Tustin Legacy (see Note 6) for a gain of $23,788,238. In addition, additional property held for resale by the Housing Authority was sold for a gain of $453,023.

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.

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.

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

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.

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.

In July 2016, the City sold 20.96 acres of the land to a developer for $8,300,000 resulting in a gain on land held for resale of $6,167,009.

In June 2017, the City sold 17.54 acres of land to a developer for $18,292,602 resulting in a gain on land held for resale of $17,621,229.

The recorded value of the remaining parcels as of June 30, 2017, was $52,991,707. 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, 2017, is as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, not being depreciated:				
Land	$ 86,241,894	$ -	$ -	$ 86,241,894
Right of way	43,758,156	-	-	43,758,156
Construction in progress	28,525,314	17,964,334	(5,658,643)	40,831,005
Total capital assets, not being depreciated	158,525,364	17,964,334	(5,658,643)	170,831,055
Capital assets, being depreciated:				
Buildings	73,711,246	754,964	-	74,466,210
Improvements other than buildings	28,609,604	-	-	28,609,604
Machinery and equipment	17,685,661	3,258,252	(2,643,745)	18,300,168
Infrastructure	353,249,750	3,237,552	(2,091,253)	354,396,049
Total capital assets, being depreciated	473,256,261	7,250,768	(4,734,998)	475,772,031
Less accumulated depreciation for:				
Buildings	(16,996,468)	(1,515,880)	-	(18,512,348)
Improvements other than buildings	(6,541,850)	(1,000,915)	-	(7,542,765)
Machinery and equipment	(12,992,951)	(1,332,605)	2,635,920	(11,689,636)
Infrastructure	(112,021,221)	(7,936,941)	1,674,472	(118,283,690)
Total accumulated depreciation	(148,552,490)	(11,786,341)	4,310,392	(156,028,439)
Total capital assets, being depreciated, net	324,703,771	(4,535,573)	(424,606)	319,743,592
Total governmental activities capital assets, net	$ 483,229,135	$ 13,428,761	$ (6,083,249)	$ 490,574,647

7. CAPITAL ASSETS (CONTINUED):

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

General government	$ 255,533
Public safety	528,054
Public works	10,258,157
Community services	744,597
	$ 11,786,341

A summary of changes in the Business-type Activity capital assets for the year ended June 30, 2017, is as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, not being depreciated				
Land	$ 1,177,216	$ -	$ -	$ 1,177,216
Construction in progress	8,060,446	1,595,631	-	9,656,077
Total capital assets, not being depreciated	9,237,662	1,595,631	-	10,833,293
Capital assets, being depreciated:				
Buildings and improvements	9,500,377	-	-	9,500,377
Property, plant and equipment	58,085,554	-	-	58,085,554
Total capital assets, being depreciated	67,585,931	-	-	67,585,931
Less accumulated depreciation for:				
Buildings and improvements	(5,198,782)	(209,209)	-	(5,407,991)
Property, plant and equipment	(22,776,688)	(1,472,250)	-	(24,248,938)
Total accumulated depreciation	(27,975,470)	(1,681,459)	-	(29,656,929)
Total capital assets, being depreciated, net	39,610,461	(1,681,459)	-	37,929,002
Total business-type activity capital assets, net	$ 48,848,123	$ (85,828)	$ -	$ 48,762,295

During the fiscal year ended June 30, 2017, the City capitalized interest of $178,196.

8. LONG-TERM LIABILITIES:

A summary of long-term liability activity for the year ended June 30, 2017, is as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Governmental activities:					
Due to Successor Agency to the Tustin Community Redevelopment Agency (Note 9)	$ 12,303,512	$ -	$ (9,101,171)	$ 3,202,341	$ 3,202,341
Pension liability (Note 10c)	39,498,526	11,863,253	-	51,361,779	-
Postemployment benefits obligation (Note 11)	7,162,634	2,202,000	(631,311)	8,733,323	-
Claims and judgments (Note 13)	4,785,201	5,013,246	(4,275,096)	5,523,351	5,523,351
Lease payable	-	368,356	(28,032)	340,324	69,162
Termination benefits	660,426	-	(660,426)	-	-
Compensated absences	3,139,635	2,533,639	(2,556,449)	3,116,825	2,805,143
Total governmental activities long-term liabilities	$ 67,549,934	$ 21,980,494	$ (17,252,485)	$ 72,277,943	$ 11,599,997
Business-type activity:					
2011 Water Revenue bonds	$ 20,760,000	$ -	$ (20,760,000)	$ -	$ -
Bond premium	253,711	-	(253,711)	-	-
2012 Refunding Water Revenue bonds	6,020,000	-	(770,000)	5,250,000	795,000
Bond premium	551,858	-	(81,757)	470,101	-
2013 Water Revenue bonds	13,955,000	-	(45,000)	13,910,000	50,000
Bond premium	107,474	-	(3,944)	103,530	-
2016 Water Refunding Revenue bonds	-	21,515,000	-	21,515,000	-
Bond premium	-	1,315,120	(39,454)	1,275,666	-
Pension liability (Note 10c)	2,271,208	707,517	-	2,978,725	-
Termination benefits	14,787	-	(14,787)	-	-
Compensated absences	200,947	216,401	(193,607)	223,741	201,367
Total business-type activity long-term liabilities	$ 44,134,985	$ 23,754,038	$ (22,162,260)	$ 45,726,763	$ 1,046,367

8. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities

Lease Payable

The City entered into a lease to finance equipment with a present value of $368,356, using an interest rate of 3.9%. The lease term is for a period of 60 months with monthly payments of $6,767. Total payments made during the year amount to $33,836 which included interest payments of $5,804 and principal payments of $28,032. At June 30, 2017, the outstanding principal amount was $340,324.

The following is a schedule, by year, of future minimum lease payments and the present value of the net minimum lease payment for the capital lease as of June 30, 2017.

Year Ending June 30,	Minimum Lease Payments
2018	$ 81,207
2019	81,207
2020	81,207
2021	81,207
2022	47,370
	372,198
Less: amounts representing interest	(31,874)
Present value of net minimum lease payments	$ 340,324

The assets acquired through the capital lease are as follows:

Equipment	$ 368,356
Less: accumulated depreciation	(36,836)
	$ 331,520

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 were refunded in advance using the bond proceeds from the 2016 Water Revenue Refunding Bonds.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

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, 2017, is $310,848.

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, 2017, total interest and principal remaining on the bonds is $5,975,450. During the fiscal year, the total interest expense incurred was $228,075, principal payments were $770,000, and net revenues were $4,332,652.

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

Year Ending June 30,	Principal	Interest	Total
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	920,000	75,200	995,200
2023	960,000	38,400	998,400
	5,250,000	725,450	5,975,450
Add: Premium	470,101	-	470,101
Totals	$ 5,720,101	$ 725,450	$ 6,445,551

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, 2017, total interest and principal remaining on the bonds is $26,987,012. During the fiscal year, the total interest expense incurred was $652,220, principal payments were $45,000, and net revenues were $4,332,652.

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

Year Ending June 30,	Principal	Interest	Total
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	55,000	643,570	698,570
2023 - 2027	1,415,000	3,114,985	4,529,985
2028 - 2032	2,065,000	2,747,844	4,812,844
2033 - 2037	2,545,000	2,263,863	4,808,863
2038 - 2042	5,010,000	1,581,164	6,591,164
2043	2,615,000	129,306	2,744,306
	13,910,000	13,077,012	26,987,012
Add: Premium	103,530	-	103,530
Totals	$ 14,013,530	$ 13,077,012	$ 27,090,542

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2016 Water Refunding Revenue Bonds

On September 28, 2016, the City issued $21,515,000, 2016 Water Refunding Revenue Bonds. The Bonds were issued to provide funds to defease the 2011 Water Revenue Bonds and pay the costs of issuing the bonds. The 2016 Water Refunding Revenue Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2011 Water Revenue Bonds until April 1, 2021 and to redeem all 2011 Bonds in full on April 1, 2021. As of June 30, 2017, the defeased 2011 Bonds have a remaining outstanding balance of $20,760,000. The City refunded the 2011 Water Revenue Bonds to reduce its total debt service payments over 24 years by $3,807,199 and to obtain an economic gain (difference between the present values of the old and new debt) of $2,450,244.

The Bonds are payable in annual installments ranging from $905,000 to $1,540,000 until maturity on April 1, 2041. 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 $3,273,764. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2041. The remaining balance at June 30, 2017, is $3,175,550.

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, 2017, total interest and principal remaining on the bonds is $32,766,463. During the fiscal year, the total interest expense incurred was $349,378, no principal payment due, and net revenues were $4,332,652.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2016 Water Refunding Revenue Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2018	$ -	$ 687,300	$ 687,300
2019	-	687,300	687,300
2020	-	687,300	687,300
2021	-	687,300	687,300
2022	-	687,300	687,300
2023 - 2027	3,755,000	3,304,700	7,059,700
2028 - 2032	5,390,000	2,565,563	7,955,563
2033 - 2037	6,455,000	1,494,850	7,949,850
2038 - 2042	5,915,000	449,850	6,364,850
	21,515,000	11,251,463	32,766,463
Add: Premium	1,275,666	-	1,275,666
Totals	$ 22,790,666	$ 11,251,463	$ 34,042,129

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. As of June 30, 2016, the outstanding balance was $12,303,512. The agreement was amended on July 12, 2016. In the amended agreement the amount due of $12,303,512 was reduced by $5,000,000 to $7,303,512 with $4,101,171 due December 31, 2016 and $3,202,341 due December 31, 2017. The reduction in debt to the Successor Agency is reported as a special item in the government-wide financial statements. 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.

