CITY OF TUSTIN, CALIFORNIA

Comprehensive Annual Financial Report
For the year ended June 30th, 2012

Photo contest winner for the "15 and Under" category
Adriana - Boys & Girls Club

Photo contest winner for the "amateur" category
Ed Rice

Photo contest winner for the "professional" category
Mark Settles

TUSTIN CITY COUNCIL

JOHN NIELSEN, MAYOR
AL MURRAY, MAYOR PRO TEM
JERRY AMANTE
DEBORAH GAVELLO
REBECCA "BECKIE" GOMEZ

CITY OF TUSTIN

CITY OF TUSTIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2012

Prepared By: Finance Department

CITY OF TUSTIN

CITY OF TUSTIN

TABLE OF CONTENTS

For the year ended June 30, 2012

	Page Number
INTRODUCTORY SECTION:	
Elected and Administrative Officials	i
Letter of Transmittal	iii
Organization Chart	vii
GFOA Certificate of Achievement for Excellence in Financial Reporting	viii
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Fund:	
Statement of Net Assets	22
Statement of Revenues, Expenses and Changes in Net Assets	23
Statement of Cash Flows	24
Fiduciary Funds:	
Statement of Fiduciary Net Assets	26
Statement of Changes in Fiduciary Net Assets	27
Notes to Basic Financial Statements	29

CITY OF TUSTIN

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	Page Number
REQUIRED SUPPLEMENTARY INFORMATION:	73
Schedule of Funding Progress for PERS and Post-Employment Benefit Plan	75
Budgetary Comparison Schedule - General Fund	76
Note to Required Supplementary Information	77
SUPPLEMENTARY INFORMATION:	79
Other Governmental Funds:	81
Combining Balance Sheet	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Gas Tax Special Revenue Fund	92
Measure M Special Revenue Fund	93
Park Acquisition and Development Special Revenue Fund	94
Asset Forfeiture Special Revenue Fund	95
Air Quality Special Revenue Fund	96
Supplemental Law Enforcement Special Revenue Fund	97
Housing Authority Special Revenue Fund	98
Agency Funds:	99
Combining Statement of Assets and Liabilities	100
Combining Statement of Changes in Assets and Liabilities	101
STATISTICAL SECTION (UNAUDITED):	105
Description of Statistical Section Contents	107
Financial Trends:	
Net Assets by Component - Last Eight Fiscal Years	108
Changes in Net Assets - Expenses and Program Revenues - Last Eight Fiscal Years	110
Changes in Net Assets - General Revenues - Last Eight Fiscal Years	112
Fund Balances of Governmental Funds - Last Eight Fiscal Years	114
Changes in Fund Balances of Governmental Funds - Last Eight Fiscal Years	116

CITY OF TUSTIN

TABLE OF CONTENTS
(CONTINUED)

For the year ended June 30, 2012

	Page Number
STATISTICAL SECTION (UNAUDITED) (CONTINUED):	
Revenue Capacity:	
Assessed Value and Estimated Actual Values of Taxable Property - Last Ten Fiscal Years	118
Direct and Overlapping Property Tax Rates - Last Eight Fiscal Years	120
Principal Property Taxpayers - Current Year and Nine Years Ago	122
Property Tax Levies and Collections - Last Eight Fiscal Years	123
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	124
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	126
Overlapping Debt Schedule	127
Legal Debt Margin Information - Last Ten Fiscal Years	128
Pledged-Revenue Coverage - Last Ten Fiscal Years	130
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Years	132
Principal Employers - Current Year and Six Years Ago	133
Operating Information:	
Full-Time City Employees by Function - Last Ten Fiscal Years	134
Capital Asset Statistics by Function - Last Ten Fiscal Years	135
Water District Schedules for Revenue Capacity:	
Water Consumption by Customer Type - Last Ten Fiscal Years	136
Water Rates - Last Ten Fiscal Years	138
Water Customers - Current Year and Six Years Ago	139

CITY OF TUSTIN

CITY OF TUSTIN

Elected and Administrative Officials

MAYOR
John Nielsen

CITY COUNCIL

Al Murray, Mayor Pro Tem
Jerry Amante
Deborah Gavello
Rebecca "Beckie" Gomez

AUDIT COMMISSION

Craig Shimomura, Chair
R. Lawrence Friend, Chair Pro Tem
Robert Ammann
Richard G. Hilde
Gregory C. Moore

CITY MANAGER

Jeffrey C. Parker

David E. Kendig
City Attorney

George W. Jeffries
City Treasurer

Elizabeth A. Binsack
Director, Community Development

Pamela Arends-King
Director, Finance

Douglas S. Stack
Director, Public Works / City Engineer

Pamela Stoker
City Clerk

VACANT
Assistant City Manager

Scott M. Jordan
Chief of Police

Kristi Recchia
Director, Human Resources

David Wilson
Director, Parks and Recreation Services

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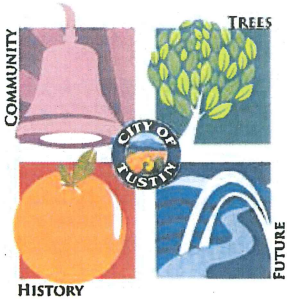
Finance Department

TUSTIN



BUILDING OUR FUTURE
HONORING OUR PAST

January 25, 2013

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, 2012, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

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

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

The City of Tustin's financial statements for the year ended June 30, 2012, 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 unqualified opinion that the City of Tustin's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE CITY OF TUSTIN

The City of Tustin is located in the central part of Orange County, about forty miles southeast of Los Angeles and eighty miles north of San Diego, at the intersection of the 5 and 55 Freeways. Tustin covers over eleven square miles and adjoins the cities of Orange, Santa Ana and Irvine. The State of California Department of Finance has estimated the City's January 1, 2012 population at 76,567, a one percent increase from 2011. While the City is surrounded by much of the County's main industrial employment, it is essentially a residential community.

The City was incorporated under the General Laws of the State of California in 1927 as the "City of Tustin". Government was by a five member elected City Council. The Council/Administrator form of city government was adopted in 1965 and was modified to the Council/Manager form in 1981.

Council members serve staggered, four-year terms, with a two consecutive term limit. The Mayor is selected by the City Council from among its membership and serves a one-year term. The City Manager is appointed by the City Council to carry out the policies and direction of the City Council, oversee the day-to-day operations of the City and appoint department heads.

Tustin is a full service City. The services provided by the City include police, street and park maintenance, water, recreation, traffic/transportation, public improvements, planning, zoning, and general administrative services. The City contracts with the Orange County Fire Authority for fire suppression services. Also included in the City's overall operations are the Tustin Community Redevelopment Agency (TCRA), the Tustin Public Financing Authority and the City of Tustin Housing Authority (Housing Authority). The activities of all three entities are included in these financial statements. On February 1, 2012, the Tustin Community Redevelopment Agency dissolved with the passage of California State Assembly Bill 1x 26. The TCRA activities transferred to the Successor Agency to the Tustin Community Redevelopment Agency (Successor Agency). The resources and activities of the Successor Agency are reported in a separate Private-Purpose Trust fund, which is included in these financial statements. Additional information regarding the dissolution of the TCRA and the Successor Agency is available in Note 1, Note 16 and Note 17 to the basic financial statements. Additional information for the Tustin Public Financing Authority and the Tustin Housing Authority is available in Note 1 of the Notes to Basic Financial Statements.

The key element of the City's financial management process is the development and approval of the annual budget. The City Council conducts various open budget workshops as necessary and adopts the budget at a noticed public meeting. The budget is prepared pursuant to generally accepted accounting principles (GAAP) and is balanced by fund. The level of appropriations is controlled by the City Council for each fund. The City Manager is authorized to transfer appropriations within the fund between the various programs and/or departments. Budgetary control is maintained by a real-time financial reporting system. Budget to actual comparisons are provided through display or reports and through budget controls set within the purchasing and accounts payable modules for each individual governmental fund for which an appropriated annual budget has been adopted.

For the General Fund this comparison is presented on page 76 as part of the required supplementary information and for nonmajor governmental funds this comparison is presented on pages 92 – 98 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 every six months by the DOF through the submission of a Recognized Obligation Payment Schedule.

ECONOMIC OUTLOOK

The State of California continues to slowly recover from the economic downturn. The statewide unemployment rate has dropped from 11.3% in November 2011 to 9.8% for November 2012, which is 2.1% higher than the United States unemployment rate of 7.7% for November 2012. The Orange County unemployment rate has decreased 1.1% from November 2011 to 7.0% for November 2012. The continuing recovery from the recession has resulted in an increase in sales tax revenue, which is the General Fund's largest revenue source. Annual Sales tax revenue went from $20.4 million in fiscal year 2007-2008 to $15.9 million in fiscal year 2009-2010, a 22% decline over three years; however sales tax increased $2.7 million in fiscal year 2010-2011 to $18.6 million and increased $1.3 million in fiscal year 2011-12 to $19.6 million. Sales tax revenue for fiscal year 2012-13 is expected to increase $1 million. Property tax revenue is the City's second largest revenue source. Property tax revenue has remained flat from prior fiscal year. Total property tax revenue received was $7.8 million and is estimated to remain flat for fiscal year 2012-13.

Construction at the Marine Corp Air Station Base (base) that was planned before the economic downturn continues. The City is currently in discussion with developers and commercial companies for the development of areas of the base. The new proposed development will consist of construction for commercial, retail and residential purposes. The City will be completing the construction of a fire station and the Tustin Ranch Road extension project by the end of 2013 within the base area. The dissolution of the TCRA has had a significant impact on the development of the base. Tax increment received from TCRA was to be used to help fund a portion of the backbone infrastructure. Staff is currently working on alternative methods to fund the construction of the backbone infrastructure for the base area. The City also negotiated for the sale of land parcels for the development of two hotels and a retail establishment along the 55 Freeway and Edinger Avenue. Escrow closed on the development of the hotels in August 2012. It is anticipated that the hotels will be completed by the fall of 2013. The additional hotel bed tax generated for fiscal year 2013-14 from the new hotels is estimated to be $600,000 to $750,000.

The City Council continues to take a proactive approach for maintaining the City's healthy financial position by monitoring revenues and expenses. General Fund Revenues for fiscal year 2012-13 are estimated to be $3.9 million less than fiscal year 2011-12, primarily due to the dissolution of TCRA; however, expenditures are $2.3 million less than budgeted in fiscal year 2011-12. The City expects a $2.2 million deficit for fiscal year 2012-13; therefore City Council has offered an early retirement incentive to qualified employees. Based on the number of people qualified for the incentive the savings to the General Fund in the long term would help eliminate future operating deficits and help the City maintain its General Fund reserves. Qualified employees are required to provide their decision to take the incentive by July 2012. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2013.

ACCOMPLISHMENTS AND FUTURE PROJECTS

Major capital improvement projects completed included the Metrolink parking structure; the Columbus Tustin Gym Solar panels; Mitchell/Utt pedestrian enhancements; the City Yard Mechanic Roof replacement; replacement of HVAC units at the Police Department; and the Mitchell Ave. Storm Drain. The City continues to work on the Tustin Ranch Road extension; Tustin Ranch irrigation; Valencia North Loop/Armstrong project, the Tustin Legacy Fire Station #37; the Rawlins water reservoir rehabilitation; and the Columbus Tustin Park playground renovation.

The City's capital projects for fiscal year 2012-2013 are budgeted at $66 million. Funding sources for the capital projects include revenues from gas tax, Community Development Block Grant, water revenues, Measure M, Park Development Funds, Water Revenue Bond proceeds and Tax Allocation bond proceeds. Major projects include the expansion of Tustin Ranch Road; Tustin Legacy Fire Station; Clifton C. Miller Community Center kitchen remodel; Red Hill Avenue median improvements between Barranca Parkway and north of Valencia Avenue; Tustin Legacy Park; citywide installation of catch basins; Cedar Grove Park and Frontier Park playground equipment; and the rehabilitation of the Rawlings water reservoir.

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, 2011. This was the twenty-fifth 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 Jennifer Leisz, Finance Manager, Nipa Shah, Part-time Accounting Supervisor, Sean Tran, Administrative Services Manager, Alberto Preciado, Accountant, and the finance staff. Their significance in preparing the final financial documents is reflected in the quality of this report.

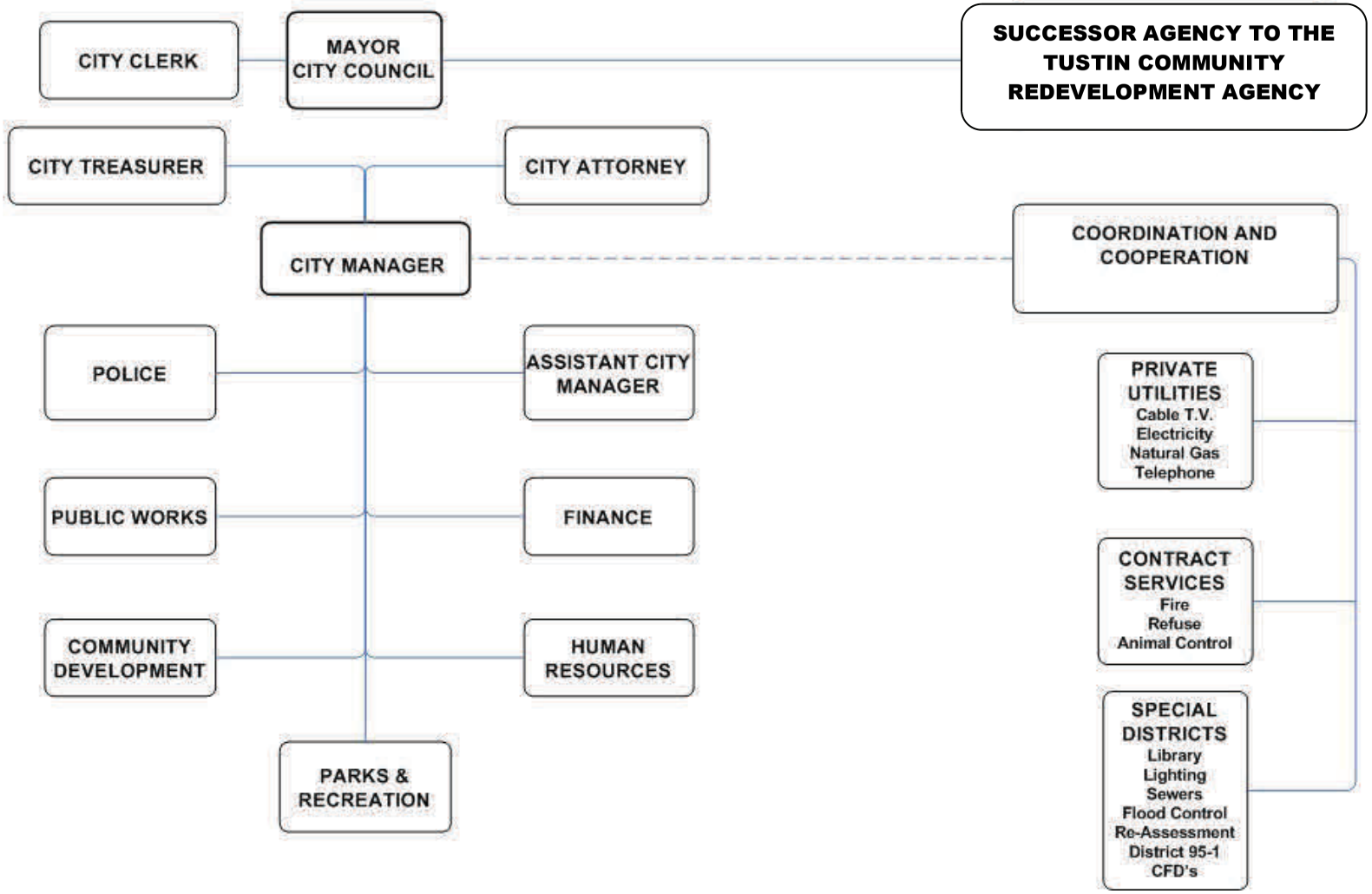
The Mayor and members of the City Council are to be commended for their interest and support in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Pamela Arends-King

Pamela Arends-King
Finance Director

LOCAL GOVERNMENT
FY 2011-12



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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Tustin
Tustin, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tustin, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tustin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tustin, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the Tustin Community Redevelopment Agency, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2013 on our consideration of the City of Tustin's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

The management's discussion and analysis, the schedules of funding progress and budgetary comparison schedule, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis and the schedules of funding progress 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 management's discussion and analysis and the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note have 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Tustin, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

White Nelson Diehl Evans LLP

Irvine, California
January 22, 2013

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, 2012. 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 of the City exceeded its liabilities at June 30, 2012, by $636.2 million (*net assets*). Net assets consist of $438.2 million invested in capital assets, net of related debt, $47.7 million in restricted net assets and $150.3 million in unrestricted net assets.

