

# CITY OF TUSTIN

TUSTIN, CALIFORNIA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019





**CITY OF TUSTIN, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Prepared By: Finance Department**



**CITY OF TUSTIN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2019**  
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# CITY OF TUSTIN

Elected and Administrative Officials



**Charles E. Puckett**  
Mayor



**Dr. Allan Bernstein**  
Mayor Pro Tem



**LETITIA CLARK**  
Councilmember



**BARRY W. COOPER**  
Councilmember



**AUSTIN LUMBARD**  
Councilmember

## **AUDIT COMMISSION**

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





**CITY MANAGER/ACTING CITY TREASURER**

Matthew S. West

David E. Kendig

**City Attorney**

Elizabeth A. Binsack

**Director, Community Development**

John A. Buchanan

**Director, Economic Development /  
Finance Director**

Erica N. Yasuda

**City Clerk**

Stu Greenberg

**Chief of Police**

Derick Yasuda

**Director of Human Resources**

David Wilson

**Director of Parks & Recreation Services**

Douglas S. Stack

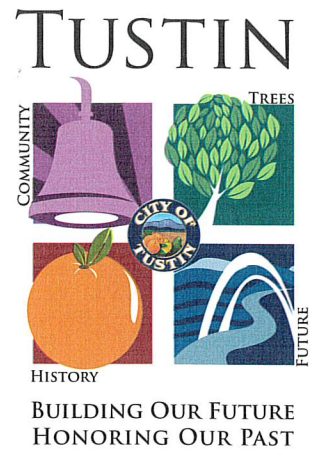
**Director, Public Works / City Engineer**

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# Finance Department

December 12, 2019

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, 2019, 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, 2019, 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, 2019, 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.

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.



Bus Tour at Tustin Legacy

## 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, 2019 population at 81,369 a decrease from 2018 of about 0.5%. Most cities in Orange County showed minor decreases in population, with the County of Orange experiencing a 0.3% increase in population. The statewide population growth rate of 0.47% is the slowest in the State's history. This rate is driven by a significant decline in births, down by more than 18,000 over the previous year, as well as data reflecting lower student enrollment. Deaths continued an upward trend seen since 2010 as California's "Baby Boomers" continue to age. Adding to the slow growth in population, affordable housing continues to be challenging for many. 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, economic development, 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](http://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 102 as part of the required supplementary information, and for nonmajor governmental funds, this comparison is presented on pages 114-121 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 34-35.



Mess Hall Opening at Tustin Legacy

## ECONOMIC OUTLOOK

The State of California has maintained a stable economy since the economic downturn. The statewide unemployment rate has dropped from 4.1% in October 2018 to 3.9% for October 2019, which is 0.3% higher than the United States unemployment rate of 3.6% for October 2019. The Orange County unemployment rate has decreased 0.7% from October 2018 to 2.8% for October 2019. The City's sales tax revenue is the largest continuing revenue source for the General Fund. It is 38% of total General Fund revenues. Annual sales tax revenue increased from fiscal year 2017-2018 to fiscal year 2018-2019 to \$26.6 million. The projected sales tax revenue for fiscal year 2019-2020 is expected to decrease slightly from fiscal year 2018-2019 by 5%. Staff is comfortable with the projected amounts for fiscal year 2019-20, 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 (37% of total revenues). Property tax revenue for fiscal year 2019-20 reflects a 5% increase based on information from the City's property tax consultants and information from the County Assessor. Property tax will be carefully monitored throughout the year.

Development at Tustin Legacy, the City's newest community, continues to move forward. Staff is monitoring the costs of providing public services and maintaining facilities including streets, sidewalks, and parks; these items are largely funded by service taxes tied to Community Facility Districts (CFDs). A significant amount of development has occurred to date, including major regional and local infrastructure, residential neighborhoods, shopping centers, parks, and institutional uses. While there is still a significant amount of infrastructure to install and land to develop, some major projects are underway or nearing completion, including:

- Phase 1 of FLIGHT at Tustin Legacy, a 480,000-square-foot creative office campus being developed by Lincoln Property Company. The core and shell improvements have been completed with tenant improvements now underway. FLIGHT features 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 all phases are complete, FLIGHT will be home to approximately 4,500 employees, which will have a multiplier effect that reaches beyond the boundaries of FLIGHT. Tustin Legacy Park, a City-owned 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.

The Village at Tustin Legacy, a 22-acre neighborhood commercial center developed by Regency Centers that is comprised of three major components:

- A retail center anchored by a Blue Ribbon Stater Bros., CVS, Bank of America, Chipotle, and Dunkin' Donuts. This portion is complete.

- A medical plaza with a medical office building, medical services, and an acute care hospital/rehabilitation facility. All medical services buildings are complete and Hoag Memorial Hospital Presbyterian completed the 60,000 square foot medical office building in April 2018.
- Construction has started on an acute care hospital/rehabilitation facility to be operated by HealthSouth, with completion planned for 2020.
- Levity at Tustin Legacy, a new neighborhood comprised of 218 single family homes on approximately 14 acres being developed by Lennar Homes of Southern California. The homes are designed in a contemporary architectural style with flat roofs, upper floor rooftop decks and balconies that will provide outdoor living opportunities with views of the local mountains and city lights. The strategic placement of windows is a distinctive feature of the homes and serves to provide great natural lighting and minimize the use of stucco material. Levity features three unique product types: Fleet (townhomes), Velocity (flats), and Icon (single family detached). Model homes will open in late summer 2019, with the first residents occupying their homes in late 2019.
- Brookfield Homes of Southern California (Neighborhood D South). The City executed an Exclusive Negotiation Agreement (ENA) with Brookfield to negotiate the development of 400 single family homes, comprised of single family detached, flats, and townhomes. A Disposition and Development Agreement (DDA) and Development Agreement (DA) are expected in late 2019.

Pacific Center East, an area near the intersection of Edinger Avenue and the 55 freeway, also contains City-owned assets that are under negotiation for eventual development. The area currently includes two hotels that generate a significant amount of Transient Occupancy Tax revenue.

- In February 2017 the City entered into an Exclusive Negotiation Agreement (ENA) with SchoolsFirst to negotiate the development of an approximate 180,000 square foot office building, a 5,000 square foot retail bank branch, and a 900+ space parking structure. The office building and bank branch, when combined with existing SchoolsFirst buildings, will be home to over 1,600 employees and serve as SchoolsFirst's corporate headquarters. The City will execute a Disposition and Development Agreement (DDA) and a Development Agreement (DA) in fall of 2019, with construction expected to begin shortly thereafter.
- The City continues to evaluate future plans for Pacific Center East to complement existing uses and help diversify City revenue sources.

The City also continues to evaluate Old Town Tustin to ensure it is a successful neighborhood within the City.

- The City recently adopted the Downtown Commercial Core Specific Plan (DCCSP) to preserve and enhance the area as a vital, pedestrian-friendly, and attractive commercial core in Tustin. The DCCSP also introduces the opportunity for mixed use residential development in select areas to bring more visitors to the area.
- Construction of 140 residential units known as Vintage is currently underway. Vintage, being constructed by Taylor Morrison, offers resort style amenities, including a community pool and ability to walk to the Old Town Tustin businesses. Models are open to the public and sales are ongoing.

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 decrease slightly over the next fiscal year by approximately 2% from fiscal year 2018-19, with nearly all of the decrease associated with declines in sales tax revenues. Projected expenditures for fiscal year 2019-20 are higher than the previous year, about 14% greater than the fiscal year 2018-19 actuals. The City continues to manage its expenditures to balance the budget and provide core City services. This increase in expenditures is due to higher salary and benefit costs, operational costs, and capital expenditures. A majority of the increases are associated with various professional and consulting services, information technology, and personnel changes reflected in new three-year labor agreements (Memorandum of Understanding or MOU's) effective July 1, 2018. The City expects a \$1.8 million deficit for fiscal year 2019-20 to be funded with planned use of excess reserves, bringing the projected General Fund reserve percentage to 24%, which is above the 20% City policy. Budgeted expenditures for fiscal year 2019-20 reflect an increase of about \$1.4 million as compared with fiscal year 2018-19 actuals. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2020.

Major factors facing the sustainability of future budgets include our efforts to address the City's pensions and unfunded liabilities, obligations for funding the second phase of the Tustin Unified School District's middle/high school project, funding for the construction of future housing for the homeless, and continued construction costs for developing Tustin Legacy. City Staff will continue to work with Council and the City Manager to prioritize these significant projects and to seek new revenue sources for the future. In addition, City Staff continues to strive to achieve the best long-term development strategies, maximizing the City's long-term revenues.

The other major operating fund is the Water Enterprise Fund. Budgeted expenses in the Water Fund are 8.5% higher in fiscal year 2019-20 as compared to fiscal year 2018-2019 actuals, while projected revenues are about the same as prior year as residents and businesses continue to maintain conservation efforts. The final year of the water rate increase from the 2010 five-year program was fiscal year 2014-15. The City Council set a public hearing for January 21, 2020 to consider a new proposed water rate. The proposed water rate will be effective for five fiscal years, starting with fiscal year 2019-2020. Notices have been



mailed out to customers and property owners in accordance with Proposition 218. For more information about Tustin's water service, see the City website at [tustinca.org](http://tustinca.org).



Lemonade Day at Tustin Market Place

## ACCOMPLISHMENTS AND FUTURE PROJECTS

Major capital improvement projects completed during fiscal year 2019 include the following:

- **Tustin Legacy Facilities**
  - Victory Road Extension: Red Hill Avenue to Armstrong Avenue (formerly Bell Avenue)
  - Armstrong Avenue Extension: Warner Avenue to Barranca Parkway
  - Red Hill Avenue Widening between Barranca Parkway and Warner Avenue
  - Flight Way (formerly Aston) Extension between Barranca Parkway and Tustin Legacy Linear Park
  - 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 Improvements between Tustin Ranch Road and Warner Avenue
  - Red Hill Avenue Median Improvements between Barranca Parkway and Valencia Avenue
  - Red Hill Avenue Widening between Warner and Edinger Avenue

- **Public Facilities**
  - Median Landscape Rehabilitation
  - Community Center Auditorium Renovation
  - Senior Center Alternate Power Source
  - Tustin Library Restoration
  - Temporary Homeless Shelter
  - Annual Major Building Maintenance
    - Accessibility Improvements at Various Facilities
    - Replace HVAC Units at Various Facilities
    - PD Evidence Room HVAC
    - HVAC Controls at Senior Center
    - Digital Public Notice Board at City Hall
- **Transportation Facilities**
  - Annual Pavement Maintenance and Public Infrastructure Maintenance Program
  - Eastbound El Camino Real at Jamboree Road Improvement Project
  - Transit Circulator Feasibility Study
- **Traffic Control Facilities**
  - Solar Speed Radar Feedback Signs
  - Newport Avenue Signal Synchronization
- **Park Facilities**
  - Citrus Ranch Park Picnic Shelter
- **Water Production**
  - Communication Equipment Replacement – SCADA
  - 17<sup>th</sup> Street Treatment Plant Membrane Replacement

The City's capital projects for fiscal year 2019-2020 are budgeted at \$90.3 million. The budget reflects a substantial increase in capital improvement projects funded by Tustin Legacy Backbone Infrastructure Funds and proceeds from sale of land at the Tustin Legacy. 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, State Road Maintenance and Rehabilitation funds (RMRA), and Community Development Block Grants. Major capital projects for fiscal year 2019-2020 include:

- **Tustin Legacy Facilities**
  - Veterans Sports Park at Tustin Legacy
  - Peters Canyon Channel Improvements
  - Moffett Drive Extension from Park Avenue to east of Peters Canyon Channel
  - Tustin Legacy Linear Park between Barranca Parkway and Armstrong Avenue
  - South Hangar Renovation – Phase I

- Neighborhood D South Infrastructure Construction – Phase I
- Tustin Legacy Linear Park Between Armstrong Avenue and Tustin Ranch Road
- Parkway Landscaping on Tustin Ranch Road and Valencia Avenue (by TUSD site)
- **Transportation Facilities**
  - Annual Pavement Maintenance and Public Infrastructure Maintenance Program
  - Newport Avenue Rehabilitation between I-5 Freeway and Holt Avenue
  - Newport Avenue Rehabilitation between I-5 Freeway and Sycamore Avenue
  - Del Amo Avenue and Newport Avenue Improvements
  - Citywide Pedestrian Oriented Accessibility Improvement Program
  - Westbound El Camino Real at Tustin Ranch Road Improvement Project
- **Traffic Control Facilities**
  - Traffic Signal Equipment
  - Seventeenth Street Signal Synchronization
  - Edinger Avenue/Irvine Center Drive Signal
  - Tustin Ranch Road/Von Karman Avenue Signal Synchronization
  - Parkcenter Lane/Bryan Avenue Traffic Signal
  - Lansdowne Road/Valencia Avenue Traffic Signal
  - Newport Avenue/Schools First Signal Project
- **Public Facilities**
  - Annual Major Building Maintenance
  - Emergency Operations Center and City Yard
  - Civic Center Alternate Power Source
  - Street Light LED Conversion Project
  - Tustin Legacy Annex Renovations
  - Stevens Square Parking Structure Improvements
  - Parking Lot Resurfacing 15171 Del Amo
- **Park Facilities**
  - Annual Major Park Maintenance
  - Pinetree Park Picnic Shelter Replacement
  - Columbus Tustin Park Field and Picnic Shelter Renovation
- **Water Projects**
  - Mardick Road Water Main Replacement between Red Hill Avenue and Beverly Glen Drive
  - Water Main Replacement – Simon Ranch Road to Racquet Hill via Tustin Hills Racquet Club Parking Lot
  - Simon Ranch Reservoir, Booster Pump Station and Pipeline Replacement

## 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, 2018. This was the thirty-second 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.

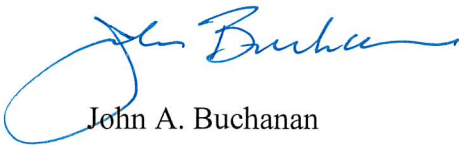
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

## 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; and the finance staff. 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 A. Buchanan  
Finance Director

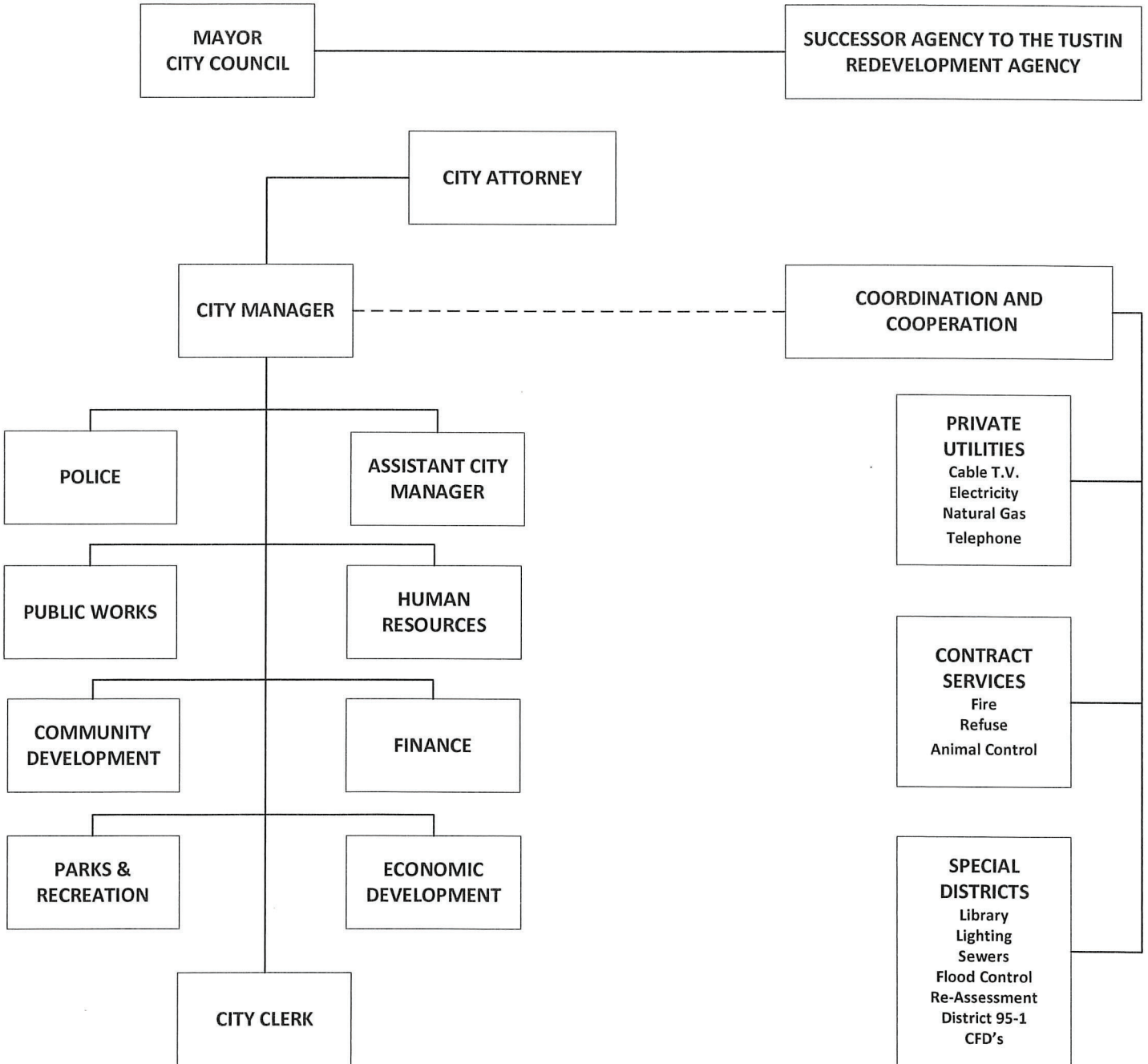


Jennifer Leisz  
Deputy Director – Financial Services



**CITIZENS OF  
TUSTIN**

**LOCAL GOVERNMENT  
FY 2018-2019**





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, 2018**

*Christopher P. Morill*

Executive Director/CEO

## 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, 2019, 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.

## **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, 2019, 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 changes in the net OPEB liability and related ratios and the schedule of contributions – OPEB and annual money-weighted rate of return on investments, 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, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting 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 Dick Evans LLP*

Irvine, California  
December 12, 2019

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**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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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, 2019. 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, 2019, by \$737 million (*net position*). Net position consists of \$541 million invested in capital assets, \$68 million in restricted net position and \$128 million in unrestricted net position.
- The government's total net position decreased by \$40.3 million during the fiscal year ended June 30, 2019. The primary reasons for the decrease were higher expenses (\$23.4 million) across all governmental activities, with significant increases in community services (\$9.5 million) and public works (\$8.3 million). Community Services expenses (\$20.3 million) were higher due to a \$15 million payment to Tustin Unified School District (TUSD) for additional funding for the Legacy Magnet Academy 6-12 School project at Tustin Legacy. Public Works expenditures (\$45.9 million) increased from the previous year due to continued work on various budgeted construction projects, including infrastructure at the Legacy development. Overall, governmental revenues decreased \$23.6 million from prior year, contributing to the decline in net position. The primary reason for the decrease was significant revenue (\$33.6 million) recognized in fiscal year 2018 for the gain on sale of land held for resale, mostly from the sale of approximately 14.5 acres (lot 19) to Lennar Homes for residential housing within the former Marine Corps Air Station known as the Legacy. This decrease was offset by higher earnings on investments (\$6.1 million), resulting from a significant market adjustment for unrealized gains for the investment portfolio at June 30, 2019.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$245.9 million, a decrease of \$58.6 million in comparison with the prior year. The decrease in ending fund balances is primarily due to the activity discussed above. The decrease is higher for the governmental funds because the capital assets funded by much of the on-going construction projects are not presented in the governmental funds statements. Approximately \$82.9 million is nonspendable; \$68.5 million is restricted; and \$5.8 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.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**Government-wide Financial Statements**

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

**Fund Financial Statements**

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**Fund Financial Statements (Continued)**

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.

***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 the Other Post-Employment Benefit (OPEB) Trust Fund which is used to account for the assets in the section 115 trust with the Public Agency Retirement Service (PARS) for pre-funding the City's OPEB. Council approved the establishment of the trust in April 2017, and the initial deposit to the trust was made in June 2018.

The third 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.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**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 and schedules of funding progress 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, nonmajor Capital Projects Funds, and all nonmajor Debt Service 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 (75 percent) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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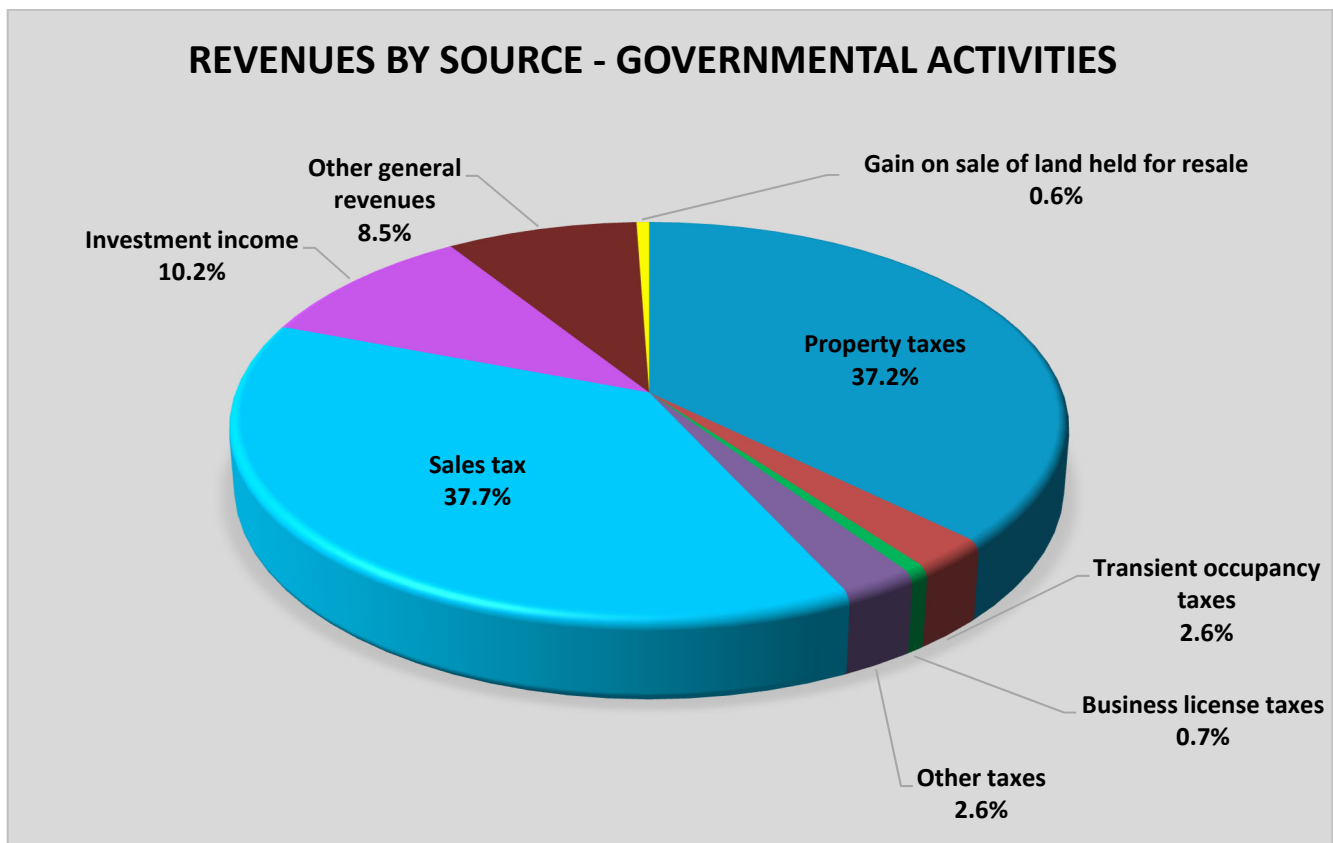
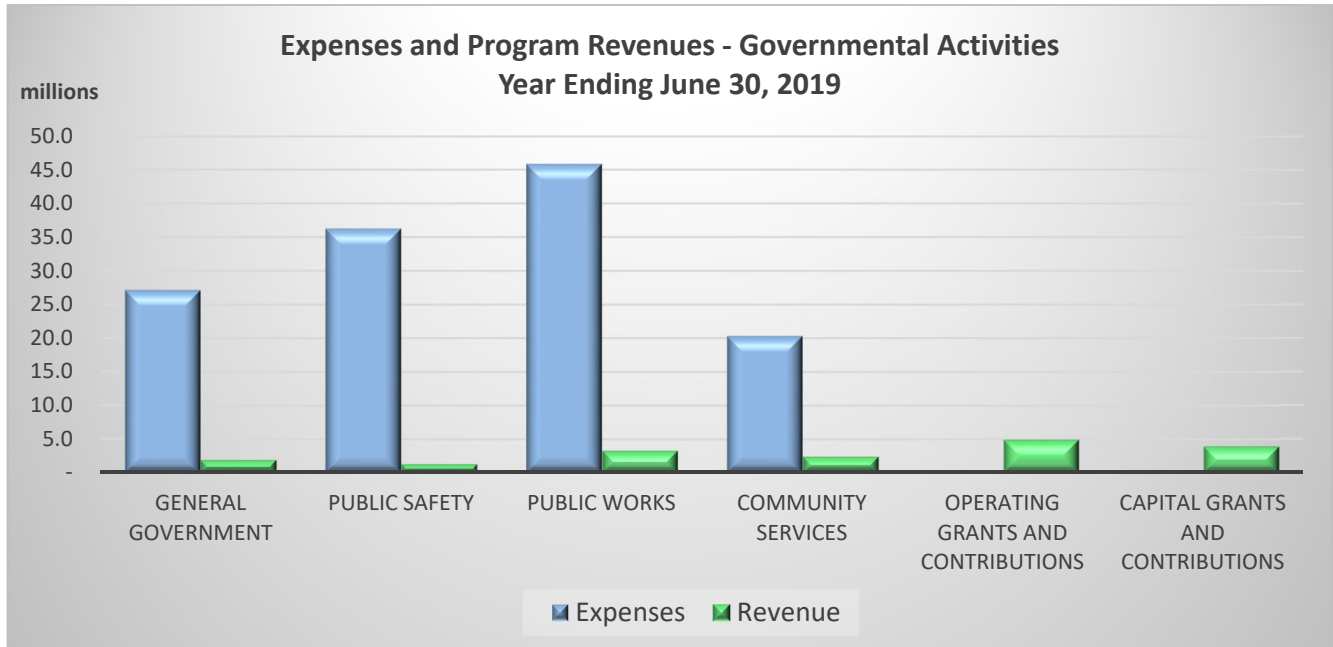
**Government-wide Financial Analysis (Continued)**