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, 2017, 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	7%	7%	5.75%
Required employer contribution rates	14.258%	14.258%	5.703%

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, 2017, 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	9%	9%	11.5%
Required employer contribution rates:			
Normal cost rate	19.536%	14.785%	12.082%
Payment of unfunded liability	$ 1,166,535	$ -	$ -

Employees Covered

At June 30, 2017, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	180
Inactive employees entitled to but not yet receiving benefits	293
Active employees	234
Total	707

10. PENSION PLANS (CONTINUED):

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

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. 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. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. For governmental funds, the contributions to the pension plans are generally made from the general fund.

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

10. PENSION PLANS (CONTINUED):

b. Net Pension Liability (Continued):

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
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%
Projected Salary Increase	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Income	(3)	(3)

(1) Varies by entery age and service.

(2) 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.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 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

There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of the changes of assumptions related to prior measurement periods.

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 cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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, 2015.

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	20.00%	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	1.00%	-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

Subsequent Events

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement 68 accounting valuations, the discount rate will move straight to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

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, 2016, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (Measurement Date)	$ 97,170,750	$ 79,699,922	$ 17,470,828
Changes in the Year:			
Service cost	1,840,275	-	1,840,275
Interest on the total pension liability	7,306,376	-	7,306,376
Differences between actual and expected experience	(531,595)	-	(531,595)
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Plan to plan resource movement	-	-	-
Contribution - employer	-	1,850,072	(1,850,072)
Contribution - employee	-	998,937	(998,937)
Net investment income	-	372,172	(372,172)
Administrative expenses	-	(48,573)	48,573
Benefit payments, including refunds of employee contributions	(4,102,189)	(4,102,189)	-
Net Changes	4,512,867	(929,581)	5,442,448
Balance at June 30, 2016 (Measurement Date)	$ 101,683,617	$ 78,770,341	$ 22,913,276

10. PENSION PLANS (CONTINUED):

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate share of the net pension liability for the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	$ 31,427,228

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	Safety
Proportion - June 30, 2015	0.58972%
Proportion - June 30, 2016	0.60679%
Change - Increase (Decrease)	0.01707%

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	$ 36,972,840	$ 48,238,477
Current Discount Rate	7.65%	7.65%
Net Pension Liability	$ 22,913,276	$ 31,427,228
1% Increase	8.65%	8.65%
Net Pension Liability	$ 11,353,487	$ 17,626,917

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, 2017, the City recognized pension expense of $2,107,707 and $4,226,418 for the Miscellaneous and Safety Plans, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,881,701	$ -
Differences between actual and expected experience	117,216	(334,708)
Change in assumptions	-	(458,979)
Net differences between projected and actual earnings on plan investments	4,361,071	-
Total	$ 6,359,988	$ (793,687)

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,002,977	$ -
Differences between actual and expected experience	-	(213,603)
Change in assumptions	-	(931,326)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	213,858	(459,316)
Net differences between projected and actual earnings on plan investments	4,575,559	-
Total	$ 7,792,394	$ (1,604,245)

10. PENSION PLANS (CONTINUED):

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

$1,881,701 and $3,002,977 reported in the Miscellaneous and Safety Plans, respectively, 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, 2018. 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,	Miscellaneous	Safety
2018	$ 85,695	$ (2,405)
2019	486,524	25,930
2020	1,981,256	1,970,497
2021	1,131,125	1,191,150
2022	-	-
Thereafter	-	-

e. Payable to the Pension Plans:

At June 30, 2017, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2017.

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.

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

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, 2017:

	Police	General	Management	Confidential	Police Support	Total
Retirees Receiving Benefits	41	26	24	1	6	98
Eligible Active Employees	87	98	46	6	38	275

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, 2017, the City paid $631,311 in contributions, from the general fund, 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, 2017 was $2,632,000. 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	$ 903,207	$ 874,981	$ 493,941	$ 49,394	$ 310,477	$ 2,632,000
Interest on net OPEB obligation	93,684	90,756	51,233	5,123	32,204	273,000
Adjustment to ARC	(241,244)	(233,705)	(131,930)	(13,193)	(82,928)	(703,000)
Annual OPEB cost	755,647	732,032	413,244	41,324	259,753	2,202,000
Contributions made	(267,592)	(124,085)	(206,221)	(4,707)	(28,706)	(631,311)
Increase in net OPEB obligation	488,055	607,947	207,023	36,617	231,047	1,570,689
Net OPEB obligation, beginning	2,266,896	2,370,701	1,060,468	405,792	1,058,777	7,162,634
Net OPEB obligation, ending	$ 2,754,951	$ 2,978,648	$ 1,267,491	$ 442,409	$ 1,289,824	$ 8,733,323

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$ 1,142,391	36.62%	$ 5,694,218
6/30/16	2,084,000	29.54%	7,162,634
6/30/17	2,202,000	28.67%	8,733,323

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 2017 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 7.0% in 2017 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 2017 were $72,493.

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, 2017. At June 30, 2017, estimated claims payable of $5,523,351, 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, 2016 and 2017, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Beginning Balance	Additions	Deletions	Ending Balance
2016	$ 5,148,755	$ 2,389,008	$ 2,752,562	$ 4,785,201
2017	4,785,201	5,013,246	4,275,096	5,523,351

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, 2017
Community Facilities District 04-1, 2013	$ 9,350,000	$ 8,470,000
Community Facilities District 06-1, 2015A	49,740,000	47,905,000
Community Facilities District 06-1, 2015B	2,735,000	2,670,000
Community Facilities District 07-1, 2015A	13,155,000	13,155,000
Community Facilities District 07-1, 2015B	1,500,000	1,040,000
Community Facilities District 2014-01, 2015A	27,665,000	27,360,000
	$ 104,145,000	$ 100,600,000

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, 2017, the outstanding amount of the Special Tax Refunding Bonds, Series 2013 was $8,470,000.

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%. At June 30, 2017, the outstanding amount of the CFD 2014-01 2015A Special Tax Bonds was $27,360,000.

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. At June 30, 2017, the outstanding amount of the CFD 07-1 2015A Refunding Bonds was $13,155,000.

14. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

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%. At June 30, 2017, the outstanding amount of the CFD 07-1 Special Tax 2015B Bonds was $1,040,000.

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. At June 30, 2017, the outstanding amount of the CFD 06-01 2015A Refunding Bonds was $47,905,000.

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. At June 30, 2017, the outstanding amount of the CFD 06-1 Special Tax 2015B Bonds was $2,670,000.

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. 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. The general fund is the only fund that reports a positive unassigned fund balance amount.

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.

15. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

	General Fund	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	$ 433,666	$ -	$ 1,922	$ 435,588
Land held for resale	83,911,082	-	-	83,911,082
Restricted for:				
Capital projects (1)	34,901,943	5,281,136	43,002,579	83,185,658
Public safety program	-	-	276,193	276,193
Housing projects	-	-	2,509,800	2,509,800
Assigned to:				
Capital projects (2)	-	-	20,408,936	20,408,936
Unassigned	102,537,263	-	-	102,537,263
Total fund balances	$ 221,783,954	$ 5,281,136	$ 66,199,430	$ 293,264,520

(1) The General Fund balance restricted for capital projects ($34,901,943) is comprised of funds legally restricted for backbone infrastructure at the Tustin Legacy development. The other governmental funds (CFD Construction Capital Project) fund balance restricted for capital projects ($26,729,587) 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 Measure M Special Revenue Fund ($5,281,136) and other governmental funds ($16,272,992) includes State gas taxes restricted for allowable street-related purposes and developer fees to improve City parks.

(2) The other governmental funds (MCAS 2010 Capital Projects) fund balance assigned to capital projects ($16,054,280) 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 ($4,354,656) is to be used for specific projects indicated in the adopted budget.

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Excess of Expenditures over Appropriations:

	Budget	Actual	Variance with Final Budget
Other Governmental Funds:			
Air Quality Special Revenue Fund	$ 198,000	$ 198,172	$ (172)
Supplemental Law Enforcement Special Revenue Fund	108,600	113,512	(4,912)

17. 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.

18. 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, which dissolved the redevelopment agency.

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 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 does not elect to become the Successor Housing Agency and assume the Dissolved RDA’s housing functions, such housing functions and all related housing assets will be 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.

As of 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.

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

In the current and future fiscal years, the Successor Agency will only be allocated revenue from the County of Orange in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Dissolved RDA until all enforceable obligations of the Dissolved RDA have been paid in full and all assets have been liquidated.

19. 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. As of June 30, 2016, the outstanding balance was $12,303,512. The agreement was amended on July 12, 2016. In the amended agreement the amount due of $12,303,512 was reduced by $5,000,000 to $7,303,512 with $4,101,171 due December 31, 2016 and $3,202,341 due December 31, 2017. The reduction in the receivable due from the City of Tustin is reported as a special item - loss in reduction in amounts due from the City. 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.

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

Long-Term Liabilities

A summary of long-term liabilities activity for the year ended June 30, 2017, is as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Tax allocation bonds	$ 61,385,000	$ 55,940,000	$ (61,385,000)	$ 55,940,000	$ 2,025,000
Unamortized premium	81,836	6,526,916	(277,643)	6,331,109	-
Unamortized discount	(724,545)	-	724,545	-	-
Note payable to County Auditor Controller	12,303,512	-	(9,101,171)	3,202,341	3,202,341
Total long-term liabilities	$ 73,045,803	$ 62,466,916	$ (70,039,269)	$ 65,473,450	$ 5,227,341

Tax Allocation Bonds Payable

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. In September 2016, the 2010 Housing Tax Allocation Bonds were refunded in advance using the bond proceeds from the 2016 Tax Allocation Bonds.

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. In September 2016, the 2010 MCAS Tax Allocation Bonds were refunded in advance using the bond proceeds from the 2016 Tax Allocation Bonds.