- The government's total net assets decreased by $2.4 million during the fiscal year ended June 30, 2012. The primary reason for the decrease is due to an extraordinary loss of $27.3 million. The extraordinary loss resulted from the dissolution of the Tustin Community Redevelopment Agency (TCRA), February 1, 2012. The assets and liabilities of the TCRA were transferred to the Successor Agency for the Tustin Community Redevelopment Agency (Successor Agency) private purpose trust fund. Due to the dissolution of the TCRA, the restriction placed on net assets as a result of Debt Service decreased, therefore the unrestricted net assets increased $30.9 million from the prior year.

- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of $204.9 million, a decrease of $107.3 million in comparison with the prior year. The significant decrease in ending fund balances is due to an extraordinary loss of $98.4 million caused by the dissolution of the TCRA and the transfer of the TCRA assets and liabilities to the Successor Agency. Approximately $146.3 million (71.5%) is nonspendable; $38.3 million is restricted.

- The net decrease in the City's total long-term liabilities was $78.3 million. The $78.3 million net decrease is primarily due to the transfer of tax allocation bond debt of $74.2 million to the Successor Agency due to the dissolution of the TCRA.

Overview of the Financial Statements

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

Government-wide financial statements

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases in the net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, the TCRA, a blended component unit, and the Tustin Public Financing Authority, a blended component unit, include general government, public safety, community services and public works. On February 1, 2012, the TCRA was dissolved; therefore, the financial activities reported in these statements for TCRA are for the seven months ended January 31, 2012. 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.

Fund financial statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains various individual governmental funds organized by their type (special revenue, debt service and capital projects funds). Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The General Fund and the CFD Construction Capital Projects 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 an 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 one 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 TCRA.

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

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fiduciary funds financial statements.

Other information

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented for all nonmajor Special Revenue Funds, 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 assets (68.7%) reflects its investment in capital assets e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Net Assets
As of June 30, 2012
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2011	2012	2011	2012	2011	2012	2011-2012
Assets:							
Current and other assets	$338.5	$243.6	$27.5	$25.9	$366.0	$269.5	
Capital assets	383.1	412.7	33.9	37.2	417.0	449.9	
Total Assets	721.6	656.3	61.4	63.1	783.0	719.4	(8.1%)
Liabilities:							
Current liabilities	22.8	38.2	2.7	4.3	25.5	42.5	
Non-Current liabilities	86.6	10.2	32.3	30.5	118.9	40.7	
Total Liabilities	109.4	48.4	35.0	34.8	144.4	83.2	(42%)
Net Assets:							
Invested in capital assets, net of related debt	378.9	412.7	20.9	25.5	399.8	438.2	
Restricted	116.7	47.7	-	-	116.7	47.7	
Unrestricted	116.6	147.5	5.5	2.8	122.1	150.3	23%
Total Net Assets	$612.2	$607.9	$26.4	$28.3	$638.6	$636.2	(0.38%)

Governmental activities. Net assets of the City's governmental activities decreased 0.7 % to $607.9 million, of which $412.7 million is invested in capital assets such as equipment, buildings and infrastructure, net of related debt. Of the remaining total, $47.7 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining $147.5 million is subject to designation for specific purposes as approved by the City Council, and may be used to meet the City's ongoing obligations.

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Changes in Net Assets
For the Year Ended June 30, 2012
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2011	2012	2011	2012	2011	2012	2011-2012
Revenues:							
Program revenues:							
Charges for services	$6.8	$4.3	$12.4	15.1	$19.2	$19.4	
Operating grants & contributions	3.4	3.6	-	-	3.4	3.6	
Capital grants and contributions	3.4	20.9	-	-	3.4	20.9	
General revenues:							
Taxes	32.4	25.2	-	-	32.4	25.2	
Sales taxes shared state revenues	18.6	19.9	-	-	18.6	19.9	
Motor vehicle taxes	6.2	5.8	-	-	6.2	5.8	
Earnings on investments	2.4	0.9	0.2	0.2	2.6	1.1	
Miscellaneous	1.7	14.4	-	-	1.7	14.4	
Total Revenues	74.9	95.0	12.6	15.3	87.5	110.3	26%
Expenses:							
General government	10.3	12.3	-	-	10.3	12.3	
Public safety	28.6	28.8	-	-	28.6	28.8	
Public works	17.4	20.8	-	-	17.4	20.8	
Community services	13.2	7.1	-	-	13.2	7.1	
Interest on long-term debt	4.8	3.0	-	-	4.8	3.0	
Water	-	-	12.6	13.4	12.6	13.4	
Total Expenses	74.3	72.0	12.6	13.4	86.9	85.4	(1.7%)
Extraordinary Item:							
Loss on transfer to successor agency	-	(27.3)	-	-	-	(27.3)	
Change in net assets	0.6	(4.3)	-	1.9	0.6	(2.4)	
Net Assets - Beginning, restated	611.6	612.2	26.4	26.4	638.0	638.6	
Net Assets - Ending	$612.2	607.9	$26.4	$28.3	$638.6	$636.2	(0.38%)

See independent auditors' report.

Government-wide Financial Analysis (Continued)

In governmental activities, the decline in net assets of $4.3 million is primarily due to an extraordinary loss of $27.3 million. The extraordinary loss resulted from the dissolution of the Tustin Community Redevelopment Agency (TCRA), February 1, 2012. The assets and liabilities of the TCRA were transferred to the Successor Agency to the Tustin Community Redevelopment Agency (Successor Agency) private purpose trust fund. Note 16 of the Notes to the Basic Financial Statements discusses the changes in California legislation that affected California Redevelopment Agencies.

Overall, revenues increased by $20.1 million from prior year. Charges for services decreased $2.5 million from prior year because funds received from assessments for city services from Community Facilities Districts 04-1, 06-1 and 07-1 were reclassified to property taxes in general revenue. Capital grants and contributions program revenues increased $17.5 million due to the capital contribution of $15.9 million from the Orange County Transportation Authority for the construction of the Metrolink Station parking structure. Taxes decreased $7.2 million from prior year because the City only received seven months of property tax increment for TCRA due to the TCRA dissolution. The City's property values continue to remain stable; therefore there were no significant property devaluations to impact revenues other than the loss of property tax increment from the TCRA dissolution. Sales tax revenue increased $1.3 million due to the continuing economic recovery especially in automobile sales. Earnings on investments decreased $1.5 million primarily due to the decrease in interest revenue paid from TCRA's Low and Moderate Income Housing funds to the General Fund for the Reimbursement Agreement in regards to meeting affordable housing obligations. With the dissolution of the Redevelopment Agencies any agreements between the City and TCRA were no longer valid; therefore, no interest income was paid to the City's General Fund. Earnings on the City's investment portfolio averaged less than 0.45%. Miscellaneous revenue increased $12.7 million. The increase is primarily due to an $8.6 million transfer from the Successor Agency for reimbursement of costs incurred by the General Fund related to the potential extension of Newport Boulevard.

Expenses decreased $2.3 million from prior year. General Government expenses increased $2 million from prior year due to the decrease in reimbursement from the TCRA for overhead for $0.8 million; increase in fuel costs; claims paid; and increase in salaries and benefits due to increase in pension contribution rates and merit increases. The $3.4 million increase in expenses for Public Works is due to the increase in spending for capital projects. Community services expenses decreased $6.1 million and interest on long-term debt decreased $1.8 million due to the dissolution of TCRA.

Business-Type activities net assets increased $1.9 million due to the implementation of the increase in water rates over a five year period starting June 2010. The rates are adequate to cover the annual operating costs and build reserves. Water operation costs increased $0.8 million primarily due to the increase in production costs.

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 $204.9 million, a decrease of $107.4 million in comparison with the prior year due to the dissolution of TCRA. Approximately $146.3 million (71.2 %) of this total amount constitutes nonspendable fund balance. Of the nonspendable amount $144.4 million is land held for resale. The remainder of the fund balance consists of $54.5 million in restricted funds and $4.1 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 $4.1 million, while total fund balance was $148.7 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 7.7% of the total General Fund expenditures.

Financial Analysis of the Government's Funds (continued)

City of Tustin
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2012
(*in millions of dollars*)

	2011	2012	Total %Change 2011-2012
Revenues:			
Taxes	$36.6	39.5	
Charges for services	4.9	2.7	
Intergovernmental	1.1	1.6	
Fines and forfeitures	0.7	0.9	
Licenses and permits	0.7	0.4	
Other	3.7	12.3	
Total Revenues	47.7	57.4	20.3%
Expenditures:			
General government	9.9	11.6	
Public safety	27.4	28.6	
Public works	6.6	6.9	
Community services	2.8	2.9	
Capital outlay	1.1	1.8	
Interest and fiscal charges	0.9	0.9	
Total Expenses	48.7	52.7	8.2%
Excess of Revenues Over (Under) Expenditures	(1.0)	4.7	
Net Transfers	2.6	0.2	(92.3%)
Extraordinary Item:			
Loss on transfer to successor agency	-	(7.9)	
Net Change in Fund Balance	$1.6	($3.0)	(287.5%)

Transactions impacting revenues in the General Fund were as follows:

- Sales tax revenues were $19.9 million reflecting a $1.3 million increase from prior year due to the economic recovery.
- Charges for services decreased $2.2 million from prior year due to the reclassification of assessments received for services from Community Facility Districts 04-1, 06-1 and 07-1 to taxes.
- Other revenue increased $8.6 million due to funds received from the Successor Agency for reimbursement of costs the General Fund incurred in associated with the Newport Boulevard extension project.

See independent auditors' report.

Financial Analysis of the Government's Funds (continued)

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2012:

- General Government expenditures increased $1.7 million primarily due to the decrease in reimbursement of overhead from TCRA and the increase in claims paid, utility and fuel costs, and pension contribution rates.
- Public safety expenditures increased $1.2 million due to the filling of vacant positions and increase in pension contribution rates.
- The $7.9 million extraordinary loss was due to the dissolution of TCRA. The California Department of Finance deemed short-term borrowing of $4.7 million from the General Fund to TCRA unenforceable and disallowed the affordable housing reimbursement payments of $3.2 million from TCRA to the General Fund from 6/30/11 to 1/1/12.

The CFD Construction Capital Projects Fund expenditures increased $11.7 million from prior fiscal year. The increase is due to construction activity to build the back-bone infrastructure within the former Marine Corps Air Station Base area.

General Fund Budgetary Highlights

Differences between the General Fund actual revenues and transfers and amended budgeted revenues and transfers were $9.6 million primarily due to the increase in sales and property taxes that were higher than what was expected and the transfer of $8.6 million from the Successor Agency for reimbursement of funds expended on the Newport Boulevard extension project. Actual General Fund expenditures were less than the amended budgeted amount of $53.9 million by $1.2 million.

Financial Analysis of the Proprietary Funds

The City has one proprietary fund which is the Water Enterprise Fund. Net assets of the Water Enterprise increased $1.9 million during fiscal year 2012, from $26.4 million as of June 30, 2011, to $28.3 million as of June 30, 2012. Operating revenues for the Water Fund exceeded operating expenses by $3.1 million, leading to the increase in net assets.

Significant activity during the year included a $4.6 million increase in capital assets, net of related debt, mostly due to construction in progress for replacing Rawlings Reservoir. In addition, the City issued $8.9 million, 2012 Refunding Water Revenue Bonds 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.

Additional information on the proprietary fund's capital assets can be found in the Notes to the Basic Financial Statements section of this report (beginning on page 48). Additional information on the proprietary fund's long-term debt can be found in the Notes to the Basic Financial Statements section of this report (beginning on page 49).

See independent auditors' report.

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, 2012 amounts to $450 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, 2012
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total %Change
	2011	2012	2011	2012	2011	2012	2011-2012
Land	$44.3	$44.1	$1.2	$1.2	$45.5	$45.3	
Right of way	42.4	42.9	-	-	42.4	42.9	
Construction in progress	34.8	54.6	1.3	5.8	36.1	60.4	
Buildings and improvements	51.1	65.9	5.6	5.3	56.7	71.2	
Machinery and equipment	2.8	3.0	-	-	2.8	3.0	
Infrastructure	207.7	202.2	-	-	207.7	202.2	
Property, plant and equipment	-	-	25.8	24.9	25.8	24.9	
Total Capital Assets, Net	$383.1	$412.7	$33.9	$37.2	$417.0	$449.9	7.9%

The major activity affecting capital assets this year was continued construction in progress for the Tustin Ranch Road extension and the Rawlings Reservoir replacement; and the completion of the Metrolink Station parking structure, Columbus Gymnasium solar roof, and the Mitchell Avenue storm drain.

Additional information on the City's capital assets can be found in the notes to the basic financial statements section of this report (beginning on page 47).

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term liabilities of $40.7 million. Of this amount, $30.3 million are secured solely by specified revenue sources such as property tax increment and water service charges.

Capital Asset and Debt Administration (Continued)

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2012
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2011	2012	2011	2012	2011	2012	2011-2012
Tax allocation bonds	76.8	-	$-	$-	76.8	-	
Bonds payable	-	-	32.1	30.3	32.1	30.3	
Claims and judgments	3.3	3.0	-	-	3.3	3.0	
Postemployment benefits obligation	3.2	3.6	-	-	3.2	3.6	
Compensated absences	3.3	3.6	0.2	0.2	3.5	3.8	
Total Outstanding Debt	$86.6	$10.2	32.3	30.5	$118.9	$40.7	(65.8%)

The City's long-term debt decreased $78.2 million from prior year as a result of the following transactions:

- Tax allocation bonds totaling $74.2 million were transferred to the Successor Agency to the Tustin Community Redevelopment Agency from the former redevelopment agency.
- Total payments to reduce long-term obligations were $11.2 million, which included the defeasance of the 2003 Refunding Water Revenue Bonds of $11 million.
- The City issued 2012 Refunding Water Revenue Bonds for $8.9 million 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.

Additional information on the City's long-term debt can be found in the notes to the basic financial statements section of this report starting on page 49.

Next Year's Budget and Rates

The City Council adopted the fiscal year 2012-2013 Budget with total appropriations of $125 million. The General Fund fiscal year 2012-2013 estimated revenues are $45.7 million and budgeted appropriations are $47.9 million resulting in an estimated operating deficit of $2.2 million. The appropriations are $2.3 million less than prior year's appropriation. The City Council approved the offering of an early retirement incentive program administered by Public Agency Retirement Services to help the City reduce expenditures for fiscal year 2012-13. Employees eligible for the early retirement incentive were to make a decision by July 2012. There were no tax rates or fee increases as part of the preparation and adoption of the fiscal year 2012-13 budget.

Requests for Information

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

See independent auditors' report.