**City of Tustin**  
**Summary of Net Position**  
As of June 30, 2019  
*(in millions of dollars)*

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total % Change 2018-2019</b>
	<b>Activities</b>		<b>Activities</b>				
	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	
Assets:							
Current and other assets	\$322.0	\$272.2	\$35.8	\$36.7	\$357.8	\$308.9	
Capital assets	<u>499.5</u>	<u>520.4</u>	<u>47.9</u>	<u>48.6</u>	<u>547.4</u>	<u>569.0</u>	
<b>Total Assets</b>	<b><u>821.5</u></b>	<b><u>792.6</u></b>	<b><u>83.7</u></b>	<b><u>85.3</u></b>	<b><u>905.2</u></b>	<b><u>877.9</u></b>	<b>(3.0%)</b>
Deferred Outflows of Resources	<u>17.4</u>	<u>16.3</u>	<u>4.3</u>	<u>4.0</u>	<u>21.7</u>	<u>20.3</u>	
Liabilities:							
Current liabilities	16.8	25.5	3.3	4.8	20.1	30.3	
Non-Current liabilities	<u>82.4</u>	<u>85.0</u>	<u>45.3</u>	<u>44.3</u>	<u>127.7</u>	<u>129.3</u>	
<b>Total Liabilities</b>	<b><u>99.2</u></b>	<b><u>110.5</u></b>	<b><u>48.6</u></b>	<b><u>49.1</u></b>	<b><u>147.8</u></b>	<b><u>159.6</u></b>	<b>8.0%</b>
Deferred Inflows of Resources	<u>2.0</u>	<u>1.8</u>	<u>0.1</u>	<u>0.1</u>	<u>2.1</u>	<u>1.9</u>	
Net Position:							
Net investment in capital assets	499.2	520.2	22.8	20.7	522.0	540.9	
Restricted	87.4	67.8	-	-	87.4	67.8	
Unrestricted	<u>151.1</u>	<u>108.6</u>	<u>16.5</u>	<u>19.4</u>	<u>167.6</u>	<u>128.0</u>	
<b>Total Net Position</b>	<b><u>\$737.7</u></b>	<b><u>\$696.6</u></b>	<b><u>\$39.3</u></b>	<b><u>\$40.1</u></b>	<b><u>\$777.0</u></b>	<b><u>\$736.7</u></b>	<b>(5.2%)</b>

**Governmental activities.** Net position of the City's governmental activities decreased 5.6% to \$696.6 million, of which \$520.2 million is invested in capital assets such as equipment, buildings, and infrastructure. Of the remaining total, \$67.8 million is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties. The remaining \$108.6 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**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

**Government-wide Financial Analysis (Continued)**

**City of Tustin**  
**Summary of Changes in Net Position**  
For the Year Ended June 30, 2019  
*(in millions of dollars)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total % Change 2018-2019</b>
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	
Revenues:							
Program revenues:							
Charges for services	\$6.5	\$8.9	\$18.2	\$17.3	\$24.7	\$26.2	
Operating grants & contributions	3.9	5.0	-	-	3.9	5.0	
Capital grants and contributions	7.6	3.9	-	-	7.6	3.9	
General revenues:							
Taxes	29.6	30.4	-	-	29.6	30.4	
Intergovernmental revenue	24.9	26.6	-	-	24.9	26.6	
Earnings on investments	1.1	7.2	0.2	1.1	1.3	8.3	
Miscellaneous	4.8	6.0	0.2	0.2	5.0	6.2	
Gain on sale of assets	<u>33.6</u>	<u>0.4</u>	=	=	<u>33.6</u>	<u>0.4</u>	
<b>Total Revenues</b>	<b><u>112.0</u></b>	<b><u>88.4</u></b>	<b><u>18.6</u></b>	<b><u>18.6</u></b>	<b><u>130.6</u></b>	<b><u>107.0</u></b>	<b>(18.1%)</b>
Expenses:							
General government	23.9	27.1	-	-	23.9	27.1	
Public safety	33.8	36.2	-	-	33.8	36.2	
Public works	37.6	45.9	-	-	37.6	45.9	
Community services	10.8	20.3	-	-	10.8	20.3	
Water	=	=	<u>17.7</u>	<u>17.8</u>	<u>17.7</u>	<u>17.8</u>	
<b>Total Expenses</b>	<b><u>106.1</u></b>	<b><u>129.5</u></b>	<b><u>17.7</u></b>	<b><u>17.8</u></b>	<b><u>123.8</u></b>	<b><u>147.3</u></b>	<b>19.0%</b>
Change in net position	5.9	(41.1)	0.9	0.8	6.8	(40.3)	
Net Position – Beginning	<u>737.0</u>	<u>737.7</u>	<u>38.4</u>	<u>39.3</u>	<u>775.4</u>	<u>777.0</u>	
Restatement for Prior Period Adjustment	<u>(5.2)</u>	=	=	=	<u>(5.2)</u>	=	
<b>Net Position - Ending</b>	<b><u>\$737.7</u></b>	<b><u>\$696.6</u></b>	<b><u>\$39.3</u></b>	<b><u>\$40.1</u></b>	<b><u>\$777.0</u></b>	<b><u>\$736.7</u></b>	<b>(5.2%)</b>

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**Government-wide Financial Analysis (Continued)**

In governmental activities, the decrease in net position of \$41.1 million is primarily due to the following reasons:

- Deferred outflows related to pension plans decreased \$1.1 million mostly due to changes in actuarial assumptions affecting the calculation of the pension liability.
- Total governmental assets decreased \$28.9 million, mostly due to a \$15 million payment to Tustin Unified School District (TUSD) for additional funding for the Legacy Magnet Academy 6-12 School project at Tustin Legacy. Also contributing to the decrease in governmental assets were expenses for the following significant public works projects that were not capitalized as part of construction in progress: Temporary Homeless Shelter \$2.3 million, Peters Canyon Channel Improvements \$5.9 million, Tustin Legacy Pedestrian Bridges Architectural \$1.2 million, and Major Pavement Maintenance \$1.8 million.
- Deferred inflows of resources decreased \$0.2 million mostly due to changes in the City's proportion of the pooled safety plan and differences between the City's contributions and the City's proportionate share of contributions for the pooled safety plan.
- Governmental liabilities increased \$11.3 million mostly due to higher accounts payable and accrued liabilities (\$8.1 million) resulting from increased construction costs. Pension liabilities increased about \$1.3 million due to the interest on the total pension liability.

Overall, governmental revenues decreased \$23.6 million from prior year. The primary reason for the decrease was significant revenue (\$33.6 million) recognized in fiscal year 2018 for the gain on sale of land held for resale, mostly from the sale of approximately 14.5 acres (lot 19) to Lennar Homes for residential housing within the former Marine Corps Air Station known as the Legacy. This decrease was offset by increases in earnings on investments (\$6.1 million), charges for services (\$2.4 million), and intergovernmental revenue – sales tax shared state revenues (\$1.7 million). The increase in earnings on investments was mostly due to a significant market adjustment for unrealized gains for the investment portfolio of approximately \$6 million at June 30, 2019. Charges for services for governmental activities increased \$2.4 million during fiscal year 2019 mostly due to the increased construction activity reflected in the public works category. Most of the increase in public works charges is due to higher Park In-Lieu fees (\$0.9 million) which were received from Taylor Morrison in conjunction with the Vintage development, coupled with increases in building permits and plan check fees (\$0.5 million). Community services charges for services increased about \$1 million during the year due to the new Inclusionary Housing Fee which was implemented in fiscal year 2019. The City received about \$0.9 million in Inclusionary Housing Fees from Taylor Morrison in conjunction with the Vintage development. There were minor increases in the Public Safety and General Government charges for services categories. The increase in intergovernmental revenue – sales tax shared state revenues was the result of the continued favorable economic climate.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**Government-wide Financial Analysis (Continued)**

Retail and auto sales continued to lead other market sectors, representing over half of the sales taxes received during the year. Solid returns by new auto dealers and increased leasing activity helped push autos-transportation higher, while recent additions of specialty retailers lifted general consumers.

Earnings on investments increased \$6.1 million from fiscal year 2018 mostly due to a \$6 million unrealized gain in market value plus a \$0.8 million increase in investment earnings. The increase in interest earnings during fiscal year 2019 was primarily due to the higher average weighted portfolio yield (0.49% increase) caused by the rising interest rate environment during most of fiscal year 2019. This increase was offset by decreased duration (111 days) and lower average cash balances (\$6 million decrease), resulting from the volatile cash flow needs from the large construction projects taking place currently. The average cash balance for fiscal year 2018-19 was \$212 million with an average weighted portfolio yield of 2.11% and average weighted days to maturity of 569 days. The average cash balance for fiscal year 2017-18 was \$218 million, with an average weighted portfolio yield of 1.62% and average weighted days to maturity of 680 days.

Overall Governmental expenses increased \$23.4 million from the prior year. Of that amount, Community Services showed the largest increase in the governmental activities presented, with expenses increasing \$9.4 million from prior year. This was caused by a \$15 million payment to TUSD for the school funding discussed previously. In fiscal year 2018, the City funded approximately \$5.4 million for the school building project, resulting in the increase of \$9.4 million in fiscal year 2019.

General Government expenses increased \$3.2 million from fiscal year 2018 mostly due to additional discretionary payments for unfunded actuarial liabilities of \$3.3 million for pension liabilities and \$0.5 million for Other Post-Employment Benefits (OPEB) liabilities.

Public Safety expenses increased \$2.5 million from prior year mostly due to the higher claims paid for general liability cases and workers compensation claims (\$1.5 million). Also contributing to the increase were higher costs for contact fire services with Orange County Fire Authority (\$0.5 million) and other smaller increases related to compensation and overtime.

Public Works expenses increased \$8.3 million due to expenses for the following significant projects that were not capitalized as part of construction in progress: Temporary Homeless Shelter, Peters Canyon Channel Improvements, and Tustin Legacy Pedestrian Bridges Architectural plans.

Business-Type activities net position increased \$0.8 million from prior year. Charges for services decreased \$0.9 million from fiscal year 2018 due to decreased water consumption caused by less water usage during the winter and spring rainy season. This decline was offset by higher investment earnings (\$0.9 million increase) due to the market value adjustment for unrealized gains discussed previously. Water operation costs showed a small increase (\$0.1 million) primarily due to higher costs from the Orange County Water District for purchased water.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**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 \$245.9 million, a decrease of \$58.6 million in comparison with the prior year. The decrease is primarily due to significant expenditures for capital projects at the Legacy development. Total capital outlay was \$59.4 million during fiscal year 2019. Other major expenses during the year included a \$15 million advance paid 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. Approximately \$82.9 million (27.2%) of the City's governmental fund balance constitutes nonspendable fund balance. Of the nonspendable amount, \$82.2 million is land held for resale. The remainder of the fund balance consists of \$68.5 million in restricted funds, \$5.8 million assigned to capital projects, and \$88.7 million in unassigned funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$88.8 million, while total fund balance was \$202.9 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 80% of the total General Fund expenditures.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**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, 2019  
*(in millions of dollars)*

	<u>2018</u>	<u>2019</u>	<u>Total % Change 2018-2019</u>
Revenues:			
Taxes	\$25.8	\$26.3	
Charges for services	2.0	1.8	
Intergovernmental	28.5	28.4	
Fines and forfeitures	1.0	0.9	
Licenses and permits	0.9	1.2	
Investment income	0.6	5.5	
Other	3.3	3.7	
Developer Contribution	1.3	-	
Profit participation	7.2	0.2	
Gain on sale of land held for resale	<u>33.0</u>	-	
<b>Total Revenues</b>	<b><u>103.6</u></b>	<b><u>68.0</u></b>	<b>(34.4%)</b>
Expenditures:			
General government	20.3	24.4	
Public safety	32.2	33.1	
Public works	7.6	8.9	
Community services	9.3	18.7	
Capital Outlay	12.2	25.5	
Debt service	<u>3.3</u>	<u>0.1</u>	
<b>Total Expenses</b>	<b><u>84.9</u></b>	<b><u>110.7</u></b>	<b>30.4%</b>
Excess of Revenues Over (Under) Expenditures	18.7	(42.7)	
Other Financing Sources (Uses):			
Net transfers	-	<u>5.2</u>	
<b>Net Change in Fund Balance</b>	<b><u>18.7</u></b>	<b><u>(37.5)</u></b>	<b>(300.5%)</b>

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**Financial Analysis of the Government's Funds (Continued)**

Transactions impacting revenues in the General Fund were as follows:

- Taxes increased \$0.5 million primarily due to higher property tax revenues. Property tax revenue totaled about \$22.3 million reflecting an increase of approximately \$0.4 million primarily due to an increase of about \$0.4 million in property tax in lieu of VLF. The City received \$7.9 million in property tax in lieu of VLF for fiscal year 2019. 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 is due to the increase in property values.
- Sales tax revenue increased \$1.7 million, mostly due to solid returns by new auto dealers and increased leasing activity plus the additions of new retailers and growth from restaurants. The current economic outlook is conservatively optimistic and mindful of the impact of recent technological changes and trends in car sales.
- Intergovernmental revenue, which includes the sales taxes discussed above, decreased slightly (\$0.1 million) from fiscal year 2018. This was primarily due to higher revenues in 2018 resulting from \$1.5 million in insurance reimbursements from the California Insurance Pool Authority (CIPA), reimbursement of \$0.2 million in administrative costs from the Department of Finance for services for the Successor Agency for the former Tustin Redevelopment Agency, and \$0.3 in funding due to an adjustment to recognize deposits for TSIP Area A-B as revenue. These decreases were offset by higher sales taxes in fiscal year 2019 (increase of \$1.7 million).
- Other Revenue increased \$0.4 million from prior year primarily due to the increase in rental income of about \$0.3 million. This increase is the result of more rental agreements for use of the historic hanger at Tustin Legacy, as well as other leases for use of City-owned land for parking.
- The decrease in Profit Participation of \$7 million is due to the receipt in fiscal year 2018 of the final \$7.2 million for profit participation from CalAtlantic, related to the sale of homes in the Greenwood development at the Legacy. The activity for 2019 reflects an additional \$0.2 million in profit participation resulting from the Greenwood profit participation agreement audit.
- The decrease in Developer Contribution of \$1.3 million was due to prior year Project Fair Share Contributions in conjunction with the sale of land held for resale at the Legacy of \$1.3 million from Lennar Homes.
- Gain on sale of land held for resale totaled \$33 million in fiscal year 2018 due to the sale of land at the Legacy development. There were no land sales affecting the general fund in fiscal year 2019.
- Investment income increased \$4.9 million during 2019 largely due to a significant unrealized gain of \$4.3 million for the investment portfolio resulting from the favorable market value at June 30, 2019 as compared with the value at June 30, 2018. Most of the remainder of the increase is due to earnings from the PARS Pension Trust (\$0.1 million) averaging 6.85% during 2019, plus the higher weighted average portfolio yield (0.49%) caused by the rising interest rate environment during most of fiscal year 2019. The City opened the PARS investment trust in June 2018, so this is the first full year of investment earnings for the trust.
- Licenses and permits rose \$0.3 million during the year because of the rise in building permits, resulting from increased construction during 2019 at the Legacy development.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**Financial Analysis of the Government's Funds (Continued)**

- Fines and forfeitures decreased slightly during 2019 because of lower vehicle code fines and parking citation revenue. This was mostly due to one less Parking Control Officer during most of the year and more time assigned to specific incidents, which resulted in less time devoted to patrolling for vehicle code violations.
- Charges for services decreased \$0.2 million during fiscal year 2019 due to adjustments in fiscal year 2018 that increased the revenue for reimbursement of administrative expenses for prior years for community facilities districts.

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2019:

- General Government expenditures increased \$4.1 million from prior year mostly due to a \$3.3 million discretionary payment to CalPERS to pay down unfunded actuarial liabilities for the Miscellaneous and Safety plans. In addition, \$0.5 million was contributed to the Public Agency Retirement Services (PARS) Trust Other Post-Employment Benefits (OPEB) account. Also contributing to the increase were higher professional and consulting expenses (\$0.6 million), mostly to reimburse OMBRP LLC for Community Core Development infrastructure design costs for Neighborhood D North totaling \$0.5 million.
- Public safety expenditures increased \$0.9 million from prior year primarily due to higher pension costs of \$0.5 million and increased costs for contract fire services with Orange County Fire Authority (\$0.5 million).
- Public Works expenditures increased \$1.3 million mostly due to costs incurred for architectural plans for the Tustin Ranch Road pedestrian bridge (\$1.2 million).
- Community Services expenditures increased \$9.4 million mostly due to a \$15 million advance paid in fiscal year 2019 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. In the prior year, the City funded only \$5.4 million, contributing significantly to the \$9.4 million increase in Community Services expenses during 2019.
- Capital Outlay increased \$13.3 million primarily due to increases in construction expenditures for the following projects:
  - \$4.3 million - Peters Canyon Channel Improvements
  - \$5.1 million – Emergency Operations Center and Corporate Yard Project
  - \$0.4 million – Moffett Drive and Legacy Road Extension Project
  - \$3.2 million – Tustin Legacy Linear Park Improvements
- Debt service declined \$3.2 million due to final payment made in the prior year of \$3.2 million to the Department of Finance (DOF) per the settlement agreement related to the dissolution of the Tustin Redevelopment Agency.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**Financial Analysis of the Government's Funds (Continued)**

- Net Transfers increased \$5.2 million from prior year mostly due to the following transfers in during fiscal year 2019: \$1.9 million to repay amounts transferred to cover negative cash in prior years for CFD's 06-1, 07-1, and 2014-1; \$3.8 million from the Special Tax B Special Revenue Fund to pay for public safety services provided for the Special Tax B area. These transfers in were offset by a transfer out to the Housing Authority Special Revenue Fund to cover the first year of the Tustin Temporary Homeless Shelter.

**General Fund Budgetary Highlights**

Differences between the General Fund actual revenues and amended budgeted revenues were \$2.8 million, mostly due to increased revenues from investment income and property taxes. Those increases were offset by lower anticipated revenues from various sources, such as permit fees and OMBRP development fees. The amended budgeted expenditures were \$178.7 million, an increase in appropriations of \$49.8 million from the original budgeted expenditures of \$128.9 million. The increase in appropriations was largely associated with capital expenditures at the Tustin Legacy.

Actual General Fund expenditures were less than the amended budgeted amount of \$178.7 million by \$68 million due to appropriations for capital projects spanning multiple years and projects that were anticipated but indefinitely delayed due to the OMBRP development ending. The budget included nearly \$63.7 million in capital outlay and professional services for the OMBRP development project. Additionally, a generator replacement project (\$1 million) was delayed to a subsequent fiscal year due to operational requirements in the police department. A majority of the reduced expenditures in Public Safety was associated with vacancies in the Police Department.

**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 \$0.8 million, resulting in an increase in net position during fiscal year 2019, from \$39.3 million as of June 30, 2018, to \$40.1 million as of June 30, 2019.

Operating revenues decreased slightly from \$18.2 million in fiscal year 2018 to \$17.3 million in 2019, due to lower water consumption caused by the winter and spring rainy season. Related operating costs decreased slightly (\$0.1 million) from prior fiscal year, due to completion in fiscal year 2018 of the 17<sup>th</sup> Street Treatment Plant Membrane repairs.



**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**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, 2019 amounts to \$569 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, 2019  
*(in millions of dollars)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>Total % Change 2018-2019</b>
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	
Land	\$83.1	\$83.1	\$1.2	\$1.2	\$84.3	\$84.3	
Right of way	43.8	43.8	-	-	43.8	43.8	
Construction in progress	56.7	78.9	2.8	5.4	59.5	84.3	
Buildings and improvements	76.5	74.7	3.9	3.7	80.4	78.4	
Machinery and equipment	6.7	5.6	-	-	6.7	5.6	
Infrastructure	232.7	234.3	-	-	232.7	234.3	
Property, plant and equipment	=	=	<u>40</u>	<u>38.3</u>	<u>40</u>	<u>38.3</u>	
<b>Total Capital Assets, Net</b>	<b><u>\$499.5</u></b>	<b><u>\$520.4</u></b>	<b><u>\$47.9</u></b>	<b><u>\$48.6</u></b>	<b><u>\$547.4</u></b>	<b><u>\$569.0</u></b>	<b>3.9%</b>

Overall, capital asset additions of \$37 million in fiscal year 2019 were offset by depreciation expense of \$14 million and retirements of \$1 million for a net increase in capital assets of \$22 million. In fiscal year 2019, construction in progress increased about \$25 million due to continued construction of the following major projects: Sports Park and Linear Park at the Legacy development, Median Landscape Rehabilitation, Corporate Yard Facilities, Streetlight LED Conversion, and various road widening and extension projects at the Legacy development. In addition, two major construction projects were completed in fiscal year 2019: Tustin Library Restoration (an addition of \$1.4 million for buildings and improvements), and Red Hill Avenue Widening and Median Improvements (an addition of \$8.5 million for infrastructure). Declines in other capital asset categories were due to depreciation.

Additional information on the City's capital assets can be found in Note 7 of the notes to the basic financial statements section of this report.

**Long-term Debt**

At the end of the current fiscal year, the City had total outstanding long-term liabilities of \$129.4 million. Of this amount, \$40.5 million are secured solely by specified revenue sources such as property tax increment and water service charges.