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2016 Tax Allocation Refunding Bonds

On September 29, 2016, the Successor Agency to the Tustin Community Redevelopment Agency issued $55,940,000 Refunding Tax Allocation Bonds, Series 2016 (2016 Bonds) for the purpose of refunding in advance the remaining outstanding amount of $21,225,000 2010 Housing Bonds and the remaining outstanding amount of $40,160,000 MCAS 2010 Redevelopment Bonds and pay for a surety bond insurance policy and costs of issuance of the bonds. The 2016 Bonds proceeds were invested in escrow funds (2010 Housing Escrow Fund and 2010 Redevelopment Escrow Fund) with a trustee which together will pay interest and principal on the 2010 Housing Bonds up to and including September 1, 2020 and to redeem the then outstanding 2010 Housing Bonds in full on September 1, 2020; and pay interest and principal on the MCAS 2010 Redevelopment Bonds up to and including September 1, 2018 and to redeem the then outstanding MCAS 2010 Redevelopment Bonds in full on September 1, 2018. As of June 30, 2017 the amount of defeased 2010 Housing Bonds outstanding was $20,410,000 and the amount of the defeased MCAS 2010 Redevelopment Bonds outstanding was $39,255,000.

The 2016 Bonds are payable in annual installments ranging from $2,025,000 to $2,925,000 commencing on September 1, 2017. Interest is payable semiannually on March 1 and September 1, with rates ranging from 4.0% to 5.25% per annum. The bonds maturing on or after September 1, 2027, 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

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $7,392,925. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2040. The remaining balance at June 30, 2017, is $7,171,137.

The Successor Agency refunded the Revenue Bonds to reduce its total debt service payments over 24 years by $11,930,030 and to obtain an economic gain (difference between the present values of the old and new debt) of $7,819,940.

At June 30, 2017, the 2016 Tax Allocation Refunding Bonds outstanding balance was $55,940,000.

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2016 Tax Allocation Refunding Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2018	$ 2,025,000	$ 2,130,875	$ 4,155,875
2019	1,830,000	2,083,175	3,913,175
2020	1,895,000	2,017,825	3,912,825
2021	1,965,000	1,940,625	3,905,625
2022	2,050,000	1,860,325	3,910,325
2023 - 2027	11,560,000	7,930,125	19,490,125
2028 - 2032	11,395,000	5,090,688	16,485,688
2033 - 2037	12,420,000	2,780,175	15,200,175
2038 - 2041	10,800,000	627,150	11,427,150
Totals	$ 55,940,000	$ 26,460,963	$ 82,400,963

19. 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. As of June 30, 2016, the outstanding balance was $12,303,512. The agreement was amended on July 12, 2016. In the amended agreement the amount due of $12,303,512 was reduced by $5,000,000 to $7,303,512 with $4,101,171 due December 31, 2016 and $3,202,341 due December 31, 2017. The reduction in the note payable to the County is reported as a special item - gain from reduction in note payable to County. 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.

20. 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, $7,892,722 are available to be spent on school facilities.

21. 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.

22. SUBSEQUENT EVENTS:

In October 2017, the City conveyed approximately 40 acres of the former Marine Corps Air Station Tustin (MCAS Tustin) to the Tustin Unified School District for the establishment of the grades 6-12 schools facility project in accordance with the site conveyance agreement referred to in Note 20.

In preparing these financial statements, the City has evaluated other events and transactions for potential recognition or disclosure through December 12, 2017, the date the financial statements were available to be issued.

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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, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.36319%	0.35401%	0.41499%
Plan's proportionate share of the net pension liability	$ 31,427,228	$ 24,298,906	$ 25,822,675
Plan's covered - employee payroll	$ 10,013,168	$ 9,495,434	$ 9,640,345
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	313.86%	255.90%	267.86%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	$ 3,193,318	$ 3,182,851	$ 2,544,912

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
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.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three 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, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 3,002,977	$ 2,708,192	$ 3,045,919
Contributions in relation to the actuarially determined contributions	(3,002,977)	(2,708,192)	(7,049,591)
Contribution deficiency (excess)	$ -	$ -	$ (4,003,672)
Covered - employee payroll	$ 10,443,467	$ 10,013,668	$ 9,495,434
Contributions as a percentage of covered - employee payroll	28.75%	27.04%	74.24%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2013	6/30/2012

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 3%@50, 2%@50 and 2.7%@57**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

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

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) 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. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

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, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:			
Service cost	$ 1,840,275	$ 1,779,008	$ 1,747,494
Interest on total pension liability	7,306,376	6,982,672	6,613,765
Differences between expected and actual experience	(531,595)	452,122	-
Changes in assumptions	-	(1,770,351)	-
Changes in benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	(4,102,189)	(3,956,389)	(3,974,724)
Net Change in Total Pension Liability	4,512,867	3,487,062	4,386,535
Total Pension Liability - Beginning of Year	97,170,750	93,683,688	89,297,153
Total Pension Liability - End of Year (a)	$ 101,683,617	$ 97,170,750	$ 93,683,688
Plan Fiduciary Net Position:			
Contributions - employer	$ 1,850,072	$ 1,503,081	$ 1,379,562
Contributions - employee	998,937	905,331	962,617
Net investment income	372,172	1,753,374	11,900,167
Benefit payments	(4,102,189)	(3,956,389)	(3,974,724)
Plan to plan resource movement	-	(114)	-
Administrative expense	(48,573)	(89,714)	-
Net Change in Plan Fiduciary Net Position	(929,581)	115,569	10,267,622
Plan Fiduciary Net Position - Beginning of Year	79,699,922	79,584,353	69,316,731
Plan Fiduciary Net Position - End of Year (b)	$ 78,770,341	$ 79,699,922	$ 79,584,353
Net Pension Liability - Ending (a)-(b)	$ 22,913,276	$ 17,470,828	$ 14,099,335
Plan fiduciary net position as a percentage of the total pension liability	77.47%	82.02%	84.95%
Covered - employee payroll	$ 13,828,003	$ 12,847,036	$ 12,270,014
Net pension liability as percentage of covered- employee payroll	165.70%	135.99%	114.91%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 to June 30, 2016:
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.
From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three 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, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	$ 1,881,701	$ 1,850,100	$ 1,503,081
Contributions in relation to the actuarially determined contributions	(1,881,701)	(1,850,100)	(1,503,081)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered - employee payroll	$ 14,684,868	$ 13,828,003	$ 12,847,036
Contributions as a percentage of covered - employee payroll	12.81%	13.38%	11.70%

Notes to Schedule:

Valuation Date	6/30/2014	6/30/2013	6/30/2012

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 2%@55 and 2%@60, 52 years 2%@62**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

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

** - The valuation for June 30, 2012 and 2013 (applicable to fiscal years ended June 30, 2015 and 2016, respectively) 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. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years ended June 30, 2016 and 2017, respectively).

CITY OF TUSTIN

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN

For the year ended June 30, 2017

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%	$ 23,150,000	37.08%
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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Taxes	$ 49,923,900	$ 49,923,900	$ 49,958,547	$ 34,647
Licenses and permits	609,300	609,300	853,990	244,690
Fines and forfeitures	776,000	776,000	953,665	177,665
Investment income	196,000	196,000	337,746	141,746
Intergovernmental	2,911,200	2,911,200	1,555,744	(1,355,456)
Charges for services	2,595,200	2,595,200	1,979,850	(615,350)
Rental income	1,009,500	1,009,500	1,303,724	294,224
Other revenue	1,137,100	1,137,100	1,523,798	386,698
Developer contribution	-	-	16,804,964	16,804,964
Profit participation	-	-	23,495,709	23,495,709
Gain on land held for resale	21,305,600	21,305,600	23,788,238	2,482,638
TOTAL REVENUES	80,463,800	80,463,800	122,555,975	42,092,175
EXPENDITURES:				
Current:				
General government	20,303,865	24,140,048	23,005,830	1,134,218
Public safety	32,346,200	32,747,806	30,631,067	2,116,739
Public works	7,308,000	8,156,008	7,040,652	1,115,356
Community services	3,677,350	3,753,850	18,365,414	(14,611,564)
Capital outlay	36,779,050	38,015,566	9,004,457	29,011,109
Debt service:				
Principal retirement	-	-	4,129,203	(4,129,203)
Interest expense	-	-	5,802	(5,802)
TOTAL EXPENDITURES	100,414,465	106,813,278	92,182,425	14,630,853
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,950,665)	(26,349,478)	30,373,550	56,723,028
OTHER FINANCING SOURCES (USES):				
Transfers in	3,273,700	3,273,700	4,180,410	906,710
Transfers out	-	-	(61,799)	(61,799)
Capital lease issued	-	-	368,356	368,356
TOTAL OTHER FINANCING SOURCES (USES)	3,273,700	3,273,700	4,486,967	1,213,267
NET CHANGE IN FUND BALANCE	(16,676,965)	(23,075,778)	34,860,517	57,936,295
FUND BALANCE - BEGINNING OF YEAR	186,903,736	186,903,736	186,903,736	-
FUND BALANCE - END OF YEAR	$ 170,226,771	$ 163,827,958	$ 221,764,253	$ 57,936,295

See accompanying note to required supplementary information.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE

MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 2,000	$ 2,000	$ 20,063	$ 18,063
Intergovernmental revenue	9,236,488	9,236,488	2,627,491	(6,608,997)
Other revenue	-	-	637	637
TOTAL REVENUES	9,238,488	9,238,488	2,648,191	(6,590,297)
EXPENDITURES:				
Current:				
General government	-	-	3,922	(3,922)
Capital outlay	9,629,001	9,629,001	1,558,658	8,070,343
TOTAL EXPENDITURES	9,629,001	9,629,001	1,562,580	8,066,421
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(390,513)	(390,513)	1,085,611	1,476,124
OTHER FINANCING USES:				
Transfers out	(39,000)	(39,000)	(105,230)	(66,230)
NET CHANGE IN FUND BALANCE	(429,513)	(429,513)	980,381	1,409,894
FUND BALANCE - BEGINNING OF YEAR	4,300,755	4,300,755	4,300,755	-
FUND BALANCE - END OF YEAR	$ 3,871,242	$ 3,871,242	$ 5,281,136	$ 1,409,894

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.