CITY OF TUSTIN

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	$ 59,228,979	$ 22,167,569	$ 81,396,548
Receivables:			
Accounts	4,487,335	2,792,269	7,279,604
Interest	83,058	13,080	96,138
Loans	1,082,308	-	1,082,308
Notes	4,196,429	-	4,196,429
Allowance for uncollectibles	(4,908,434)	-	(4,908,434)
Internal balances	1,317,615	(1,317,615)	-
Prepaid expenses and deposits	562,997	4,570	567,567
Land held for resale	144,434,527	-	144,434,527
Deferred bond issuance costs	-	434,527	434,527
Restricted assets:			
Cash and investments with fiscal agents	33,176,151	1,794,770	34,970,921
Capital assets:			
Not being depreciated	141,648,126	6,996,232	148,644,358
Being depreciated, net	271,035,334	30,232,413	301,267,747
TOTAL ASSETS	656,344,425	63,117,815	719,462,240
LIABILITIES:			
Accounts payable and accrued liabilities	9,369,405	3,736,199	13,105,604
Due to Successor Agency to the Tustin Community Redevelopment Agency	21,877,282	-	21,877,282
Interest payable	-	295,721	295,721
Deposits payable	6,048,520	332,196	6,380,716
Unearned revenue	955,476	-	955,476
Noncurrent liabilities:			
Due within one year	6,560,758	904,934	7,465,692
Due in more than one year	3,608,309	29,573,904	33,182,213
TOTAL LIABILITIES	48,419,750	34,842,954	83,262,704
NET ASSETS:			
Invested in capital assets, net of related debt	412,683,460	25,479,160	438,162,620
Restricted for:			
Community services	1,666,143	-	1,666,143
Public safety	380,353	-	380,353
Public works	45,681,470	-	45,681,470
Unrestricted	147,513,249	2,795,701	150,308,950
TOTAL NET ASSETS	$ 607,924,675	$ 28,274,861	$ 636,199,536

See independent auditors' report and notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 12,266,470	$ 1,390,073	$ 21,846	$ -
Public safety	28,800,773	1,133,096	361,190	-
Public works	20,765,854	800,328	2,027,804	20,879,579
Community services	7,078,104	974,747	1,179,370	23,050
Interest on long-term liabilities	3,057,645	-	-	-
Total governmental activities	71,968,846	4,298,244	3,590,210	20,902,629
Business-type activity:				
Water	13,467,541	15,112,161	-	-
Total	$ 85,436,387	$ 19,410,405	$ 3,590,210	$ 20,902,629

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

Total general revenues

Extraordinary Item:
Loss on transfer to successor agency

Change in net assets

Net assets at beginning of year

Net assets at end of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
$ (10,854,551)	$ -	$ (10,854,551)
(27,306,487)	-	(27,306,487)
2,941,857	-	2,941,857
(4,900,937)	-	(4,900,937)
(3,057,645)	-	(3,057,645)
(43,177,763)	-	(43,177,763)
-	1,644,620	1,644,620
(43,177,763)	1,644,620	(41,533,143)
23,270,718	-	23,270,718
1,621,521	-	1,621,521
137,131	-	137,131
44,800	-	44,800
19,931,865	-	19,931,865
5,833,094	-	5,833,094
958,169	156,855	1,115,024
14,444,183	59,222	14,503,405
66,241,481	216,077	66,457,558
(27,314,435)	-	(27,314,435)
(4,250,717)	1,860,697	(2,390,020)
612,175,392	26,414,164	638,589,556
$ 607,924,675	$ 28,274,861	$ 636,199,536

CITY OF TUSTIN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	General	CFD Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 28,907,140	$ -	$ 30,321,839	$ 59,228,979
Cash and investments with fiscal agents	-	33,176,151	-	33,176,151
Receivables:				
Accounts	3,247,393	-	1,239,942	4,487,335
Interest	11,403	-	71,655	83,058
Loans	-	-	1,082,308	1,082,308
Notes	-	-	4,196,429	4,196,429
Allowance for uncollectibles	-	-	(4,908,434)	(4,908,434)
Due from other funds	6,277,920	-	-	6,277,920
Advances to other funds	-	-	1,317,615	1,317,615
Prepaid expenses and deposits	532,997	-	30,000	562,997
Land held for resale	144,071,850	-	362,677	144,434,527
TOTAL ASSETS	$ 183,048,703	$ 33,176,151	$ 33,714,031	$ 249,938,885
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	6,420,226	$ 1,433,649	$ 1,515,530	$ 9,369,405
Due to other funds	-	6,277,920	-	6,277,920
Due to Successor Agency to the Tustin Community Redevelopment Agency	21,877,282	-	-	21,877,282
Deposits payable	6,038,584	-	9,936	6,048,520
Deferred revenue	30,420	-	1,428,867	1,459,287
TOTAL LIABILITIES	34,366,512	7,711,569	2,954,333	45,032,414
FUND BALANCES:				
Nonspendable	144,604,847	-	1,710,292	146,315,139
Restricted	-	25,464,582	12,810,084	38,274,666
Assigned	-	-	16,239,322	16,239,322
Unassigned	4,077,344	-	-	4,077,344
TOTAL FUND BALANCES	148,682,191	25,464,582	30,759,698	204,906,471
TOTAL LIABILITIES AND FUND BALANCES	$ 183,048,703	$ 33,176,151	$ 33,714,031	$ 249,938,885

See independent auditors' report and notes to basic financial statements.

CITY OF TUSTIN

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

June 30, 2012

Fund balances - total governmental funds		$ 204,906,471
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental funds.		412,683,460
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. Also, Bond issuance costs are not recorded as assets under the modified accrual basis of accounting. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Balances at June 30, 2012 are:		
Claims and judgments payable	$ (3,010,653)	
Compensated absences	(3,542,830)	
Post employment benefits obligation	(3,615,584)	
Total long-term liabilities		(10,169,067)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. Therefore, they are revenue on the accrual basis used in the government-wide statements.		503,811
Net assets of governmental activities		$ 607,924,675

See independent auditors' report and notes to basic financial statements.

CITY OF TUSTIN

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

For the year ended June 30, 2012

	General	CFD Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ 39,463,821	$ -	$ 11,443,485	$ 50,907,306
Licenses and permits	443,928	-	-	443,928
Fines and forfeitures	875,068	-	-	875,068
Investment income	67,637	3,630	401,458	472,725
Intergovernmental revenue	1,609,770	-	4,803,367	6,413,137
Charges for services	2,699,561	-	114,191	2,813,752
Rental income	364,774	-	115,481	480,255
Other revenue	11,892,175	-	2,182,850	14,075,025
TOTAL REVENUES	57,416,734	3,630	19,060,832	76,481,196
EXPENDITURES:				
Current:				
General government	11,581,224	287	74,820	11,656,331
Public safety	28,583,326	-	131,021	28,714,347
Public works	6,954,384	-	-	6,954,384
Community services	2,953,396	-	3,552,985	6,506,381
Capital outlay	1,744,414	12,859,546	11,212,570	25,816,530
Debt service:				
Principal retirement	-	-	2,590,000	2,590,000
Interest and fiscal charges	904,593	-	2,359,730	3,264,323
TOTAL EXPENDITURES	52,721,337	12,859,833	19,921,126	85,502,296
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,695,397	(12,856,203)	(860,294)	(9,021,100)
OTHER FINANCING SOURCES (USES):				
Transfers in	192,671	-	2,827,620	3,020,291
Transfers out	-	-	(3,020,291)	(3,020,291)
Sale of property	43,745	-	-	43,745
TOTAL OTHER FINANCING SOURCES (USES)	236,416	-	(192,671)	43,745
EXTRAORDINARY LOSS	(7,879,742)	-	(90,506,400)	(98,386,142)
NET CHANGE IN FUND BALANCES	(2,947,929)	(12,856,203)	(91,559,365)	(107,363,497)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	151,630,120	38,320,785	122,319,063	312,269,968
FUND BALANCES - END OF YEAR	$ 148,682,191	$ 25,464,582	$ 30,759,698	$ 204,906,471

See independent auditors' report and 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, 2012

Net change in fund balances - total governmental funds		$ (107,363,497)
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 exceeded depreciation and disposition of capital assets in the current period:		
Capital expenditures	$ 20,478,936	
Capital contributions	18,682,413	
Disposition of capital assets	(134,702)	
Depreciation expenses	(9,191,465)	29,835,182
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 assets. This amount is the net effect of these differences in the treatment of long-term liabilities:		
Principal repayments	$ 2,590,000	
Amortization of bond discount	(17,281)	
Amortization of bond premium	2,060	
Amortization of bond issuance costs	(18,880)	
Postemployment benefits obligation	(444,514)	
Claims and judgments payable	275,665	
Compensated absences	(260,711)	2,126,339
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds		
Net change in deferred revenues		(2,682,661)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Net change in accrued interest payable on long-term liabilities		221,899
The Tustin Redevelopment Agency was dissolved as of February 1, 2012 pursuant to Assembly Bill 1x26 and 1484. Assets and liabilities of the dissolved Agency as of February 1, 2012 were transferred to the Successor Agency:		
Transfer of deferred bond issue costs	$ (1,268,865)	
Transfer of capital assets to the Successor Agency	(238,383)	
Transfer of long-term debt to the Successor Agency	74,252,052	
Transfer of accrued interest payable to the Successor Agency	867,217	73,612,021
Change in net assets of governmental activities		$ (4,250,717)

See independent auditors' report and notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2012

ASSETS	Business-type Activity Water Enterprise Fund
CURRENT ASSETS:	
Cash and investments	$ 22,167,569
Accounts receivable	2,792,269
Interest receivable	13,080
Prepaid expenses	4,570
TOTAL CURRENT ASSETS	24,977,488
NONCURRENT ASSETS:	
Restricted cash and investments with fiscal agents	1,794,770
Deferred bond issuance costs	434,527
Capital assets:	
Not being depreciated	6,996,232
Being depreciated, net	30,232,413
TOTAL NONCURRENT ASSETS	39,457,942
TOTAL ASSETS	64,435,430
LIABILITIES	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	3,736,199
Advances from other funds	1,317,615
Deposits payable	332,196
Compensated absences	194,934
Interest payable	295,721
Bonds payable	710,000
TOTAL CURRENT LIABILITIES	6,586,665
LONG-TERM LIABILITIES:	
Compensated absences	21,659
Bonds payable	29,552,245
TOTAL LONG-TERM LIABILITIES	29,573,904
TOTAL LIABILITIES	36,160,569
NET ASSETS:	
Invested in capital assets, net of related debt	25,479,160
Unrestricted	2,795,701
TOTAL NET ASSETS	$ 28,274,861

See independent auditors' report and notes to basic financial statements.

CITY OF TUSTIN

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

For the year ended June 30, 2012

	Business-type Activity Water Enterprise Fund
OPERATING REVENUES:	
Charges for services	$ 15,112,161
OPERATING EXPENSES:	
Personnel services	2,479,348
Purchased water and power	2,897,419
Maintenance and operation	5,306,854
Depreciation and amortization	1,309,357
TOTAL OPERATING EXPENSES	11,992,978
OPERATING INCOME	3,119,183
NONOPERATING REVENUES (EXPENSES):	
Investment income	156,855
Other income	59,222
Interest expense	(1,474,563)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,258,486)
CHANGE IN NET ASSETS	1,860,697
TOTAL NET ASSETS AT BEGINNING OF YEAR	26,414,164
TOTAL NET ASSETS AT END OF YEAR	$ 28,274,861

See independent auditors' report and notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2012

	Business-type Activity Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 14,635,133
Payments to suppliers	(5,377,404)
Cash paid to other funds for services	(1,200,000)
Payments to employees	(2,499,063)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,558,666
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(4,390,810)
Cash paid to other funds for capital assets	(409,841)
Proceeds from issuance of debt	8,910,000
Premium from issuance of debt	899,325
Payment to refunding bond escrow agent	(10,852,404)
Issuance cost	(179,069)
Principal paid on bonds	(740,000)
Interest paid	(1,581,796)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(8,344,595)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	161,915
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,624,014)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	26,586,353
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 23,962,339

See independent auditors' report and notes to basic financial statements.

(Continued)

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
(CONTINUED)

For the year ended June 30, 2012

	Business-type Activity Water Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 3,119,183
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation and amortization	1,309,357
Other nonoperating income	59,222
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(540,375)
(Increase) decrease in prepaid costs	(3,870)
Increase (decrease) in accounts payable and accrued liabilities	1,635,821
Increase (decrease) in deposits payable	4,125
Increase (decrease) in compensated absences	(24,797)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 5,558,666

See independent auditors' report and notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Agency Funds	Total
ASSETS:			
Cash and investments	$ 64,784,320	$ -	$ 64,784,320
Cash and investments with fiscal agents	6,400,433	14,647,615	21,048,048
Receivables:			
Accounts	-	69,364	69,364
Interest	29,792	-	29,792
Due from City of Tustin	21,877,282	-	21,877,282
Prepaid items and deposits	10,650	-	10,650
Unamortized bond issuance costs	1,255,379	-	1,255,379
Land held for resale	1,345,000	-	1,345,000
Capital assets, net	236,800	-	236,800
TOTAL ASSETS	$ 95,939,656	$ 14,716,979	$ 110,656,635
LIABILITIES:			
Accounts payable	$ 1,439,415	$ -	$ 1,439,415
Interest payable	1,072,932	-	1,072,932
Deposits payable	1,000	-	1,000
Deferred revenue	-	-	-
Due to bondholders	-	14,716,979	14,716,979
Long-term liabilities:			
Due within one year	2,835,000	-	2,835,000
Due in more than one year	71,427,923	-	71,427,923
TOTAL LIABILITIES	76,776,270	14,716,979	91,493,249
NET ASSETS HELD IN TRUST	$ 19,163,386	$ -	$ 19,163,386

See independent auditor's report and notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the period from February 1, 2012 through June 30, 2012

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Investment income	$ 463,660
Rental income	6,250
Earned bond premium	1,472
Transfer from governmental funds	6,122,195
TOTAL ADDITIONS	6,593,577
DEDUCTIONS:	
Community services	974,936
Interest	1,393,032
Depreciation and amortization	27,412
Transfer to governmental funds	12,349,246
TOTAL DEDUCTIONS	14,744,626
EXTRAORDINARY GAIN	27,314,435
CHANGE IN NET ASSETS	19,163,386
NET ASSETS - BEGINNING OF PERIOD	-
NET ASSETS - END OF YEAR	$ 19,163,386

See independent auditor's report and notes to basic financial statements.

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1. SUMMARYOF 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 Community Redevelopment Agency (Agency) was established October 20, 1976 pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law". Its purpose was to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Tustin. The City provides management assistance to the Agency, and the members of the City Council constitute the members of the Board of Directors of the Agency. Effective February 1, 2012, the Tustin Redevelopment Agency was dissolved as a result of Assembly Bill X26 (the Dissolution Act). See Note 16 for additional information. The Agency' financial transactions for the seven month period from July 1, 2011 through January 31, 2012 are included with the debt service fund type and capital projects fund type.

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. The Financial Reporting Entity (Continued):

Blended Component Units (Continued)

The Tustin Public Financing 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, by and between the City of Tustin and the Tustin Community Redevelopment Agency. 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. Separate component unit financial statements for the Tustin Public Financing Authority are not issued.

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 Director which consists of members of the City Council. Certain assets of the former redevelopment agency's Low and Moderate Income Housing Fund were transferred to the Housing Authority at February 1, 2012. The Housing Autthority's financial transactions are reported in the Special Revenue Funds.

Since the City Council serves as the governing board 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 with the interfund data of the primary government. These component units do not issue separate component unit financial statements.

b. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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. For the most part, the effect of interfund activity has been removed from these statements.

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (fiduciary funds do not have a measurement focus) financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets/statements of net assets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. 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.

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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 and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables.