**CITY OF TUSTIN**  
**Management’s Discussion and Analysis (Unaudited)**  
**June 30, 2019**

**City of Tustin**  
**Summary of Changes in Long-Term Liabilities**  
For the Year Ended June 30, 2019  
*(in millions of dollars)*

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total % Change 2018-2019</b>
	<b>Activities</b>		<b>Activities</b>		<b></b>		
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	
Bonds payable	\$-	\$-	\$41.6	\$40.5	\$41.6	\$40.5	
Claims and judgments	5.1	6.4	-	-	5.1	6.4	
Postemployment benefits obligation	13.9	13.8	-	-	13.9	13.8	
Compensated absences	3.3	3.4	0.2	0.3	3.5	3.7	
Lease Payable	0.3	0.2	-	-	0.3	0.2	
Pension liabilities	<u>59.8</u>	<u>61.2</u>	<u>3.5</u>	<u>3.6</u>	<u>63.3</u>	<u>64.8</u>	
<b>Total Outstanding Debt</b>	<b><u>\$82.4</u></b>	<b><u>\$85.0</u></b>	<b><u>\$45.3</u></b>	<b><u>\$44.4</u></b>	<b><u>\$127.7</u></b>	<b><u>\$129.4</u></b>	<b>1.3%</b>

Overall, long-term debt increased \$1.7 million from the prior year balances mostly due to the increase in pension liabilities of \$1.5 million. The increase in pension liabilities was comprised of increases for both the Safety (police) Plans and the Miscellaneous (all other) plans of \$0.6 million and \$0.9 million respectively. The increases were mostly due to the interest on the total pension liability which accrues at the rate determined by CalPERS of 7.15%. Claims and judgments increased \$1.3 million during fiscal year 2019 primarily due to increases in workers compensation claims for Police officers. The above noted increases were offset by decreases in the other long-term debt categories. The bonds payable for the Water Enterprise carried underlying debt ratings of “AA” from Standard & Poor’s, with no change from the previous year.

Additional information on the City’s long-term debt can be found in Note 8, Note 9, and Note 10 of the notes to the basic financial statements section of this report.

**Next Year’s Budget and Rates**

The City Council adopted the fiscal year 2019-2020 Budget with total appropriations of \$217.3 million which includes \$90.1 million of capital outlay. The General Fund fiscal year 2019-2020 estimated revenues are \$68.3 million and budgeted appropriations are \$70.1 million resulting in an estimated operating deficit of \$1.8 million. The operating deficit will be covered by planned use of excess General Fund reserves. The appropriations are \$0.6 million lower than the prior year’s appropriation. Overall, the appropriations are consistent with fiscal year 2019. There were no fee increases as part of the preparation and adoption of the fiscal year 2019-20 budget.

**CITY OF TUSTIN**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2019**

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**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.

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CITY OF TUSTIN

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-type Activity	Total
<b>ASSETS:</b>			
Cash and investments	\$ 130,443,240	\$ 20,637,563	\$ 151,080,803
Receivables:			
Accounts	8,050,511	2,769,763	10,820,274
Interest	429,655	66,538	496,193
Loans	931,729	-	931,729
Allowance for uncollectibles	(512,201)	-	(512,201)
Prepaid items and deposits	663,239	11,830	675,069
Land held for resale	82,240,813	3,765,347	86,006,160
Restricted assets:			
Cash and investments with fiscal agents	44,275,516	9,503,532	53,779,048
Cash and investments held by trust	5,686,272	-	5,686,272
Capital assets:			
Not being depreciated	205,666,349	6,586,353	212,252,702
Being depreciated, net	314,699,205	41,966,859	356,666,064
<b>TOTAL ASSETS</b>	<b>792,574,328</b>	<b>85,307,785</b>	<b>877,882,113</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charge on refunding	-	3,116,377	3,116,377
Deferred amounts on pension plans	16,327,169	928,880	17,256,049
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>16,327,169</b>	<b>4,045,257</b>	<b>20,372,426</b>
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	17,595,778	3,877,739	21,473,517
Interest payable	-	368,530	368,530
Deposits payable	7,878,685	503,888	8,382,573
Unearned revenue	41,262	-	41,262
Noncurrent liabilities:			
Due within one year	9,599,406	1,138,486	10,737,892
Due in more than one year	466,621	39,638,074	40,104,695
Due in more than one year - OPEB liability	13,765,029	-	13,765,029
Due in more than one year - pension liability	61,154,708	3,622,504	64,777,212
<b>TOTAL LIABILITIES</b>	<b>110,501,489</b>	<b>49,149,221</b>	<b>159,650,710</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred amounts on OPEB plan	360,412	-	360,412
Deferred amounts on pension plans	1,412,734	63,722	1,476,456
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,773,146</b>	<b>63,722</b>	<b>1,836,868</b>
<b>NET POSITION:</b>			
Net investment in capital assets	520,166,300	20,650,435	540,816,735
Restricted for:			
Community services	4,381,582	-	4,381,582
Public safety	1,935,618	-	1,935,618
Public works	55,889,517	-	55,889,517
Pension	5,686,272	-	5,686,272
Unrestricted	108,567,573	19,489,664	128,057,237
<b>TOTAL NET POSITION</b>	<b>\$ 696,626,862</b>	<b>\$ 40,140,099</b>	<b>\$ 736,766,961</b>

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 27,097,686	\$ 1,920,214	\$ 28,828	\$ -
Public safety	36,215,060	1,285,584	444,112	-
Public works	45,849,976	3,300,906	3,201,613	3,689,178
Community services	20,304,550	2,426,578	1,277,718	253,656
Interest on long-term liabilities	9,297	-	-	-
Total governmental activities	129,476,569	8,933,282	4,952,271	3,942,834
<b>Business-type activity:</b>				
Water	17,763,633	17,329,090	-	-
Total	\$ 147,240,202	\$ 26,262,372	\$ 4,952,271	\$ 3,942,834

General revenues:

Taxes:

Property

Franchise

Transient occupancy

Business license

Intergovernmental revenue - sales tax shared state revenues

Motor vehicle taxes shared state revenues

Earnings on investments

Gain on sale of land held for resale

Miscellaneous

Total general revenues

Change in net position

NET POSITION AT BEGINNING OF YEAR,

NET POSITION AT END OF YEAR

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activity	Total
\$ (25,148,644)	\$ -	\$ (25,148,644)
(34,485,364)	-	(34,485,364)
(35,658,279)	-	(35,658,279)
(16,346,598)	-	(16,346,598)
(9,297)	-	(9,297)
(111,648,182)	-	(111,648,182)
-	(434,543)	(434,543)
(111,648,182)	(434,543)	(112,082,725)
26,275,789	-	26,275,789
1,762,642	-	1,762,642
1,825,957	-	1,825,957
466,828	-	466,828
26,634,458	-	26,634,458
39,526	-	39,526
7,167,093	1,084,525	8,251,618
395,281	-	395,281
6,002,632	230,610	6,233,242
70,570,206	1,315,135	71,885,341
(41,077,976)	880,592	(40,197,384)
737,704,838	39,259,507	776,964,345
\$ 696,626,862	\$ 40,140,099	\$ 736,766,961

CITY OF TUSTIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2019

	General	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 96,248,430	\$ 4,931,912	\$ 29,262,898	\$ 130,443,240
Restricted cash and investments	29,210,515	-	15,065,001	44,275,516
Restricted cash and investments held by trust	5,686,272	-	-	5,686,272
Receivables:				
Accounts	6,433,052	1,040,373	577,086	8,050,511
Interest	290,137	11,662	127,856	429,655
Loans	547,933	-	383,796	931,729
Allowance for uncollectibles	(478,405)	-	(33,796)	(512,201)
Prepaid items and deposits	661,317	-	1,922	663,239
Land held for resale	82,240,813	-	-	82,240,813
<b>TOTAL ASSETS</b>	<b>\$ 220,840,064</b>	<b>\$ 5,983,947</b>	<b>\$ 45,384,763</b>	<b>\$ 272,208,774</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 10,570,255	\$ 167,440	\$ 6,858,083	\$ 17,595,778
Deposits payable	7,148,757	-	729,928	7,878,685
Unearned revenue	-	-	41,262	41,262
<b>TOTAL LIABILITIES</b>	<b>17,719,012</b>	<b>167,440</b>	<b>7,629,273</b>	<b>25,515,725</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue	199,226	175,585	416,539	791,350
<b>FUND BALANCES:</b>				
Nonspendable	82,902,130	-	1,922	82,904,052
Restricted	31,250,893	5,640,922	31,574,981	68,466,796
Assigned	-	-	5,762,048	5,762,048
Unassigned	88,768,803	-	-	88,768,803
<b>TOTAL FUND BALANCES</b>	<b>202,921,826</b>	<b>5,640,922</b>	<b>37,338,951</b>	<b>245,901,699</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 220,840,064</b>	<b>\$ 5,983,947</b>	<b>\$ 45,384,763</b>	<b>\$ 272,208,774</b>

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, 2019

Fund balances - total governmental funds		\$ 245,901,699
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets net of depreciation have not been included as financial resources in governmental funds.		520,365,554
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, 2019 are:		
Claims and judgments payable	\$ (6,445,476)	
Compensated absences payable	(3,421,297)	
Capital lease payable	<u>(199,254)</u>	
Total long-term liabilities		(10,066,027)
Pension related debt applicable to the City's governmental activities 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	16,327,169	
Deferred inflows of resources	(1,412,734)	
Pension liability	<u>(61,154,708)</u>	
		(46,240,273)
OPEB related debt applicable to the City's governmental activities 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 OPEB 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 inflows of resources	(360,412)	
Post employment benefits liability	<u>(13,765,029)</u>	
		(14,125,441)
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.		<u>791,350</u>
Net position of governmental activities		<u><u>\$ 696,626,862</u></u>

CITY OF TUSTIN

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

For the year ended June 30, 2019

	General	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 26,332,916	\$ -	\$ 52,467	\$ 26,385,383
Licenses and permits	1,212,696	-	-	1,212,696
Fines and forfeitures	909,355	-	-	909,355
Investment income	5,501,731	190,171	1,480,541	7,172,443
Intergovernmental revenue	28,441,706	2,522,358	8,649,046	39,613,110
Charges for services	1,806,032	-	955,656	2,761,688
Rental income	1,822,751	-	232,384	2,055,135
Other revenue	1,684,402	400	5,906,154	7,590,956
Profit participation	212,651	-	-	212,651
Gain on sale of land held for resale	-	-	395,281	395,281
<b>TOTAL REVENUES</b>	<b>67,924,240</b>	<b>2,712,929</b>	<b>17,671,529</b>	<b>88,308,698</b>
<b>EXPENDITURES:</b>				
Current:				
General government	24,372,135	2,988	1,164,514	25,539,637
Public safety	33,080,635	-	120,250	33,200,885
Public works	8,936,153	-	169,340	9,105,493
Community services	18,652,582	-	951,072	19,603,654
Capital outlay	25,576,538	2,283,472	31,529,058	59,389,068
Debt service:				
Principal retirement	71,908	-	-	71,908
Interest expenditures	9,297	-	-	9,297
<b>TOTAL EXPENDITURES</b>	<b>110,699,248</b>	<b>2,286,460</b>	<b>33,934,234</b>	<b>146,919,942</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(42,775,008)</b>	<b>426,469</b>	<b>(16,262,705)</b>	<b>(58,611,244)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,254,026	-	1,027,745	7,281,771
Transfers out	(1,027,745)	(164,379)	(6,089,647)	(7,281,771)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,226,281</b>	<b>(164,379)</b>	<b>(5,061,902)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(37,548,727)</b>	<b>262,090</b>	<b>(21,324,607)</b>	<b>(58,611,244)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>240,470,553</b>	<b>5,378,832</b>	<b>58,663,558</b>	<b>304,512,943</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 202,921,826</b>	<b>\$ 5,640,922</b>	<b>\$ 37,338,951</b>	<b>\$ 245,901,699</b>

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, 2019

Net change in fund balances - total governmental funds \$ (58,611,244)

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	\$ 34,257,116	
Disposition of capital assets	(1,063,214)	
Depreciation expense	<u>(12,289,983)</u>	20,903,919

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	71,908	
Claims and judgments payable	(1,359,618)	
Compensated absences payable	<u>(104,012)</u>	(1,391,722)

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 (1,838,616)

OPEB expense reported in the governmental funds includes the actuarially determined contributions. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources (230,208)

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		<u>89,895</u>
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Change in net position of governmental activities \$ (41,077,976)

## CITY OF TUSTIN

STATEMENT OF NET POSITION  
PROPRIETARY FUND

June 30, 2019

	Business-type Activity
	<u>Water</u>
	Enterprise
	<u>Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 20,637,563
Accounts receivable	2,769,763
Interest receivable	66,538
Prepaid items	11,830
Land held for resale	3,765,347
Restricted cash and investments	9,503,532
TOTAL CURRENT ASSETS	<u>36,754,573</u>
NONCURRENT ASSETS:	
Capital assets:	
Not being depreciated	6,586,353
Being depreciated, net	41,966,859
TOTAL NONCURRENT ASSETS	<u>48,553,212</u>
TOTAL ASSETS	<u>85,307,785</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	3,116,377
Deferred amounts on pension plans	928,880
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,045,257</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	3,877,739
Deposits payable	503,888
Compensated absences payable	228,486
Interest payable	368,530
Bonds payable	910,000
TOTAL CURRENT LIABILITIES	<u>5,888,643</u>
LONG-TERM LIABILITIES:	
Compensated absences payable	25,388
Bonds payable	39,612,686
Net pension liability	3,622,504
TOTAL LONG-TERM LIABILITIES	<u>43,260,578</u>
TOTAL LIABILITIES	<u>49,149,221</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts on pension plans	63,722
NET POSITION:	
Net investment in capital assets	20,650,435
Unrestricted	19,489,664
TOTAL NET POSITION	<u>\$ 40,140,099</u>

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, 2019

	Business-type Activity
	<u>Water</u>
	Enterprise Fund
	<u>Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 17,329,090
OPERATING EXPENSES:	
Personnel services	3,708,959
Purchased water	7,257,570
Maintenance and operation	3,317,944
Depreciation	1,918,452
TOTAL OPERATING EXPENSES	<u>16,202,925</u>
OPERATING INCOME	<u>1,126,165</u>
NONOPERATING REVENUES (EXPENSES):	
Investment income	1,084,525
Other income	230,610
Interest expense and other fiscal charges	<u>(1,560,708)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(245,573)</u>
CHANGE IN NET POSITION	880,592
NET POSITION AT BEGINNING OF YEAR	<u>39,259,507</u>
NET POSITION AT END OF YEAR	<u>\$ 40,140,099</u>

CITY OF TUSTIN

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND

For the year ended June 30, 2019

	Business-type Activity
	<u>Water</u>
	Enterprise
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 17,653,462
Payments to suppliers	(7,985,206)
Payments to other funds for services	(1,200,000)
Payments to employees	<u>(3,509,629)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,958,627</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(2,607,390)
Acquisition of land held for resale	(3,765,347)
Principal paid on bonds	(880,000)
Interest paid	<u>(1,521,247)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,773,984)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>1,088,129</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,088,129</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,727,228)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>32,868,323</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 30,141,095</u>
CASH AND CASH EQUIVALENTS:	
Cash and investments - current assets	\$ 20,637,563
Cash and investments - restricted assets	<u>9,503,532</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 30,141,095</u>

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 (CONTINUED)

For the year ended June 30, 2019

	Business-type Activity
	<u>Water</u>
	Enterprise
	<u>Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,126,165
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,918,452
Other nonoperating income	230,610
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	73,790
(Increase) decrease in prepaid items	35,036
(Increase) decrease in deferred outflows of resources	60,009
Increase (decrease) in accounts payable and accrued liabilities	1,371,367
Increase (decrease) in deposits payable	19,973
Increase (decrease) in compensated absences	21,213
Increase (decrease) in net pension liability	117,839
Increase (decrease) in deferred inflows of resources	<u>(15,827)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,958,627</u>

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Other Post-Employment Benefit (OPEB) Trust Fund	Agency Funds
<b>ASSETS:</b>			
Cash and investments	\$ 3,130,526	\$ -	\$ 4,776
Cash and investments held by trust	-	1,580,454	-
Restricted cash and investments	903		12,263,836
Receivables:			
Taxes	-	-	55,066
Prepaid items and deposits	4,560	-	-
<b>TOTAL ASSETS</b>	<b>3,135,989</b>	<b>1,580,454</b>	<b>\$ 12,323,678</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charge on refunding	6,579,703	-	-
<b>LIABILITIES:</b>			
Accounts payable	-	-	\$ -
Interest payable	685,242	-	-
Due to bondholders	-	-	12,323,678
Long-term liabilities:			
Due within one year	1,895,000	-	-
Due in more than one year	55,998,955	-	-
<b>TOTAL LIABILITIES</b>	<b>58,579,197</b>	<b>-</b>	<b>\$ 12,323,678</b>
<b>NET POSITION:</b>			
Net position restricted for private purpose	(48,863,505)	-	
Net position restricted for OPEB	-	1,580,454	
<b>TOTAL NET POSITION</b>	<b>\$ (48,863,505)</b>	<b>\$ 1,580,454</b>	

See accompanying notes to basic financial statements.



CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2019

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Other Post-Employment Benefit (OPEB) Trust Fund
	<u>Trust Fund</u>	<u>Trust Fund</u>
ADDITIONS:		
Tax revenue	\$ 3,979,352	\$ -
Contribution from the City of Tustin	-	-
Investment income	908	86,370
Employer contributions	-	500,000
	<u>3,980,260</u>	<u>586,370</u>
TOTAL ADDITIONS	<u>3,980,260</u>	<u>586,370</u>
DEDUCTIONS:		
Administrative expenses	-	6,076
Community services	7,454	-
Interest	2,099,515	-
	<u>2,106,969</u>	<u>6,076</u>
TOTAL DEDUCTIONS	<u>2,106,969</u>	<u>6,076</u>
CHANGE IN NET POSITION	1,873,291	580,294
NET POSITION - BEGINNING OF YEAR	<u>(50,736,796)</u>	<u>1,000,160</u>
NET POSITION - END OF YEAR	<u>\$ (48,863,505)</u>	<u>\$ 1,580,454</u>

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***NOTE 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 Authority’s financial transactions are reported in the Water Enterprise Fund.

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.

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.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

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.

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, other post-employment benefit trust fund, and agency funds.

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

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.

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.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

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

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 and the other post-employment benefit (OPEB) trust, which are 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.

**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.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

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

**Fiduciary Funds**

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

Other Post-Employment Benefit Trust Fund is used to account for the activities of the City's trust for the OPEB plan.

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.

d. New Accounting Pronouncements

**Current Year Standards**

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the City.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the City.

GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019 was early implemented by the City in fiscal year 2018-19. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in an enterprise fund. Accounting changes adopted to conform to this provision for this statement should be applied prospectively. There was no material impact on the City's financial statements resulting from the implementation of GASB 89.

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

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

**Pending Accounting Standards**

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

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

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.



**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

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

**Capital Assets (Continued)**

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

**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, the proprietary fund and fiduciary funds 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 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.

**NOTE 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)**

- 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 resulting from changes of 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 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.

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 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 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 related to pensions and OPEB plan 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 and OPEB through the plans.
- Deferred inflow related to OPEB plan resulting from the difference between projected and actual earnings on investments of the OPEB plan fiduciary net position. These amounts are amortized over five years.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 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 at June 30, 2019. Estimated realizable value is determined only upon the execution of a disposition and development agreement. Land held for resale is recorded in the General Fund and the Water Enterprise Fund.

**Property Taxes**

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

**Property Tax Calendar**

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

Lien date	January 1 <sup>st</sup>
Levy period	July 1 <sup>st</sup> to June 30 <sup>th</sup>
Levy date	On or before 4 <sup>th</sup> Monday in September
Due date	November 1 <sup>st</sup> - 1 <sup>st</sup> installment February 1 <sup>st</sup> - 2 <sup>nd</sup> installment
Collection date	December 10 <sup>th</sup> - 1 <sup>st</sup> installment April 10 <sup>th</sup> - 2 <sup>nd</sup> 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.

***NOTE 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.

**Post-Employment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

- 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. Actual results may differ from those estimates.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Investments**

Cash and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$151,080,803	\$ 3,135,302	\$154,216,105
Restricted assets:			
Cash and investments	53,779,048	12,264,739	66,043,787
Cash and investments held by trust	5,686,272	1,580,454	7,266,726
Total cash and investments	<u>\$210,546,123</u>	<u>\$ 16,980,495</u>	<u>\$227,526,618</u>

Cash and investments as of June 30, 2019, consist of the following:

Cash on hand	\$ 11,000
Deposits with financial institutions	4,216,032
Investments	223,299,586
Total cash and investments	<u>\$227,526,618</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**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 or the funds within the Pension Trust and OPEB Trust that are governed by the agreement between the City and the trustee, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by the City's Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Negotiable certificates of deposit	5 years	30%	5%
Commercial paper*	270 days	25%	5%
Local Agency Investment Pool (LAIF)	N/A	None	\$65 Million
Orange County Investment Pool (OCIP)	N/A	None	Max permitted by County Treasurer
Bankers acceptances*	180 days	30%	5%
Medium-term notes*	5 years	20%	5%
Municipal and state securities*	5 years	30%	5%
Federal agency bonds or notes	5 years	None	50%
United States (U.S.) Treasury securities	5 years	None	None
Money market mutual funds	N/A	20%	10%
Repurchase agreements*	1 year	30%	5%
Supranationals*	5 years	15%	5%
Shares of beneficial interest by a JPA	5 years	None	50%

\* Combined total limitation of these investment types is 30%

N/A - Not Applicable

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 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.

Investment Types Authorized by the City's Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S Treasury Obligations	None	None	None
U.S Government Sponsored			
Agency Securities	N/A	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.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 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:

Investment Type	Remaining Maturity					Total
	1 Year or Less	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	
U.S. Government Sponsored						
Agency Securities:						
Federal National Mortgage Association (FNMA)	\$ 6,985,895	\$ 3,850,024	\$ -	\$ 2,000,482	\$ -	\$ 12,836,401
Federal Home Loan Bank (FHLB)	-	992,658	7,533,898	2,500,135	-	11,026,691
Federal Home Loan Mortgage Corporation (FHLMC)	-	2,549,335	6,009,975	14,012,545	700,678	23,272,533
Federal Farm Credit Bank (FFCB)	1,992,020	9,492,088	5,000,049	-	-	16,484,157
Local Agency Investment Pool (LAIF)	2,653,839	-	-	-	-	2,653,839
California Asset Management Program (CAMP)	50,937,339	-	-	-	-	50,937,339
Orange County Investment Pool	1,115,389	-	-	-	-	1,115,389
Negotiable Certificates of Deposit	14,357,246	10,418,639	7,628,676	2,970,641	993,459	36,368,661
Medium-term Notes	1,997,362	9,013,686	7,053,349	6,483,623	1,046,908	25,594,928
Municipal Bonds	3,347,933	1,012,610	3,359,313	1,015,452	-	8,735,308
Held by Fiscal Agents:						
Money Market Mutual Funds	26,746,410	-	-	-	-	26,746,410
Held by Pension Trust:						
Money Market Mutual Funds	202,665	-	-	-	-	202,665
Mutual Funds - Equity	3,061,105	-	-	-	-	3,061,105
Mutual Funds - Fixed Income	2,683,707	-	-	-	-	2,683,707
Held by OPEB Trust:						
Money Market Mutual Funds	53,983	-	-	-	-	53,983
Mutual Funds - Equity	813,193	-	-	-	-	813,193
Mutual Funds - Fixed Income	713,277	-	-	-	-	713,277
Total	<u>\$ 117,661,363</u>	<u>\$ 37,329,040</u>	<u>\$ 36,585,260</u>	<u>\$ 28,982,878</u>	<u>\$ 2,741,045</u>	<u>\$ 223,299,586</u>



**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 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, 2019	Minimum Legal Rating	Minimum				Not Rated
			AAA	AA+	AA-	Other	
U.S. Government Sponsored							
Agency Securities:							
FNMA	\$ 12,836,401	N/A	\$ -	\$ 10,835,919	\$ -	\$ 2,000,482	\$ -
FHLB	11,026,691	N/A	-	11,026,691	-	-	-
FHLMC	23,272,533	N/A	-	23,272,533	-	-	-
FFCB	16,484,157	N/A	-	16,484,157	-	-	-
LAIF	2,653,839	N/A	-	-	-	-	2,653,839
CAMP	50,937,339	N/A	-	-	-	50,937,339	-
Orange County Investment Pool	1,115,389	N/A	-	-	-	-	1,115,389
Negotiable Certificates of Deposit	36,368,661	N/A	-	-	-	-	36,368,661
Medium-term Notes	25,594,928	A	999,602	4,020,846	8,586,383	11,988,097	-
Municipal Bonds	8,735,308	A	-	1,488,072	6,295,150	952,086	-
Held by Fiscal Agents:							
Money Market Mutual Funds	26,746,410	A	26,746,410	-	-	-	-
Held by Pension Trust:							
Money Market Mutual Funds	202,665	N/A	-	-	-	202,665	-
Mutual Funds - Equity	3,061,105	N/A	-	-	-	-	3,061,105
Mutual Funds - Fixed Income	2,683,707	N/A	-	-	-	-	2,683,707
Held by OPEB Trust:							
Money Market Mutual Funds	53,983	N/A	-	-	-	53,983	-
Mutual Funds - Equity	813,193	N/A	-	-	-	-	813,193
Mutual Funds - Fixed Income	713,277	N/A	-	-	-	-	713,277
Total	<u>\$ 223,299,586</u>		<u>\$ 27,746,012</u>	<u>\$ 67,128,218</u>	<u>\$ 14,881,533</u>	<u>\$ 66,134,652</u>	<u>\$ 47,409,171</u>

N/A - Not Applicable

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

Medium-term Notes		Municipal Bonds		CAMP	
AA	\$ 5,000,802	A	\$ 952,086	AAAm	\$ 50,937,339
A+	3,000,773				
A-	3,986,522				
	<u>\$ 11,988,097</u>				
U.S. Government Sponsored		Held by Pension Trust		Held by OPEB Trust	
Agency Securities		AAAm	\$ 202,665	AAAm	\$ 53,983
Aaa*	<u>\$ 2,000,482</u>				

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

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 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	\$ 12,836,401
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 23,272,533
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	\$ 16,484,157

**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 secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2019, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk (Continued)**

As of June 30, 2019, 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:

<u>Investment Type</u>	<u>Carrying Value</u>
U.S. Government Sponsored	
Agency Securities	\$ 63,619,782
Medium-Term Notes	25,594,928
Municipal Bonds	8,735,308
Negotiable Certificates of Deposit	36,368,661

**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. The California Local Agency Investment Fund is not insured or collateralized. The Fund is subject to regulatory oversight by the State of California Treasurer, although it is not registered with the SEC. Deposits and withdrawals to and from LAIF are made on the basis of \$1 and not at fair value. Accordingly, under the fair value hierarchy, the investment with LAIF is uncategorized.