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.

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.

MCAS 2010 - This fund is used to account for capital project costs at the Marine Corps Air Station.

CFD Construction - This fund is used to account for construction and improvements to the Tustin Legacy area.

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2017

	Special Revenue Funds				
	Gas Tax	Park Acquisition and Development	Asset Forfeiture	Air Quality	Supplemental Law Enforcement
ASSETS					
Cash and investments	$ 5,292,877	$ 8,594,132	$ 124,821	$ 178,524	$ 147,188
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	144,680	13,802	-	26,851	3,857
Interest	8,197	13,309	194	276	228
Loans	-	-	-	-	-
Allowance for uncollectibles	-	-	-	-	-
Prepaid items and deposits	-	-	-	-	-
TOTAL ASSETS	$ 5,445,754	$ 8,621,243	$ 125,015	$ 205,651	$ 151,273
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	$ 278,134	$ 239,971	$ 7	$ 10	$ 6,792
Deposits payable	-	-	-	-	-
Unearnred revenue	-	16,773	-	-	-
TOTAL LIABILITIES	278,134	256,744	7	10	6,792
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	-	-	-	-
FUND BALANCES:					
Nonspendable	-	-	-	-	-
Restricted	5,167,620	8,364,499	125,008	205,641	144,481
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	5,167,620	8,364,499	125,008	205,641	144,481
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,445,754	$ 8,621,243	$ 125,015	$ 205,651	$ 151,273

Special Revenue Funds (Continued)		Capital Projects Funds				
Housing Authority	Special Tax B	Construction 95-1	Other Capital Projects	MCAS 2010	CFD Construction	Total Other Governmental Funds
$ 2,542,767	$ -	$ 2,535,172	$ 5,877,952	$ 16,616,513	$ 401,373	$ 42,311,319
-	-	-	-	-	26,917,159	26,917,159
-	6,704	-	748,103	-	-	943,997
87,717	-	-	9,103	25,734	-	144,758
383,796	-	-	-	-	-	383,796
(33,795)	-	-	-	-	-	(33,795)
1,922	-	-	-	-	-	1,922
$ 2,982,407	$ 6,704	$ 2,535,172	$ 6,635,158	$ 16,642,247	$ 27,318,532	$ 70,669,156
$ 36,847	$ -	$ -	$ 893,967	$ 587,967	$ 588,945	$ 2,632,640
-	-	-	756,771	-	-	756,771
-	-	-	-	-	-	16,773
36,847	-	-	1,650,738	587,967	588,945	3,406,184
433,778	-	-	629,764	-	-	1,063,542
1,922	-	-	-	-	-	1,922
2,509,860	6,704	2,535,172	-	-	26,729,587	45,788,572
-	-	-	4,354,656	16,054,280	-	20,408,936
2,511,782	6,704	2,535,172	4,354,656	16,054,280	26,729,587	66,199,430
$ 2,982,407	$ 6,704	$ 2,535,172	$ 6,635,158	$ 16,642,247	$ 27,318,532	$ 70,669,156

CITY OF TUSTIN

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

For the year ended June 30, 2017

	Special Revenue Funds				
	Gas Tax	Park Acquisition and Development	Asset Forfeiture	Air Quality	Supplemental Law Enforcement
REVENUES:					
Investment income	$ 18,087	$ 31,495	$ 337	$ 647	$ 561
Intergovernmental revenue	1,601,001	662,477	70,277	105,629	149,623
Charges for services	-	20,010	-	-	-
Rental income	-	238,557	-	-	-
Other revenue	2,683	-	-	-	-
Gain on sale of land held for resale	-	-	-	-	-
TOTAL REVENUES	1,621,771	952,539	70,614	106,276	150,184
EXPENDITURES:					
Current:					
General government	775,135	55,780	71	172	-
Public safety	-	-	-	-	102,457
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	927,035	1,020,054	-	198,000	11,055
TOTAL EXPENDITURES	1,702,170	1,075,834	71	198,172	113,512
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(80,399)	(123,295)	70,543	(91,896)	36,672
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(80,399)	(123,295)	70,543	(91,896)	36,672
FUND BALANCES - BEGINNING OF YEAR	5,248,019	8,487,794	54,465	297,537	107,809
FUND BALANCES - END OF YEAR	$ 5,167,620	$ 8,364,499	$ 125,008	$ 205,641	$ 144,481

Special Revenue Funds (Continued)		Capital Projects Funds				
Housing Authority	Special Tax B	Construction 95-1	Other Capital Projects	MCAS 2010	CFD Construction	Total Other Governmental Funds
$ 11,724	$ -	$ -	$ 19,998	$ 57,915	$ 110,315	$ 251,079
-	3,477,056	-	-	-	-	6,066,063
-	-	-	-	-	-	20,010
-	-	-	-	-	-	238,557
19,682	-	1,127	3,968,089	2,898	331,023	4,325,502
453,023	-	-	-	-	-	453,023
484,429	3,477,056	1,127	3,988,087	60,813	441,338	11,354,234
-	-	-	3,566	-	208,439	1,043,163
-	-	-	-	-	-	102,457
-	-	-	-	551,224	-	551,224
361,843	-	-	-	-	-	361,843
-	-	-	5,570,583	4,386,407	3,980,928	16,094,062
361,843	-	-	5,574,149	4,937,631	4,189,367	18,152,749
122,586	3,477,056	1,127	(1,586,062)	(4,876,818)	(3,748,029)	(6,798,515)
-	-	-	-	-	61,799	61,799
-	(3,477,116)	(550,000)	-	-	(48,064)	(4,075,180)
-	(3,477,116)	(550,000)	-	-	13,735	(4,013,381)
122,586	(60)	(548,873)	(1,586,062)	(4,876,818)	(3,734,294)	(10,811,896)
2,389,196	6,764	3,084,045	5,940,718	20,931,098	30,463,881	77,011,326
$ 2,511,782	$ 6,704	$ 2,535,172	$ 4,354,656	$ 16,054,280	$ 26,729,587	$ 66,199,430

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 18,087	$ 18,087
Intergovernmental revenue	1,635,600	1,635,600	1,601,001	(34,599)
Other revenue	-	-	2,683	2,683
TOTAL REVENUES	1,635,600	1,635,600	1,621,771	(13,829)
EXPENDITURES:				
Current:				
General government	958,450	958,450	775,135	183,315
Capital outlay	1,587,400	1,587,400	927,035	660,365
TOTAL EXPENDITURES	2,545,850	2,545,850	1,702,170	843,680
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(910,250)	(910,250)	(80,399)	829,851
FUND BALANCE - BEGINNING OF YEAR	5,248,019	5,248,019	5,248,019	-
FUND BALANCE - END OF YEAR	$ 4,337,769	$ 4,337,769	$ 5,167,620	$ 829,851

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 55,000	$ 55,000	$ 31,495	$ (23,505)
Intergovernmental revenue	-	-	662,477	662,477
Charges for services	15,000	15,000	20,010	5,010
Rental income	140,000	140,000	238,557	98,557
TOTAL REVENUES	210,000	210,000	952,539	742,539
EXPENDITURES:				
Current:				
General government	-	-	55,780	(55,780)
Capital outlay	6,421,825	6,436,825	1,020,054	5,416,771
TOTAL EXPENDITURES	6,421,825	6,436,825	1,075,834	5,360,991
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,211,825)	(6,226,825)	(123,295)	6,103,530
FUND BALANCE - BEGINNING OF YEAR	8,487,794	8,487,794	8,487,794	-
FUND BALANCE - END OF YEAR	$ 2,275,969	$ 2,260,969	$ 8,364,499	$ 6,103,530

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 1,000	$ 1,000	$ 337	$ (663)
Intergovernmental revenue	145,843	145,843	70,277	(75,566)
TOTAL REVENUES	146,843	146,843	70,614	(76,229)
EXPENDITURES:				
Current:				
General government	38,758	38,758	71	38,687
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	108,085	108,085	70,543	(37,542)
FUND BALANCE - BEGINNING OF YEAR	54,465	54,465	54,465	-
FUND BALANCE - END OF YEAR	$ 162,550	$ 162,550	$ 125,008	$ (37,542)

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 100	$ 100	$ 647	$ 547
Intergovernmental revenue	82,000	82,000	105,629	23,629
TOTAL REVENUES	82,100	82,100	106,276	24,176
EXPENDITURES:				
Current:				
General government	-	-	172	(172)
Capital outlay	198,000	198,000	198,000	-
TOTAL EXPENDITURES	198,000	198,000	198,172	(172)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(115,900)	(115,900)	(91,896)	24,004
FUND BALANCE - BEGINNING OF YEAR	297,537	297,537	297,537	-
FUND BALANCE - END OF YEAR	$ 181,637	$ 181,637	$ 205,641	$ 24,004

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 561	$ 561
Intergovernmental revenue	100,000	100,000	149,623	49,623
TOTAL REVENUES	100,000	100,000	150,184	50,184
EXPENDITURES:				
Current:				
Public safety	108,600	108,600	102,457	6,143
Capital outlay	-	-	11,055	(11,055)
TOTAL EXPENDITURES	108,600	108,600	113,512	(4,912)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,600)	(8,600)	36,672	45,272
FUND BALANCE - BEGINNING OF YEAR	107,809	107,809	107,809	-
FUND BALANCE - END OF YEAR	$ 99,209	$ 99,209	$ 144,481	$ 45,272

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 11,724	$ 11,724
Other revenue	4,200	4,200	19,682	15,482
Gain on sale of land held for resale	-	-	453,023	453,023
TOTAL REVENUES	4,200	4,200	484,429	480,229
EXPENDITURES:				
Current:				
Community services	367,345	367,345	361,843	5,502
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(363,145)	(363,145)	122,586	485,731
FUND BALANCE - BEGINNING OF YEAR	2,389,196	2,389,196	2,389,196	-
FUND BALANCE - END OF YEAR	$ 2,026,051	$ 2,026,051	$ 2,511,782	$ 485,731

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Intergovernmental revenue	$ 3,376,200	$ 3,376,200	$ 3,477,056	$ 100,856
OTHER FINANCING USES:				
Transfers out	(3,200,000)	(3,200,000)	(3,477,116)	(277,116)
NET CHANGE IN FUND BALANCE	176,200	176,200	(60)	(176,260)
FUND BALANCE - BEGINNING OF YEAR	6,764	6,764	6,764	-
FUND BALANCE - END OF YEAR	$ 182,964	$ 182,964	$ 6,704	$ (176,260)

CITY OF TUSTIN

AGENCY FUNDS

June 30, 2017

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.