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

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

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

Fund Classifications

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. 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 CFD Construction Capital Projects Fund is used to account for construction and improvements to the Tustin Legacy area.

The City reports the following major proprietary fund:

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

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

Governmental Funds

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

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term liabilities, interest, and related fiscal agent costs.

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fund Classifications (Continued)

Governmental Funds (Continued)

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, and for the improvement, rehabilitation, and redevelopment of the Community Redevelopment Agency project areas. The Agency was dissolved effective February 1, 2012.

Fiduciary Funds

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

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

d. Assets, Liabilities and Net Assets 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.

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Assets, Liabilities and Net Assets or Equity (Continued):

Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of contribution. Capital asset purchases (other than infrastructure) in excess of $5,000 are capitalized if they have an expected useful life of one year or more. Infrastructure assets with a cost exceeding $100,000 are capitalized.

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

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

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

Land Held for Resale

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

Property Taxes

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

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Assets, Liabilities and Net Assets or Equity (Continued):

Property Tax Calendar

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

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

Interest and penalties are assessed after the collection date.

Compensated Absences

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

e. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net assets date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful account and certain liabilities. Actual results may differ from those estimates.

1. SUMMARYOF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

   f. Subsequent Events:

   In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 22, 2013, the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	$ 81,396,548
Cash and investments with fiscal agents	34,970,921
Fiduciary Funds:	
Cash and investments	64,784,320
Cash and investments with fiscal agents	21,048,048
Total Cash and Investments	$ 202,199,837

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	$ 9,100
Deposits with financial institutions	20,007,642
Investments	182,183,095
Total Cash and Investments	$ 202,199,837

See independent auditors' report.

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, rather than the general provisions of the California Government Code or the City's investment policy.

Investment Types Authorized by State Law	Authorized by Investment Policy	Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	90 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	None	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other Investment Pools)	Yes	N/A	None	None

N/A - Not Applicable

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

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

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

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

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

	Remaining Maturity (in Months)				
Investment Type	12 Months or Less	13 - 24 Months	25 - 60 Months	Over 60 Months	Total
United States Treasury Bills	$ 24,999,525	$ -	$ -	$ -	$ 24,999,525
United States Treasury Notes	7,018,398	3,008,556	4,989,060	-	15,016,014
United States Government Sponsored Agency Securities:					
FFCB	-	-	5,001,875	-	5,001,875
FHLB	-	4,995,745	-	-	4,995,745
State Investment Pool:					
City	48,519,070	-	-	-	48,519,070
Successor Agency	1,247,420	-	-	-	1,247,420
Orange County Investment Pool	368,827	-	-	-	368,827
Government reserve money market fund	16,061,541	-	-	-	16,061,541
Certificates of deposit	5,000,685	-	-	-	5,000,685
Corporate notes	-	-	4,953,425	-	4,953,425
Held by Fiscal Agents:					
Money market funds	56,018,968	-	-	-	56,018,968
	$159,234,434	$ 8,004,301	$ 14,944,360	$ -	$182,183,095

See independent auditors' report.

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the Standard and Poor's actual rating as of year end for each investment type.

Investment Type	Total as of June 30, 2012	Minimum Legal Rating	Exempt from Disclosure	AAA	AA+	A1	Aa3	Not Rated
U.S. Treasury Bills	$ 24,999,525	N/A	$ 24,999,535	$ -	$ -	$ -	$ -	$ -
U.S. Treasury Notes	15,016,014	N/A	15,016,014	-	-	-	-	-
U.S. Government Sponsored								
Agency Securities:								
FFCB	5,001,875	N/A	-	-	5,001,875	-	-	-
FHLB	4,995,745	N/A	-	-	4,995,745	-	-	-
State Investment Pool:								
City	48,519,070	N/A	-	-	-	-	-	48,519,070
Successor Agency	1,247,420	N/A	-	-	-	-	-	1,247,420
Orange County Investment Pool	368,827	N/A	-	-	-	-	-	368,827
Government Reserve								
money market funds	16,061,541	A	-	16,061,541	-	-	-	-
Certificates of deposit	5,000,685	N/A	-	-	-	5,000,685	-	-
Corporate notes	4,953,425	AA	-	-	-	-	4,953,425	-
Held by Fiscal Agents:								
Money market funds	56,018,968	A	-	56,018,968	-	-	-	-
Total	$ 182,183,095		$ 40,015,539	$ 72,080,509	$ 9,997,620	$ 5,000,685	$ 4,953,425	$ 50,135,317

N/A - Not Applicable

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. The City does not have Investments in any one issuer (other than U. S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total City investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

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

As of June 30, 2012, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2012, the City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Reported Amount
U.S. Treasuries	$ 40,015,539
Federal Agency Securities	9,997,620
Corporate Notes	4,953,425

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool

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

Investment in County Investment Pool

The Orange County Investment Pool Fund (OCPIF) is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCPIF are highly liquid as deposits and withdrawal can be made at any time without penalty. The City's fair value of its share in the pool is the same value of the pool shares, which amounted to $368,827. Information on OCPIF's use of derivative securities in its investment portfolio and OCPIF's and the City's exposure to credit, market, or legal risk is not available.

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, 2012, was $345,441.

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, 2012, was $56,768. An allowance of $31,906 has been recorded to reflect the amount of the loans not expected to be collectible.

Homebuyer Program Loans: Down payment assistance was provided to qualified first time homebuyers. The loans provided in the Ambrose Lane Development are due beginning in 2016, or when the homeowner sells or refinances. The loans provided in the Tustin Grove Development are due when the homeowner sells or refinances. If the homeowner does not sell or refinance before July 2015, the loan is forgiven. The total outstanding balance as of June 30, 2012, was $680,099. An allowance of $680,099 has been recorded to reflect the amount of loans not expected to be collectible.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Due To and Due From

The composition of interfund balances as of June 30, 2012 is as follows:

Due To	Due From	Amount
General Fund	CFD Construction Capital Projects Fund	$ 6,277,920

The amounts loaned from General Fund to the CFD Construction Capital Projects Fund are to provide short-term loans to fund operations.

Advances To and Advances From

The composition of interfund advances as of June 30, 2012 is as follows:

Advances To	Advances From	Amount
Water Enterprise Fund	Other Governmental Funds	$ 1,317,615

On April 6, 2010, the City entered into a promissory note with Tustin Water Enterprise Fund in the amount of $2,123,437 to provide the cash necessary to meet the bond covenant. The Water Enterprise Fund promised to pay the City on June 1, 2015, the principal amount of $2,123,437 with interest accrued thereon from April 6, 2010 to the maturity date at the rate of 3.5% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2010. The total amount receivable from Water Enterprise Fund as of June 30, 2012 for other governmental funds is $1,317,615.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2012 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	$ 192,671
Other Governmental Funds	Other Governmental Funds	2,827,620
		$ 3,020,291

A transfer from other governmental funds was made to reimburse the General Fund per adopted budget for fiscal year 2011-12.

5. 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 was recorded at their estimated fair value at the date 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.

The value of the remaining parcels that have been conveyed to the City as of June 30, 2012 is $101,558,282 and is included in the total of the land held for resale reported in the General Fund. The value was based on an assumption that most of the land will be sold in a bulk sale to a single developer and the remaining property not sold will be park space or conveyed to other governmental agencies.

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

On December 31, 2008, the City entered into a promissory note with the former Redevelopment Agency in the amount of $18,881,750. The City promised to pay the former Redevelopment Agency on December 1, 2013, the principal amount of $18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the former Redevelopment Agency was dissolved and the promissory note was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. The total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency as of June 30, 2012 was $21,877,282.

7. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	$ 44,259,596	$ -	$ -	$ (119,000)	$ 44,140,596
Right of way	42,408,200	531,976	-	-	42,940,176
Construction in progress	34,810,290	21,478,504	(1,721,440)	-	54,567,354
Total capital assets, not being depreciated	121,478,086	22,010,480	(1,721,440)	(119,000)	141,648,126
Capital assets, being depreciated:					
Buildings	50,450,493	15,778,684	(34,211)	(190,000)	66,004,966
Improvements other than buildings	14,136,665	817,225	-	-	14,953,890
Machinery and equipment	13,775,664	1,044,764	(400,727)	-	14,419,701
Infrastructure	284,345,195	1,231,635	(201,718)	-	285,375,112
Total capital assets, being depreciated	362,708,017	18,872,308	(636,656)	(190,000)	380,753,669
Less accumulated depreciation for:					
Buildings	(10,253,844)	(1,186,754)	34,211	70,617	(11,335,770)
Improvements other than buildings	(3,208,792)	(512,524)	-	-	(3,721,316)
Machinery and equipment	(11,000,922)	(795,016)	400,727	-	(11,395,211)
Infrastructure	(76,635,884)	(6,697,171)	67,017	-	(83,266,038)
Total accumulated depreciation	(101,099,442)	(9,191,465)	501,955	70,617	(109,718,335)
Total capital assets, being depreciated, net	261,608,575	9,680,843	(134,701)	(119,383)	271,035,334
Governmental activities capital assets, net	$ 383,086,661	$ 31,691,323	$ (1,856,141)	$ (238,383)	$ 412,683,460

(a) The net transfer of $238,383 relates to the transfer of assets to the Successor Agency to the Tustin Community Redevelopment Agency from the former redevelopment agency. See Notes 16 and 17 for additional information.

See independent auditors' report.

7. CAPITAL ASSETS (CONTINUED):

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

General government	$ 122,274
Public safety	291,058
Public works	8,308,702
Community services	469,431
	$ 9,191,465

A summary of changes in the Business-type Activities capital assets for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated				
Land	$ 1,177,216	$ -	$ -	$ 1,177,216
Construction in progress	1,266,135	4,552,881	-	5,819,016
Total capital assets, not being depreciated	2,443,351	4,552,881	-	6,996,232
Capital assets, being depreciated:				
Buildings and improvements	9,568,372	-	-	9,568,372
Property, plant and equipment	42,839,888	-	-	42,839,888
Total capital assets, being depreciated	52,408,260	-	-	52,408,260
Less accumulated depreciation for:				
Buildings and improvements	(3,950,420)	(268,722)	-	(4,219,142)
Property, plant and equipment	(16,974,118)	(982,587)	-	(17,956,705)
Total accumulated depreciation	(20,924,538)	(1,251,309)	-	(22,175,847)
Total capital assets, being depreciated, net	31,483,722	(1,251,309)	-	30,232,413
Total business-type activity capital assets, net	$ 33,927,073	$ 3,301,572	$ -	$ 37,228,645

See independent auditors' report.

8. LONG-TERM LIABILITIES:

A summary of long-term liability activity for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Deletions	Transfers (a)	Balance at June 30, 2012	Due Within One Year
Governmental activities:						
Tax allocation bonds	$ 77,600,000	$ -	$ (2,590,000)	$ (75,010,000)	$ -	$ -
Unamortized premium	99,496	-	(2,060)	(97,436)	-	-
Unamortized discount	(872,665)	-	17,281	855,384	-	-
Total bonds payable	76,826,831	-	(2,574,779)	(74,252,052)	-	-
Claims and judgments	3,286,318	1,832,406	(2,108,071)	-	3,010,653	3,010,653
Postemployment benefits obligation (see Note 10)	3,171,070	747,031	(302,517)	-	3,615,584	361,558
Compensated absences	3,282,119	2,430,612	(2,169,901)	-	3,542,830	3,188,547
Total governmental activities long-term liabilities	$ 86,566,338	$ 5,010,049	$ (7,155,268)	$ (74,252,052)	$ 10,169,067	$ 6,560,758
Business-type activities:						
2003 Refunding Water Revenue bonds	$ 11,165,000	$ -	$ (11,165,000)	$ -	$ -	$ -
Deferred charges on refunding	(123,953)	-	123,953	-	-	-
2011 Water Revenue bonds	20,760,000	-	-	-	20,760,000	-
Bond premium	304,709	-	(10,200)	-	294,509	-
2012 Refunding Water Revenue bonds	-	8,910,000	-	-	8,910,000	710,000
Bond premium	-	899,325	(20,440)	-	878,885	-
Deferred charges on refunding	-	(594,664)	13,515	-	(581,149)	-
Compensated absences	241,390	157,771	(182,568)	-	216,593	194,934
Total business-type activities long-term liabilities	$ 32,347,146	$ 9,372,432	$ (11,240,740)	$ -	$ 30,478,838	$ 904,934

(a) The transfers relate to the transfer of long-term liabilities to the Successor Agency to the Tustin Community Redevelopment Agency from the former redevelopment agency. See Notes 16 and 17 for additional information

See independent auditors' report.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities

2003 Refunding Water Revenue Bonds

On September 9, 2003, the City issued $14,355,000, 2003 Refunding Water Revenue Bonds. The Bonds were issued to provide funds to defease the Water System Revenue Certificates of Participation, Series 1993 and prepay certain outstanding notes payable incurred to finance improvements to the Water Enterprise.

The bonds were refunded by the 2012 Refunding Water Revenue Bonds.

2011 Water Revenue Bonds

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

The City has pledged net revenues received from the operation of 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, 2012, total interest and principal remaining on the bonds is $43,568,563. During the fiscal year, the total interest expense incurred were $890,481 and net revenues were $4,428,540.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued)

2011 Water Revenue Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 1,047,625	$ 1,047,625
2014	-	1,047,625	1,047,625
2015	-	1,047,625	1,047,625
2016	-	1,047,625	1,047,625
2017	-	1,047,625	1,047,625
2018 - 2022	-	5,238,125	5,238,125
2023 - 2027	3,165,000	5,010,375	8,175,375
2028 - 2032	4,945,000	3,954,688	8,899,688
2033 - 2037	6,340,000	2,559,750	8,899,750
2038 - 2041	6,310,000	807,500	7,117,500
	20,760,000	22,808,563	43,568,563
Add: Premium	294,510	-	294,510
Totals	$ 21,054,510	$ 22,808,563	$ 43,863,073

2012 Refunding Water Revenue Bonds

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

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

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $594,664. The difference reported in the accompanying statements as a deduction from revenue bonds payable, is being charged to interest expense through 2023.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued)

2012 Refunding Water Revenue Bonds

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, 2012, total interest and principal remaining on the bonds is $10,958,046. During the fiscal year, there were no debt service payments due.

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

Year Ending June 30,	Principal	Interest	Total
2013	$ 710,000	$ 285,546	$ 995,546
2014	710,000	286,375	996,375
2015	725,000	272,175	997,175
2016	745,000	250,425	995,425
2017	770,000	228,075	998,075
2018 - 2022	4,290,000	687,050	4,977,050
2023	960,000	38,400	998,400
	8,910,000	2,048,046	10,958,046
Add: premium	878,886	-	878,886
Less: deferred charges on refunding	(581,149)	-	(581,149)
Totals	$ 9,207,737	$ 2,048,046	$ 11,255,783

See independent auditors' report.

9. PENSION PLAN:

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), an agent-multiple employer public employee defined pension benefit plan for miscellaneous employees and a cost-sharing multiple-employer public employee defined benefit pension plan for public safety employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their website: www.calpers.ca.gov.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. For members employed by the City by December 31, 2011, the City contributes a portion of the required member contributions. For City employees, other than safety and management, the City contributes 3.5% of the employees' contribution and the employee contributes 3.5%. For safety employees (including safety management), the City contributes 4.5% of the employees' contribution and the employee contributes 4.5%. For City management, other than safety management, the City contributes 3% of the employees' contribution and the employee contributes 4%. The City is required to contribute the remaining amount necessary to fund the benefits for its members, using the actuarial methods recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration.

For the participants employed by December 31, 2011, the required employer contribution rate for year ended June 30, 2012 was 9.943% and 32.170% for miscellaneous and safety employees, respectively. For safety members employed by the City on or after January 1, 2012, the required contribution rate was 19.169%. The contribution requirements of the plan members are established by the state statute and the employer contribution rate is established and may be amended by PERS.