**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.

**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-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. 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.

***NOTE 2 - CASH AND INVESTMENTS (CONTINUED)***

**Investments in Pension and OPEB Trusts**

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City's pension and OPEB plans. The Pension and OPEB Trusts' specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City. Those guidelines are as follows:

Risk Tolerance	Moderate
Risk Management	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.
Investment Objective	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the 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 quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2019:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Government Sponsored				
Agency Securities:				
FNMA	\$ -	\$ 12,836,401	\$ -	\$ 12,836,401
FHLB	-	11,026,691	-	11,026,691
FHLMC	-	23,272,533	-	23,272,533
FFCB	-	16,484,157	-	16,484,157
Negotiable Certificates of Deposit	-	36,368,661	-	36,368,661
Medium-term Notes	-	25,594,928	-	25,594,928
Municipal Bonds	-	8,735,308	-	8,735,308
Held by Pension Trust:				
Mutual Funds - Equity	3,061,105	-	-	3,061,105
Mutual Funds - Fixed Income	2,683,707	-	-	2,683,707
Held by OPEB Trust:				
Mutual Funds - Equity	813,193	-	-	813,193
Mutual Funds - Fixed Income	713,277	-	-	713,277
Total Leveled Investments	<u>\$ 7,271,282</u>	<u>\$ 134,318,679</u>	<u>\$ -</u>	<u>141,589,961</u>
LAIF*				2,653,839
CAMP*				50,937,339
Orange County Investment Pool*				1,115,389
Money Market Mutual Funds*:				
Held by Fiscal Agents				26,746,410
Held by Pension Trust				202,665
Held by OPEB Trust				53,983
Total Investment Portfolio				<u>\$ 223,299,586</u>

\* Not subject to fair value measurement hierarchy.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 3 - LOANS RECEIVABLE***

Multi-Family Development Loan: A bridge loan was provided to a senior apartment developer to assist in the development of 53 affordable rental units. The total outstanding balance as of June 30, 2019, 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, 2019, was \$33,796. An allowance of \$33,796 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 1/30<sup>th</sup>. 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, 2019, including accrued interest of \$16,472, was \$478,405. An allowance of \$478,405 has been recorded to reflect the amount of the note not expected to be collectible.

Boys' and Girls' Club Roof Loan: On January 7, 2019, the City executed a promissory note with the Boys' and Girls' Club of Tustin (the Club) in the amount of \$86,000 to assist in roof replacements of the Club's facility. The loan is payable over 15 years at 2% interest per annum with annual installments of principal and interest in the amount of \$6,693 commencing on January 11, 2020. The total outstanding balance at June 30, 2019, including accrued interest of \$807, was \$86,807.

***NOTE 4 - INTERFUND TRANSFERS***

The composition of interfund transfers for the year ended June 30, 2019, is as follows:

Transfers In	Transfers Out	Amount
General Fund	Measure M Special Revenue Fund	\$ 164,379
	Other Governmental Funds	6,089,647
Other Governmental Funds	General Fund	1,027,745
		<u>\$ 7,281,771</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 4 - INTERFUND TRANSFERS (CONTINUED)***

The transfers during the fiscal year ended June 30, 2019, were for the following purposes:

Measure M Special Revenue Fund transferred \$164,379 to the General Fund to pay for services provided for Measure M.

The General Fund transferred \$41,402 to the other governmental funds to eliminate negative cash until reimbursement is received from the fiscal agent.

Other governmental funds transferred \$369,711 to the General Fund to pay for services provided for AD 95-1 Construction.

Other governmental funds transferred \$1,939,943 to the General Fund to repay amounts transferred to cover negative cash in prior years.

Other governmental funds transferred \$3,779,993 to the General Fund to pay for public safety services provided for the Special Tax B area.

The General fund transferred \$986,343 to other governmental funds to cover the first year of the Tustin Temporary Homeless Shelter.

***NOTE 5 - LAND HELD FOR RESALE***

Land held for resale as of June 30, 2019, consisted of the following:

Pacific Center East*	\$ 30,787,557
Tustin Legacy	51,453,256
2061 Valhalla Drive	1,959,150
11781 Outlook Lane	<u>1,806,197</u>
Total Land Held for Resale	<u>\$ 86,006,160</u>

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

During fiscal year 2018-19, the Housing Authority sold land held for resale for a gain of \$395,281. In addition, the City purchased two properties in the water enterprise fund in the amounts of \$1,959,150 and \$1,806,197 to facilitate and provide cost savings in capital project constructions. These properties will be sold at fair market value upon project completion.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 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.

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.



**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 6 - LAND TRANSFER FROM THE UNITED STATES GOVERNMENT (CONTINUED)***

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 \$6,267,009.

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.

In June 2018, the City sold 14.48 acres of land to a developer for \$34,202,712 resulting in a gain on land held for resale of \$32,664,261.

The recorded value of the remaining parcels as of June 30, 2019, was \$51,453,256. The value of the parcels was recorded at estimated value at the time of conveyance. The remaining property not sold will be park space or conveyed to other governmental agencies.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 7 - CAPITAL ASSETS**

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2019, is as follows:

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Capital assets, not depreciated:				
Land	\$ 83,054,787	\$ -	\$ -	\$ 83,054,787
Right of way	43,758,156	-	-	43,758,156
Construction in progress	<u>56,732,470</u>	<u>33,773,761</u>	<u>(11,652,825)</u>	<u>78,853,406</u>
Total capital assets, not depreciated	<u>183,545,413</u>	<u>33,773,761</u>	<u>(11,652,825)</u>	<u>205,666,349</u>
Capital assets, being depreciated:				
Buildings	74,466,210	1,754,558	(1,138,311)	75,082,457
Improvements other than buildings	30,584,312	-	-	30,584,312
Machinery and equipment	19,460,220	483,355	(299,876)	19,643,699
Infrastructure	<u>358,973,271</u>	<u>9,898,267</u>	<u>(196,522)</u>	<u>368,675,016</u>
Total capital assets, being depreciated	<u>483,484,013</u>	<u>12,136,180</u>	<u>(1,634,709)</u>	<u>493,985,484</u>
Less accumulated depreciation for:				
Buildings	(20,040,806)	(1,510,325)	193,431	(21,357,700)
Improvements other than buildings	(8,583,170)	(1,068,027)	-	(9,651,197)
Machinery and equipment	(12,712,734)	(1,617,235)	289,951	(14,040,018)
Infrastructure	<u>(126,231,081)</u>	<u>(8,094,396)</u>	<u>88,113</u>	<u>(134,237,364)</u>
Total accumulated depreciation	<u>(167,567,791)</u>	<u>(12,289,983)</u>	<u>571,495</u>	<u>(179,286,279)</u>
Total capital assets, being depreciated, net	<u>315,916,222</u>	<u>(153,803)</u>	<u>(1,063,214)</u>	<u>314,699,205</u>
Total governmental activities capital assets, net	<u>\$ 499,461,635</u>	<u>\$ 33,619,958</u>	<u>\$ (12,716,039)</u>	<u>\$ 520,365,554</u>

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

General government	\$ 266,918
Public safety	647,604
Public works	10,624,237
Community services	751,224
	<u>\$ 12,289,983</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 7 - CAPITAL ASSETS (CONTINUED)**

A summary of changes in the Business-type Activity capital assets for the year ended June 30, 2019, is as follows:

	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Capital assets, not depreciated:				
Land	\$ 1,177,216	\$ -	\$ -	\$ 1,177,216
Construction in progress	2,801,747	2,607,390	-	5,409,137
Total capital assets, not depreciated	<u>3,978,963</u>	<u>2,607,390</u>	<u>-</u>	<u>6,586,353</u>
Capital assets, being depreciated:				
Buildings and improvements	9,500,377	-	-	9,500,377
Property, plant and equipment	65,826,863	-	-	65,826,863
Total capital assets, being depreciated	<u>75,327,240</u>	<u>-</u>	<u>-</u>	<u>75,327,240</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,617,200)	(209,207)	-	(5,826,407)
Property, plant and equipment	(25,824,729)	(1,709,245)	-	(27,533,974)
Total accumulated depreciation	<u>(31,441,929)</u>	<u>(1,918,452)</u>	<u>-</u>	<u>(33,360,381)</u>
Total capital assets, being depreciated, net	<u>43,885,311</u>	<u>(1,918,452)</u>	<u>-</u>	<u>41,966,859</u>
Total business-type activity capital assets, net	<u>\$ 47,864,274</u>	<u>\$ 688,938</u>	<u>\$ -</u>	<u>\$ 48,553,212</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 8 - LONG-TERM LIABILITIES**

A summary of long-term liability activity for the year ended June 30, 2019, is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
<b>Governmental Activities:</b>					
Claims and judgments (Note 12)	\$ 5,085,858	\$ 4,017,447	\$ (2,657,829)	\$ 6,445,476	\$ 6,445,476
Lease payable	271,162	-	(71,908)	199,254	74,763
Compensated absences	3,317,285	2,955,518	(2,851,506)	3,421,297	3,079,167
Total governmental activities long-term liabilities	<u>\$ 8,674,305</u>	<u>\$ 6,972,965</u>	<u>\$ (5,581,243)</u>	<u>\$ 10,066,027</u>	<u>\$ 9,599,406</u>
<b>Business-type Activity:</b>					
Direct Borrowings:					
2012 Refunding					
Water Revenue Bonds	\$ 4,455,000	\$ -	\$ (830,000)	\$ 3,625,000	\$ 860,000
Bond premium	388,344	-	(81,757)	306,587	-
2013 Water Revenue bonds					
Bond premium	13,860,000	-	(50,000)	13,810,000	50,000
Bond premium	99,586	-	(3,943)	95,643	-
2016 Refunding					
Water Revenue Bonds	21,515,000	-	-	21,515,000	-
Bond premium	1,223,061	-	(52,605)	1,170,456	-
Compensated absences	232,661	244,564	(223,351)	253,874	228,486
Total business-type activity long-term liabilities	<u>\$ 41,773,652</u>	<u>\$ 244,564</u>	<u>\$ (1,241,656)</u>	<u>\$ 40,776,560</u>	<u>\$ 1,138,486</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 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 \$81,207 which included interest payments of \$9,299 and principal payments of \$71,908. At June 30, 2019, the outstanding principal amount was \$199,254.

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, 2019.

Year Ending June 30,	Minimum Lease Payments
2020	\$ 81,207
2021	81,207
2022	47,370
Subtotals	\$ 209,784
Less: amounts representing interest	(10,530)
Present value of net minimum lease payments	<u>\$ 199,254</u>

The assets acquired through the capital lease are as follows:

Equipment	\$ 368,356
Less: accumulated depreciation	(184,178)
	<u>\$ 184,178</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)***

**Business-type Activity**

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 2003 Refunding Water Revenue Bonds were redeemed in full on April 1, 2013.

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, 2019, is \$202,727.

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, 2019, total interest and principal remaining on the bonds is \$3,987,700. During the fiscal year, the total interest expense incurred was \$165,475, principal payments were \$830,000, and net revenues were \$4,359,752.

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
Subtotals	\$ 3,625,000	\$ 362,700	\$ 3,987,700
Add: Premium	306,587	-	306,587
Totals	<u>\$ 3,931,587</u>	<u>\$ 362,700</u>	<u>\$ 4,294,287</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 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, 2019, total interest and principal remaining on the bonds is \$25,585,372. During the fiscal year, the total interest expense incurred was \$650,320, principal payments were \$50,000, and net revenues were \$4,359,752.

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

June 30,	Principal	Interest	Total
2020	\$ 50,000	\$ 648,320	\$ 698,320
2021	55,000	646,320	701,320
2022	55,000	643,570	698,570
2023	55,000	640,820	695,820
2024	320,000	638,070	958,070
2025 - 2029	1,820,000	2,983,845	4,803,845
2030 - 2034	2,235,000	2,575,907	4,810,907
2035 - 2039	2,790,000	2,012,775	4,802,775
2040 - 2044	6,430,000	985,745	7,415,745
Subtotals	\$ 13,810,000	\$ 11,775,372	\$ 25,585,372
Add: Premium	95,643	-	95,643
Totals	<u>\$ 13,905,643</u>	<u>\$ 11,775,372</u>	<u>\$ 25,681,015</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 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, 2019, the defeased 2011 Bonds have a remaining outstanding balance of \$20,760,000.

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, 2019, is \$2,913,650.

The City has pledged net revenues received from the operation of the Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2019, total interest and principal remaining on the bonds is \$31,391,863. During the fiscal year, the total interest expense incurred was \$687,300, no principal payment was due, and net revenues were \$4,359,752.



**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 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:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 687,300	\$ 687,300
2021	-	687,300	687,300
2022	-	687,300	687,300
2023	-	687,300	687,300
2024	905,000	687,300	1,592,300
2025 - 2029	4,900,000	3,057,625	7,957,625
2030 - 2034	5,790,000	2,168,063	7,958,063
2035 - 2039	6,880,000	1,077,275	7,957,275
2039 - 2043	3,040,000	137,400	3,177,400
Subtotals	<u>\$ 21,515,000</u>	<u>\$ 9,876,863</u>	<u>\$ 31,391,863</u>
Add: Premium	<u>1,170,456</u>	<u>-</u>	<u>1,170,456</u>
Totals	<u>\$ 22,685,456</u>	<u>\$ 9,876,863</u>	<u>\$ 32,562,319</u>

**NOTE 9 - 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.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 9 - 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. PEPRM 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, 2018, measurement date are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Hire date			
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			
Normal cost rate	7.327%	7.327%	5.703%
Payment of unfunded liability	\$ 1,135,489	\$ -	\$ -

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 9 - PENSION PLANS (CONTINUED)**

a. General Information about the Pension Plans (Continued)

**Benefits Provided (Continued)**

The Plans' provisions and benefits in effect at June 30, 2018, measurement date are summarized as follows:

	Safety		
	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Hire date			
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	19.723%	14.971%	11.990%
Payment of unfunded liability	\$ 1,454,675	\$ -	\$ 709

**Employees Covered**

At June 30, 2018, measurement date, the following employees were covered by the benefit terms for the Miscellaneous Plan:

Inactive employees or beneficiaries currently receiving benefits	261
Inactive employees entitled to but not yet receiving benefits	301
Active employees	199
Total	761

**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. The liability for governmental activities is primarily liquidated from the general fund and the liability for business-type activities is liquidated from the water enterprise fund.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 9 - PENSION PLANS (CONTINUED)**

b. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increase	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Income	(3)	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 9 - PENSION PLANS (CONTINUED)**

b. Net Pension Liability (Continued)

**Long-term Expected Rate of Return**

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 cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-0.40%	0.92%
Total	100.00%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(b) An expected inflation of 2.0% used for this period

(c) An expected inflation of 2.92% used for this period

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 9 - PENSION PLANS (CONTINUED)**

b. Net Pension Liability (Continued)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Subsequent Events**

There were no subsequent events that would materially affect the results in this disclosure.

c. Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at June 30, 2017 (Measurement Date)</b>	\$113,060,714	\$ 86,101,744	\$ 26,958,970
<b>Changes in the Year:</b>			
Service cost	2,402,594	-	2,402,594
Interest on the total pension liability	8,052,611	-	8,052,611
Differences between actual and expected experience	1,050,413	-	1,050,413
Changes in assumptions	(426,547)	-	(426,547)
Contribution - employer	-	2,249,216	(2,249,216)
Contribution - employee	-	1,043,932	(1,043,932)
Net investment income	-	7,268,642	(7,268,642)
Administrative expenses	-	(134,170)	134,170
Benefit payments, including refunds of employee contributions	(4,523,921)	(4,523,921)	-
Net plan to plan resource movement	-	(213)	213
Other miscellaneous expense	-	(254,792)	254,792
<b>Net Changes</b>	<b>6,555,150</b>	<b>5,648,694</b>	<b>906,456</b>
<b>Balance at June 30, 2018 (Measurement Date)</b>	<b>\$119,615,864</b>	<b>\$ 91,750,438</b>	<b>\$ 27,865,426</b>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 9 - PENSION PLANS (CONTINUED)**

c. Changes in the Net Pension Liability (Continued)

As of June 30, 2019, the City reported \$36,911,786 of liabilities for its proportionate share of the net pension liability for the Safety Plan.

The City's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Safety Plan is measured as of June 30, 2018, and the total pension liability for the Safety Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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 the Safety Plan as of measurement dates ended June 30, 2017 and 2018 was as follows:

	<u>Safety</u>
Proportion - June 30, 2017	0.60938%
Proportion - June 30, 2018	0.62908%
Change - Increase (Decrease)	0.01970%

**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 of 7.15%, 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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 44,512,273	\$ 57,032,123
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 27,865,426	\$ 36,911,786
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 14,168,383	\$ 20,426,774

**Pension Plan Fiduciary Net Position**

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

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

For the year ended June 30, 2019, the City recognized pension expense of \$5,620,021 and \$6,045,626 for the Miscellaneous and Safety Plans, respectively. At June 30, 2019, 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	\$ 4,373,702	\$ -
Differences between actual and expected experience	688,202	(210,708)
Change in assumptions	1,882,846	(279,462)
Net differences between projected and actual earnings on plan investments	200,481	-
Total	<u>\$ 7,145,231</u>	<u>\$ (490,170)</u>

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,291,308	\$ -
Differences between actual and expected experience	793,109	(3,009)
Change in assumptions	3,621,690	(488,631)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	154,801	(494,646)
Net differences between projected and actual earnings on plan investments	249,910	-
Total	<u>\$ 10,110,818</u>	<u>\$ (986,286)</u>



**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 9 - PENSION PLANS (CONTINUED)**

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

\$4,373,702 and \$5,291,308 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, 2020. 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
2020	\$ 2,977,076	\$ 3,105,490
2021	433,295	1,897,968
2022	(891,444)	(914,566)
2023	(237,568)	(255,668)
2024	-	-
Thereafter	-	-

e. Payable to the Pension Plans

At June 30, 2019, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2019.

**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS**

a. General Information about the OPEB Plan

**Plan Description**

The City has an agent multiple employer defined benefit post-employment health care plan that provides for medical insurance benefits to eligible employees at retirement through the California Public Employees Medical and Hospital Care Act (PEMHCA). The City has an OPEB trust with PARS where the assets are held for the exclusive purpose of providing post-employment health care benefits to the eligible employees of the employer. The City makes discretionary contributions to the PARS OPEB trust and pays benefits directly to the insurance provider and retirees. The PARS OPEB trust issues a publicly available financial report for the fiduciary net position that is available upon request. The PARS OPEB trust is reported as a fiduciary fund. The plan itself does not issue a separate financial report.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

a. General Information about the OPEB Plan (Continued)

**Plan Description (Continued)**

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. Dependents are eligible to enroll, and in the event of a retiree's death, benefits may continue to surviving beneficiaries in certain circumstances.

**Employees Covered**

At June 30, 2019, measurement date, the benefit terms covered the following employees:

Inactive employees, spouses, or beneficiaries currently receiving benefit payments	113
Active employees	284
Total Plan Participants	<u>397</u>

**Accounting for the Plan**

The OPEB trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

**Method Used to Value Investments**

Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

**Contributions**

The contribution requirements of plan members and the City are established and may be amended by City Council. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contributions. For measurement period ending June 30, 2019, the City contributed \$500,000 to the PARS OPEB trust, made payments of \$480,087 to insurance providers and retirees, and the estimated implied subsidy was \$297,598, resulting in total contributions of \$1,277,685. The liability for governmental activities is primarily liquidated from the general fund.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

b. Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2019 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Level Percentage of Salary
Actuarial Assumptions:	
Discount Rate	6.25%
Expected long term investment rate of return	6.25%
Inflation	2.50%
Salary Increase	2.75%. Additional merit-based increases based on CalPERS merit salary increase tables.
Healthcare Cost Trend Rates	6.50% in the first year, trending down to 3.84% over 57 years
Mortality	Based on CalPERS tables

The actuarial assumptions used in the June 30, 2017 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

b. Net OPEB Liability (Continued)

**Actuarial Assumptions (Continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation for PARS Balanced Fund	Long-Term Expected Real Rate of Return
PARS OPEB Trust		
Global Equity	50.00%	7.14%
Fixed Income	45.00%	4.47%
Cash	5.00%	2.10%
Total	100.00%	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

c. Changes in the net OPEB liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balance at June 30, 2018</b> <b>(Measurement Date)</b>	\$ 14,895,890	\$ 1,003,283	\$ 13,892,607
<b>Changes in the Year:</b>			
Service cost	735,504	-	735,504
Interest on the total OPEB liability	890,622	-	890,622
Changes in assumptions	(398,848)	-	(398,848)
Contribution - employer	-	1,277,685	(1,277,685)
Net investment income	-	77,171	(77,171)
Benefit payments	(777,685)	(777,685)	-
<b>Net Changes</b>	<u>449,593</u>	<u>577,171</u>	<u>(127,578)</u>
<b>Balance at June 30, 2019</b> <b>(Measurement Date)</b>	<u>\$ 15,345,483</u>	<u>\$ 1,580,454</u>	<u>\$ 13,765,029</u>

**Change of Assumptions**

From measurement date June 30, 2018 to measurement date June 30, 2019, there were the following changes of assumptions: (1) the discount rate increased from 6.00% to 6.25%, respectively, due to the change in expected levels of investment returns; (2) the inflation rate decreased from 2.75% to 2.50%, respectively; (3) the salary increase changed from 2.875% to 2.75%, respectively. Measurement date June 30, 2018 also contained healthcare cost trend rates of 7.00% trending down to 3.84% over 58 years while June 30, 2019 contained healthcare cost trend rates from 6.50% trending down to 3.84% over 57 years.

**Change of Benefit Terms**

There was no change of benefit terms.

**Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

c. Changes in the net OPEB liability (Continued)

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB 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 discount rate:

	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability	\$ 15,886,883	\$ 13,765,029	\$ 12,013,478

**Sensitivity of the Net OPEB Liability to Changes in the Health-Care Cost Trend Rates**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 2.84%)	Current Healthcare Cost Trend Rates (6.5% decreasing to 3.84%)	1% Increase (7.5% decreasing to 4.84%)
Net OPEB Liability	\$ 12,289,352	\$ 13,765,029	\$ 15,638,908

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,507,893. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ (356,864)
Differences between projected and actual earnings	-	(3,548)
Total	\$ -	\$ (360,412)

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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***NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)***

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ (43,036)
2021	(43,036)
2022	(43,034)
2023	(42,378)
2024	(41,984)
Thereafter	(146,944)

e. Payable to the OPEB Plan

At June 30, 2019, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

***NOTE 11 - 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 2019 were \$72,830.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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**NOTE 12 - 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 \$3,000,000 per occurrence and \$20,000,000 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 \$2,000,000. Property, pollution, cyber 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 \$20,000,000 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 366 San Miguel Drive, Newport Beach, California.