CITY OF TUSTIN

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2017

	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						
Restricted cash and investments	$ 1,066,627	$ 5,563,584	$ 1,609,311	$ -	$ 3,182,214	$ 11,421,736
Taxes receivable	10,128	31,966	-	-	20,407	62,501
TOTAL ASSETS	$ 1,076,755	$ 5,595,550	$ 1,609,311	$ -	$ 3,202,621	$ 11,484,237
LIABILITIES						
Accounts payable	$ -	$ -	$ 976	$ 980	$ -	$ 1,956
Due to bondholders	1,076,755	5,595,550	1,608,335	(980)	3,202,621	11,482,281
TOTAL LIABILITIES	$ 1,076,755	$ 5,595,550	$ 1,609,311	$ -	$ 3,202,621	$ 11,484,237

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
COMMUNITY FACILITIES DISTRICT 04-01				
ASSETS:				
Cash and investments	$ 14,133	$ 1,296,806	$ 1,310,939	$ -
Restricted cash and investments	1,062,260	693,646	689,279	1,066,627
Taxes receivable	7,064	10,128	7,064	10,128
TOTAL ASSETS	$ 1,083,457	$ 2,000,580	$ 2,007,282	$ 1,076,755
LIABILITIES:				
Accounts payable	$ -	$ 693,282	$ 693,282	$ -
Due to bondholders	1,083,457	1,307,298	1,314,000	1,076,755
TOTAL LIABILITIES	$ 1,083,457	$ 2,000,580	$ 2,007,282	$ 1,076,755
COMMUNITY FACILITIES DISTRICT 06-01				
ASSETS:				
Cash and investments	$ 7,902	$ 5,154,399	$ 5,162,301	$ -
Restricted cash and investments	6,712,608	3,196,956	4,345,980	5,563,584
Taxes receivable	49,379	31,966	49,379	31,966
TOTAL ASSETS	$ 6,769,889	$ 8,383,321	$ 9,557,660	$ 5,595,550
LIABILITIES:				
Accounts payable	$ -	$ 3,181,810	$ 3,181,810	$ -
Due to bondholders	6,769,889	5,209,173	6,383,512	5,595,550
TOTAL LIABILITIES	$ 6,769,889	$ 8,390,983	$ 9,565,322	$ 5,595,550
COMMUNITY FACILITIES DISTRICT 07-01				
ASSETS:				
Cash and investments	$ 9,870	$ 1,116,541	$ 1,126,411	$ -
Restricted cash and investments	1,835,892	884,207	1,110,788	1,609,311
TOTAL ASSETS	$ 1,845,762	$ 2,000,748	$ 2,237,199	$ 1,609,311
LIABILITIES:				
Accounts payable	$ -	$ 895,063	$ 894,087	$ 976
Due to bondholders	1,845,762	1,128,058	1,365,485	1,608,335
TOTAL LIABILITIES	$ 1,845,762	$ 2,023,121	$ 2,259,572	$ 1,609,311

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
COMMUNITY FACILITIES DISTRICT 13-01				
ASSETS:				
Cash and investments	$ -	$ 221,458	$ 221,458	$ -
TOTAL ASSETS	$ -	$ 221,458	$ 221,458	$ -
LIABILITIES:				
Accounts payable	$ 981	$ 3,917	$ 3,918	$ 980
Due to bondholders	(981)	221,458	221,457	(980)
TOTAL LIABILITIES	$ -	$ 225,375	$ 225,375	$ -
COMMUNITY FACILITIES DISTRICT 2014-01				
ASSETS:				
Cash and investments	$ 30,197	$ 1,506,234	$ 1,536,431	$ -
Restricted cash and investments	3,288,376	1,508,424	1,614,586	3,182,214
Taxes receivable	22,392	20,407	22,392	20,407
TOTAL ASSETS	$ 3,340,965	$ 3,035,065	$ 3,173,409	$ 3,202,621
LIABILITIES:				
Accounts payable	$ -	$ 1,499,377	$ 1,499,377	$ -
Due to bondholders	3,340,965	1,537,425	1,675,769	3,202,621
TOTAL LIABILITIES	$ 3,340,965	$ 3,036,802	$ 3,175,146	$ 3,202,621
TOTAL ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	$ 62,102	$ 9,295,438	$ 9,357,540	$ -
Restricted cash and investments	12,899,136	6,283,233	7,760,633	11,421,736
Taxes receivable	78,835	62,501	78,835	62,501
TOTAL ASSETS	$ 13,040,073	$ 15,641,172	$ 17,197,008	$ 11,484,237
LIABILITIES:				
Accounts payable	$ 981	$ 6,273,449	$ 6,272,474	$ 1,956
Due to bondholders	13,039,092	9,403,412	10,960,223	11,482,281
TOTAL LIABILITIES	$ 13,040,073	$ 15,676,861	$ 17,232,697	$ 11,484,237

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2017

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: Pages

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			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	$ 343,062,465	$ 357,299,104	$ 360,282,692	$ 378,911,546
Restricted	161,669,815	145,602,640	135,670,302	116,718,495
Unrestricted	(14,320,020)	104,037,153	114,737,049	116,545,351
Total governmental activities net position	$ 490,412,260	$ 606,938,897	$ 610,690,043	$ 612,175,392
Business-type activities:				
Net investment in capital assets	$ 22,267,386	$ 24,964,824	$ 24,541,113	$ 20,872,492
Restricted	-	1,191,694	-	-
Unrestricted	172,421,511	1,981,499	1,851,666	5,541,672
Total business-type activities net position	$ 194,688,897	$ 28,138,017	$ 26,392,779	$ 26,414,164
Primary government:				
Net investment in capital assets	$ 365,329,851	$ 382,263,928	$ 384,823,805	$ 399,784,038
Restricted	161,669,815	146,794,334	135,670,302	116,718,495
Unrestricted	158,101,491	106,018,652	116,588,715	122,087,023
Total primary government net position	$ 685,101,157	$ 635,076,914	$ 637,082,822	$ 638,589,556

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 412,683,460	$ 431,761,288	$ 461,673,323	$ 456,649,085	$ 483,229,135	$ 490,574,647
47,727,966	54,367,385	36,693,458	72,929,522	95,241,025	102,027,853
147,513,249	177,532,888	93,877,440	140,727,040	107,224,779	144,442,931
$ 607,924,675	$ 663,661,561	$ 592,244,221	$ 670,305,647	$ 685,694,939	$ 737,045,431
$ 25,479,160	$ 24,171,745	$ 23,657,878	$ 24,270,718	$ 25,443,651	$ 23,252,432
-	-	-	-	-	-
2,795,701	7,094,771	8,326,340	11,845,734	12,227,557	15,129,697
$ 28,274,861	$ 31,266,516	$ 31,984,218	$ 36,116,452	$ 37,671,208	$ 38,382,129
$ 438,162,620	$ 455,933,033	$ 485,331,201	$ 480,919,803	$ 508,672,786	$ 513,827,079
47,727,966	54,367,385	36,693,458	72,929,522	95,241,025	102,027,853
150,308,950	184,627,659	102,203,780	152,572,774	119,452,336	159,572,628
$ 636,199,536	$ 694,928,077	$ 624,228,439	$ 706,422,099	$ 723,366,147	$ 775,427,560

CITY OF TUSTIN

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Expenses:				
Governmental activities:				
General government	$ 8,668,759	$ 8,499,303	$ 7,802,579	$ 7,854,361
Public safety	27,875,230	29,126,019	27,277,141	28,622,807
Public works	30,814,898	22,102,002	20,816,686	19,809,907
Community services	3,442,833	5,112,770	12,742,391	13,150,089
Interest on long-term debt	4,715,026	3,566,782	4,087,839	4,814,598
Total governmental activities expenses	75,516,746	68,406,876	72,726,636	74,251,762
Business-type activities:				
Water	11,870,706	12,569,331	11,938,146	12,578,667
Tustin Legacy	1,279,802	1,259,093	-	-
Total business-type activities expenses	13,150,508	13,828,424	11,938,146	12,578,667
Program revenues:				
Governmental activities:				
Charges for services:				
General government	2,716,432	1,694,464	1,404,925	1,109,150
Public safety	2,749,660	2,136,772	1,168,348	1,196,830
Public works	1,688,753	2,374,308	3,761,321	3,508,904
Community services	929,548	897,386	957,545	969,006
Operating grants and contributions	3,831,037	4,253,442	3,403,411	3,441,281
Capital grants and contributions	79,210,370	18,865,776	6,287,231	3,395,929
Total governmental activities program revenues	91,125,800	30,222,148	16,982,781	13,621,100
Business-type activities:				
Charges for services:				
Water	10,923,061	11,281,679	10,594,471	12,422,746
Tustin Legacy	34,370	22,587	-	-
Capital grants and contributions	28,299,036	-	-	-
Total business-type activities program revenues	39,256,467	11,304,266	10,594,471	12,422,746
Net revenues (expenses):				
Governmental activities	$ 15,609,054	$ (38,184,728)	$ (55,743,855)	$ (60,630,662)
Business-type activities	26,105,959	(2,524,158)	(1,343,675)	(155,921)
Total net revenues (expenses)	$ 41,715,013	$ (40,708,886)	$ (57,087,530)	$ (60,786,583)