The funded status of the plan based on the June 30, 2011 actuarial valuation is as follows:

Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded Liability % of Covered Payroll
$75,399,067	$ 68,289,474	$ 7,109,593	90.57 %	$ 13,462,500	52.81 %

See independent auditors' report.

9. PENSION PLAN (CONTINUED):

Funding Policy (Continued)

The schedule of funding progress presented as Required Supplementary Information following the Notes to Basic Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The assumptions for the June 30, 2011 actuarial valuation for the funded status were the same as those of the June 30, 2010 valuation that determined the required contributions.

Annual Pension Cost

For 2012, the City's annual pension cost of $2,349,007 for the Miscellaneous Plan and $3,785,849 for the Safety Plan (based on an actuarially determined basis) was equal to the City's required and actual contributions. The required contribution for the miscellaneous plan for the year ended June 30, 2012 was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions for the Miscellaneous Plan included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of the actuarial valuation date was 19 years for the miscellaneous employee plan.

Three-Year Trend Information for PERS - Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/10	$ 2,254,708	100%	$ -
6/30/11	2,205,531	100%	-
6/30/12	2,349,007	100%	-

Three-Year Trend Information for PERS - Safety Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/10	$ 3,245,673	100%	$ -
6/30/11	3,396,182	100%	-
6/30/12	3,785,849	100%	-

10. POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description

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

Eligibility

Employees hired prior to July 1, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with five years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. Employees hired after June 30, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with ten years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2012:

	Police	General	Management	Confidential	Police Support	Total
Retirees Receiving Benefits	32	22	19	-	5	78
Eligible Active Employees	87	102	42	6	40	277

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

Funding Policy

The City's current contribution is based on pay-as-you-go. As of July 1, 2011, the City's monthly contribution rate was $250 for the Confidential, General, and Police Support groups; $350 for the Police and Management group. For the year ended June 30, 2012, the City paid $302,517 in contributions for postemployment health care benefits. Current active employees are not required to contribute any portion towards these benefits.

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

Funding Policy (Continued)

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

The City's ARC for the year ended June 30, 2012 was $984,031. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	Police	General	Management	Confidential	Police Support	Total
ARC (OPEB cost)	$ 329,858	$ 343,718	$ 169,087	$ 16,632	$ 124,736	$ 984,031
Interest on net OPEB obligation	37,245	33,357	26,168	14,185	13,045	124,000
Adjustment to ARC	(108,431)	(97,114)	(76,183)	(41,296)	(37,976)	(361,000)
Annual pension cost	258,672	279,961	119,072	(10,479)	99,805	747,031
Contributions made	(132,971)	(62,920)	(91,044)	-	(15,582)	(302,517)
Increase(decrease) in net OPEB obligation	125,701	217,041	28,028	(10,479)	84,223	444,514
Net OPEB obligation, beginning	952,474	853,062	669,193	362,755	333,586	3,171,070
Net OPEB obligation, ending	$ 1,078,175	$ 1,070,103	$ 697,221	$ 352,276	$ 417,809	$ 3,615,584

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$ 897,043	15.10%	$ 2,461,016
6/30/11	887,145	19.96%	3,171,070
6/30/12	747,031	40.50%	3,615,584

See independent auditors' report.

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

Funding Status and Progress

As of June 30, 2011, the most recent valuation date, the actuarial accrued liability for benefits was $9.8 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $9.8 million and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0%. The covered payroll (annual payroll of active employees) was $21.52 million and the ratio of the UAAL to the covered payroll was 45.6%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions

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

The required contribution for the fiscal year 2012 was determined as part of the June 30, 2011 actuarial valuation. The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.25% investment rate of return (which is based on assumed long-term investment return on plan assets and on the City's assets, as appropriate), annual inflation rate of 3%, annual payroll increase of 3.25% and an annual healthcare cost trend rate with increases that vary by year. The UAAL is being amortized as a level percentage of projected payroll over a closed period of 30 years.

11. SELF-INSURANCE PROGRAM/RISK POOL:

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

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

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

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, 2012. At June 30, 2012, estimated claims payable of $3,010,653, 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, 2011 and 2012, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Balance	Estimates	Payments	Balance
2011	$ 2,240,963	$ 2,138,342	$ 1,092,987	$ 3,286,318
2012	3,286,318	1,832,406	2,108,071	3,010,653

See independent auditors' report.

12. 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, 2012
Community Facilities District 04-1, 2004	$ 11,415,000	$ 10,095,000
Community Facilities District 06-1, 2007	53,570,000	53,255,000
Community Facilities District 06-1, 2010	1,675,000	1,660,000
Community Facilities District 07-1, 2007	13,680,000	13,610,000
	$ 80,340,000	$ 78,620,000

Community Facilities Districts

In December 2004, the City issued $11,415,000 of Special Tax Bonds, Series 2004, to facilitate the new infrastructure construction on the former MCAB 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 16, 2005, and pay costs of issuing the Series 2004 Bonds. Serial current interest bonds will mature from September 1, 2006 to September 1, 2025. Term current interest bonds will mature on September 1, 2029, with mandatory sinking payments from September 1, 2030 through September 1, 2034. Interest maturity rates of the current interest bonds range from 2.75% at September 1, 2006 to 5.35% at September 1, 2025 - and current term interest bonds are 5.375% and 5.50% on their respective maturity dates. At June 30, 2012, the amount of the Special Tax Bonds, Series 2004 was $10,095,000.

12. SPECIAL ASSESSMENT DISTRICTS'BONDS (CONTINUED):

Community Facilities Districts (Continued)

In September 2007, the City issued $53,570,000 of Special Tax Bonds, Series 2007A, to facilitate the new infrastructure construction on the former MCAB 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, 2008, and pay costs of issuing the Series 2007A Bonds. Serial current interest bonds will mature from September 1, 2009 to September 1, 2025. Term current interest bonds will mature on September 1, 2036, with mandatory sinking payments from September 1, 2026 through September 1, 2036. Interest maturity rates of the current interest bonds range from 4% at September 1, 2009 to 5.375% at September 1, 2025 and current term interest bonds are 6% on their respective maturity dates. At June 30, 2012, the amount of the Special Tax Bonds, Series 2007A was $53,255,000.

In September 2007, the City issued $13,680,000 of Special Tax Bonds, Series 2007, to facilitate the new infrastructure construction on the former MCAB 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, and pay costs of issuing the Series 2007 Bonds. Serial current interest bonds will mature from September 1, 2009 to September 1, 2025. Term current interest bonds will mature on September 1, 2037, with mandatory sinking payments from September 1, 2026 through September 1, 2037. Interest maturity rates of the current interest bonds range from 4% at September 1, 2009 to 5.65% at September 1, 2025 and current term interest bonds are 6% through their respective maturity dates. At June 30, 2012, the amount of the Special Tax Bonds, Series 2007 was $13,610,000.

In October 2010, the City issued $1,675,000 of Special Tax Bonds, Series 2010 to, to facilitate the new infrastructure construction on the former MCAB 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, and pay costs of issuing the Series 2010 Bonds. Serial current interest bonds will mature from September 1, 2011 to September 1, 2035. Term current interest bonds will mature on September 1, 2039, with mandatory sinking payments from September 1, 2036 through September 1, 2039. Interest maturity rates of the current interest bonds range from 1.5% at September 1, 2011 to 5.625% at September 1, 2035 and current term interest bonds are 5.75% through their respective maturity dates. At June 30, 2012, the amount of the Special Tax Bonds, Series 2010 was $1,660,000.

12. SPECIAL ASSESSMENT DISTRICTS'BONDS (CONTINUED):

Community Facilities Districts (Continued)

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

13. 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.

In July 2004, the City entered into a disposition and development agreement ("DDA") with Vestar Development Company ("Developer") where the City agreed to sell and/or lease or sublease and developer agreed to purchase and/or lease or sublease the Tustin Legacy Property. Pursuant to the DDA, the City and Developer entered into an infrastructure construction and payment agreement ("Agreement") dated June 8, 2005. The Agreement calls for the Developer to pay the Project Fair Share Contribution (as defined in the DDA) with respect to the Tustin Legacy Backbone Infrastructure program. Pursuant to the original and subsequent agreements, the Developer is entitled to reimbursement of its infrastructure costs that exceed the Project Fair Share Obligation upon full acceptance of individual Developer Backbone Infrastructure Segments. As of June 30, 2012, the total infrastructure cost incurred by the Developer that is subject to reimbursement was $45,164,084 and the total reimbursement made by the City was $30,241,666. Estimated future reimbursements to be made by the City (as the infrastructure segments are completed and accepted by the City and only if there are excess land sale proceeds from parcels identified in the agreement) are $21,873,901.

14. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The fund balances reported on the fund statements now 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.

14. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

Committed - This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. The City considers a resolution, an ordinance, or a minutes action to constitute a formal action of City Council for the purposes of establishing committed fund balance.

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. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - The classifications include the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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

	General Fund	CFD Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	$ 532,997	$ -	$ 30,000	$ 562,997
Advance to other funds	-	-	1,317,615	1,317,615
Land held for resale	144,071,850	-	362,677	144,434,527
Restricted for:				
Low income housing projects	-	-	850,972	850,972
Capital projects	-	25,464,582	11,578,759	37,043,341
Public safety	-	-	380,353	380,353
Assigned to:				
Capital projects	-	-	16,239,322	16,239,322
Unassigned	4,077,344	-	-	4,077,344
Total fund balances	$ 148,682,191	$ 25,464,582	$ 30,759,698	$ 204,906,471

See independent auditors' report.

15. 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.

16. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27.

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

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

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

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

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

Prior to February 1, 2012, the final seven months of activity of the Dissolved RDA are reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority special revenue fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

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

The transfer of the assets and liabilities of the Dissolved RDA as of February 1, 2012 (except for certain assets of the former Low and Moderate Income Housing Fund, which were transferred to the Tustin Housing Authority) (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the fiduciary private-purpose trust fund (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	$ 98,386,142
Capital assets reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	238,383
Accrued interest receivable reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	2,540,314
Accrued bond interest payable reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	(867,217)
Long-term debt reported in the government-wide financial statements - decrease to the net assets of the Successor Agency Trust Fund	(72,983,187)
Net increase to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	$ 27,314,435

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

See independent auditors' report.

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

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

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months. The Successor Agency received $6,122,195 from the County Auditor-Controller on June 11, 2012 for the ROPS for the period July 1, 2012 to December 31, 2012.

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

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency.

The low and moderate income housing fund of the former redevelopment agency transferred loans, prepaid costs and real property in totaling $30,816,798 to Tustin Housing Authority as the Housing Successor Agency on February 1, 2012 as authorized by Health and Safety Code Section 34176(a)(2).

The low and moderate income housing fund of the former redevelopment agency made principal and interest payments totaling $6,459,484 according to the affordable reimbursement agreement with the City of Tustin for the period January 1, 2011 to June 30, 2012. On December 15, 2012, the Department of Finance determined that the agreement was not an enforceable obligation and they payments had to be paid back by the City. The City reversed the repayments and the asset balances at June 30, 2012 in the accompanying financial statements were adjusted to reflect this repayment by the City.

On December 15, 2012, the Department of Finance issued a final letter of determination and determined that the low and moderate income housing fund's balances available for distribution to the taxing agencies was $14,317,799. This amount includes the disallowed payments discussed in the preceding paragraph.

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:

Due from the City of Tustin

On December 31, 2008, the City entered into a promissory note with the Agency in the amount of $18,881,750. The City promised to pay the Agency on December 1, 2013, the principal amount of $18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the Agency was dissolved and the promissory note was transferred to the Successor Agency. The total amount receivable from the General Fund as of June 30, 2012 was $21,877,282.

Capital Assets

	Balance at July 1, 2011	Transfers (a) Feb. 1, 2012	Additions	Deletions	Balance at June 30, 2012
Capital assets, not being depreciated:					
Land	$ -	$ 119,000	$ -	$ -	$ 119,000
Capital assets, being depreciated:					
Buildings	-	190,000	-	-	190,000
Less accumulated depreciation for:					
Buildings	-	(70,617)	(1,583)	-	(72,200)
Total capital assets, being depreciated, net	-	119,383	(1,583)	-	117,800
Successor Agency capital assets, net	$ -	$ 238,383	$ (1,583)	$ -	$ 236,800

(a) Transfers relate to the transfer of the assets from the dissolution of the former redevelopment agency.

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

Long-Term Liabilities

A summary of long-term liability activity for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Transfers (a)	Additions	Deletions	Balance at June 30, 2012	Due Within One Year
Governmental activities:						
Tax allocation bonds	$ -	$ 75,010,000	$ -	$ -	$ 75,010,000	$ 2,835,000
Unamortized premium	-	97,436	-	(1,472)	95,964	-
Unamortized discount	-	(855,384)	-	12,343	(843,041)	-
Total bonds payable	$ -	$ 74,252,052	$ -	$ 10,871	$ 74,262,923	$ 2,835,000

(a) The transfers relate to the transfer of long-term liabilities from the former redevelopment agency. The Successor Agency to the Tustin Community Redevelopment Agency has assumed these liabilities as a result of the dissolution of the former redevelopment agency. See Note 16 for additional information.

Tax Allocation Bonds Payable

1998 Town Center Tax Allocation Bonds

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

Serial bonds are payable in annual installments ranging from $775,000 to $1,315,000 commencing on December 1, 1998. Interest is payable semiannually on June 1 and December 1, with rates ranging from 3.5% to 5.0% per annum. The bonds maturing on or after December 1, 2009, are subject to redemption prior to maturity as a whole or in part, at the option of the Agency, on any date on or after December 1, 2008 at prices ranging from 100% to 101% of principal. At June 30, 2012, the 1998 Bonds outstanding balance was $7,260,000.

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

1998 Town Center Tax Allocation Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2013	$ 1,315,000	$ 323,771	$ 1,638,771
2014	1,380,000	258,073	1,638,073
2015	1,445,000	188,138	1,633,138
2016	1,525,000	113,888	1,638,888
2017	1,595,000	37,881	1,632,881
Totals	$ 7,260,000	$ 921,751	$ 8,181,751

2010 Housing Tax Allocation Bonds

On March 1, 2010, the Tustin Community Redevelopment Agency issued $26,170,000 Tax Allocation Housing Bonds, Series 2010 to refinance low and moderate income housing activities throughout the geographic boundaries of the City and, in particular, to repay a reimbursement obligation from the Agency to the City, relating to the City's write down of land for use for affordable housing purposes. Serial bonds are payable in annual installments ranging from $550,000 to $1,300,000 commencing on September 1, 2010. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2% to 5% per annum. At June 30, 2012, the 2010 Housing Bonds outstanding balance was $24,220,000.

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2010 Housing Tax Allocation Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2013	$ 715,000	$ 1,100,181	$ 1,815,181
2014	735,000	1,078,431	1,813,431
2015	760,000	1,054,106	1,814,106
2016	785,000	1,025,106	1,810,106
2017	815,000	993,106	1,808,106
2018 - 2022	4,600,000	4,438,009	9,038,009
2023 - 2027	5,660,000	3,339,094	8,999,094
2028 - 2032	3,985,000	2,035,244	6,020,244
2033 - 2037	3,555,000	1,170,619	4,725,619
2038 - 2040	2,610,000	210,263	2,820,263
Totals	$ 24,220,000	$ 16,444,159	$ 40,664,159

2010 MCAS Tax Allocation Bonds

On October 27, 2010, the Tustin Community Redevelopment Agency issued $44,170,000 Tax Allocation Bonds, Series 2010 for the purpose of financing redevelopment activities within or for the benefit of the Agency's MCAS-Tustin Redevelopment Project Area. The bonds are payable in annual installments ranging from $640,000 to $12,230,000 commencing on September 1, 2011. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2.0% to 5.0% per annum. The bonds maturing on or after September 1, 2019, are subject to optional redemption prior to maturity, as a whole or in part, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. At June 30, 2012, the 2010 MCAS Bonds outstanding balance was $43,530,000.