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, 2019. At June 30, 2019, estimated claims payable of \$6,445,476, 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, 2019 and 2018, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Beginning Balance	Additions	Deletions	Ending Balance
2018	\$ 5,523,351	\$ 3,934,156	\$ (4,371,649)	\$ 5,085,858
2019	5,085,858	4,017,447	(2,657,829)	6,445,476



**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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**NOTE 13 - 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, 2019
Community Facilities District 04-1, 2013	\$ 9,350,000	\$ 7,800,000
Community Facilities District 06-1, 2015A	49,740,000	46,460,000
Community Facilities District 06-1, 2015B	2,735,000	2,475,000
Community Facilities District 07-1, 2015A	13,155,000	13,155,000
Community Facilities District 07-1, 2015B	1,500,000	570,000
Community Facilities District 2014-01, 2015A	27,665,000	27,110,000
	<u>\$ 104,145,000</u>	<u>\$ 97,570,000</u>

In May 2013, the City issued \$9,350,000 of Special Tax Refunding Bonds, Series 2013, to refund in full and defease the City of Tustin Community Facilities District No. 04-1 Special Tax Bonds, Series 2004. The 2004 series was 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, 2014 to September 1, 2032. Term current interest bonds will mature on September 1, 2034, with mandatory sinking payments from September 1, 2033 through September 1, 2034. Interest maturity rates of the current interest bonds range from 2.00% at September 1, 2014 to 5.00% at September 1, 2024. At June 30, 2019, the outstanding amount of the Special Tax Refunding Bonds, Series 2013 was \$7,800,000.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 13 - SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED)***

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, 2019, the outstanding amount of the CFD 2014-01 2015A Special Tax Bonds was \$27,110,000.

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, 2019, the outstanding amount of the CFD 07-1 2015A Refunding Bonds was \$13,155,000.

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, 2019, the outstanding amount of the CFD 07-1 Special Tax 2015B Bonds was \$570,000.

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, 2019, the outstanding amount of the CFD 06-01 2015A Refunding Bonds was \$46,460,000

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 13 - SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED)***

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, 2019, the outstanding amount of the CFD 06-1 Special Tax 2015B Bonds was \$2,475,000.

***NOTE 14 - 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.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**NOTE 14 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED)**

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.

	General Fund	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 661,317	\$ -	\$ 1,922	\$ 663,239
Land held for resale	82,240,813	-	-	82,240,813
Restricted for:				
Capital projects (1)	25,564,621	5,640,922	26,832,608	58,038,151
Public safety program	-	-	349,638	349,638
Housing projects	-	-	4,379,660	4,379,660
Solid waste program	-	-	13,075	13,075
Pension	5,686,272	-	-	5,686,272
Assigned to:				
Capital projects (2)	-	-	5,762,048	5,762,048
Unassigned	88,768,803	-	-	88,768,803
<b>Total fund balances</b>	<b><u>\$ 202,921,826</u></b>	<b><u>\$ 5,640,922</u></b>	<b><u>\$ 37,338,951</u></b>	<b><u>\$ 245,901,699</u></b>

(1) Restricted for capital projects:

- General Fund \$25,564,621 - legally restricted for backbone infrastructure at the Tustin Legacy development.
- Measure M Special Revenue Fund \$5,640,922 - state gas taxes restricted for allowable street-related purposes.
- Other Governmental Funds:
  - CFD Construction Capital Projects Fund \$13,169,322 - comprised of bond proceeds restricted for uses specified in the bond indenture.
  - Gas Tax Special Revenue Fund \$4,910,981 - comprised of state gas taxes restricted for allowable street-related purposes.
  - Park Acquisition and Development Special Revenue Fund \$4,533,993 - comprised of developer fees restricted for improvement of City parks.
  - Construction 95-1 Capital Projects Fund \$1,626,711 - restricted for uses specified in the bond indenture.
  - Road Maintenance and Rehabilitation Special Revenue Fund \$1,585,980 - restricted for maintenance and rehabilitation of streets.
  - Other Capital Projects Fund \$35,992 and MCAS 2010 Capital Projects Fund \$539,737 - retention amounts withheld in restricted escrow accounts to be paid to contractors once projects are completed
  - Air Quality Special Revenue Fund \$429,882 - restricted for projects to reduce pollution

(2) Assigned to capital projects

- Other Capital Projects Fund \$4,918,468 – for specific projects indicated in the adopted budget.
- MCAS 2010 Capital Projects Fund \$843,580 – for financing development activities within or for the benefit of the MCAS-Tustin redevelopment project area as indicated by the 2010 MCAS bond indenture.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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***NOTE 15 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES***

**Excess of Expenditures over Appropriations**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other Governmental Funds:			
Supplemental Law Enforcement			
Special Revenue Fund	\$ 135,639	\$ 153,060	\$ (17,421)

***NOTE 16 - 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.

**Orange County Housing Finance Trust**

In May 2019, the City of Tustin entered into a joint powers agreement with Cities throughout the county and the County of Orange (County) to create the Orange County Housing Finance Trust (OCHFT). The purpose of the OCHFT is to fund the planning and construction of housing of all types and tenures for the homeless population and persons and families of extremely low, very low, and low income as defined in the Section 50093 of the Health and Safety Code, including but not limited to, permanent supportive housing, and to receive public and private financing and funds.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
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**NOTE 16 - JOINT POWERS AUTHORITY (CONTINUED)**

**Orange County Housing Finance Trust (Continued)**

The OCHFT’s governing board consists of nine members: two members of the Board of Supervisors of the County, two countywide elected officials, one city council member for each city member with the greatest population in the North, Central, and South Region Service Planning Area, as depicted in the agreement, and two city council members selected from member cities that are not already represented. The County is responsible for OCHFT’s administrative costs for one year following the creation of OCHFT. After the initial year, the member cities will make annual contributions towards the budgeted administrative costs in accordance with a cost allocation formula approved by the governing board. The particular programs and program budget, funded, sponsored or operated by OCHFT, as well as the level of and mechanisms for, the involvement of OCHFT and each member city, in such programs and program budget, will be determined and approved by the governing board. A member city’s individual contribution, involvement and role in any particular program or budgeted program costs will be mutually agreed to between the member city and OCHFT.

The financial statements of the Orange County Housing Finance Trust are available at 333 W. Santa Ana Blvd, Santa Ana, California.

**NOTE 17 - 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:

**Long-Term Liabilities**

A summary of long-term liabilities activity for the year ended June 30, 2019, is as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Tax allocation bonds	\$ 53,915,000	\$ -	\$ (1,830,000)	\$ 52,085,000	\$ 1,895,000
Unamortized premium	6,070,032	-	(261,077)	5,808,955	-
Total long-term liabilities	<u>\$ 59,985,032</u>	<u>\$ -</u>	<u>\$ (2,091,077)</u>	<u>\$ 57,893,955</u>	<u>\$ 1,895,000</u>

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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***NOTE 17 - SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED)***

**Long-Term Liabilities (Continued)**

**Tax Allocation Bonds Payable**

**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 2010 Housing Bonds and the 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, 2019 the amount of defeased 2010 Housing Bonds outstanding was \$17,760,000. The defeased MCAS 2010 Redevelopment Bonds were paid in full on September 1, 2018.

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 2.0% to 5.0% 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, 2019, is \$6,579,703.

At June 30, 2019, the 2016 Tax Allocation Refunding Bonds outstanding balance was \$52,085,000.

**CITY OF TUSTIN**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**NOTE 17 - 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
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	2,130,000	1,776,725	3,906,725
2024	2,215,000	1,689,825	3,904,825
2025 - 2029	12,215,000	6,822,225	19,037,225
2030 - 2034	11,070,000	4,134,638	15,204,638
2035 - 2039	13,350,000	1,858,700	15,208,700
2040 - 2041	5,195,000	146,025	5,341,025
Totals	<u>\$ 52,085,000</u>	<u>\$ 22,246,913</u>	<u>\$ 74,331,913</u>

**NOTE 18 - SCHOOL FACILITIES IMPLEMENTATION COMMITMENT**

In August 2015, the City entered into a School Facilities Implementation, Funding and Migration Agreement (I/M Agreement) as amended 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.

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.



***NOTE 18 - SCHOOL FACILITIES IMPLEMENTATION COMMITMENT***

The total obligation under the I/M Agreement with TUSD is the lesser of the actual cost to construct TUSD facilities or \$85,000,000. In January 2019, the City advanced \$14,958,598 to TUSD to provide the remaining funds necessary to fund both: (a) the Legacy Magnet Academy classroom building for grades 6-9 along with associated parking and athletic fields, and (b) the Administration Building portion of the Legacy Magnet Academy 6-12 School Project. These expenses are expected to be offset by a credit the City will receive from TUSD in the amount of \$11,849,685 which credit will be redeemable by the City against any future prepayment by the City of the special tax obligations within CFD 15-2. As of January 2019, the City's total contributions to TUSD under the I/M agreement including the funds advanced in January 2019 was \$60,414,097. The balance remaining under the IM is \$24,585,903.

***NOTE 19 - 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.

***NOTE 20 - SUBSEQUENT EVENTS***

In July 2019, the City executed a Disposition and Development Agreement with SchoolsFirst Federal Credit Union for the conveyance of approximately 1.8 acres of City-owned property at Pacific Park for development in the amount of \$2,932,000. The property was conveyed to SchoolsFirst in September 2019.

In preparing these financial statements, the City has evaluated other events and transactions for potential recognition or disclosure through December 12, 2019, 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	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.38305%	0.36716%	0.36319%	0.35401%	0.41499%
Plan's proportionate share of the net pension liability	\$ 36,911,786	\$ 36,411,988	\$ 31,427,228	\$ 24,298,906	\$ 25,822,675
Plan's covered payroll	\$ 9,967,145	\$ 10,443,467	\$ 10,013,168	\$ 9,495,434	\$ 9,640,345
Plan's proportionate share of the net pension liability as a percentage of covered payroll	370.33%	348.66%	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	75.26%	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 4,600,007	\$ 3,520,089	\$ 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.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%

From fiscal year June 30, 2018 to June 30, 2019:

There were no changes in assumptions.

\* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS  
SAFETY PLAN

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 3,641,308	\$ 3,204,833	\$ 3,002,977	\$ 2,708,192	\$ 3,045,919
Contributions in relation to the actuarially determined contributions	<u>(5,291,308)</u>	<u>(3,204,833)</u>	<u>(3,002,977)</u>	<u>(2,708,192)</u>	<u>(7,049,591)</u>
Contribution deficiency (excess)	<u>\$ (1,650,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,003,672)</u>
Covered payroll	\$ 9,896,349	\$ 9,967,145	\$ 10,443,467	\$ 10,013,668	\$ 9,495,434
Contributions as a percentage of covered payroll	53.47%	32.15%	28.75%	27.04%	74.24%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 3% at 50 and 2% at 50 and 2.7% at 57
- (5) 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 five years are shown.

## 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, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability:</b>					
Service cost	\$ 2,402,594	\$ 2,211,312	\$ 1,840,275	\$ 1,779,008	\$ 1,747,494
Interest on total pension liability	8,052,611	7,614,130	7,306,376	6,982,672	6,613,765
Differences between expected and actual experience	(426,547)	(737,480)	(531,595)	452,122	-
Changes in assumptions	1,050,413	6,589,964	-	(1,770,351)	-
Changes in benefit terms	-	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(4,523,921)</u>	<u>(4,300,829)</u>	<u>(4,102,189)</u>	<u>(3,956,389)</u>	<u>(3,974,724)</u>
Net Change in Total Pension Liability	6,555,150	11,377,097	4,512,867	3,487,062	4,386,535
Total Pension Liability - Beginning of Year	<u>113,060,714</u>	<u>101,683,617</u>	<u>97,170,750</u>	<u>93,683,688</u>	<u>89,297,153</u>
Total Pension Liability - End of Year (a)	<u>\$ 119,615,864</u>	<u>\$ 113,060,714</u>	<u>\$ 101,683,617</u>	<u>\$ 97,170,750</u>	<u>\$ 93,683,688</u>
<b>Plan Fiduciary Net Position:</b>					
Contributions - employer	\$ 2,249,216	\$ 1,881,701	\$ 1,850,072	\$ 1,503,081	\$ 1,379,562
Contributions - employee	1,043,932	1,037,304	998,937	905,331	962,617
Net investment income	7,268,642	8,829,526	372,172	1,753,374	11,900,167
Benefit payments	(4,523,921)	(4,300,829)	(4,102,189)	(3,956,389)	(3,974,724)
Net plan to plan resource movement	(213)	-	-	(114)	-
Other miscellaneous expense	(254,792)	-	-	-	-
Administrative expense	<u>(134,170)</u>	<u>(116,299)</u>	<u>(48,573)</u>	<u>(89,714)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	5,648,694	7,331,403	(929,581)	115,569	10,267,622
Plan Fiduciary Net Position - Beginning of Year	<u>86,101,744</u>	<u>78,770,341</u>	<u>79,699,922</u>	<u>79,584,353</u>	<u>69,316,731</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 91,750,438</u>	<u>\$ 86,101,744</u>	<u>\$ 78,770,341</u>	<u>\$ 79,699,922</u>	<u>\$ 79,584,353</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 27,865,426</u>	<u>\$ 26,958,970</u>	<u>\$ 22,913,276</u>	<u>\$ 17,470,828</u>	<u>\$ 14,099,335</u>
Plan fiduciary net position as a percentage of the total pension liability	76.70%	76.16%	77.47%	82.02%	84.95%
Covered payroll	\$ 15,403,283	\$ 14,684,868	\$ 13,828,003	\$ 12,847,036	\$ 12,270,014
Net pension liability as percentage of covered payroll	180.91%	183.58%	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.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no changes in assumptions.

\* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS  
MISCELLANEOUS PLAN

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 2,723,702	\$ 2,249,217	\$ 1,881,701	\$ 1,850,100	\$ 1,503,081
Contributions in relation to the actuarially determined contributions	<u>(4,373,702)</u>	<u>(2,249,217)</u>	<u>(1,881,701)</u>	<u>(1,850,100)</u>	<u>(1,503,081)</u>
Contribution deficiency (excess)	<u>\$ (1,650,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 16,542,504	\$ 15,403,283	\$ 14,684,868	\$ 13,828,003	\$ 12,847,036
Contributions as a percentage of covered payroll	26.44%	14.60%	12.81%	13.38%	11.70%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expense, including inflation
- (4) 2.5% at 55 and 2% at 60 and 2% at 62
- (5) 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 five years are shown.



CITY OF TUSTIN

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years\*

Fiscal year ended Measurement date	June 30, 2019 <u>June 30, 2019</u>	June 30, 2018 <u>June 30, 2018</u>
Total OPEB Liability:		
Service cost	\$ 735,504	\$ 714,949
Interest on total OPEB liability	890,622	862,866
Changes of assumptions	(398,848)	-
Benefit payments	<u>(777,685)</u>	<u>(686,172)</u>
Net Change in Total OPEB Liability	449,593	891,643
Total OPEB Liability - Beginning of Year	14,895,890	14,004,247
Total OPEB Liability - End of Year (a)	<u>15,345,483</u>	<u>14,895,890</u>
Plan Fiduciary Net Position:		
Contributions - employer	1,277,685	1,686,172
Net investment income	77,171	3,283
Benefit payments	<u>(777,685)</u>	<u>(686,172)</u>
Net Change in Plan Fiduciary Net Position	577,171	1,003,283
Plan Fiduciary Net Position - Beginning of Year	1,003,283	-
Plan Fiduciary Net Position - End of Year (b)	<u>1,580,454</u>	<u>1,003,283</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 13,765,029</u>	<u>\$ 13,892,607</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.30%	6.74%
Covered - employee payroll	\$ 23,559,635	\$ 24,156,049
Net OPEB liability as percentage of covered - employee payroll	58.43%	57.51%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2018 to June 30, 2019:

The discount rate increased from 6.00% to 6.25%. The inflation rate decreased from 2.75% to 2.50%. Salary increase changed from 2.875% to 2.75%. June 30, 2018 contained healthcare cost trend rates of 7.00% trending down to 3.84% over 58 years while June 30, 2019 contained healthcare cost trend rates from 6.50% trending down to 3.84% over 57 years.

\* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 1,780,746	\$ 1,729,589
Contributions in relation to the actuarially determined contributions	<u>(1,277,685)</u>	<u>(1,686,172)</u>
Contribution deficiency (excess)	<u>\$ 503,061</u>	<u>\$ 43,417</u>
Covered - employee payroll	\$ 23,559,635	\$ 24,156,049
Contributions as a percentage of covered - employee payroll	5.42%	6.98%

Notes to Schedule:

Valuation Date	6/30/2017	6/30/2017
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age normal
Amortization method	Level percent of pay, closed 20 years period
Inflation	2.50%
Assumed payroll growth	2.75%
Healthcare trend rates	7.00%, trending down to 3.84%
Rate of return on assets	6.25%
Mortality rate	CalPERS Rates
Retirement rates	CalPERS Rates

\* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.

CITY OF TUSTIN

OTHER POST-EMPLOYMENT BENEFIT PLAN  
ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

For the year ended June 30, 2019

Retiree Health Plan

<u>Fiscal Year Ended</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense (1)</u>
6/30/2018	N/A*
6/30/2019	6.16%

(1) Ten years of historical information is required by the Governmental Accounting Standards Board Statement No. 74. Fiscal year ended June 30, 2018 was the first year of implementation; therefore, only two years are presented.

\* Initial deposit to the OPEB trust was made on June 26, 2018.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 25,649,100	\$ 25,649,100	\$ 26,332,916	\$ 683,816
Licenses and permits	1,152,674	1,152,674	1,212,696	60,022
Fines and forfeitures	976,000	976,000	909,355	(66,645)
Investment income	731,000	731,000	5,501,731	4,770,731
Intergovernmental	27,901,339	27,901,339	28,441,706	540,367
Charges for services	2,628,238	2,628,238	1,806,032	(822,206)
Rental income	1,658,313	1,658,313	1,822,751	164,438
Other revenue	4,381,600	4,381,600	1,684,402	(2,697,198)
Profit participation	-	-	212,651	212,651
<b>TOTAL REVENUES</b>	<b>65,078,264</b>	<b>65,078,264</b>	<b>67,924,240</b>	<b>2,845,976</b>
<b>EXPENDITURES:</b>				
Current:				
General government	27,461,907	35,106,107	24,372,135	10,733,972
Public safety	34,299,285	35,064,573	33,080,635	1,983,938
Public works	7,500,795	8,434,292	8,936,153	(501,861)
Community services	4,112,954	19,211,952	18,652,582	559,370
Capital outlay	55,528,118	80,878,676	25,576,538	55,302,138
Debt service:				
Principal retirement	-	-	71,908	(71,908)
Interest expense	-	-	9,297	(9,297)
<b>TOTAL EXPENDITURES</b>	<b>128,903,059</b>	<b>178,695,600</b>	<b>110,699,248</b>	<b>67,996,352</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(63,824,795)</b>	<b>(113,617,336)</b>	<b>(42,775,008)</b>	<b>70,842,328</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	5,614,785	5,614,785	6,254,026	639,241
Transfers out	-	(986,343)	(1,027,745)	(41,402)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,614,785</b>	<b>4,628,442</b>	<b>5,226,281</b>	<b>597,839</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(58,210,010)</b>	<b>(108,988,894)</b>	<b>(37,548,727)</b>	<b>71,440,167</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>240,470,553</b>	<b>240,470,553</b>	<b>240,470,553</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 182,260,543</b>	<b>\$ 131,481,659</b>	<b>\$ 202,921,826</b>	<b>\$ 71,440,167</b>

See accompanying note to required supplementary information.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE  
MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 25,000	\$ 25,000	\$ 190,171	\$ 165,171
Intergovernmental revenue	1,835,900	1,835,900	2,522,358	686,458
Other revenue	-	-	400	400
TOTAL REVENUES	<u>1,860,900</u>	<u>1,860,900</u>	<u>2,712,929</u>	<u>852,029</u>
EXPENDITURES:				
Current:				
General government	-	-	2,988	(2,988)
Capital outlay	<u>5,891,631</u>	<u>7,515,702</u>	<u>2,283,472</u>	<u>5,232,230</u>
TOTAL EXPENDITURES	<u>5,891,631</u>	<u>7,515,702</u>	<u>2,286,460</u>	<u>5,229,242</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,030,731)	(5,654,802)	426,469	6,081,271
OTHER FINANCING USES:				
Transfers out	<u>(39,000)</u>	<u>(39,000)</u>	<u>(164,379)</u>	<u>(125,379)</u>
NET CHANGE IN FUND BALANCE	(4,069,731)	(5,693,802)	262,090	5,955,892
FUND BALANCE - BEGINNING OF YEAR	<u>5,378,832</u>	<u>5,378,832</u>	<u>5,378,832</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,309,101</u></u>	<u><u>\$ (314,970)</u></u>	<u><u>\$ 5,640,922</u></u>	<u><u>\$ 5,955,892</u></u>

**CITY OF TUSTIN**  
**Note to Required Supplementary Information**  
**June 30, 2019**

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***NOTE 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, except for Asset Forfeiture Special Revenue Fund and Voluntary Workforce Housing Incentive Special Revenue Fund, 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.

Road Maintenance and Rehabilitation - This fund is used to account for revenues and expenditures apportioned under the Road Repair and Accountability Act of 2017 (SB1) for road maintenance and rehabilitation

Voluntary Workforce Housing Incentive - This fund is used to account for in-lieu fees collected and the associated expenditures that support development of City affordable housing programs and projects under the City of Tustin Ordinance 1491.

Solid Waste - This fund is used to account for the solid waste program revenues and expenditures.