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 12,266,470	$ 18,705,913	$ 14,825,780	$ 17,121,057	$ 20,023,280	$ 24,504,764
28,800,773	30,702,298	28,440,799	29,886,284	27,779,830	34,611,078
20,765,854	15,087,234	49,538,371	34,435,214	47,326,664	24,822,480
7,078,104	3,201,865	3,498,460	3,699,059	7,869,124	19,524,660
3,057,645	967,115	-	-	-	5,802
71,968,846	68,664,425	96,303,410	85,141,614	102,998,898	103,468,784
13,467,541	13,574,149	16,100,137	15,982,078	15,586,463	16,654,429
-	-	-	-	-	-
13,467,541	13,574,149	16,100,137	15,982,078	15,586,463	16,654,429
1,390,073	763,101	249,237	252,074	2,072,540	1,979,211
1,133,096	917,947	920,112	1,071,099	1,195,350	1,255,299
800,328	1,248,595	1,710,813	1,564,314	3,538,906	1,861,045
974,747	926,432	967,134	892,102	953,149	1,101,294
3,590,210	4,513,158	3,325,304	3,546,823	2,722,978	2,742,140
20,902,629	20,998,311	12,222,106	20,244,479	48,711,583	26,535,693
28,791,083	29,367,544	19,394,706	27,570,891	59,194,506	35,474,682
15,112,161	16,688,773	18,682,821	19,375,359	16,511,795	17,100,836
-	-	-	-	-	-
-	-	-	-	-	-
15,112,161	16,688,773	18,682,821	19,375,359	16,511,795	17,100,836
$ (43,177,763)	$ (39,296,881)	$ (76,908,704)	$ (57,570,723)	$ (43,804,392)	$ (67,994,102)
1,644,620	3,114,624	2,582,684	3,393,281	925,332	446,407
$ (41,533,143)	$ (36,182,257)	$ (74,326,020)	$ (54,177,442)	$ (42,879,060)	$ (67,547,695)

CITY OF TUSTIN

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	$ 31,070,501	$ 34,022,959	$ 28,347,659	$ 30,205,879
Transient occupancy taxes	163,831	154,379	141,335	142,915
Business license taxes	N/A	356,565	337,867	358,526
Other taxes	1,665,601	1,689,573	1,720,505	1,648,319
Sales tax	20,428,465	19,858,142	15,917,332	18,597,453
Motor vehicle in lieu, unrestricted	321,918	252,666	6,122,789	6,189,249
Investment income	7,417,199	4,863,469	4,086,852	2,358,847
Other general revenues	1,523,530	2,314,540	1,520,662	1,700,323
Gain (loss) on disposal of capital assets	(1,366,208)	-	-	-
Gain on sale of land held for resale	-	-	-	-
Profit participation	-	-	-	-
Transfers	53,668,609	103,805,196	-	-
Contribution from successor agency	-	-	-	-
Extraordinary and special items	-	-	-	-
Total governmental activities	114,893,446	167,317,489	58,195,001	61,201,511
Business-type activities:				
Investment income	815,560	164,764	86,654	158,242
Gain (loss) on disposal of capital assets	(681)	-	-	-
Miscellaneous	23,337	82,810	25,340	19,064
Transfers	(53,668,609)	(103,805,196)	-	-
Total business-type activities	(52,830,393)	(103,557,622)	111,994	177,306
Total primary government	$ 62,063,053	$ 63,759,867	$ 58,306,995	$ 61,378,817
Changes in net position:				
Governmental activities	$ 130,502,500	$ 129,132,761	$ 2,451,146	$ 570,849
Business-type activities	(26,724,434)	(106,081,780)	(1,231,681)	21,385
Total primary government	$ 103,778,066	$ 23,050,981	$ 1,219,465	$ 592,234

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 23,270,718	$ 14,526,101	$ 13,661,771	$ 14,552,535	$ 16,451,763	$ 24,437,717
137,131	137,064	616,897	1,090,675	1,554,754	1,609,318
44,800	377,498	393,241	419,148	406,891	420,684
1,621,521	1,655,388	1,663,215	1,763,878	1,839,963	1,931,185
19,931,865	21,575,405	22,288,032	22,269,896	24,513,610	25,133,146
5,833,094	5,951,653	6,150,893	6,380,698	6,778,329	37,056
958,169	243,921	628,180	1,052,276	2,430,087	611,964
14,444,183	7,231,648	4,040,996	7,829,149	2,671,845	4,594,651
-	-	-	-	-	-
-	43,335,089	-	48,136,121	-	24,241,261
-	-	-	-	-	31,327,612
-	-	-	-	-	-
-	-	-	32,137,773	-	-
(27,314,435)	-	1,412,257	-	2,546,442	5,000,000
38,927,046	95,033,767	50,855,482	135,632,149	59,193,684	119,344,594
156,855	39,700	144,381	249,863	480,050	108,669
-	-	-	-	-	-
59,222	271,858	408,749	489,090	149,374	155,845
-	-	-	-	-	-
216,077	311,558	553,130	738,953	629,424	264,514
$ 39,143,123	$ 95,345,325	$ 51,408,612	$ 136,371,102	$ 59,823,108	$ 119,609,108
$ (4,250,717)	$ 55,736,886	$ (26,053,222)	$ 78,061,426	$ 15,389,292	$ 51,350,492
1,860,697	3,426,182	3,135,814	4,132,234	1,554,756	710,921
$ (2,390,020)	$ 59,163,068	$ (22,917,408)	$ 82,193,660	$ 16,944,048	$ 52,061,413

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Fund Balance prior to GASB 54				
General fund:				
Reserved	$ 116,342	$ 120,632,293	$ 144,139,167	$ -
Unreserved	24,471,029	1,971,846	5,870,992	-
Total general fund	$ 24,587,371	$ 122,604,139	$ 150,010,159	$ -
All other governmental funds:				
Reserved	$ 76,696,588	$ 49,777,973	$ 66,609,267	$ -
Unreserved, reported in:				
Special revenue funds	64,896,223	16,437,130	14,277,683	-
Debt service funds	-	-	(6,774,245)	-
Capital projects funds	17,558,428	90,474,987	75,663,086	-
Total all other governmental funds	$ 159,151,239	$ 156,690,090	$ 149,775,791	$ -
Fund Balance subsequent to GASB 54				
General fund:				
Nonspendable	$ -	$ -	$ 144,139,167	$ 144,186,955
Restricted	-	-	-	-
Committed	-	-	47,608	-
Assigned	-	-	5,823,384	-
Unassigned	-	-	-	7,443,165
Total general fund	$ -	$ -	$ 150,010,159	$ 151,630,120
All other governmental funds:				
Nonspendable	$ -	$ -	$ 34,800,738	$ 22,352,713
Restricted	-	-	111,455,097	130,673,281
Committed	-	-	344,708	-
Assigned	-	-	11,670,324	18,603,317
Unassigned	-	-	(8,495,076)	(10,989,463)
Total all other governmental funds	$ -	$ -	$ 149,775,791	$ 160,639,848

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ 144,604,847	$ 128,988,209	$ 129,049,954	$ 122,458,642	$ 88,579,214 [5]	$ 84,344,748
-	19,615,343	1,352,309	16,650,332	18,657,461	34,901,943
-	-	-	-	-	-
-	-	-	-	-	-
4,077,344	44,368,566 [2]	18,781,826	84,278,138 [3]	79,667,061	102,517,562
$ 148,682,191	$ 192,972,118	$ 149,184,089	$ 223,387,112	$ 186,903,736	$ 221,764,253
$ 1,710,292	$ 1,287,607	$ -	$ -	$ 1,922	$ 1,922
38,274,666 [1]	33,885,757	29,820,853	24,048,818	54,438,343	51,069,708
-	-	-	-	-	-
16,239,322	16,880,590	5,493,536	37,350,531 [4]	26,871,816	20,408,936
-	-	-	-	-	-
$ 56,224,280	$ 52,053,954	$ 35,314,389	$ 61,399,349	$ 81,312,081	$ 71,480,566

[1] Decrease of $92.4 million due to dissolution of the Tustin Community Redevelopment Agency (TCRA) on February 1, 2012. The assets and liabilities of the TCRA were transferred to the Successor Agency for the TCRA private purpose trust fund.

[2] Increase of $40.3 million due to the gain on sale of land in the former Marine Corp Air Station referred to as the Legacy and land held for resale along the 55 freeway and Edinger Avenue.

[3] Increase of $65.5 million due to the gain on sale of land held for resale of $48.1 million for the development of residential housing and special item totaling $21.4 million due to reclassification of promissory note to long-term debt.

[4] Increase of $31.9 million due to the transfer of bond proceeds from the Successor Agency to the TCRA to the MCAS 2010 Capital Project Fund.