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2010 MCAS Tax Allocation Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2013	$ 805,000	$ 2,006,900	$ 2,811,900
2014	830,000	1,982,375	2,812,375
2015	855,000	1,957,100	2,812,100
2016	880,000	1,931,075	2,811,075
2017	905,000	1,904,300	2,809,300
2018 - 2022	5,060,000	8,963,625	14,023,625
2023 - 2027	6,225,000	7,753,000	13,978,000
2028 - 2032	7,890,000	6,042,463	13,932,463
2033 - 2037	10,065,000	3,811,375	13,876,375
2038 - 2041	10,015,000	1,031,875	11,046,875
Totals	$ 43,530,000	$ 37,384,088	$ 80,914,088

17. RESTATEMENT OF BEGINNING BALANCES:

The following Other Governmental Funds beginning fund balances at July 1, 2011 were restated as follows:

	Previously Reported	Adjustment	As Restated
Town Center Project Area Debt Service Fund	$ 9,681,062	$ 469,673	$ 10,150,735
Marine Base Project Area Debt Service Fund	(1,525,280)	1,194,674	(330,606)
South Central Project Area Debt Service Fund	6,683,759	412,629	7,096,388
Low Income Housing Capital Projects Fund	13,846,914	(882,302)	12,964,612
Marine Base Low Income Housing Capital Projects Fund	3,663,365	(1,194,674)	2,468,691
	$ 32,349,820	$ -	$ 32,349,820

The beginning fund balances above were restated to transfer back tax increment allocated for 20% housing set aside to the debt service funds pursuant to AB 1484.

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2012

SCHEDULE OF FUNDING PROGRESS FOR PERS MISCELLANEOUS EMPLOYEES

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/(c)
06/30/08	$ 55,906,203	$ 58,955,701	$ 3,049,498	94.83%	$ 14,416,837	21.15%
06/30/09	59,641,991	64,934,473	5,292,482	91.85%	14,785,480	35.80%
06/30/10	63,773,252	69,334,930	5,561,678	91.98%	13,660,580	40.71%
06/30/11	68,289,474	75,399,067	7,109,593	90.57%	13,462,500	52.81%

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFIT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/(c)
06/01/07	$ -	$ 13,602,031	$ 13,602,031	0.00%	$ 21,886,909	62.15%
06/30/09	-	13,626,000	13,626,000	0.00%	23,100,000	58.99%
06/30/11	-	9,801,000	9,801,000	0.00%	21,515,000	45.55%

See independent auditors' report.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	$ 36,271,300	$ 36,271,300	$ 39,463,821	$ 3,192,521
Licenses and permits	78,000	78,000	443,928	365,928
Fines and forfeitures	751,900	751,900	875,068	123,168
Investment income	929,155	929,155	67,637	(861,518)
Intergovernmental	1,530,936	1,530,936	1,609,770	78,834
Charges for services	4,909,000	4,909,000	2,699,561	(2,209,439)
Rental income	254,500	254,500	364,774	110,274
Other revenue	3,004,700	3,004,700	11,892,175	8,887,475
TOTAL REVENUES	47,729,491	47,729,491	57,416,734	9,687,243
EXPENDITURES:				
Current:				
General government	11,034,524	11,034,524	11,581,224	(546,700)
Public safety	29,739,403	29,739,403	28,583,326	1,156,077
Public works	7,276,500	7,276,500	6,954,384	322,116
Community services	3,079,700	3,079,700	2,953,396	126,304
Capital outlay	2,771,736	2,771,736	1,744,414	1,027,322
Debt service:				
Interest and fiscal charges	-	-	904,593	(904,593)
TOTAL EXPENDITURES	53,901,863	53,901,863	52,721,337	1,180,526
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,172,372)	(6,172,372)	4,695,397	10,867,769
OTHER FINANCING SOURCES:				
Transfers in	3,662,348	3,662,348	192,671	(3,469,677)
Sale of property	3,000	3,000	43,745	40,745
TOTAL OTHER FINANCING SOURCES	3,665,348	3,665,348	236,416	(3,428,932)
EXTRAORDINARY LOSS	-	-	(7,879,742)	(7,879,742)
NET CHANGE IN FUND BALANCE	(2,507,024)	(2,507,024)	(2,947,929)	(440,905)
FUND BALANCE - BEGINNING OF YEAR	151,630,120	151,630,120	151,630,120	-
FUND BALANCE - END OF YEAR	$ 149,123,096	$ 149,123,096	$ 148,682,191	$ (440,905)

See independent auditors' report and note to required supplementary information.

CITY OF TUSTIN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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 debt service and capital improvement projects carried forward from prior years.

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

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

(4) Annual budgets are adopted for the General and Special Revenue Funds on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the City’s Debt Service and 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.

See independent auditors’ report.

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SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

OTHER GOVERNMENTAL FUNDS

June 30, 2012

SPECIAL REVENUE FUNDS are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specific purpose.

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

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

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

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

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

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

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

DEBT SERVICE FUNDS are used to account for the accumulation of resources for, and payment of, long-term liabilities, interest, and related fiscal agent costs.

Town Center Project Area - This fund records the accumulation and disbursement of monies to meet the debt service requirements of the Town Center Redevelopment Project.

Marine Base Project Area - This fund is used to meet the debt service requirements of the Marine Base Project Area.

South Central Project Area - This fund is used to meet the debt service requirements of the South Central Project Area.

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CAPITAL PROJECTS FUNDS are used to account for financial resources to be used for the acquisition or construction of major capital facilities, and for the improvement, rehabilitation, and redevelopment of the Community Redevelopment Agency project areas. The Agency was dissolved effective February 1, 2012.

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

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

Town Center Project Area - This fund accounts for acquisition and construction activity in the Town Center Redevelopment Project Area.

Low Income Housing - This fund accounts for acquisition and construction activity for low income housing to residents of South Central and Town Center Project Areas. As prescribed by the California Health and Safety Code, 20% of Redevelopment Agency tax increment revenue is set aside in this fund for the purpose of low income housing development.

Marine Base Project Area - This fund accounts for acquisition and construction activity in the Marine Base Redevelopment Project Area.

South Central Project Area - This fund accounts for acquisition and construction activity in the South Central Redevelopment Project Area.

Marine Base Low Income Housing - This fund accounts for acquisition and construction activity for low income housing. As prescribed by the California Health and Safety Code, 20% of Redevelopment Agency tax increment revenue is set aside in this fund for the purpose of low income housing development.

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2012

	Special Revenue Funds			
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture
ASSETS				
Cash and investments	$ 3,989,902	$ 2,768,678	$ 8,613,717	$ 345,396
Receivables:				
Accounts	213,939	563,929	1,845	-
Interest	2,354	1,127	5,083	204
Loans	-	-	-	-
Notes	-	-	-	-
Allowance for uncollectibles	-	-	-	-
Advances to other funds	-	-	-	-
Prepaid expenses and deposits	-	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	$ 4,206,195	$ 3,333,734	$ 8,620,645	$ 345,600
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	$ 239,004	$ 152,515	$ 33,413	$ 2,435
Deposits payable	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	239,004	152,515	33,413	2,435
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	3,967,191	3,181,219	-	343,165
Assigned	-	-	8,587,232	-
TOTAL FUND BALANCES	3,967,191	3,181,219	8,587,232	343,165
TOTAL LIABILITIES AND FUND BALANCES	$ 4,206,195	$ 3,333,734	$ 8,620,645	$ 345,600

See independent auditors' report.

Special Revenue Funds (Continued)				Debt Service Funds			
Air Quality	Supplemental Law Enforcement	Housing Authority	Total Special Revenue Funds	Town Center Project Area	Marine Base Project Area	South Central Project Area	Total Debt Service Funds
$ 160,076	$ 31,832	$ 870,857	$ 16,780,458	$ -	$ -	$ -	$ -
23,463	9,238	175	812,589	-	-	-	-
94	19	57,361	66,242	-	-	-	-
-	-	1,082,308	1,082,308	-	-	-	-
-	-	4,196,429	4,196,429	-	-	-	-
-	-	(4,908,434)	(4,908,434)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	30,000	30,000	-	-	-	-
-	-	362,677	362,677	-	-	-	-
$ 183,633	$ 41,089	$ 1,691,373	$ 18,422,269	$ -	$ -	$ -	$ -
$ -	$ 3,901	$ 15,294	$ 446,562	$ -	$ -	$ -	$ -
-	-	9,936	9,936	-	-	-	-
-	-	422,494	422,494	-	-	-	-
-	3,901	447,724	878,992	-	-	-	-
-	-	392,677	392,677	-	-	-	-
183,633	37,188	850,972	8,563,368	-	-	-	-
-	-	-	8,587,232	-	-	-	-
183,633	37,188	1,243,649	17,543,277	-	-	-	-
$ 183,633	$ 41,089	$ 1,691,373	$ 18,422,269	$ -	$ -	$ -	$ -

(Continued)

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2012

	Capital Projects Funds		
	Other Capital Projects	Construction 95-1	Town Center Project Area
ASSETS			
Cash and investments	$ 9,173,558	$ 4,367,823	$ -
Receivables:			
Accounts	424,456	2,897	-
Interest	5,413	-	-
Loans	-	-	-
Notes	-	-	-
Allowance for uncollectibles	-	-	-
Advances to other funds	1,317,615	-	-
Prepaid expenses and deposits	-	-	-
Land held for resale	-	-	-
TOTAL ASSETS	$ 10,921,042	$ 4,370,720	$ -
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	$ 944,964	124,004	$ -
Deposits payable	-	-	-
Deferred revenue	1,006,373	-	-
TOTAL LIABILITIES	1,951,337	124,004	-
FUND BALANCES:			
Nonspendable	1,317,615	-	-
Restricted	-	4,246,716	-
Assigned	7,652,090	-	-
TOTAL FUND BALANCES	8,969,705	4,246,716	-
TOTAL LIABILITIES AND FUND BALANCES	$ 10,921,042	$ 4,370,720	$ -

See independent auditors' report.

Capital Projects Funds (Continued)					
Low Income Housing	Marine Base Project Area	South Central Project Area	Marine Base Low Income Housing	Total Capital Projects Funds	Total Other Governmental Funds
$ -	$ -	$ -	$ -	$ 13,541,381	$ 30,321,839
-	-	-	-	427,353	1,239,942
-	-	-	-	5,413	71,655
-	-	-	-	-	1,082,308
-	-	-	-	-	4,196,429
-	-	-	-	-	(4,908,434)
-	-	-	-	1,317,615	1,317,615
-	-	-	-	-	30,000
-	-	-	-	-	362,677
$ -	$ -	$ -	$ -	$ 15,291,762	$ 33,714,031
$ -	$ -	$ -	$ -	$ 1,068,968	$ 1,515,530
-	-	-	-	-	9,936
-	-	-	-	1,006,373	1,428,867
-	-	-	-	2,075,341	2,954,333
-	-	-	-	1,317,615	1,710,292
-	-	-	-	4,246,716	12,810,084
-	-	-	-	7,652,090	16,239,322
-	-	-	-	13,216,421	30,759,698
$ -	$ -	$ -	$ -	$ 15,291,762	$ 33,714,031

CITY OF TUSTIN

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

For the year ended June 30, 2012

	Special Revenue Funds			
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Investment income	6,215	11,574	32,310	1,379
Intergovernmental revenue	2,027,804	1,681,532	-	178,537
Charges for services	-	-	19,144	-
Rental income	-	-	102,630	-
Other revenue	-	-	-	-
TOTAL REVENUES	2,034,019	1,693,106	154,084	179,916
EXPENDITURES:				
Current:				
General government	64	-	18,112	56,644
Public safety	-	-	-	-
Community services	-	-	-	-
Capital outlay	602,216	661,073	161,335	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	1,283	1,052	-	-
TOTAL EXPENDITURES	603,563	662,125	179,447	56,644
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,430,456	1,030,981	(25,363)	123,272
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(64,762)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(64,762)	-	-
EXTRAORDINARY GAIN (LOSS)	-	-	-	-
NET CHANGE IN FUND BALANCES	1,430,456	966,219	(25,363)	123,272
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	2,536,735	2,215,000	8,612,595	219,893
FUND BALANCES - END OF YEAR	$ 3,967,191	$ 3,181,219	$ 8,587,232	$ 343,165

See independent auditors' report.

Special Revenue Funds (Continued)				Debt Service Funds			
Air Quality	Supplemental Law Enforcement	Housing Authority	Total Special Revenue Funds	Town Center Project Area	Marine Base Project Area	South Central Project Area	Total Debt Service Funds
$ -	$ -	$ -	$ -	$ 2,892,973	$ 5,952,937	$ 2,597,575	$ 11,443,485
756	111	41,331	93,676	55,200	553	13,804	69,557
-	134,155	-	4,022,028	-	-	-	-
95,047	-	-	114,191	-	-	-	-
-	-	-	102,630	-	-	-	-
-	-	897,622	897,622	-	-	-	-
95,803	134,266	938,953	5,230,147	2,948,173	5,953,490	2,611,379	11,513,042
-	-	-	74,820	-	-	-	-
-	131,021	-	131,021	-	-	-	-
-	-	-	-	349,811	5,592	1,244,602	1,600,005
2,802	12,756	93,921	1,534,103	-	-	-	-
-	-	-	-	1,255,000	640,000	-	1,895,000
-	-	-	2,335	208,051	1,015,887	1,166	1,225,104
2,802	143,777	93,921	1,742,279	1,812,862	1,661,479	1,245,768	4,720,109
93,001	(9,511)	845,032	3,487,868	1,135,311	4,292,011	1,365,611	6,792,933
-	-	-	-	-	-	-	-
-	-	-	(64,762)	-	(2,827,620)	-	(2,827,620)
-	-	-	(64,762)	-	(2,827,620)	-	(2,827,620)
-	-	398,617	398,617	(11,286,046)	(1,133,785)	(8,461,999)	(20,881,830)
93,001	(9,511)	1,243,649	3,821,723	(10,150,735)	330,606	(7,096,388)	(16,916,517)
90,632	46,699	-	13,721,554	10,150,735	(330,606)	7,096,388	16,916,517
$ 183,633	$ 37,188	1,243,649	$ 17,543,277	$ -	$ -	$ -	$ -

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2012

	Capital Projects Funds		
	Other Capital Projects	Construction 95-1	Town Center Project Area
REVENUES:			
Taxes	$ -	$ -	$ -
Investment income	82,680	1,483	10,875
Intergovernmental revenue	781,339	-	-
Charges for services	-	-	-
Rental income	-	-	-
Other revenue	778,612	330,758	-
TOTAL REVENUES	1,642,631	332,241	10,875
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	-	-	122,245
Capital outlay	4,387,013	1,163,044	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	4,091	-	1,111
TOTAL EXPENDITURES	4,391,104	1,163,044	123,356
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,748,473)	(830,803)	(112,481)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(71,640)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(71,640)	-
EXTRAORDINARY GAIN (LOSS)	-	-	(4,530,114)
NET CHANGE IN FUND BALANCES	(2,748,473)	(902,443)	(4,642,595)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	11,718,178	5,149,159	4,642,595
FUND BALANCES - END OF YEAR	$ 8,969,705	$ 4,246,716	$ -

See independent auditors' report.