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**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, 2019

	Special Revenue Funds					
	Gas Tax	Park Acquisition and Development	Asset Forfeiture	Air Quality	Supplemental Law Enforcement	Housing Authority
<b>ASSETS</b>						
Cash and investments	\$ 5,149,644	\$ 5,353,674	\$ 201,297	\$ 401,265	\$ 126,916	\$ 3,468,102
Restricted cash and investments	-	4,169	-	-	-	-
Receivables:						
Accounts	128,310	-	-	27,689	-	-
Interest	12,177	12,659	476	949	300	74,739
Loans	-	-	-	-	-	383,796
Allowance for uncollectibles	-	-	-	-	-	(33,796)
Prepaid items and deposits	-	-	-	-	-	1,922
<b>TOTAL ASSETS</b>	<b>\$ 5,290,131</b>	<b>\$ 5,370,502</b>	<b>\$ 201,773</b>	<b>\$ 429,903</b>	<b>\$ 127,216</b>	<b>\$ 3,894,763</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$ 379,150	\$ 836,509	\$ 787	\$ 21	\$ 7,977	\$ 186,104
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>379,150</b>	<b>836,509</b>	<b>787</b>	<b>21</b>	<b>7,977</b>	<b>186,104</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue	-	-	-	-	-	416,539
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	-	1,922
Restricted	4,910,981	4,533,993	200,986	429,882	119,239	3,290,198
Assigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>4,910,981</b>	<b>4,533,993</b>	<b>200,986</b>	<b>429,882</b>	<b>119,239</b>	<b>3,292,120</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,290,131</b>	<b>\$ 5,370,502</b>	<b>\$ 201,773</b>	<b>\$ 429,903</b>	<b>\$ 127,216</b>	<b>\$ 3,894,763</b>

Special Revenue Funds (Continued)				Capital Projects Funds				Total
Special Tax B	Road Maintenance and Rehabilitation	Voluntary Workforce Housing Incentive	Solid Waste	Construction 95-1	Other Capital Projects	MCAS 2010	CFD Construction	Other Governmental Funds
\$ -	\$ 1,623,399	\$ 1,086,892	\$ 67,264	\$ 1,626,711	\$ 6,097,413	\$ 3,979,254	\$ 81,067	\$ 29,262,898
-	-	-	-	-	35,992	539,737	14,485,103	15,065,001
29,413	269,498	-	-	-	122,176	-	-	577,086
-	-	2,570	159	-	14,418	9,409	-	127,856
-	-	-	-	-	-	-	-	383,796
-	-	-	-	-	-	-	-	(33,796)
-	-	-	-	-	-	-	-	1,922
<u>\$ 29,413</u>	<u>\$ 1,892,897</u>	<u>\$ 1,089,462</u>	<u>\$ 67,423</u>	<u>\$ 1,626,711</u>	<u>\$ 6,269,999</u>	<u>\$ 4,528,400</u>	<u>\$ 14,566,170</u>	<u>\$ 45,384,763</u>
\$ -	\$ 306,917	\$ -	\$ 13,086	\$ -	\$ 585,611	\$ 3,145,083	\$ 1,396,838	\$ 6,858,083
-	-	-	-	-	729,928	-	-	729,928
-	-	-	41,262	-	-	-	-	41,262
-	306,917	-	54,348	-	1,315,539	3,145,083	1,396,838	7,629,273
-	-	-	-	-	-	-	-	416,539
-	-	-	-	-	-	-	-	1,922
29,413	1,585,980	1,089,462	13,075	1,626,711	35,992	539,737	13,169,332	31,574,981
-	-	-	-	-	4,918,468	843,580	-	5,762,048
<u>29,413</u>	<u>1,585,980</u>	<u>1,089,462</u>	<u>13,075</u>	<u>1,626,711</u>	<u>4,954,460</u>	<u>1,383,317</u>	<u>13,169,332</u>	<u>37,338,951</u>
<u>\$ 29,413</u>	<u>\$ 1,892,897</u>	<u>\$ 1,089,462</u>	<u>\$ 67,423</u>	<u>\$ 1,626,711</u>	<u>\$ 6,269,999</u>	<u>\$ 4,528,400</u>	<u>\$ 14,566,170</u>	<u>\$ 45,384,763</u>

CITY OF TUSTIN

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

For the year ended June 30, 2019

	Special Revenue Funds					
	Gas Tax	Park Acquisition and Development	Asset Forfeiture	Air Quality	Supplemental Law Enforcement	Housing Authority
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	196,645	188,987	6,189	11,671	3,894	109,150
Intergovernmental revenue	1,690,949	1,170,979	189,859	106,805	186,584	-
Charges for services	-	19,101	-	-	-	-
Rental income	-	232,384	-	-	-	-
Other revenue	-	5,000	-	-	-	16,656
Gain on sale of land held for resale	-	-	-	-	-	395,281
<b>TOTAL REVENUES</b>	<b>1,887,594</b>	<b>1,616,451</b>	<b>196,048</b>	<b>118,476</b>	<b>190,478</b>	<b>521,087</b>
EXPENDITURES:						
Current:						
General government	978,956	48,054	-	208	-	-
Public safety	-	-	134,166	-	120,250	-
Public works	-	-	-	-	-	-
Community services	-	-	-	-	-	951,072
Capital outlay	1,399,725	2,018,185	-	-	32,810	-
<b>TOTAL EXPENDITURES</b>	<b>2,378,681</b>	<b>2,066,239</b>	<b>134,166</b>	<b>208</b>	<b>153,060</b>	<b>951,072</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(491,087)</b>	<b>(449,788)</b>	<b>61,882</b>	<b>118,268</b>	<b>37,418</b>	<b>(429,985)</b>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	986,343
Transfers out	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>986,343</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(491,087)</b>	<b>(449,788)</b>	<b>61,882</b>	<b>118,268</b>	<b>37,418</b>	<b>556,358</b>
FUND BALANCES - BEGINNING OF YEAR	5,402,068	4,983,781	139,104	311,614	81,821	2,735,762
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 4,910,981</b>	<b>\$ 4,533,993</b>	<b>\$ 200,986</b>	<b>\$ 429,882</b>	<b>\$ 119,239</b>	<b>\$ 3,292,120</b>

Special Revenue Funds (Continued)				Capital Projects Funds				Total
Special Tax B	Road Maintenance and Rehabilitation	Voluntary Workforce Housing Incentive	Solid Waste	Construction 95-1	Other Capital Projects	MCAS 2010	CFD Construction	Other Governmental Funds
\$ -	\$ -	\$ -	\$ 52,467	\$ -	\$ -	\$ -	\$ -	\$ 52,467
-	-	14,805	699	-	171,450	388,309	388,742	1,480,541
3,793,830	1,510,040	-	-	-	-	-	-	8,649,046
-	-	933,255	3,300	-	-	-	-	955,656
-	-	-	-	-	-	-	-	232,384
-	-	-	-	-	5,849,498	35,000	-	5,906,154
-	-	-	-	-	-	-	-	395,281
<u>3,793,830</u>	<u>1,510,040</u>	<u>948,060</u>	<u>56,466</u>	<u>-</u>	<u>6,020,948</u>	<u>423,309</u>	<u>388,742</u>	<u>17,671,529</u>
-	-	-	-	-	2,279	-	851	1,030,348
-	-	-	-	-	-	-	-	254,416
-	-	-	43,391	-	-	125,949	-	169,340
-	-	-	-	-	-	-	-	951,072
-	406,723	-	-	-	6,789,267	11,106,065	9,776,283	31,529,058
<u>-</u>	<u>406,723</u>	<u>-</u>	<u>43,391</u>	<u>-</u>	<u>6,791,546</u>	<u>11,232,014</u>	<u>9,777,134</u>	<u>33,934,234</u>
<u>3,793,830</u>	<u>1,103,317</u>	<u>948,060</u>	<u>13,075</u>	<u>-</u>	<u>(770,598)</u>	<u>(10,808,705)</u>	<u>(9,388,392)</u>	<u>(16,262,705)</u>
-	-	-	-	-	-	-	41,402	1,027,745
(3,779,993)	-	-	-	(369,711)	-	-	(1,939,943)	(6,089,647)
<u>(3,779,993)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(369,711)</u>	<u>-</u>	<u>-</u>	<u>(1,898,541)</u>	<u>(5,061,902)</u>
13,837	1,103,317	948,060	13,075	(369,711)	(770,598)	(10,808,705)	(11,286,933)	(21,324,607)
15,576	482,663	141,402	-	1,996,422	5,725,058	12,192,022	24,456,265	58,663,558
<u>\$ 29,413</u>	<u>\$ 1,585,980</u>	<u>\$ 1,089,462</u>	<u>\$ 13,075</u>	<u>\$ 1,626,711</u>	<u>\$ 4,954,460</u>	<u>\$ 1,383,317</u>	<u>\$ 13,169,332</u>	<u>\$ 37,338,951</u>

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 15,000	\$ 15,000	\$ 196,645	\$ 181,645
Intergovernmental revenue	2,007,200	2,007,200	1,690,949	(316,251)
Other revenue	93,600	93,600	-	(93,600)
TOTAL REVENUES	<u>2,115,800</u>	<u>2,115,800</u>	<u>1,887,594</u>	<u>(228,206)</u>
EXPENDITURES:				
Current:				
General government	1,086,380	1,110,315	978,956	131,359
Capital outlay	2,169,879	3,189,423	1,399,725	1,789,698
TOTAL EXPENDITURES	<u>3,256,259</u>	<u>4,299,738</u>	<u>2,378,681</u>	<u>1,921,057</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,140,459)	(2,183,938)	(491,087)	1,692,851
FUND BALANCE - BEGINNING OF YEAR	<u>5,402,068</u>	<u>5,402,068</u>	<u>5,402,068</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,261,609</u>	<u>\$ 3,218,130</u>	<u>\$ 4,910,981</u>	<u>\$ 1,692,851</u>



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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 188,987	\$ 138,987
Intergovernmental revenue	-	-	1,170,979	1,170,979
Charges for services	16,000	16,000	19,101	3,101
Rental income	207,400	207,400	232,384	24,984
Other revenue	-	-	5,000	5,000
TOTAL REVENUES	<u>273,400</u>	<u>273,400</u>	<u>1,616,451</u>	<u>1,343,051</u>
EXPENDITURES:				
Current:				
General government	-	-	48,054	(48,054)
Capital outlay	<u>3,399,833</u>	<u>5,651,175</u>	<u>2,018,185</u>	<u>3,632,990</u>
TOTAL EXPENDITURES	<u>3,399,833</u>	<u>5,651,175</u>	<u>2,066,239</u>	<u>3,584,936</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,126,433)	(5,377,775)	(449,788)	4,927,987
FUND BALANCE - BEGINNING OF YEAR	<u>4,983,781</u>	<u>4,983,781</u>	<u>4,983,781</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,857,348</u>	<u>\$ (393,994)</u>	<u>\$ 4,533,993</u>	<u>\$ 4,927,987</u>

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,000	\$ 1,000	\$ 11,671	\$ 10,671
Intergovernmental revenue	95,900	95,900	106,805	10,905
TOTAL REVENUES	96,900	96,900	118,476	21,576
EXPENDITURES:				
Current:				
General government	-	-	208	(208)
Capital outlay	100,000	100,000	-	100,000
TOTAL EXPENDITURES	100,000	100,000	208	99,792
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,100)	(3,100)	118,268	121,368
FUND BALANCE - BEGINNING OF YEAR	311,614	311,614	311,614	-
FUND BALANCE - END OF YEAR	\$ 308,514	\$ 308,514	\$ 429,882	\$ 121,368

CITY OF TUSTIN

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

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 3,894	\$ 3,894
Intergovernmental revenue	176,000	176,000	186,584	10,584
TOTAL REVENUES	176,000	176,000	190,478	14,478
EXPENDITURES:				
Current:				
Public safety	112,100	118,500	120,250	(1,750)
Capital outlay	-	17,139	32,810	(15,671)
TOTAL EXPENDITURES	112,100	135,639	153,060	(17,421)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	63,900	40,361	37,418	(2,943)
FUND BALANCE - BEGINNING OF YEAR	81,821	81,821	81,821	-
FUND BALANCE - END OF YEAR	\$ 145,721	\$ 122,182	\$ 119,239	\$ (2,943)

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 109,150	\$ 109,150
Other revenue	1,400	1,400	16,656	15,256
Gain on sale of land held for resale	-	-	395,281	395,281
<b>TOTAL REVENUES</b>	<b>1,400</b>	<b>1,400</b>	<b>521,087</b>	<b>519,687</b>
EXPENDITURES:				
Current:				
Community services	525,695	1,779,038	951,072	827,966
<b>TOTAL EXPENDITURES</b>	<b>525,695</b>	<b>1,779,038</b>	<b>951,072</b>	<b>827,966</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(524,295)	(1,777,638)	(429,985)	1,347,653
OTHER FINANCING USES:				
Transfers in	-	986,343	986,343	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(524,295)</b>	<b>(791,295)</b>	<b>556,358</b>	<b>1,347,653</b>
FUND BALANCE - BEGINNING OF YEAR	2,735,762	2,735,762	2,735,762	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,211,467</b>	<b>\$ 1,944,467</b>	<b>\$ 3,292,120</b>	<b>\$ 1,347,653</b>

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 3,630,000	\$ 3,630,000	\$ 3,793,830	\$ 163,830
OTHER FINANCING USES:				
Transfers out	(3,630,000)	(3,630,000)	(3,779,993)	(149,993)
NET CHANGE IN FUND BALANCE	-	-	13,837	13,837
FUND BALANCE - BEGINNING OF YEAR	15,576	15,576	15,576	-
FUND BALANCE - END OF YEAR	<u>\$ 15,576</u>	<u>\$ 15,576</u>	<u>\$ 29,413</u>	<u>\$ 13,837</u>

CITY OF TUSTIN

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

ROAD MAINTENANCE AND REHABILITATION SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 1,367,900	\$ 1,367,900	\$ 1,510,040	\$ 142,140
EXPENDITURES:				
Capital outlay	920,000	920,000	406,723	513,277
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	447,900	447,900	1,103,317	655,417
FUND BALANCE - BEGINNING OF YEAR	482,663	482,663	482,663	-
FUND BALANCE - END OF YEAR	\$ 930,563	\$ 930,563	\$ 1,585,980	\$ 655,417

CITY OF TUSTIN

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

SOLID WASTE SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 300,000	\$ 300,000	\$ 52,467	\$ (247,533)
Investment income	-	-	699	699
Charges for services	10,000	10,000	3,300	(6,700)
TOTAL REVENUES	310,000	310,000	56,466	(253,534)
EXPENDITURES:				
Current:				
Public works	61,800	64,930	43,391	21,539
TOTAL EXPENDITURES	61,800	64,930	43,391	21,539
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	248,200	245,070	13,075	(231,995)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ 248,200	\$ 245,070	\$ 13,075	\$ (231,995)

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**CITY OF TUSTIN**

**Agency Funds**

**June 30, 2019**

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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 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, 2019

	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
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 4,776	\$ -	\$ -	\$ -	\$ 4,776
Restricted cash and investments	1,130,042	5,971,784	1,744,445	-	3,417,565	12,263,836
Taxes receivable	6,028	32,160	-	-	16,878	55,066
<b>TOTAL ASSETS</b>	<b>\$ 1,136,070</b>	<b>\$ 6,008,720</b>	<b>\$ 1,744,445</b>	<b>\$ -</b>	<b>\$ 3,434,443</b>	<b>\$ 12,323,678</b>
<b>LIABILITIES</b>						
Due to bondholders	\$ 1,136,070	\$ 6,008,720	\$ 1,744,445	\$ -	\$ 3,434,443	\$ 12,323,678
<b>TOTAL LIABILITIES</b>	<b>\$ 1,136,070</b>	<b>\$ 6,008,720</b>	<b>\$ 1,744,445</b>	<b>\$ -</b>	<b>\$ 3,434,443</b>	<b>\$ 12,323,678</b>

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS

For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>COMMUNITY FACILITIES DISTRICT 04-01</b>				
ASSETS:				
Cash and investments	\$ -	\$ 722,955	\$ 722,955	\$ -
Restricted cash and investments	1,080,375	732,947	683,280	1,130,042
Taxes receivable	8,097	6,028	8,097	6,028
<b>TOTAL ASSETS</b>	<b>\$ 1,088,472</b>	<b>\$ 1,461,930</b>	<b>\$ 1,414,332</b>	<b>\$ 1,136,070</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 721,580	\$ 721,580	\$ -
Due to bondholders	1,088,472	733,030	685,432	1,136,070
<b>TOTAL LIABILITIES</b>	<b>\$ 1,088,472</b>	<b>\$ 1,454,610</b>	<b>\$ 1,407,012</b>	<b>\$ 1,136,070</b>
<b>COMMUNITY FACILITIES DISTRICT 06-01</b>				
ASSETS:				
Cash and investments	\$ -	\$ 3,356,951	\$ 3,352,175	\$ 4,776
Restricted cash and investments	5,746,497	3,436,277	3,210,990	5,971,784
Taxes receivable	12,286	32,160	12,286	32,160
<b>TOTAL ASSETS</b>	<b>\$ 5,758,783</b>	<b>\$ 6,825,388</b>	<b>\$ 6,575,451</b>	<b>\$ 6,008,720</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 3,352,175	\$ 3,352,175	\$ -
Due to bondholders	5,758,783	3,477,048	3,227,111	6,008,720
<b>TOTAL LIABILITIES</b>	<b>\$ 5,758,783</b>	<b>\$ 6,829,223</b>	<b>\$ 6,579,286</b>	<b>\$ 6,008,720</b>
<b>COMMUNITY FACILITIES DISTRICT 07-01</b>				
ASSETS:				
Cash and investments	\$ -	\$ 931,008	\$ 931,008	\$ -
Restricted cash and investments	1,666,713	953,167	875,435	1,744,445
Prepaid items	2,140	-	2,140	-
<b>TOTAL ASSETS</b>	<b>\$ 1,668,853</b>	<b>\$ 1,884,175</b>	<b>\$ 1,808,583</b>	<b>\$ 1,744,445</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 931,008	\$ 931,008	\$ -
Due to bondholders	1,668,853	959,290	883,698	1,744,445
<b>TOTAL LIABILITIES</b>	<b>\$ 1,668,853</b>	<b>\$ 1,890,298</b>	<b>\$ 1,814,706</b>	<b>\$ 1,744,445</b>

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>COMMUNITY FACILITIES DISTRICT 13-01</b>				
ASSETS:				
Cash and investments	\$ -	\$ 417,935	\$ 417,935	\$ -
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 417,935</b>	<b>\$ 417,935</b>	<b>\$ -</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 3,500	\$ 3,500	\$ -
Due to bondholders	-	417,935	417,935	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 421,435</b>	<b>\$ 421,435</b>	<b>\$ -</b>
<b>COMMUNITY FACILITIES DISTRICT 2014-01</b>				
ASSETS:				
Cash and investments	\$ -	\$ 1,511,413	\$ 1,511,413	\$ -
Restricted cash and investments	3,291,938	1,565,103	1,439,476	3,417,565
Taxes receivable	10,884	16,878	10,884	16,878
<b>TOTAL ASSETS</b>	<b>\$ 3,302,822</b>	<b>\$ 3,093,394</b>	<b>\$ 2,961,773</b>	<b>\$ 3,434,443</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 1,511,413	\$ 1,511,413	\$ -
Due to bondholders	3,302,822	1,577,971	1,446,350	3,434,443
<b>TOTAL LIABILITIES</b>	<b>\$ 3,302,822</b>	<b>\$ 3,089,384</b>	<b>\$ 2,957,763</b>	<b>\$ 3,434,443</b>
<b>TOTAL ALL AGENCY FUNDS</b>				
ASSETS:				
Cash and investments	\$ -	\$ 6,940,262	\$ 6,935,486	\$ 4,776
Restricted cash and investments	11,785,523	6,687,494	6,209,181	12,263,836
Taxes receivable	31,267	55,066	31,267	55,066
Prepaid items	2,140	-	2,140	-
<b>TOTAL ASSETS</b>	<b>\$ 11,818,930</b>	<b>\$ 13,682,822</b>	<b>\$ 13,178,074</b>	<b>\$ 12,323,678</b>
LIABILITIES:				
Accounts payable	\$ -	\$ 6,519,676	\$ 6,519,676	\$ -
Due to bondholders	11,818,930	7,165,274	6,660,526	12,323,678
<b>TOTAL LIABILITIES</b>	<b>\$ 11,818,930</b>	<b>\$ 13,684,950</b>	<b>\$ 13,180,202</b>	<b>\$ 12,323,678</b>

## STATISTICAL SECTION

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**CITY OF TUSTIN**  
**Description of Statistical Contents**  
**June 30, 2019**

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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:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	130
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	140
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	146
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	154
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	156

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			
	2010	2011	2012	2013
Governmental activities:				
Net investment in capital assets	\$ 360,282,692	\$ 378,911,546	\$ 412,683,460	\$ 431,761,288
Restricted	135,670,302	116,718,495	47,727,966	54,367,385
Unrestricted	114,737,049	116,545,351	147,513,249	177,532,888
Total governmental activities net position	<u>\$ 610,690,043</u>	<u>\$ 612,175,392</u>	<u>\$ 607,924,675</u>	<u>\$ 663,661,561</u>
Business-type activities:				
Net investment in capital assets	\$ 24,541,113	\$ 20,872,492	\$ 25,479,160	\$ 24,171,745
Restricted	-	-	-	-
Unrestricted	1,851,666	5,541,672	2,795,701	7,094,771
Total business-type activities net position	<u>\$ 26,392,779</u>	<u>\$ 26,414,164</u>	<u>\$ 28,274,861</u>	<u>\$ 31,266,516</u>
Primary government:				
Net investment in capital assets	\$ 384,823,805	\$ 399,784,038	\$ 438,162,620	\$ 455,933,033
Restricted	135,670,302	116,718,495	47,727,966	54,367,385
Unrestricted	116,588,715	122,087,023	150,308,950	184,627,659
Total primary government net position	<u>\$ 637,082,822</u>	<u>\$ 638,589,556</u>	<u>\$ 636,199,536</u>	<u>\$ 694,928,077</u>



Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 461,673,323	\$ 456,649,085	\$ 483,229,135	\$ 490,574,647	\$ 499,190,473	\$ 520,166,300
36,693,458	72,929,522	95,241,025	102,027,853	87,395,188	67,892,989
93,877,440	140,727,040	107,224,779	144,442,931	151,119,177	108,567,573
<u>\$ 592,244,221</u>	<u>\$ 670,305,647</u>	<u>\$ 685,694,939</u>	<u>\$ 737,045,431</u>	<u>\$ 737,704,838</u>	<u>\$ 696,626,862</u>
\$ 23,657,878	\$ 24,270,718	\$ 25,443,651	\$ 23,252,432	\$ 22,753,763	\$ 20,650,435
-	-	-	-	-	-
8,326,340	11,845,734	12,227,557	15,129,697	16,505,744	19,489,664
<u>\$ 31,984,218</u>	<u>\$ 36,116,452</u>	<u>\$ 37,671,208</u>	<u>\$ 38,382,129</u>	<u>\$ 39,259,507</u>	<u>\$ 40,140,099</u>
\$ 485,331,201	\$ 480,919,803	\$ 508,672,786	\$ 513,827,079	\$ 521,944,236	\$ 540,816,735
36,693,458	72,929,522	95,241,025	102,027,853	87,395,188	67,892,989
102,203,780	152,572,774	119,452,336	159,572,628	167,624,921	128,057,237
<u>\$ 624,228,439</u>	<u>\$ 706,422,099</u>	<u>\$ 723,366,147</u>	<u>\$ 775,427,560</u>	<u>\$ 776,964,345</u>	<u>\$ 736,766,961</u>

CITY OF TUSTIN

CHANGES IN NET POSITION  
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
Expenses:				
Governmental activities:				
General government	\$ 7,802,579	\$ 7,854,361	\$ 12,266,470	\$ 18,705,913
Public safety	27,277,141	28,622,807	28,800,773	30,702,298
Public works	20,816,686	19,809,907	20,765,854	15,087,234
Community services	12,742,391	13,150,089	7,078,104	3,201,865
Interest on long-term debt	4,087,839	4,814,598	3,057,645	967,115
Total governmental activities expenses	<u>72,726,636</u>	<u>74,251,762</u>	<u>71,968,846</u>	<u>68,664,425</u>
Business-type activities:				
Water	11,938,146	12,578,667	13,467,541	13,574,149
Tustin Legacy	-	-	-	-
Total business-type activities expenses	<u>11,938,146</u>	<u>12,578,667</u>	<u>13,467,541</u>	<u>13,574,149</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	1,404,925	1,109,150	1,390,073	763,101
Public safety	1,168,348	1,196,830	1,133,096	917,947
Public works	3,761,321	3,508,904	800,328	1,248,595
Community services	957,545	969,006	974,747	926,432
Operating grants and contributions	3,403,411	3,441,281	3,590,210	4,513,158
Capital grants and contributions	6,287,231	3,395,929	20,902,629	20,998,311
Total governmental activities program revenues	<u>16,982,781</u>	<u>13,621,100</u>	<u>28,791,083</u>	<u>29,367,544</u>
Business-type activities:				
Charges for services:				
Water	10,594,471	12,422,746	15,112,161	16,688,773
Tustin Legacy	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>10,594,471</u>	<u>12,422,746</u>	<u>15,112,161</u>	<u>16,688,773</u>
Net revenues (expenses):				
Governmental activities	\$ (55,743,855)	\$ (60,630,662)	\$ (43,177,763)	\$ (39,296,881)
Business-type activities	(1,343,675)	(155,921)	1,644,620	3,114,624
Total net revenues (expenses)	<u>\$ (57,087,530)</u>	<u>\$ (60,786,583)</u>	<u>\$ (41,533,143)</u>	<u>\$ (36,182,257)</u>