[5] Decrease of $33.9 million 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.

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
Taxes	$ 51,775,505	$ 56,198,002	$ 52,579,529	$ 57,324,011
Licenses and permits	2,710,309	1,692,955	3,538,198	716,144
Fines and forfeitures	818,868	832,188	890,770	893,642
Investment income	7,529,488	4,429,915	3,198,484	1,632,215
Intergovernmental revenues	27,394,402	14,626,663	5,378,430	5,372,905
Charges for services	1,583,324	4,497,309	2,708,705	5,020,485
Rental income	786,438	771,807	869,645	358,030
Developer contributions	-	-	4,051,180	1,593,475
Profit participation	-	-	-	-
Gain on sale of land held for resale	-	-	-	-
Contribution from Successor Agency	-	-	-	-
Other revenues	59,309,772	1,188,200	1,028,432	2,425,052
Total revenues	151,908,106	84,237,039	74,243,373	75,335,959
Expenditures:				
Current:				
General government	8,295,887	6,728,236	7,197,709	7,505,928
Public safety	26,561,960	27,759,939	26,359,435	27,508,514
Public works	10,136,680	11,311,291	10,133,685	9,110,621
Community services	2,886,132	5,005,986	12,251,479	12,740,969
Capital outlay	15,080,865	24,772,717	13,125,983	9,979,670
Debt service:				
Principal retirement	1,055,000	11,143,000	7,913,000	10,659,000
Interest and fiscal charges	4,718,806	3,570,834	4,603,661	4,131,435
Bond issue costs	-	-	-	429,731
Total expenditures	68,735,330	90,292,003	81,584,952	82,065,868
Excess (deficiency) of revenues over (under) expenditures	83,172,776	(6,054,964)	(7,341,579)	(6,729,909)
Other financing sources (uses):				
Transfers in	7,803,274	142,866,218	37,207,661	2,645,014
Transfers out	(7,803,274)	(41,295,836)	(37,207,661)	(2,645,014)
Proceeds from debt issuance	-	-	26,274,205	43,281,289
Contribution to developer	(11,934,400)	-	-	-
Sale of property	44,658	40,201	7,421	18,138
Capital lease issued	-	-	-	-
Total other financing sources (uses)	(11,889,742)	101,610,583	26,281,626	43,299,427
Extraordinary gain (loss)	-	-	-	-
Special item	-	-	-	-
Net change in fund balances	$ 71,283,034	$ 95,555,619	$ 18,940,047	$ 36,569,518
Debt service as a percentage of noncapital expenditures	10.35%	21.32%	17.69%	20.00%

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 50,907,306	$ 44,279,024	$ 45,096,520	$ 43,696,204	$ 48,039,509	$ 49,958,547
443,928	577,044	1,284,232	885,043	1,334,311	853,990
875,068	678,428	631,340	752,597	982,123	953,665
472,725	173,890	621,786	1,041,661	2,422,072	608,888
6,413,137	21,551,042	7,453,722	15,032,387	18,324,393	10,249,298
2,813,752	2,685,080	1,787,268	1,870,401	2,357,268	1,999,860
480,255	550,003	751,724	1,113,340	1,308,852	1,542,281
-	-	-	16,934,704	26,357,490	16,804,964
-	-	-	-	-	23,495,709
-	43,340,797	-	48,136,121	-	24,241,261
-	-	-	32,137,773	-	-
14,075,025	9,773,813	6,110,735	6,302,392	4,714,101	5,849,937
76,481,196	123,609,121	63,737,327	167,902,623	105,840,119	136,558,400
11,656,331	17,357,805	14,205,424	17,568,297	20,372,454	24,052,915
28,714,347	27,944,039	28,170,314	33,062,929	27,897,182	30,733,524
6,954,384	5,980,807	5,797,705	6,417,257	7,182,380	7,591,876
6,506,381	2,752,523	3,081,299	3,170,747	7,308,498	18,727,257
25,816,530	28,487,231	74,422,436	23,800,093	22,498,621	26,657,177
2,590,000	-	-	5,000,000	4,101,171	4,129,203
3,264,323	967,115	-	-	-	5,802
-	-	-	-	-	-
85,502,296	83,489,520	125,677,178	89,019,323	89,360,306	111,897,754
(9,021,100)	40,119,601	(61,939,851)	78,883,300	16,479,813	24,660,646
3,020,291	6,122,454	2,084,612	5,266,102	5,453,988	4,242,209
(3,020,291)	(6,122,454)	(2,084,612)	(5,266,102)	(5,453,988)	(4,242,209)
-	-	-	-	-	-
-	-	-	-	-	-
43,745	-	-	-	-	-
-	-	-	-	-	368,356
43,745	-	-	-	-	368,356
(98,386,142)	-	1,412,257	-	976,042	-
-	-	-	21,404,683	(34,026,499)	-
$ (107,363,497)	$ 40,119,601	$ (60,527,594)	$ 100,287,983	$ (16,570,644)	$ 25,029,002
9.00%	1.73%	0.00%	6.03%	5.28%	4.48%

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
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
2017	8,254,232	312,525	8,566,757

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)
$ 1,826,514	$ 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%
2,872,602	138,433	3,011,035		0.116%

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year			
	2008	2009	2010	2011
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	0.0317	0.0310	0.0380	0.0596
Metropolitan Water District Bonds	0.0045	0.0043	0.0043	0.0037
Rancho Santiago Community College District Bonds	0.0237	0.0225	0.0274	0.0314
Irvine Ranch Water District Bonds	0.2143	0.2143	0.2242	0.2242
Santa Ana Unified School District Bonds	0.0359	0.0321	0.0739	0.0717
Total Overlapping Rates	0.3101	0.3042	0.3678	0.3906
Total Direct and Overlapping Rates	$ 1.3101	$ 1.3042	$ 1.3678	$ 1.3906

Source: Hdl, Coren & Cone

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 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
0.0559	0.0672	0.0891	0.0696	0.0775	0.0700
0.0037	0.0035	0.0035	0.0035	0.0035	0.0035
0.0315	0.0324	0.0333	0.0508	0.0504	0.0495
0.2155	0.2155	0.2155	0.0960	0.0960	0.1270
0.0715	0.0775	0.0736	0.0687	0.0660	0.0638
0.3781	0.3961	0.4150	0.2886	0.2934	0.3138
$ 1.3781	$ 1.3961	$ 1.4150	$ 1.2886	$ 1.2934	$ 1.3138

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Ten Years Ago

	2017		2007	
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Irvine Company LLC	$ 240,622,443	2.08%	$ 66,612,138	0.74%
Vestar Kimco Tustin LP	171,082,080	1.48%	90,813,428	1.00%
Legacy Villas LLC	122,209,720	1.06%		
Raintree Tustin LLC	105,422,597	0.91%		
Tustin Parc LP	60,290,000	0.52%		
Irvine Apartment Communities LP	52,768,742	0.46%	224,978,873	2.48%
Apple Ten Hospitality Ownership Inc	52,483,043	0.45%		
Borchard Redhill SKB-Tustin LLC	51,672,689	0.45%	55,468,620	0.61%
Cadigan Communities LP	51,087,754	0.44%		
PK II Larwin Square SC LP	50,263,983	0.43%		
Creekside Meadows Development LLC			125,306,082	1.38%
William Lyon Homes Inc			68,633,798	0.76%
Ora Residential Investment LLC			55,935,225	0.62%
Oppenheim Immobilen-Kapi Talanlagegesel			55,641,000	0.61%
Lennar Homes			45,707,185	0.50%
MW Housing Partners III LP			42,711,152	0.47%
	$ 957,903,051	0.0828	$ 831,807,501	0.0917

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
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%
2017	11,278,643	10,996,314	97.50%	207,332	11,203,646	99.34%

Notes:
The amounts presented for fiscal years 2008 through 2012 include City property taxes and former Redevelopment Agency tax increment.

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 Year Ended June 30	Governmental Activities						
	Tax Allocation Bonds (1)	Tax Allocation Bonds (5)	Tax Allocation Bonds (6)	Notes Payable (2)	Notes Payable (3)	Lease Payable (11)	Total Governmental Activities
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
2017	-	-	-	-	3,202,341	340,324	3,542,665

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 became 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.

(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.

Business-type Activity							Percentage	
Water Revenue Bonds (4)	Water Revenue Bonds (7)	Water Revenue Bonds (8)	Water Revenue Bonds (9)	Water Revenue Bonds (10)	Total Business-type Activity	Total Primary Government	of Personal Income	Debt Per Capita
$ 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%	656
-	-	5,720,101	14,013,530	22,790,666	42,524,297	46,066,962	1.82%	559

(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 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.

(10) In September 2016 the City issued $21.515 million of Refunding Water Bonds to defease the outstanding 2011 Water Revenue Bonds.

(11) In February 2017 the City entered into a lease to finance equipment with a present value of $368,356.