Capital Projects Funds (Continued)					
Low Income Housing	Marine Base Project Area	South Central Project Area	Marine Base Low Income Housing	Total Capital Projects Funds	Total Other Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 11,443,485
19,036	93,683	32,506	(2,038)	238,225	401,458
-	-	-	-	781,339	4,803,367
-	-	-	-	-	114,191
801	3,300	8,750	-	12,851	115,481
8,166	164,521	3,171	-	1,285,228	2,182,850
28,003	261,504	44,427	(2,038)	2,317,643	19,060,832
-	-	-	-	-	74,820
-	-	-	-	-	131,021
54,405	1,581,048	110,173	85,109	1,952,980	3,552,985
-	4,085,389	43,021	-	9,678,467	11,212,570
463,333	-	-	231,667	695,000	2,590,000
749,815	-	3,306	373,968	1,132,291	2,359,730
1,267,553	5,666,437	156,500	690,744	13,458,738	19,921,126
(1,239,550)	(5,404,933)	(112,073)	(692,782)	(11,141,095)	(860,294)
-	2,827,620	-	-	2,827,620	2,827,620
(56,269)	-	-	-	(127,909)	(3,020,291)
(56,269)	2,827,620	-	-	2,699,711	(192,671)
(11,668,793)	(37,075,405)	(14,972,966)	(1,775,909)	(70,023,187)	(90,506,400)
(12,964,612)	(39,652,718)	(15,085,039)	(2,468,691)	(78,464,571)	(91,559,365)
12,964,612	39,652,718	15,085,039	2,468,691	91,680,992	122,319,063
$ -	$ -	$ -	$ -	$ 13,216,421	$ 30,759,698

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 18,600	$ 18,600	$ 6,215	$ (12,385)
Intergovernmental revenue	1,348,420	2,033,800	2,027,804	(5,996)
TOTAL REVENUES	1,367,020	2,052,400	2,034,019	(18,381)
EXPENDITURES:				
Current:				-
General government	-	-	64	(64)
Capital outlay	700,000	1,285,651	602,216	683,435
Debt service:				
Interest and fiscal charges	-	-	1,283	(1,283)
TOTAL EXPENDITURES	700,000	1,285,651	603,563	682,088
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	667,020	766,749	1,430,456	663,707
FUND BALANCE - BEGINNING OF YEAR	2,536,735	2,536,735	2,536,735	-
FUND BALANCE - END OF YEAR	$ 3,203,755	$ 3,303,484	$ 3,967,191	$ 663,707

See independent auditors' report.

CITY OF TUSTIN

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

MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 11,574	$ 11,574
Intergovernmental revenue	2,598,545	2,598,545	1,681,532	(917,013)
TOTAL REVENUES	2,598,545	2,598,545	1,693,106	(905,439)
EXPENDITURES:				
Capital outlay	3,221,971	3,221,971	661,073	2,560,898
Debt service:				
Interesst and fiscal charges	-	-	1,052	(1,052)
TOTAL EXPENDITURES	3,221,971	3,221,971	662,125	2,559,846
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(623,426)	(623,426)	1,030,981	1,654,407
OTHER FINANCING USES:				
Transfers out	-	-	(64,762)	(64,762)
NET CHANGE IN FUND BALANCE	(623,426)	(623,426)	966,219	1,589,645
FUND BALANCE - BEGINNING OF YEAR	2,215,000	2,215,000	2,215,000	-
FUND BALANCE - END OF YEAR	$ 1,591,574	$ 1,591,574	$ 3,181,219	$ 1,589,645

See independent auditors' report.

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 63,700	$ 63,700	$ 32,310	$ (31,390)
Charges for services	13,000	13,000	19,144	6,144
Rental income	70,000	70,000	102,630	32,630
TOTAL REVENUES	146,700	146,700	154,084	7,384
EXPENDITURES:				
Current:				
General government	-	-	18,112	(18,112)
Capital outlay	559,000	559,000	161,335	397,665
TOTAL EXPENDITURES	559,000	559,000	179,447	379,553
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(412,300)	(412,300)	(25,363)	386,937
FUND BALANCE - BEGINNING OF YEAR	8,612,595	8,612,595	8,612,595	-
FUND BALANCE - END OF YEAR	$ 8,200,295	$ 8,200,295	$ 8,587,232	$ 386,937

See independent auditors' report.

CITY OF TUSTIN

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

ASSET FORFEITURE SPECIAL REVENUE FUND

For the year ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 1,300	$ 1,300	$ 1,379	$ 79
Intergovernmental revenue	110,000	110,000	178,537	68,537
TOTAL REVENUES	111,300	111,300	179,916	68,616
EXPENDITURES:				
Current:				
General government	150,000	150,000	56,644	93,356
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,700)	(38,700)	123,272	161,972
FUND BALANCE - BEGINNING OF YEAR	219,893	219,893	219,893	-
FUND BALANCE - END OF YEAR	$ 181,193	$ 181,193	$ 343,165	$ 161,972

See independent auditors' report.

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 100	$ 100	$ 756	$ 656
Charges for services	65,000	65,000	95,047	30,047
TOTAL REVENUES	65,100	65,100	95,803	30,703
EXPENDITURES:				
Capital outlay	82,685	82,685	2,802	79,883
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,585)	(17,585)	93,001	110,586
FUND BALANCE - BEGINNING OF YEAR	90,632	90,632	90,632	-
FUND BALANCE - END OF YEAR	$ 73,047	$ 73,047	$ 183,633	$ 110,586

See independent auditors' report.

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 111	$ 111
Intergovernmental revenue	311,000	311,000	134,155	(176,845)
TOTAL REVENUES	311,000	311,000	134,266	(176,734)
EXPENDITURES:				
Current:				
Public safety	237,400	237,400	131,021	106,379
Capital outlay	700	700	12,756	(12,056)
TOTAL EXPENDITURES	238,100	238,100	143,777	94,323
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	72,900	72,900	(9,511)	(82,411)
FUND BALANCE - BEGINNING OF YEAR	46,699	46,699	46,699	-
FUND BALANCE - END OF YEAR	$ 119,599	$ 119,599	$ 37,188	$ (82,411)

See independent auditors' report.

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 41,331	$ 41,331
Other revenue	-	0	897,622	897,622
TOTAL REVENUES	-	-	938,953	938,953
EXPENDITURES:				
Capital outlay	-	-	93,921	(93,921)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	845,032	845,032
EXTRAORDINARY GAIN	-	-	398,617	398,617
NET CHANGE IN FUND BALANCE	-	-	1,243,649	1,243,649
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ 1,243,649	$ 1,243,649

See independent auditors' report.

CITY OF TUSTIN

AGENCY FUNDS

June 30, 2012

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.

Assessment District 95-1 - This fund records the deposit of monies held to pay the debt service requirements of the assessment district.

Assessment District 95-2 - This fund records the deposit of monies held to pay the debt service requirements of the assessment district.

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.

CITY OF TUSTIN

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2012

	Assessment District 95-1	Assessment District 95-2	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Total
ASSETS						
Cash and investments with fiscal agents	$ -	$ -	$3,081,296	$9,360,498	$2,205,821	$ 14,647,615
Taxes receivable	-	-	18,224	51,140	-	69,364
Due from City of Tustin	-	-	-	-	-	-
TOTAL ASSETS	$ -	$ -	$3,099,520	$9,411,638	$2,205,821	$ 14,716,979
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Due to the City of Tustin	-	-	-	-	-	-
Due to bondholders	-	-	3,099,520	9,411,638	2,205,821	14,716,979
TOTAL LIABILITIES	$ -	$ -	$3,099,520	$9,411,638	$2,205,821	$ 14,716,979

See independent auditors' report.

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
ASSESSMENT DISTRICT 95-1				
ASSETS:				
Cash and investments with fiscal agents	$ 8,281,889	$ 22,714	$ 8,304,603	$ -
Taxes receivable	21,752	-	21,752	-
Due from the City	139,754	-	139,754	-
TOTAL ASSETS	$ 8,443,395	$ 22,714	$ 8,466,109	$ -
LIABILITIES:				
Accounts payable	$ 31,624	$ 13,368	$ 44,992	$ -
Due to City of Tustin	313,679	-	313,679	-
Due to bondholders	8,098,092	9,346	8,107,438	-
TOTAL LIABILITIES	$ 8,443,395	$ 22,714	$ 8,466,109	$ -
ASSESSMENT DISTRICT 95-2				
ASSETS:				
Cash and investments with fiscal agents	$ 3,029,637	$ 21,837,726	$ 24,867,363	$ -
Taxes receivable	33,935	2,896	36,831	-
TOTAL ASSETS	$ 3,063,572	$ 21,840,622	$ 24,904,194	$ -
LIABILITIES:				
Accounts payable	$ 34,186	$ 163,241	$ 197,427	$ -
Due to City of Tustin	155,836	-	155,836	-
Due to bondholders	2,873,550	21,677,381	24,550,931	-
TOTAL LIABILITIES	$ 3,063,572	$ 21,840,622	$ 24,904,194	$ -

See independent auditors' report.

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
COMMUNITY FACILITIES DISTRICT 04-01				
ASSETS:				
Cash and investments with fiscal agents	$ 3,120,784	$ 2,180,482	$ 2,219,970	$ 3,081,296
Taxes receivable	6,169	18,224	6,169	18,224
TOTAL ASSETS	$ 3,126,953	$ 2,198,706	$ 2,226,139	$ 3,099,520
LIABILITIES:				
Accounts payable	$ 5,128	$ -	$ 5,128	$ -
Due to City of Tustin	132,525	-	132,525	-
Due to bondholders	2,989,300	2,198,706	2,088,486	3,099,520
TOTAL LIABILITIES	$ 3,126,953	$ 2,198,706	$ 2,226,139	$ 3,099,520
COMMUNITY FACILITIES DISTRICT 06-01				
ASSETS:				
Cash and investments with fiscal agents	$ 9,097,213	$ 10,912,059	$ 10,648,774	$ 9,360,498
Taxes receivable	48,522	51,140	48,522	51,140
TOTAL ASSETS	$ 9,145,735	$ 10,963,199	$ 10,697,296	$ 9,411,638
LIABILITIES:				
Accounts payable	$ 52,659	$ 3,629,447	$ 3,682,106	$ -
Due to City of Tustin	926,395	914,499	1,840,894	-
Due to bondholders	8,166,681	6,419,253	5,174,296	9,411,638
TOTAL LIABILITIES	$ 9,145,735	$ 10,963,199	$ 10,697,296	$ 9,411,638

See independent auditors' report.

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
COMMUNITY FACILITIES DISTRICT 07-01				
ASSETS:				
Cash and investments with fiscal agents	$ 2,201,049	$ 2,250,861	$ 2,246,089	$ 2,205,821
Taxes receivable	52	-	52	-
TOTAL ASSETS	$ 2,201,101	$ 2,250,861	$ 2,246,141	$ 2,205,821
LIABILITIES:				
Accounts payable	$ 467	$ 836,594	$ 837,061	$ -
Due to City of Tustin	352,955	-	352,955	-
Due to bondholders	1,847,679	1,414,267	1,056,125	2,205,821
TOTAL LIABILITIES	$ 2,201,101	$ 2,250,861	$ 2,246,141	$ 2,205,821
TOTAL ALL AGENCY FUNDS				
ASSETS:				
Cash and investments with fiscal agents	$ 25,730,572	$ 37,203,842	$ 48,286,799	$ 14,647,615
Taxes receivable	110,430	72,260	113,326	69,364
Due from the City	139,754	-	139,754	-
TOTAL ASSETS	$ 25,980,756	$ 37,276,102	$ 48,539,879	$ 14,716,979
LIABILITIES:				
Accounts payable	$ 124,064	$ 4,642,650	$ 4,766,714	$ -
Due to City of Tustin	1,881,390	914,499	2,795,889	-
Due to bondholders	23,975,302	31,718,953	40,977,276	14,716,979
TOTAL LIABILITIES	$ 25,980,756	$ 37,276,102	$ 48,539,879	$ 14,716,979

See independent auditors' report.

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STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2012

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 say about the City's overall financial health.

Contents: Pages

Financial Trends - Theses schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 108

Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 118

Debt Capacity - 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. 124

Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 132

Operating Information - 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. 134

Sources:

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2005, schedules presenting government-wide information include information beginning in that year.

CITY OF TUSTIN

NET ASSETS BY COMPONENT

Last Eight Fiscal Years
(accrual bases of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Invested in capital assets, net of related debt	$ 238,482,797	$ 261,132,785	$ 285,331,502	$ 343,062,465
Restricted	53,511,631	55,021,376	94,111,615	161,669,815
Unrestricted	8,287,989	14,993,866	(19,936,964)	(14,320,020)
Total governmental activities net assets	$ 300,282,417	$ 331,148,027	$ 359,506,153	$ 490,412,260
Business-type activities:				
Invested in capital assets, net of related debt	$ 22,198,864	$ 20,494,561	$ 22,150,723	$ 22,267,386
Restricted	-	-	-	-
Unrestricted	207,310,935	206,342,244	199,289,608	172,421,511
Total business-type activities net assets	$ 229,509,799	$ 226,836,805	$ 221,440,331	$ 194,688,897
Primary government:				
Invested in capital assets, net of related debt	$ 260,681,661	$ 281,627,346	$ 307,482,225	$ 365,329,851
Restricted	53,511,631	55,021,376	94,111,615	161,669,815
Unrestricted	215,598,924	221,336,110	179,352,644	158,101,491
Total primary government net assets	$ 529,792,216	$ 557,984,832	$ 580,946,484	$ 685,101,157

GASB 34 was implemented for the fiscal year ended June 30, 2005.
Information prior to implementation of GASB 34 is not available.

Fiscal Year			
2009	2010	2011	2012
$ 357,299,104	$ 360,282,692	$ 378,911,546	$ 412,683,460
145,602,640	135,670,302	116,718,495	47,727,966
104,037,153	114,737,049	116,545,351	147,513,249
$ 606,938,897	$ 610,690,043	$ 612,175,392	$ 607,924,675
$ 24,964,824	$ 24,541,113	$ 20,872,492	$ 25,479,160
1,191,694	-	-	-
1,981,499	1,851,666	5,541,672	2,795,701
$ 28,138,017	$ 26,392,779	$ 26,414,164	$ 28,274,861
$ 382,263,928	$ 384,823,805	$ 399,784,038	$ 438,162,620
146,794,334	135,670,302	116,718,495	47,727,966
106,018,652	116,588,715	122,087,023	150,308,950
$ 635,076,914	$ 637,082,822	$ 638,589,556	$ 636,199,536

CITY OF TUSTIN

CHANGES IN NET ASSETS
EXPENSES AND PROGRAM REVENUES

Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Expenses:				
Governmental activities:				
General government	$ 9,151,650	$ 10,269,053	$ 7,926,778	$ 8,668,759
Public safety	21,748,046	23,255,837	25,269,653	27,875,230
Public works	14,169,030	14,354,535	19,091,399	30,814,898
Community services	3,255,036	3,425,790	3,444,799	3,442,833
Interest on long-term debt	874,939	1,003,920	1,618,814	4,715,026
Total governmental activities expenses	49,198,701	52,309,135	57,351,443	75,516,746
Business-type activities:				
Water	9,324,853	9,365,401	11,879,958	11,870,706
Tustin Legacy	1,788,633	1,355,822	1,518,560	1,279,802
Total business-type activities expenses	11,113,486	10,721,223	13,398,518	13,150,508
Program revenues:				
Governmental activities:				
Charges for services:				
General government	1,928,287	2,388,279	2,540,796	2,716,432
Public safety	1,180,959	1,364,877	1,476,811	2,749,660
Public works	1,631,277	3,230,212	2,987,687	1,688,753
Community services	941,297	876,199	916,075	929,548
Operating grants and contributions	2,377,440	3,655,881	3,677,905	3,831,037
Capital grants and contributions	4,484,592	19,470,274	9,652,907	79,210,370
Total governmental activities program revenues	12,543,852	30,985,722	21,252,181	91,125,800
Business-type activities:				
Charges for services:				
Water	8,478,119	8,858,151	10,418,522	10,923,061
Tustin Legacy	1,328,686	3,660,334	409,693	34,370
Operating grants and contributions	-	-	-	-
Capital grants and contributions	805,777	-	-	28,299,036
Total business-type activities program revenues	10,612,582	12,518,485	10,828,215	39,256,467
Net revenues (expenses):				
Governmental activities	$ (36,654,849)	$ (21,323,413)	$ (36,099,262)	$ 15,609,054
Business-type activities	(500,904)	1,797,262	(2,570,303)	26,105,959
Total net revenues (expenses)	$ (37,155,753)	$ (19,526,151)	$ (38,669,565)	$ 41,715,013

GASB 34 was implemented for the fiscal year ended June 30, 2005.
Information prior to implementation of GASB 34 is not available.