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 14,825,780	\$ 17,121,057	\$ 20,023,280	\$ 24,504,764	\$ 23,949,544	\$ 27,097,686
28,440,799	29,886,284	27,779,830	34,611,078	33,713,796	36,215,060
49,538,371	34,435,214	47,326,664	24,822,480	37,599,662	45,849,976
3,498,460	3,699,059	7,869,124	19,524,660	10,795,733	20,304,550
-	-	-	5,802	12,043	9,297
<u>96,303,410</u>	<u>85,141,614</u>	<u>102,998,898</u>	<u>103,468,784</u>	<u>106,070,778</u>	<u>129,476,569</u>
16,100,137	15,982,078	15,586,463	16,654,429	17,680,886	17,763,633
-	-	-	-	-	-
<u>16,100,137</u>	<u>15,982,078</u>	<u>15,586,463</u>	<u>16,654,429</u>	<u>17,680,886</u>	<u>17,763,633</u>
249,237	252,074	2,072,540	1,979,211	1,630,903	1,920,214
920,112	1,071,099	1,195,350	1,255,299	1,283,672	1,285,584
1,710,813	1,564,314	3,538,906	1,861,045	2,167,726	3,300,906
967,134	892,102	953,149	1,101,294	1,434,988	2,426,578
3,325,304	3,546,823	2,722,978	2,742,140	3,863,547	4,952,271
12,222,106	20,244,479	48,711,583	26,535,693	7,641,510	3,942,834
<u>19,394,706</u>	<u>27,570,891</u>	<u>59,194,506</u>	<u>35,474,682</u>	<u>18,022,346</u>	<u>17,828,387</u>
18,682,821	19,375,359	16,511,795	17,100,836	18,229,013	17,329,090
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,682,821</u>	<u>19,375,359</u>	<u>16,511,795</u>	<u>17,100,836</u>	<u>18,229,013</u>	<u>17,329,090</u>
\$ (76,908,704)	\$ (57,570,723)	\$ (43,804,392)	\$ (67,994,102)	\$ (88,048,432)	\$ (111,648,182)
2,582,684	3,393,281	925,332	446,407	548,127	(434,543)
<u>\$ (74,326,020)</u>	<u>\$ (54,177,442)</u>	<u>\$ (42,879,060)</u>	<u>\$ (67,547,695)</u>	<u>\$ (87,500,305)</u>	<u>\$ (112,082,725)</u>

CITY OF TUSTIN

CHANGES IN NET POSITION  
GENERAL REVENUES

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 28,347,659	\$ 30,205,879	\$ 23,270,718	\$ 14,526,101
Transient occupancy taxes	141,335	142,915	137,131	137,064
Business license taxes	337,867	358,526	44,800	377,498
Other taxes	1,720,505	1,648,319	1,621,521	1,655,388
Sales tax	15,917,332	18,597,453	19,931,865	21,575,405
Motor vehicle in lieu, unrestricted	6,122,789	6,189,249	5,833,094	5,951,653
Investment income	4,086,852	2,358,847	958,169	243,921
Other general revenues	1,520,662	1,700,323	14,444,183	7,231,648
Gain on sale of land held for resale	-	-	-	43,335,089
Profit participation	-	-	-	-
Transfers	-	-	-	-
Contribution from successor agency	-	-	-	-
Extraordinary and special items	-	-	(27,314,435)	-
Total governmental activities	<u>58,195,001</u>	<u>61,201,511</u>	<u>38,927,046</u>	<u>95,033,767</u>
Business-type activities:				
Investment income	86,654	158,242	156,855	39,700
Miscellaneous	25,340	19,064	59,222	271,858
Transfers	-	-	-	-
Total business-type activities	<u>111,994</u>	<u>177,306</u>	<u>216,077</u>	<u>311,558</u>
Total primary government	<u>\$ 58,306,995</u>	<u>\$ 61,378,817</u>	<u>\$ 39,143,123</u>	<u>\$ 95,345,325</u>
Changes in net position:				
Governmental activities	\$ 2,451,146	\$ 570,849	\$ (4,250,717)	\$ 55,736,886
Business-type activities	(1,231,681)	21,385	1,860,697	3,426,182
Total primary government	<u>\$ 1,219,465</u>	<u>\$ 592,234</u>	<u>\$ (2,390,020)</u>	<u>\$ 59,163,068</u>

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 13,661,771	\$ 14,552,535	\$ 16,451,763	\$ 24,437,717	\$ 25,636,673	\$ 26,275,789
616,897	1,090,675	1,554,754	1,609,318	1,575,830	1,825,957
393,241	419,148	406,891	420,684	431,457	466,828
1,663,215	1,763,878	1,839,963	1,931,185	1,781,175	1,762,642
22,288,032	22,269,896	24,513,610	25,133,146	24,925,934	26,634,458
6,150,893	6,380,698	6,778,329	37,056	43,359	39,526
628,180	1,052,276	2,430,087	611,964	1,109,193	7,167,093
4,040,996	7,829,149	2,671,845	4,594,651	4,838,383	6,002,632
-	48,136,121	-	24,241,261	33,636,759	395,281
-	-	-	31,327,612	-	-
-	-	-	-	-	-
-	32,137,773	-	-	-	-
1,412,257	-	2,546,442	5,000,000	-	-
<u>50,855,482</u>	<u>135,632,149</u>	<u>59,193,684</u>	<u>119,344,594</u>	<u>93,978,763</u>	<u>70,570,206</u>
144,381	249,863	480,050	108,669	150,371	1,084,525
408,749	489,090	149,374	155,845	178,880	230,610
-	-	-	-	-	-
<u>553,130</u>	<u>738,953</u>	<u>629,424</u>	<u>264,514</u>	<u>329,251</u>	<u>1,315,135</u>
<u>\$ 51,408,612</u>	<u>\$ 136,371,102</u>	<u>\$ 59,823,108</u>	<u>\$ 119,609,108</u>	<u>\$ 94,308,014</u>	<u>\$ 71,885,341</u>
\$ (26,053,222)	\$ 78,061,426	\$ 15,389,292	\$ 51,350,492	\$ 5,930,331	\$ (41,077,976)
3,135,814	4,132,234	1,554,756	710,921	877,378	880,592
<u>\$ (22,917,408)</u>	<u>\$ 82,193,660</u>	<u>\$ 16,944,048</u>	<u>\$ 52,061,413</u>	<u>\$ 6,807,709</u>	<u>\$ (40,197,384)</u>

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2010	2011	2012	2013
<b>Fund Balance prior to GASB 54</b>				
General fund:				
Reserved	\$ 144,139,167	\$ -	\$ -	\$ -
Unreserved	5,870,992	-	-	-
Total general fund	<u>\$ 150,010,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Reserved	\$ 66,609,267	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	14,277,683	-	-	-
Debt service funds	(6,774,245)	-	-	-
Capital projects funds	75,663,086	-	-	-
Total all other governmental funds	<u>\$ 149,775,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance subsequent to GASB 54</b>				
General fund:				
Nonspendable	\$ 144,139,167	\$ 144,186,955	\$ 144,604,847	\$ 128,988,209
Restricted	-	-	-	19,615,343
Committed	47,608	-	-	-
Assigned	5,823,384	-	-	-
Unassigned	-	7,443,165	4,077,344	44,368,566
Total general fund	<u>\$ 150,010,159</u>	<u>\$ 151,630,120</u>	<u>\$ 148,682,191</u>	<u>\$ 192,972,118</u>
All other governmental funds:				
Nonspendable	\$ 34,800,738	\$ 22,352,713	\$ 1,710,292	\$ 1,287,607
Restricted	111,455,097	130,673,281	38,274,666 <sup>1</sup>	33,885,757
Committed	344,708	-	-	-
Assigned	11,670,324	18,603,317	16,239,322	16,880,590
Unassigned	(8,495,076)	(10,989,463)	-	-
Total all other governmental funds	<u>\$ 149,775,791</u>	<u>\$ 160,639,848</u>	<u>\$ 56,224,280</u>	<u>\$ 52,053,954</u>

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 129,049,954	\$ 122,458,642	\$ 88,579,214 <sup>5</sup>	\$ 84,344,748	\$ 82,868,217	\$ 82,902,130
1,352,309	16,650,332	18,657,461	34,901,943	41,269,878	31,250,893
-	-	-	-	-	-
<sup>2</sup> 18,781,826	84,278,138 <sup>3</sup>	79,667,061	102,517,562	116,332,458	88,768,803
<u>\$ 149,184,089</u>	<u>\$ 223,387,112</u>	<u>\$ 186,903,736</u>	<u>\$ 221,764,253</u>	<u>\$ 240,470,553</u>	<u>\$ 202,921,826</u>
\$ -	\$ -	\$ 1,922	\$ 1,922	\$ -	\$ 1,922
29,820,853	24,048,818	54,438,343	51,069,708	46,322,996	37,215,903
-	-	-	-	-	-
5,493,536	37,350,531 <sup>4</sup>	26,871,816	20,408,936	17,719,394	5,762,048
-	-	-	-	-	-
<u>\$ 35,314,389</u>	<u>\$ 61,399,349</u>	<u>\$ 81,312,081</u>	<u>\$ 71,480,566</u>	<u>\$ 64,042,390</u>	<u>\$ 42,979,873</u>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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			
	2010	2011	2012	2013
<b>Revenues:</b>				
Taxes	\$ 36,662,197	\$ 38,726,558	\$ 30,975,441	\$ 22,703,619
Licenses and permits	3,538,198	716,144	443,928	577,044
Fines and forfeitures	890,770	893,642	875,068	678,428
Investment income	3,198,484	1,632,215	472,725	173,890
Intergovernmental revenues	21,295,762	23,970,358	26,345,002	43,126,447
Charges for services	2,708,705	5,020,485	2,813,752	2,685,080
Rental income	869,645	358,030	480,255	550,003
Developer contributions	4,051,180	1,593,475	-	-
Profit participation	-	-	-	-
Gain on sale of land held for resale	-	-	-	43,340,797
Contribution from Successor Agency	-	-	-	-
Other revenues	1,028,432	2,425,052	14,075,025	9,773,813
<b>Total revenues</b>	<b>74,243,373</b>	<b>75,335,959</b>	<b>76,481,196</b>	<b>123,609,121</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	7,197,709	7,505,928	11,656,331	17,357,805
Public safety	26,359,435	27,508,514	28,714,347	27,944,039
Public works	10,133,685	9,110,621	6,954,384	5,980,807
Community services	12,251,479	12,740,969	6,506,381	2,752,523
Capital outlay	13,125,983	9,979,670	25,816,530	28,487,231
<b>Debt service:</b>				
Principal retirement	7,913,000	10,659,000	2,590,000	-
Interest and fiscal charges	4,603,661	4,131,435	3,264,323	967,115
Bond issue costs	-	429,731	-	-
<b>Total expenditures</b>	<b>81,584,952</b>	<b>82,065,868</b>	<b>85,502,296</b>	<b>83,489,520</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(7,341,579)</b>	<b>(6,729,909)</b>	<b>(9,021,100)</b>	<b>40,119,601</b>
<b>Other financing sources (uses):</b>				
Transfers in	37,207,661	2,645,014	3,020,291	6,122,454
Transfers out	(37,207,661)	(2,645,014)	(3,020,291)	(6,122,454)
Proceeds from debt issuance	26,274,205	43,281,289	-	-
Contribution to developer	-	-	-	-
Sale of property	7,421	18,138	43,745	-
Capital lease issued	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>26,281,626</b>	<b>43,299,427</b>	<b>43,745</b>	<b>-</b>
Extraordinary gain (loss)	-	-	(98,386,142)	-
Special item	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 18,940,047</b>	<b>\$ 36,569,518</b>	<b>\$(107,363,497)</b>	<b>\$ 40,119,601</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>17.69%</b>	<b>20.00%</b>	<b>9.00%</b>	<b>1.73%</b>



Fiscal Year

	2014	2015	2016	2017	2018	2019
\$	22,808,488	\$ 21,426,308	\$ 23,525,899	\$ 24,825,401	\$ 25,770,970	\$ 26,385,383
	1,284,232	885,043	1,334,311	853,990	905,086	1,212,696
	631,340	752,597	982,123	953,665	996,912	909,355
	621,786	1,041,661	2,422,072	608,888	1,120,276	7,172,443
	29,741,754	37,302,283	42,838,003	35,382,444	42,121,841	39,613,110
	1,787,268	1,870,401	2,357,268	1,999,860	2,177,345	2,761,688
	751,724	1,113,340	1,308,852	1,542,281	1,674,068	2,055,135
	-	16,934,704	26,357,490	16,804,964	1,341,143	-
	-	-	-	23,495,709	7,179,553	212,651
	-	48,136,121	-	24,241,261	33,636,759	395,281
	-	32,137,773	-	-	-	-
	6,110,735	6,302,392	4,714,101	5,849,937	8,848,778	7,590,956
	<u>63,737,327</u>	<u>167,902,623</u>	<u>105,840,119</u>	<u>136,558,400</u>	<u>125,772,731</u>	<u>88,308,698</u>
	14,205,424	17,568,297	20,372,454	24,052,915	21,259,806	25,539,637
	28,170,314	33,062,929	27,897,182	30,733,524	32,335,404	33,200,885
	5,797,705	6,417,257	7,182,380	7,591,876	7,795,849	9,105,493
	3,081,299	3,170,747	7,308,498	18,727,257	9,747,562	19,603,654
	74,422,436	23,800,093	22,498,621	26,657,177	40,082,440	59,389,068
	-	5,000,000	4,101,171	4,129,203	3,271,503	71,908
	-	-	-	5,802	12,043	9,297
	-	-	-	-	-	-
	<u>125,677,178</u>	<u>89,019,323</u>	<u>89,360,306</u>	<u>111,897,754</u>	<u>114,504,607</u>	<u>146,919,942</u>
	<u>(61,939,851)</u>	<u>78,883,300</u>	<u>16,479,813</u>	<u>24,660,646</u>	<u>11,268,124</u>	<u>(58,611,244)</u>
	2,084,612	5,266,102	5,453,988	4,242,209	8,908,605	7,281,771
	(2,084,612)	(5,266,102)	(5,453,988)	(4,242,209)	(8,908,605)	(7,281,771)
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	368,356	-	-
	-	-	-	<u>368,356</u>	-	-
	1,412,257	-	976,042	-	-	-
	-	21,404,683	(34,026,499)	-	-	-
	<u>\$ (60,527,594)</u>	<u>\$ 100,287,983</u>	<u>\$ (16,570,644)</u>	<u>\$ 25,029,002</u>	<u>\$ 11,268,124</u>	<u>\$ (58,611,244)</u>
	0.00%	6.03%	5.28%	4.48%	3.51%	0.07%

CITY OF TUSTIN

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

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		Taxable Assessed Value
	Secured	Unsecured	
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
2018	8,684,095	311,475	8,995,570
2019	9,092,631	313,242	9,405,874

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)	
\$ 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%	
3,260,212	143,833	3,404,045	0.116%	
3,498,105	313,242	3,811,347	0.116%	

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year			
	2010	2011	2012	2013
<b>Direct Rate:</b>				
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
<b>Total Direct Rate</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>	<b>1.0000</b>
<b>Overlapping Rates:</b>				
Tustin Unified School District Bonds	0.0380	0.0596	0.0559	0.0672
Metropolitan Water District Bonds	0.0043	0.0037	0.0037	0.0035
Rancho Santiago Community College District Bonds	0.0274	0.0314	0.0315	0.0324
Orange Unified School District Bonds	-	-	-	-
Irvine Ranch Water District Bonds	0.2242	0.2242	0.2155	0.2155
Santa Ana Unified School District Bonds	0.0739	0.0717	0.0715	0.0775
Irvine Unified School District Bonds	-	-	-	-
<b>Total Overlapping Rates</b>	<b>0.3678</b>	<b>0.3906</b>	<b>0.3781</b>	<b>0.3961</b>
<b>Total Direct and Overlapping Rates</b>	<b>\$ 1.3678</b>	<b>\$ 1.3906</b>	<b>\$ 1.3781</b>	<b>\$ 1.3961</b>

Source: Hdl, Coren & Cone

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 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
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
0.0891	0.0696	0.0775	0.0700	0.0687	0.0669
0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
0.0333	0.0508	0.0504	0.0495	0.0509	0.0454
-	-	-	-	-	0.0269
0.2155	0.0960	0.0960	0.1270	0.1270	0.1270
0.0736	0.0687	0.0660	0.0638	0.0633	0.0556
-	-	-	-	0.0271	0.0280
<u>0.4150</u>	<u>0.2886</u>	<u>0.2934</u>	<u>0.3138</u>	<u>0.3405</u>	<u>0.3532</u>
<u>\$ 1.4150</u>	<u>\$ 1.2886</u>	<u>\$ 1.2934</u>	<u>\$ 1.3138</u>	<u>\$ 1.3405</u>	<u>\$ 1.3532</u>

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2019		2010	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Vestar Kimco Tustin LP	\$ 178,522,619	1.37%	\$ 150,656,486	1.59%
Raintree Tustin LLC	144,576,002	1.11%	-	0.00%
Legacy Villas LLC	126,809,875	0.97%	-	0.00%
Irvine Company LLC	126,224,453	0.97%	217,805,520	2.29%
Tustin Market Place	84,423,861	0.65%	-	0.00%
Tustin Parc LP	62,683,272	0.48%	-	0.00%
Apple Ten Hospitality Ownership Inc	56,735,392	0.44%	-	0.00%
Borchard Redhill SKB-Tustin LLC	53,913,261	0.41%	55,368,358	0.58%
PK II Larwin Square SC LP	53,406,781	0.41%	50,121,773	0.53%
Costco Wholesale Corporation	51,707,187	0.40%	46,636,264	0.49%
Richoh Development	-	0.00%	-	0.00%
Tustin Legacy Community Partners LLC	-	0.00%	86,699,995	0.91%
Irvine Apartment Communities LP	-	0.00%	84,078,200	0.89%
Creekside Meadows Development LLC	-	0.00%	130,368,443	1.37%
Tustin Heights SC LP	-	0.00%	47,130,120	0.50%
American Fund US Investments	-	0.00%	57,888,895	0.61%
	<u>\$ 939,002,703</u>	<u>7.20%</u>	<u>\$ 926,754,054</u>	<u>9.76%</u>

CITY OF TUSTIN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

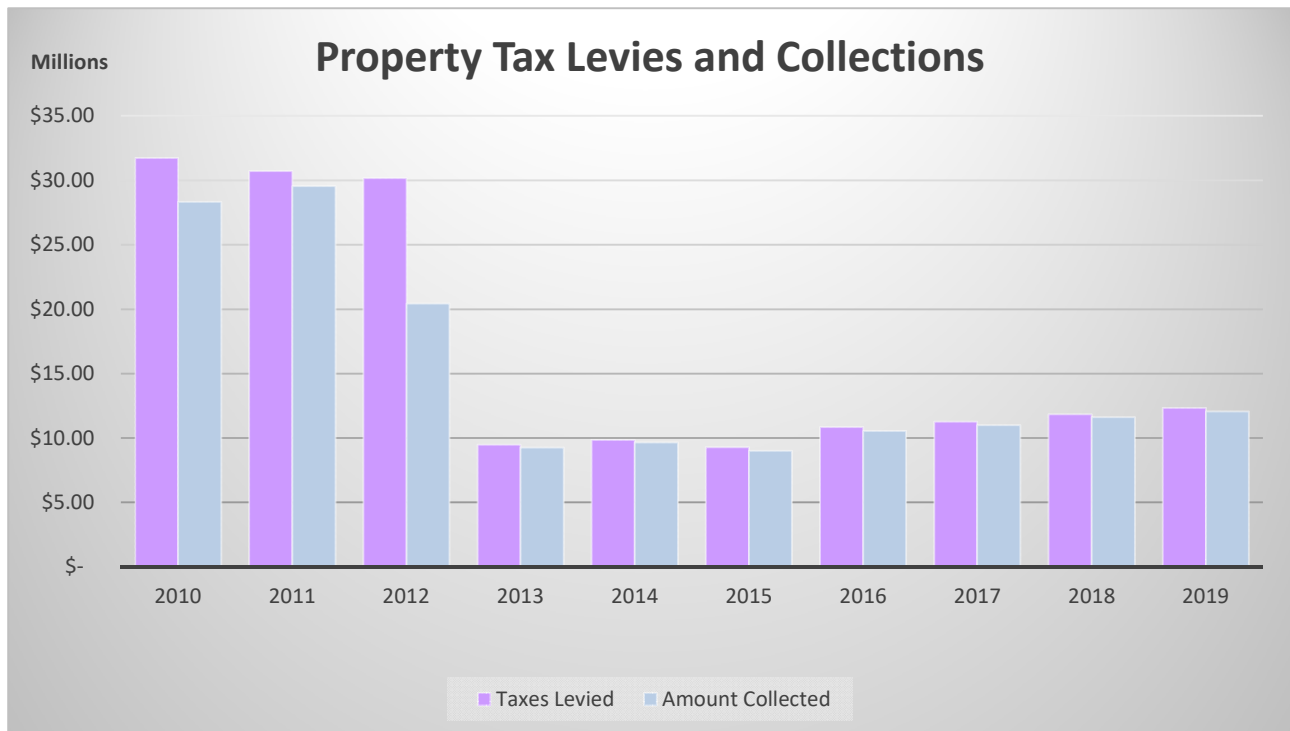
Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2010	31,739,378	28,347,659	89.31%	917,222	29,264,881	92.20%
2011	30,713,746	29,541,000	96.18%	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%
2018	11,844,150	11,615,833	98.07%	174,112	11,789,945	99.54%
2019	12,335,873	12,072,342	97.86%	183,788	12,256,130	99.35%

Notes:

The amounts presented for fiscal years 2010 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 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						Total Governmental Activities
	Tax Allocation Bonds (1)	Tax Allocation Bonds (5)	Tax Allocation Bonds (6)	Notes Payable (2)	Notes Payable (3)	Lease Payable (11)	
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
2018	-	-	-	-	-	271,162	271,162
2019	-	-	-	-	-	199,255	199,255

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 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 18 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 for more information.



Business-type Activity						Total Primary Government	Percentage of Personal Income	Debt Per Capita
Water Revenue Bonds (4)	Water Revenue Bonds (7)	Water Revenue Bonds (8)	Water Revenue Bonds (9)	Water Revenue Bonds (10)	Total Business-type Activity			
\$ 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
-	-	4,843,344	13,959,586	22,738,061	41,540,991	41,812,153	1.63%	508
-	-	3,931,858	13,905,642	22,685,456	40,522,956	40,722,211	1.46%	500

(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 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

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value *	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
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	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-

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 for more information.

CITY OF TUSTIN

OVERLAPPING DEBT SCHEDULE

June 30, 2019

2018-19 Assessed Valuation:	\$ 13,043,122,290
Redevelopment Incremental Valuation	(3,464,367,696)
Adjusted Assessed Value	<u>\$ 9,578,754,594</u>

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/19	(1) % Applicable	City's Share of Debt at 6/30/19
Metropolitan Water District	\$ 48,050,000	0.447%	\$ 214,784
Rancho Santiago Community College District	234,052,001	0.147	344,056
Rancho Santiago Community College District School Facilities Improvement District No.1	115,390,000	0.251	289,629
Irvine Unified School District School Facilities Improvement District No. 1	128,825,000	2.937	3,783,590
Orange Unified School District	188,000,000	0.03	56,400
Santa Ana Unified School District	293,004,757	0.31	908,315
Tustin Unified School District School Facilities Improvement District No. 2002-1	43,163,363	46.729	20,169,808
Tustin Unified School District School Facilities Improvement District No. 2008-1	85,140,000	45.067	38,370,044
Tustin Unified School District School Facilities Improvement District No. 2012-1	42,890,000	45.506	19,517,523
Tustin Unified School District Community Facilities District No. 88-1	24,770,000	100	24,770,000
Tustin Unified School District Community Facilities District No. 06-1	14,400,000	100	14,400,000
City of Tustin Community Facilities Districts	97,570,000	100	97,570,000
Irvine Unified School District Community Facilities District No. 86-1	28,395,000	0.191	54,234
Irvine Ranch Water District Improvement Districts	480,271,130	5.320-87.124	<u>59,711,232</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>280,159,615</u>

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Orange County General Fund Obligations	\$ 388,720,000	2.203%	8,563,502
Orange County Pension Obligations	407,629,239	2.203	8,980,072
Orange County Board of Education Certificates of Participation	13,490,000	2.203	297,185
Orange Unified School District Certificates of Participation	28,483,215	0.030	8,545
Orange Unified School District Benefit Obligations	76,765,000	0.030	23,030
Santa Ana Unified School District Certificates of Participation	66,113,991	0.31	204,953
City of Tustin	-	100	<u>199,255</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT			<u>18,276,542</u>

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)</u>	\$ 124,395,000	0.001-100.%	<u>52,085,723</u>
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TOTAL DIRECT DEBT	<u>199,255</u>
TOTAL OVERLAPPING DEBT	<u>\$350,322,625</u>

COMBINED TOTAL DEBT	<u>\$350,521,880</u>
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Overlapping debt excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

(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.