CITY OF TUSTIN

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

	Outstanding General Bonded Debt				
Fiscal Year Ended June 30	General Obligation Bonds	Tax Allocation Bonds	Total	Percent of Assessed Value *	Per Capita
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	-	-	-	-	-
2017	-	-	-	-	-

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, 2017

2016-17 Assessed Valuation	$11,577,792,122
Redevelopment Incremental Valuation	(2,841,809,468)
Adjusted Assessed Value	$ 8,735,982,654

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/17	(1) % Applicable	City's Share of Debt at 6/30/17
Metropolitan Water District	$ 74,905,000	0.448%	335,574
Rancho Santiago Community College District	258,096,533	0.114	294,230
Rancho Santiago Community College District School Facilities Improvement Dst No. 1	57,025,000	0.191	108,918
Santa Ana Unified School District	265,510,216	0.236	626,604
Tustin Unified School District School Facilities Improvement District No. 2002-1	46,550,254	45.684	21,266,018
Tustin Unified School District School Facilities Improvement District No. 2008-1	88,340,000	43.879	38,762,709
Tustin Unified School District School Facilities Improvement District No. 2012-1	27,720,000	44.842	12,430,202
Tustin Unified School District Community Facilities District No. 88-1	31,610,000	100	31,610,000
Tustin Unified School District Community Facilities District No. 06-1	15,060,000	100	15,060,000
City of Tustin Community Facilities Districts	100,600,000	100	100,600,000
Irvine Unified School District Community Facilities District No. 86-1	53,980,000	0.195	105,261
Irvine Ranch Water District Improvement Districts	503,159,370	5.107-84.927	60,731,810
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			**$ 281,931,326**
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	227,516,000	2.205%	5,016,728
Orange County Pension Obligations	386,762,539	2.205	8,528,114
Orange County Board of Education Certificates of Participation	14,440,000	2.205	318,402
Orange Unified School District Certificates of Participation	24,848,145	0.031	7,703
Orange Unified School District Benefit Obligations	80,865,000	0.031	25,068
Santa Ana Unified School District Certificates of Participation	60,937,067	0.236	143,811
City of Tustin	-	**100.000**	-
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			14,039,826
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	$ 148,430,000	0.001-100.00%	$ 59,666,108
TOTAL DIRECT DEBT			$ -
TOTAL OVERLAPPING DEBT			355,637,260
COMBINED TOTAL DEBT			$ 355,637,260 (2)

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were 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 lease obligations.

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

Ratios to 2016-17 Assessed Valuations:	
Total Overlapping Tax and Assessment Debt	2.44%
Total Direct Debt	0.00%
Combined Total Debt	3.07%

Ratios to Redevelopment Incremental Valuations ($2,841,809,468):	
Total Overlapping Tax Increment Debt	2.10%

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2008	2009	2010	2011
Assessed valuation	$ 8,143,666,000	$ 7,360,762,000	$ 7,197,825,000	$ 7,109,878,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	2,035,916,500	1,840,190,500	1,799,456,250	1,777,469,500
Debt limit percentage	15%	15%	15%	15%
Debt limit	305,387,475	276,028,575	269,918,438	266,620,425
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	$ 305,387,475	$ 276,028,575	$ 269,918,438	$ 266,620,425
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					
2012	2013	2014	2015	2016	2017
$ 7,159,851,000	$ 7,270,451,000	$ 7,418,821,000	$ 7,790,632,000	$ 8,218,228,000	$ 8,566,757,000
25%	25%	25%	25%	25%	25%
1,789,962,750	1,817,612,750	1,854,705,250	1,947,658,000	2,054,557,000	2,141,689,250
15%	15%	15%	15%	15%	15%
268,494,413	272,641,913	278,205,788	292,148,700	308,183,550	321,253,388
-	-	-	-	-	-
$ 268,494,413	$ 272,641,913	$ 278,205,788	$ 292,148,700	$ 308,183,550	$ 321,253,388
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	Water Revenue Bonds Debt Service Interest	Coverage
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
2017	17,100,836	13,032,698	4,068,138	815,000	1,753,485	1.58

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.

On February 1, 2012, the remaining balance of the Tax Allocation Bonds was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 and 19 for more information,

Tax Allocation Bonds			
Tax	Debt Service		
Allocation	Principal	Interest	Coverage
$ 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
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%
2017	82,372	2,506,380	30,427	3.70%

Source: HdL Coren & Cone, LLC

CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

Employer	2017 Number of Employees	2017 Percent of Total Employment	2007 Number of Employees	2007 Percent of Total Employment
Tustin Unified School District	2,248	5.30%		
Schools First Federal Credit Union	850	2.00%		
New American Funding	594	1.40%		
Kaiser Foundation Hospitals	593	1.40%		
Youngs Market Company LLC	548	1.29%		
City of Tustin	398	0.94%		
Costco Wholesale Corporation	350	0.83%		
Logomark Inc	315	0.74%		
Toshiba America Medical Systs	300	0.71%	300	0.76%
Ricoh Electronics Inc	256	0.60%	1038	2.64%
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 International)			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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	31	27	27	25	29	26	35	33	38	35
Community Development	29	28	24	17	17	15	15	16	19	19
Public Works	51	50	53	52	51	40	47	48	45	48
Police	144	147	147	140	139	131	140	141	141	137
Parks and Recreation	15	16	15	14	15	13	13	14	14	17
RDA/Successor Agency	5	6	6	6	5	3	-	-	-	-
Water	20	23	22	23	25	17	17	18	19	18
Total	295	297	294	277	281	245	267	270	276	274

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Fiscal Year									
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)	106.3	127.2	127.2	127.2	127.2	127.2	129.1	129.1	130.1	130.7
Street Lights	3,285	3,544	3,544	3,544	3,544	3,544	3,640	3,640	3,680	3,700
Traffic Signals	113	113	116	117	118	118	121	121	125	126
Storm Drain (miles)	49.1	49.2	49.2	49.2	49.2	49.2	51.2	51.4	51.8	52.9
Street Trees	15,821	15,853	15,853	15,837	15,786	16,097	16,073	15,815	15,706	15,542
Parks and Recreation										
Parks	12	12	13	13	13	13	13	13	14	14
Parks (acres)	81.5	81.5	98.5	98.5	98.5	98.5	98.5	98.5	116.0	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	14,117	14,118	14,118	14,139	14,139	14,172	14,181	14,148	14,099	14,109
Average daily consumption	14,970	14,460	14,460	12,899	13,491	13,601	13,975	13,975	9,975	10,601
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	12	13	13	13	13	13	13	13	13	14
Water Main (miles)	173	173	173	173	173	173	173	173	173	172
Fire Hydrants	2,200	2,201	2,201	2,201	2,201	2,201	1,914	1,945	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	2008	2009	2010	2011
Residential	3,202,982	3,012,575	2,749,415	2,592,741
Apartment/Multiple Units	1,264,584	1,226,181	1,142,749	1,133,899
Commercial	326,987	305,601	287,951	296,001
Fire Services	478	184	217	275
Irrigation	174,858	171,382	145,287	134,408
Government	260,688	264,425	238,914	212,561
Restaurants	61,029	54,916	52,761	48,873
Hospitals	14,376	11,222	9,636	11,587
Non-Profit	48,922	45,387	43,985	41,291
Industrial	69,920	67,985	56,360	51,760
Hotel/Motels	12,803	12,890	13,562	8,332
All Others	115,246	105,221	171,781	176,248
	5,552,873	5,277,969	4,912,618	4,707,976

Measured in hundred cubic feet.

Source: City of Tustin Finance Department

Fiscal Year					
2012	2013	2014	2015	2016	2017
2,733,482	2,815,322	2,905,069	2,603,538	1,934,761	2,119,716
1,172,823	1,158,480	1,163,159	1,139,321	1,003,808	987,688
305,638	308,376	321,125	310,585	259,459	271,649
1,242	818	577	837	646	504
149,957	151,965	167,346	155,766	96,082	105,750
236,658	268,581	276,292	229,262	134,446	162,843
53,183	53,461	52,520	51,658	45,069	44,947
12,204	12,442	7,634	10,018	11,166	11,276
44,488	44,476	45,920	41,601	22,989	26,751
58,298	57,462	60,438	59,292	40,407	45,071
8,514	10,417	12,866	21,379	23,387	25,185
147,552	82,716	87,785	71,324	68,830	70,721
4,924,039	4,964,516	5,100,731	4,694,581	3,641,050	3,872,101

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
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
2017	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
2017	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

	2017		2007	
Water Customer	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Tustin Unified School District	$ 536,061	3.13%	$ 283,081	2.75%
City of Tustin	106,428	0.62%	99,990	0.97%
Tustin Plaza Center, LP	65,705	0.38%		
Ricoh Electronics, Inc.	55,484	0.32%		
Schroeder Property Management	51,692	0.30%	32,726	0.32%
Tustin Gateway LP	49,591	0.29%		
Fairfield Inn & Suites Tustin	45,487	0.27%		
CalTrans - District 12	42,014	0.25%	32,140	0.31%
Residence Inn Tustin	41,039	0.24%		
Key Inn	39,812	0.23%		
Tustin Acres Community Association	38,433	0.22%	43,641	0.42%
Alta Newport Hospitals Inc	34,245	0.20%		
15701 TV Way Partnership	34,236	0.20%	32,310	0.31%
71286 JMJ LLC	31,886	0.19%		
School's First Credit Union	31,285	0.18%		
Ems Development Co	31,136	0.18%		
Briarwood Investment Co. Ltd.	30,847	0.18%	25,378	0.25%
CA 4-14 FUND, LLC	30,223	0.18%		
HSA LP	30,174	0.18%	63,242	0.61%
Sierra Corporate Management	29,109	0.17%		
Westchester Park LP	28,160	0.16%	29,407	0.29%
AT& T Services, Inc.	26,513	0.16%	52,837	0.51%
Tustin Village Community Association	23,002	0.13%	26,689	0.26%
SP/P Creekside Venture, LLC			73,526	0.71%
Saddleback Mobilodge			26,157	0.25%
V KAY - NNC Valencia Gardens			21,069	0.20%
Greenwood and McKenzie			36,361	0.35%
CMC Association Management			29,531	0.29%
Alders Apartment Company			25,538	0.25%
Pacific Point Apartments			20,122	0.20%
Arnel Management			29,362	0.29%
Regency West			24,881	0.24%
Sycamore Creek Apartments			22,368	0.22%
Total Water Sales	$ 1,432,559	8.38%	$ 1,030,356	10.00%

Source: City of Tustin Finance Department

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