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

Ratios to 2018-19 Assessed Valuations:

Total Overlapping Tax and Assessment Debt	2.15%
Total Direct Debt	0.00%
Combined Total Debt	2.69%

Ratios to Redevelopment Incremental Valuations (\$3,464,367,696):

Total Overlapping Tax Increment Debt	1.50%
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Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
Assessed valuation	\$ 7,197,825,000	\$ 7,109,878,000	\$ 7,159,851,000	\$ 7,270,451,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,799,456,250	1,777,469,500	1,789,962,750	1,817,612,750
Debt limit percentage	15%	15%	15%	15%
Debt limit	269,918,438	266,620,425	268,494,413	272,641,913
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	<u>\$ 269,918,438</u>	<u>\$ 266,620,425</u>	<u>\$ 268,494,413</u>	<u>\$ 272,641,913</u>
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					
2014	2015	2016	2017	2018	2019
\$ 7,418,821,000	\$ 7,790,632,000	\$ 8,218,228,000	\$ 8,566,757,000	\$ 8,995,570,000	\$ 9,405,874,000
25%	25%	25%	25%	25%	25%
1,854,705,250	1,947,658,000	2,054,557,000	2,141,689,250	2,248,892,500	2,351,468,500
15%	15%	15%	15%	15%	15%
278,205,788	292,148,700	308,183,550	321,253,388	337,333,875	352,720,275
-	-	-	-	-	-
<u>\$ 278,205,788</u>	<u>\$ 292,148,700</u>	<u>\$ 308,183,550</u>	<u>\$ 321,253,388</u>	<u>\$ 337,333,875</u>	<u>\$ 352,720,275</u>
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		Coverage
				Principal	Interest	
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
2018	18,299,013	14,315,827	3,983,186	845,000	1,535,895	1.67
2019	18,644,225	14,284,470	4,359,755	880,000	1,503,095	1.83

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 for more information,

Tax Allocation Bonds				
Tax Allocation	Debt Service		Coverage	
	Principal	Interest		
\$ 3,831,975	\$ 1,150,000	\$ 497,180	2.33	
17,928,849	2,460,000	2,204,419	3.84	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	

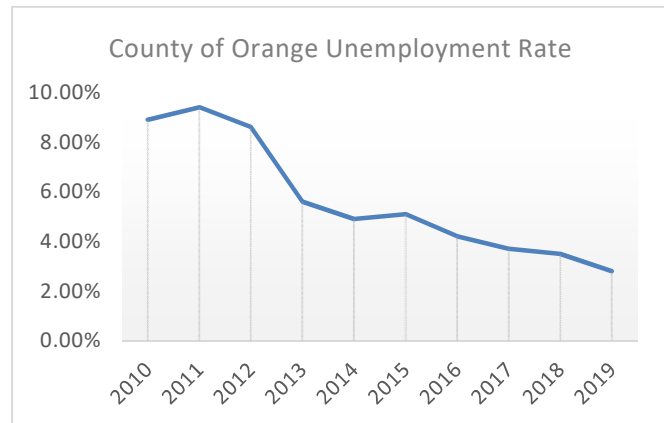
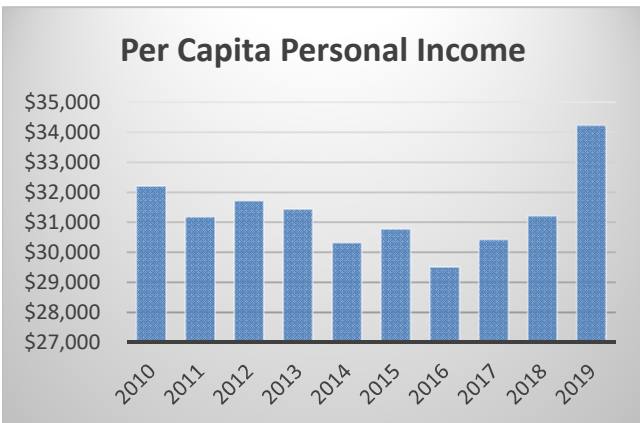
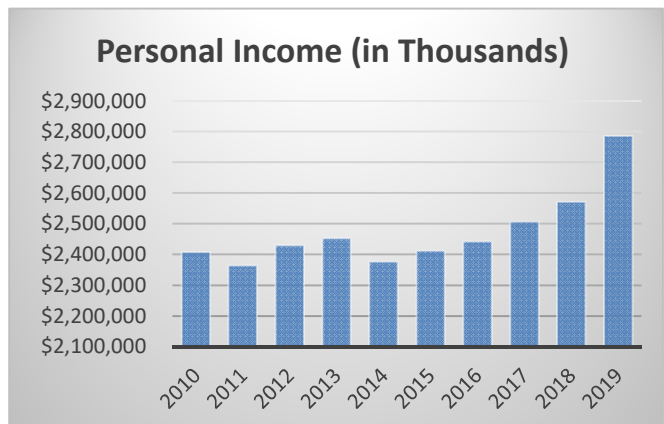
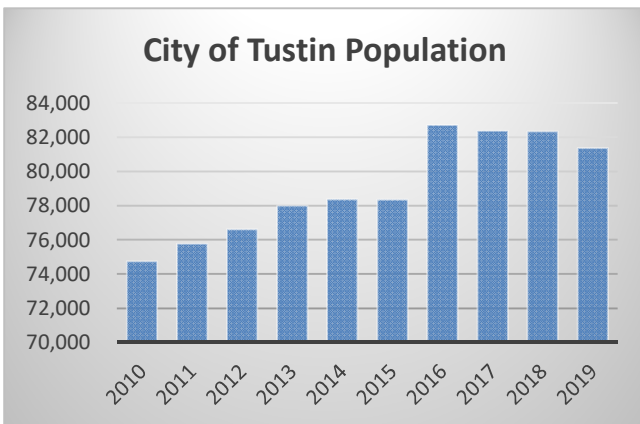
CITY OF TUSTIN

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
2010	74,736	\$ 2,407,036	\$ 32,207	8.90%
2011	75,773	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%
2018	82,344	2,570,460	31,216	3.50%
2019	81,369	2,785,795	34,237	2.80%

Source: HdL Coren & Cone, LLC





CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2019		2010	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Tustin Unified School District	2,884	6.75%	1,004	2.73%
Schools First Federal Credit Union	937	2.19%	-	0.00%
Youngs Market Company LLC	681	1.59%	-	0.00%
New American Funding	559	1.31%	-	0.00%
City of Tustin	411	0.96%	307	0.83%
Costco Wholesale Corporation	658	1.54%	250	0.68%
Canon Medical	300	0.70%	-	0.00%
Logomark Inc	265	0.62%	-	0.00%
Ricoh Electronics Inc	256	0.60%	500	1.36%
Kaiser Foundation Hospitals	250	0.59%	-	0.00%
ABM Industries	-	0.00%	1,300	3.53%
Rockwell Collins	-	0.00%	600	1.63%
Big Lots	-	0.00%	500	1.36%
Cherokee International Corp.	-	0.00%	350	0.95%
Microvention, Inc.	-	0.00%	300	0.82%
Toshiba America Medical Systems	-	0.00%	300	0.82%

Sources: State of California Employment Development Department  
 City of Tustin  
 US Census Bureau

CITY OF TUSTIN

FULL-TIME CITY EMPLOYEES  
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	27	25	29	26	35	33	38	35	39	42
Community Development	24	17	17	15	15	16	19	19	19	20
Public Works	53	52	51	40	47	48	45	48	47	49
Police	147	140	139	131	140	141	141	137	142	140
Parks and Recreation	15	14	15	13	13	14	14	17	17	17
RDA/Successor Agency	6	6	5	3	-	-	-	-	-	-
Water	22	23	25	17	17	18	19	18	18	19
Total	<u>294</u>	<u>277</u>	<u>281</u>	<u>245</u>	<u>267</u>	<u>270</u>	<u>276</u>	<u>274</u>	<u>282</u>	<u>287</u>

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	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Public Safety</b>										
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
<b>Public Works</b>										
Street (miles)	127.2	127.2	127.2	127.2	129.1	129.1	130.1	130.7	131.3	131.3
Street Lights	3,544	3,544	3,544	3,544	3,640	3,640	3,680	3,700	3,700	3,740
Traffic Signals	116	117	118	118	121	121	125	126	128	128
Storm Drain (miles)	49.2	49.2	49.2	49.2	51.2	51.4	51.8	52.9	53.9	53.9
Street Trees	15,853	15,837	15,786	16,097	16,073	15,815	15,706	15,542	15,574	15,042
<b>Parks and Recreation</b>										
Parks	13	13	13	13	13	13	14	14	14	14
Parks (acres)	98.5	98.5	98.5	98.5	98.5	98.5	116.0	116.0	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
<b>Water</b>										
Metered Services	14,118	14,139	14,139	14,172	14,181	14,148	14,099	14,109	14,104	14,241
Average daily consumption	14,460	12,899	13,491	13,601	13,975	13,975	9,975	10,601	11,770	11,098
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	13	13	13	13	13	13	13	14	14	14
Water Main (miles)	173	173	173	173	173	173	173	172	172	172
Fire Hydrants	2,201	2,201	2,201	2,201	1,914	1,945	1,945	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

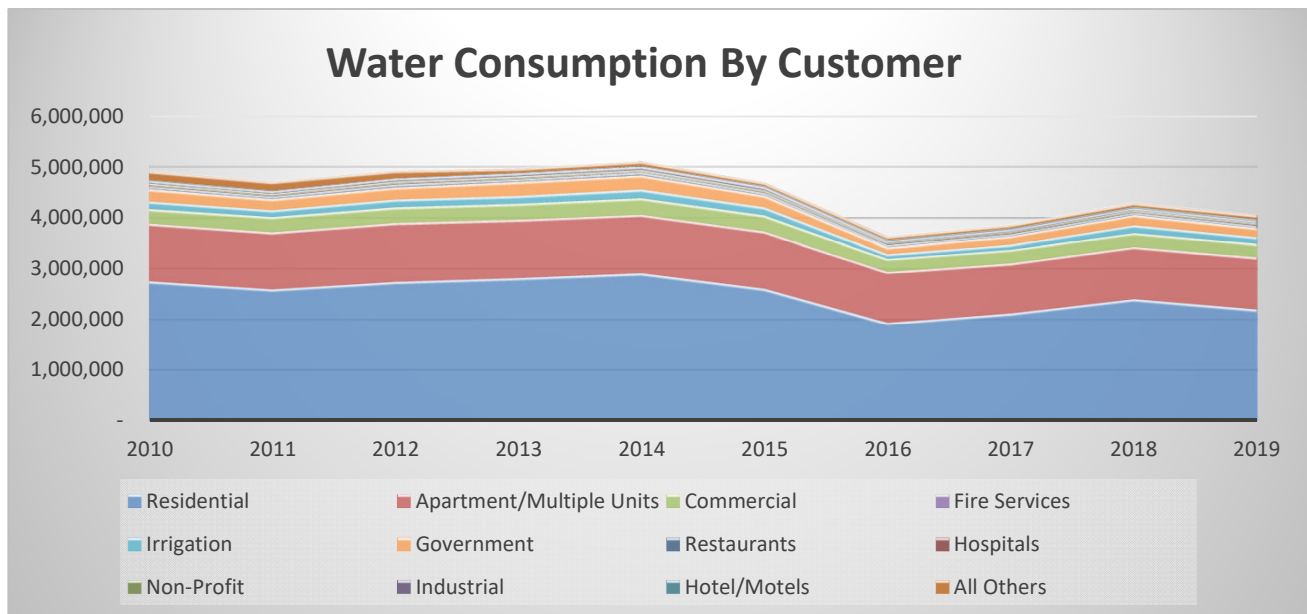
WATER CONSUMPTION BY CUSTOMER TYPE

Last Ten Fiscal Years

Type of Customer	Fiscal Year			
	2010	2011	2012	2013
Residential	2,749,415	2,592,741	2,733,482	2,815,322
Apartment/Multiple Units	1,142,749	1,133,899	1,172,823	1,158,480
Commercial	287,951	296,001	305,638	308,376
Fire Services	217	275	1,242	818
Irrigation	145,287	134,408	149,957	151,965
Government	238,914	212,561	236,658	268,581
Restaurants	52,761	48,873	53,183	53,461
Hospitals	9,636	11,587	12,204	12,442
Non-Profit	43,985	41,291	44,488	44,476
Industrial	56,360	51,760	58,298	57,462
Hotel/Motels	13,562	8,332	8,514	10,417
All Others	171,781	176,248	147,552	82,716
	<u>4,912,618</u>	<u>4,707,976</u>	<u>4,924,039</u>	<u>4,964,516</u>

Measured in hundred cubic feet.

Source: City of Tustin Finance Department



Fiscal Year

2014	2015	2016	2017	2018	2019
2,905,069	2,603,538	1,934,761	2,119,716	2,398,744	2,199,236
1,163,159	1,139,321	1,003,808	987,688	1,039,878	1,029,284
321,125	310,585	259,459	271,649	274,943	267,541
577	837	646	504	589	564
167,346	155,766	96,082	105,750	146,941	131,579
276,292	229,262	134,446	162,843	195,695	177,321
52,520	51,658	45,069	44,947	45,086	45,905
7,634	10,018	11,166	11,276	10,536	13,102
45,920	41,601	22,989	26,751	34,539	32,021
60,438	59,292	40,407	45,071	45,062	44,693
12,866	21,379	23,387	25,185	28,908	32,594
87,785	71,324	68,830	70,721	75,208	76,873
<u>5,100,731</u>	<u>4,694,581</u>	<u>3,641,050</u>	<u>3,872,101</u>	<u>4,296,129</u>	<u>4,050,713</u>

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
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
2018	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2019	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
2018	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2019	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 Fiscal Year and Ten Years Ago

Water Customer	2019		2010	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Tustin Unified School District	\$ 739,443	4.06%	\$ 380,442	3.59%
City of Tustin	204,847	1.12%	129,090	1.22%
Raintree Tustin LLC	183,511	1.01%	-	0.00%
Schroeder Property Management	104,359	0.57%	45,009	0.42%
Ricoh Electronics, Inc.	84,359	0.46%	43,618	0.41%
Tustin Parc	84,223	0.46%	-	0.00%
Tustin Acres Community Association	82,808	0.45%	54,958	0.52%
Tustin Village Community Association	79,258	0.43%	31,846	0.30%
CalTrans - District 12	76,146	0.42%	46,017	0.43%
Westchester Park LP	74,558	0.41%	37,053	0.35%
Tustin Plaza Center, LP	72,300	0.40%	-	0.00%
Key Inn	72,294	0.40%	-	0.00%
Briarwood Investment Co. Ltd.	70,534	0.39%	43,209	0.41%
Vio Tustin Investment LP	63,761	0.35%	-	0.00%
CMC Association Management	63,077	0.35%	38,374	0.36%
Curtis Grieder	61,943	0.34%	-	0.00%
New Villa Valencia MHP	56,416	0.31%	-	0.00%
Regency West	53,964	0.30%	33,348	0.31%
Saddleback Mobilodge	53,225	0.29%	34,440	0.33%
15701 TV Way Partnership	50,310	0.28%	32,822	0.31%
Sycamore Gardens HOA	49,366	0.27%	-	0.00%
Roshan M.D.	48,513	0.27%	-	0.00%
Alders Apartment Company	46,159	0.25%	29,967	0.28%
Stonebrook Lmtd.	43,182	0.24%	-	0.00%
Waterstone Gardens Investments LP	42,824	0.23%	30,371	0.29%
SP/P Creekside Venture, LLC	-	0.00%	109,015	1.03%
AT& T Services, Inc.	-	0.00%	51,711	0.49%
V KAY - NNC Valencia Gardens	-	0.00%	46,116	0.44%
Carmel Partners, MS#3	-	0.00%	39,870	0.38%
Villa Valencia MHP	-	0.00%	35,943	0.34%
Sierra Corporate Management	-	0.00%	35,219	0.33%
Total Water Sales	<u>\$ 2,561,380</u>	<u>14.05%</u>	<u>\$ 1,328,437</u>	<u>12.54%</u>
Total Water Revenues	<u>\$ 17,329,090</u>			

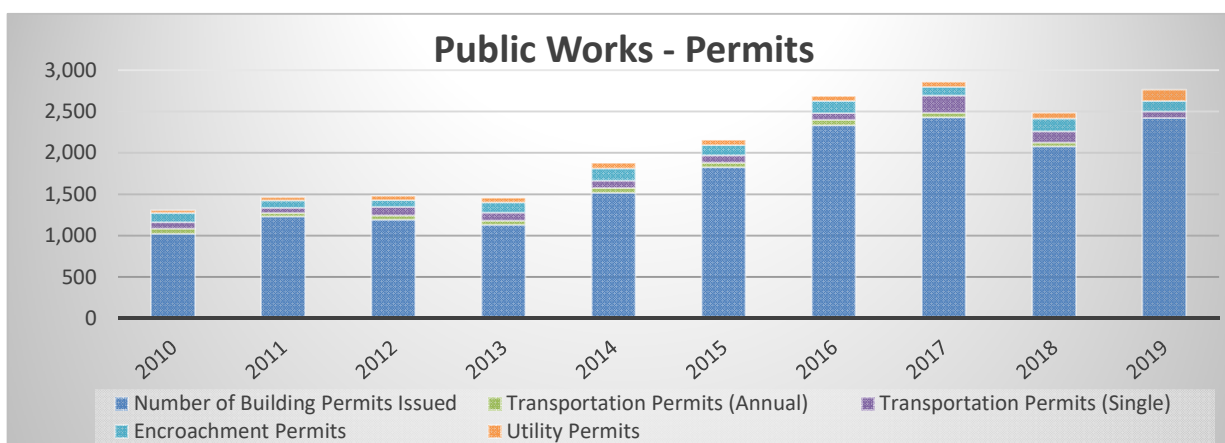
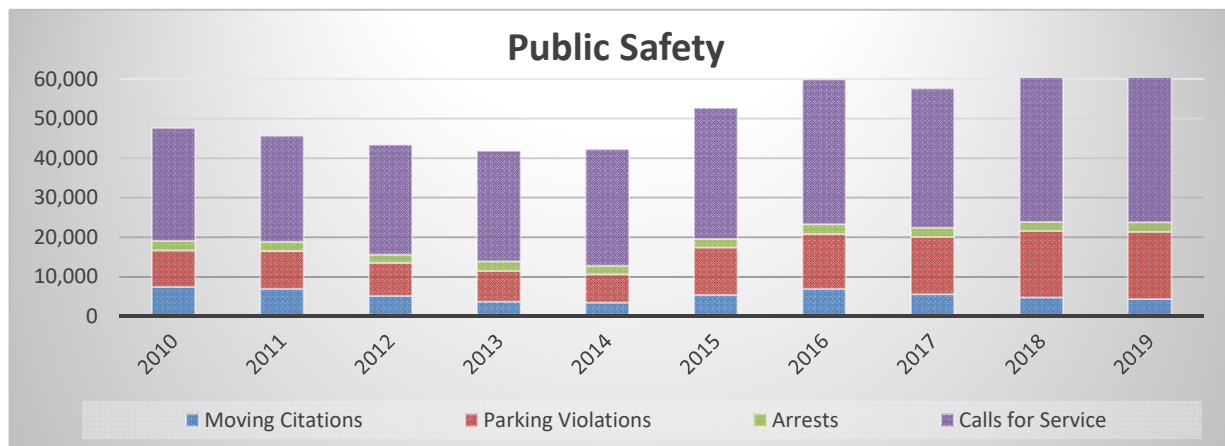
Source: City of Tustin Finance Department

CITY OF TUSTIN

OPERATING INDICATORS BY FUNCTION

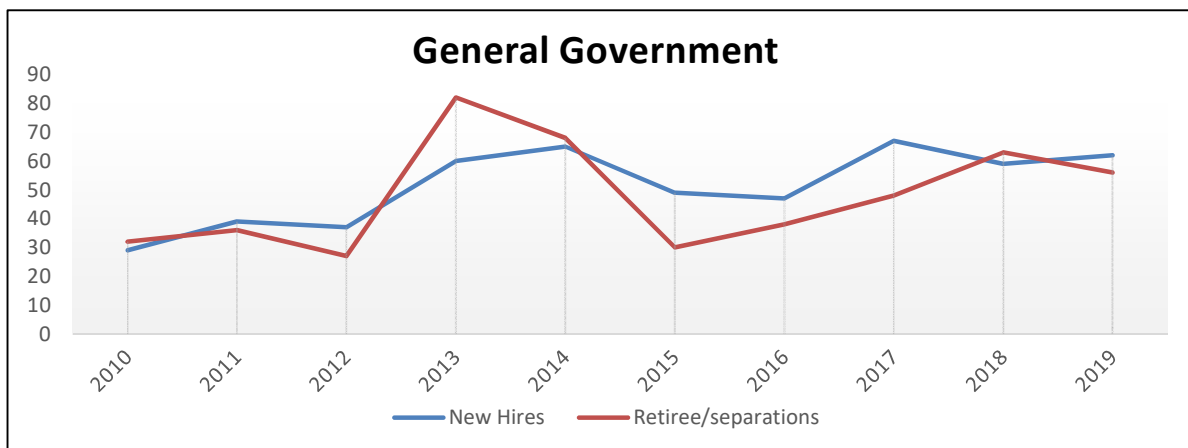
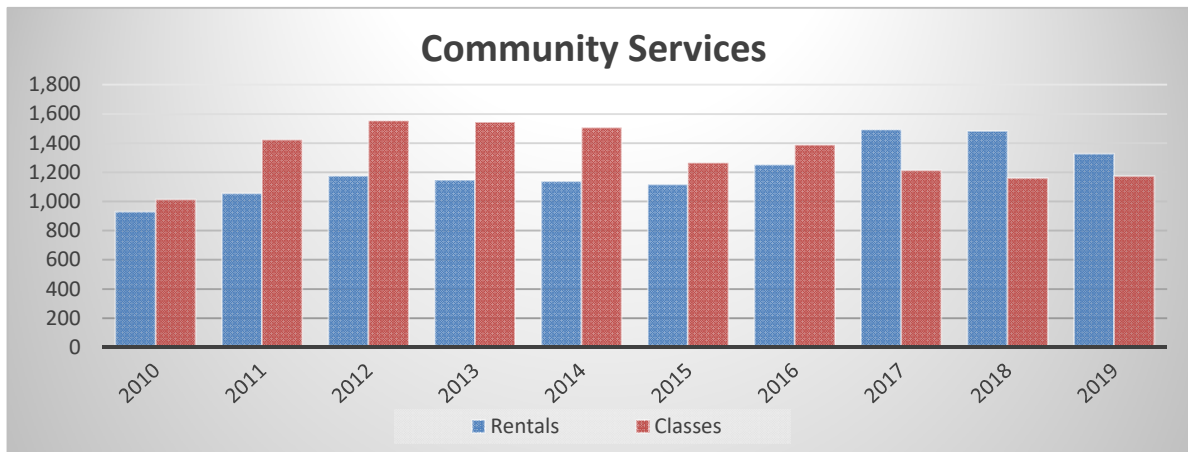
Last Ten Fiscal Years

	Fiscal Year			
	2010	2011	2012	2013
<b>Public Safety</b>				
Moving Citations	7,439	6,954	5,161	3,748
Parking Violations	9,242	9,594	8,323	7,754
Arrests	2,419	2,288	2,177	2,420
Calls for Service	28,534	26,819	27,774	27,954
<b>Public Works</b>				
Number of Building Permits Issued	1,023	1,230	1,193	1,130
Number of Building Inspections Completed	15,999	10,656	8,019	5,934
Transportation Permits				
Annual	61	45	50	50
Single	76	62	104	99
Encroachment Permits	113	88	83	123
Utility Permits	31	40	48	55
Curb Miles Swept	20,666	20,608	20,872	20,003
<b>Community Services</b>				
Rentals	929	1,055	1,176	1,147
Classes	1,013	1,424	1,555	1,544
<b>General Government</b>				
New Hires	29	39	37	60
Retiree/separations	32	36	27	82





Fiscal Year					
2014	2015	2016	2017	2018	2019
3,499	5,444	6,982	5,590	4,762	4,355
7,136	11,994	13,855	14,514	16,836	17,017
2,139	2,155	2,494	2,343	2,302	2,463
29,527	33,114	36,618	35,172	36,571	38,326
1,517	1,828	2,334	2,430	2,078	2,425
5,655	6,344	11,947	11,768	9,816	11,348
59	55	66	56	46	77
89	88	82	208	137	127
148	124	147	107	155	136
66	60	59	62	71	65
21,118	20,773	22,087	20,589	20,270	22,162
1,138	1,117	1,253	1,494	1,483	1,326
1,508	1,265	1,389	1,213	1,160	1,173
65	49	47	67	59	62
68	30	38	48	63	56



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