Fiscal Year			
2009	2010	2011	2012
$ 8,499,303	$ 7,802,579	$ 7,854,361	$ 12,266,470
29,126,019	27,277,141	28,622,807	28,800,773
22,102,002	20,816,686	19,809,907	20,765,854
5,112,770	12,742,391	13,150,089	7,078,104
3,566,782	4,087,839	4,814,598	3,057,645
68,406,876	72,726,636	74,251,762	71,968,846
12,569,331	11,938,146	12,578,667	13,467,541
1,259,093	-	-	-
13,828,424	11,938,146	12,578,667	13,467,541
1,694,464	1,404,925	1,109,150	1,390,073
2,136,772	1,168,348	1,196,830	1,133,096
2,374,308	3,761,321	3,508,904	800,328
897,386	957,545	969,006	974,747
4,253,442	3,403,411	3,441,281	3,590,210
18,865,776	6,287,231	3,395,929	20,902,629
30,222,148	16,982,781	13,621,100	28,791,083
11,281,679	10,594,471	12,422,746	15,112,161
22,587	-	-	-
-	-	-	-
-	-	-	-
11,304,266	10,594,471	12,422,746	15,112,161
$ (38,184,728)	$ (55,743,855)	$ (60,630,662)	$ (43,177,763)
(2,524,158)	(1,343,675)	(155,921)	1,644,620
$ (40,708,886)	$ (57,087,530)	$ (60,786,583)	$ (41,533,143)

CITY OF TUSTIN

CHANGES IN NET ASSETS
GENERAL REVENUES

Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	$ 19,338,392	$ 21,242,797	$ 28,617,969	$ 31,070,501
Transient occupancy taxes	139,879	155,199	161,105	163,831
Business license taxes	N/A	N/A	N/A	N/A
Other taxes	1,320,209	1,409,696	1,534,720	1,665,601
Sales tax	18,351,207	18,912,722	19,317,135	20,428,465
Motor vehicle in lieu, unrestricted	455,244	433,795	443,222	321,918
Investment income	-	3,202,914	4,842,033	7,417,199
Other general revenues	10,846,132	1,323,230	1,598,099	1,523,530
Gain (loss) on disposal of capital assets	(216,936)	(422,555)	-	(1,366,208)
Transfers	1,233,209	5,931,225	7,943,105	53,668,609
Extraordinary item	-	-	-	-
Total governmental activities	51,467,336	52,189,023	64,457,388	114,893,446
Business-type activities:				
Investment income	-	1,411,899	1,567,316	815,560
Gain (loss) on disposal of capital assets	8,358,415	-	3,519,618	(681)
Miscellaneous	509,956	49,070	-	23,337
Transfers	(1,233,209)	(5,931,225)	(7,943,105)	(53,668,609)
Total business-type activities	7,635,162	(4,470,256)	(2,856,171)	(52,830,393)
Total primary government	$ 59,102,498	$ 47,718,767	$ 61,601,217	$ 62,063,053
Changes in net assets:				
Governmental activities	$ 14,812,487	$ 30,865,610	$ 28,358,126	$ 130,502,500
Business-type activities	7,134,258	(2,672,994)	(5,426,474)	(26,721,434)
Total primary government	$ 21,946,745	$ 28,192,616	$ 22,931,652	$ 103,781,066

GASB 34 was implemented for the fiscal year ended June 30, 2005.
Information prior to implementation of GASB 34 is not available.

Fiscal Year			
2009	2010	2011	2012
$ 34,022,959	$ 28,347,659	$ 30,205,879	$ 23,270,718
154,379	141,335	142,915	137,131
356,565	337,867	358,526	44,800
1,689,573	1,720,505	1,648,319	1,621,521
19,858,142	15,917,332	18,597,453	19,931,865
252,666	6,122,789	6,189,249	5,833,094
4,863,469	4,086,852	2,358,847	958,169
2,314,540	1,520,662	1,700,323	14,444,183
-	-	-	-
103,805,196	-	-	-
-	-	-	(27,314,435)
167,317,489	58,195,001	61,201,511	38,927,046
164,764	86,654	158,242	156,855
-	-	-	-
82,810	25,340	19,064	59,222
(103,805,196)	-	-	-
(103,557,622)	111,994	177,306	216,077
$ 63,759,867	$ 58,306,995	$ 61,378,817	$ 39,143,123
$ 129,132,761	$ 2,451,146	$ 570,849	$ (4,250,717)
(106,081,780)	(1,231,681)	21,385	1,860,697
$ 23,050,981	$ 1,219,465	$ 592,234	$ (2,390,020)

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Eight Fiscal Years
(modified accrual basis of accounting)

Fund Balance prior to GASB 54

	Fiscal Year			
	2005	2006	2007	2008
General fund:				
Reserved	$ 276,989	$ 118,510	$ 248,372	$ 116,342
Unreserved	19,931,022	24,124,968	20,454,356	24,471,029
Total general fund	$ 20,208,011	$ 24,243,478	$ 20,702,728	$ 24,587,371
All other governmental funds:				
Reserved	$ 32,804,461	$ 34,612,789	$ 68,724,358	$ 76,696,588
Unreserved, reported in:				
Special revenue funds	7,592,615	8,550,855	10,639,839	64,896,223
Debt service funds	1,936,057	2,510,686	-	-
Capital projects funds	17,029,831	11,145,244	12,388,651	17,558,428
Total all other governmental funds	$ 59,362,964	$ 56,819,574	$ 91,752,848	$ 159,151,239

Fund Balance subsequent to GASB 54

General fund:				
Nonspendable	$ -	$ -	$ -	$ -
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	$ -	$ -	$ -	$ -
All other governmental funds:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ -	$ -	$ -	$ -

The City of Tustin has elected to show only eight years of data for this schedule.

Fiscal Year			
2009	2010	2011	2012
$ 120,632,293	$ 144,139,167	$ -	$ -
1,971,846	5,870,992	-	-
$ 122,604,139	$ 150,010,159	$ -	$ -
$ 49,777,973	$ 66,609,267	$ -	$ -
16,437,130	14,277,683	-	-
-	(6,774,245)	-	-
90,474,987	75,663,086	-	-
$ 156,690,090	$ 149,775,791	$ -	$ -
$ -	$ 144,139,167	$ 144,186,955	$ 144,604,847
-	47,608	-	-
-	5,823,384	-	-
-	-	7,443,165	4,077,344
$ -	$ 150,010,159	$ 151,630,120	$ 148,682,191
$ -	$ 34,800,738	$ 22,352,713	$ 1,710,292
-	111,455,097	130,673,281	38,274,666
-	344,708	-	-
-	11,670,324	18,603,317	16,239,322
-	(8,495,076)	(10,989,463)	-
$ -	$ 149,775,791	$ 160,639,848	$ 56,224,280

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Eight Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
Taxes	$ 39,290,491	$ 40,542,668	$ 48,306,569	$ 51,775,505
Licenses and permits	1,008,965	2,153,355	2,095,154	2,710,309
Fines and forfeitures	895,816	784,966	783,390	818,868
Investment income	1,662,329	2,849,921	4,228,582	7,529,488
Intergovernmental revenues	7,613,141	15,338,254	20,136,822	27,394,402
Charges for services	1,530,537	2,107,336	2,043,251	1,583,324
Rental income	208,222	304,733	349,450	786,438
Developer contributions	-	-	-	-
Other revenues	12,827,879	8,260,032	3,160,370	59,309,772
Total revenues	65,037,380	72,341,265	81,103,588	151,908,106
Expenditures:				
Current:				
General government	8,429,464	10,134,368	7,806,916	8,295,887
Public safety	21,075,766	22,697,122	24,450,803	26,561,960
Public works	7,475,332	7,691,894	9,651,745	10,136,680
Community services	2,834,472	3,026,890	3,023,648	2,886,132
Capital outlay	13,509,215	27,057,889	28,503,673	15,080,865
Debt service:				
Principal retirement	1,220,000	1,275,000	1,330,000	1,055,000
Interest and fiscal charges	884,533	1,023,622	1,620,897	4,718,806
Bond issue costs	-	-	-	-
Total expenditures	55,428,782	72,906,785	76,387,682	68,735,330
Excess (deficiency) of revenues over (under) expenditures	9,608,598	(565,520)	4,715,906	83,172,776
Other financing sources (uses):				
Proceeds from debt issuance	-	-	25,000,000	-
Transfers in	5,203,652	7,190,511	10,795,694	7,803,274
Transfers out	(3,970,443)	(5,270,356)	(10,795,694)	(7,803,274)
Contribution to developer	-	-	-	(11,934,400)
Sale of property	65,431	137,442	1,676,618	44,658
Total other financing sources (uses)	1,298,640	2,057,597	26,676,618	(11,889,742)
Extraordinary loss	-	-	-	-
Net change in fund balances	$ 10,907,238	$ 1,492,077	$ 31,392,524	$ 71,283,034
Debt service as a percentage of noncapital expenditures	5.29%	5.28%	6.57%	12.06%

The City of Tustin has elected to show only eight years of data for this schedule.

Fiscal Year			
2009	2010	2011	2012
$ 56,198,002	$ 52,579,529	$ 57,324,011	$ 50,907,306
1,692,955	3,538,198	716,144	443,928
832,188	890,770	893,642	875,068
4,429,915	3,198,484	1,632,215	472,725
14,626,663	5,378,430	5,372,905	6,413,137
4,497,309	2,708,705	5,020,485	2,813,752
771,807	869,645	358,030	480,255
-	4,051,180	1,593,475	-
1,188,200	1,028,432	2,425,052	14,075,025
84,237,039	74,243,373	75,335,959	76,481,196
6,728,236	7,197,709	7,505,928	11,656,331
27,759,939	26,359,435	27,508,514	28,714,347
11,311,291	10,133,685	9,110,621	6,954,384
5,005,986	12,251,479	12,740,969	6,506,381
24,772,717	13,125,983	9,979,670	25,816,530
11,143,000	7,913,000	10,659,000	2,590,000
3,570,834	4,603,661	4,131,435	3,264,323
-	-	429,731	-
90,292,003	81,584,952	82,065,868	85,502,296
(6,054,964)	(7,341,579)	(6,729,909)	(9,021,100)
-	26,274,205	43,281,289	-
142,866,218	37,207,661	2,645,014	3,020,291
(41,295,836)	(37,207,661)	(2,645,014)	(3,020,291)
-	-	-	-
40,201	7,421	18,138	43,745
101,610,583	26,281,626	43,299,427	43,745
-	-	-	(98,386,142)
$ 95,555,619	$ 18,940,047	$ 36,569,518	$ (107,363,497)
28.96%	22.37%	26.76%	10.88%

CITY OF TUSTIN

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		
	Secured	Unsecured	Taxable Assessed Value
2003	$ 4,637,831	$ 301,761	$ 4,939,592
2004	4,969,203	314,645	5,283,848
2005	5,306,887	308,339	5,615,226
2006	5,753,518	285,670	6,039,188
2007	6,397,216	301,747	6,698,963
2008	7,109,465	359,631	7,469,096
2009	7,505,735	435,026	7,940,761
2010	7,381,782	371,722	7,753,504
2011	7,274,075	371,027	7,645,102
2012	7,360,593	344,424	7,705,017

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 16 and 17 for more information.

Redevelopment Agency (A)			
Secured	Unsecured	Taxable Assessed Value (A)	Total Direct Tax Rate
$ 621,304	$ 67,143	$ 688,447	0.091%
659,266	61,810	721,076	0.190%
927,400	68,767	996,167	0.220%
1,039,506	71,738	1,111,244	0.226%
1,496,217	84,203	1,580,420	0.261%
2,425,555	165,392	2,590,947	0.279%
1,946,378	71,422	2,017,800	0.326%
1,667,398	80,166	1,747,564	0.308%
1,696,957	77,235	1,774,192	0.310%
1,590,722	83,160	1,673,882	0.303%

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year			
	2005	2006	2007	2008
Direct Rate:				
City of Tustin	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272
Tustin Unified School District	0.4397	0.4397	0.4397	0.4397
South Orange County Community College District	0.0886	0.0886	0.0886	0.0886
County of Orange	0.0617	0.0617	0.0617	0.0617
Orange County Flood Control District	0.0198	0.0198	0.0198	0.0198
Orange County Library District	0.0167	0.0167	0.0167	0.0167
Orange County Department of Education	0.0161	0.0161	0.0161	0.0161
Various Special Districts	0.2302	0.2302	0.2302	0.2302
Total Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
Tustin Unified School District Bonds	0.0554	0.0311	0.0023	0.0317
Metropliton Water District Bonds	0.0058	0.0052	0.0047	0.0045
Rancho Santiago Community College District Bonds	0.0273	0.0169	0.0191	0.0237
Irvine Ranch Water District Bonds	0.0001	0.0477	0.2138	0.2143
Santa Ana Unified School District Bonds	0.0496	0.0435	0.0392	0.0359
Total Overlapping Rates	0.1382	0.1444	0.2791	0.3101
Total Direct and Overlapping Rates	$ 1.1382	$ 1.1444	$ 1.2791	$ 1.3101

The City of Tustin has elected to show only eight years of data for this schedule.

Source: Hdl, Coren & Cone

Fiscal Year			
2009	2010	2011	2012
$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272
0.4397	0.4397	0.4397	0.4397
0.0886	0.0886	0.0886	0.0886
0.0617	0.0617	0.0617	0.0617
0.0198	0.0198	0.0198	0.0198
0.0167	0.0167	0.0167	0.0167
0.0161	0.0161	0.0161	0.0161
0.2302	0.2302	0.2302	0.2302
1.0000	1.0000	1.0000	1.0000
0.0310	0.0380	0.0596	0.0559
0.0043	0.0043	0.0037	0.0037
0.0225	0.0274	0.0314	0.0315
0.2143	0.2242	0.2242	0.2155
0.0321	0.0739	0.0717	0.0715
0.3042	0.3678	0.3906	0.3781
$ 1.3042	$ 1.3678	$ 1.3906	$ 1.3781

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2012 Taxable Assessed Value	2012 Percent of Total City Taxable Assessed Value	2003 Taxable Assessed Value	2003 Percent of Total City Taxable Assessed Value
Irvine Company LLC	$ 218,130,508	2.33%	$ 275,854,696	5.00%
Vestar Kimco Tustin LP	155,332,597	1.66%		
Avalon II California Value I	97,409,550	1.04%		
Irvine Apartment Communities LP	86,147,485	0.92%		
Ricoh Development of California Inc	50,094,745	0.53%		
Borchard Redhill SKB-Tustin LLC	49,705,576	0.53%		
PK II Larwin Square SC LP	48,800,223	0.52%	31,683,505	0.57%
Costco Wholesale Corporation	42,000,279	0.45%		
CPII Park Place LLC	33,923,534	0.36%		
Tustin Heights SC LP	33,047,879	0.35%		
Steelcase Inc			71,004,273	1.29%
AIMCO Brookside Tustin			36,885,671	0.67%
Pairgain Technologies Inc			34,333,380	0.62%
Sanyo Foods Corporation			32,043,523	0.58%
Catellus Finance			28,229,343	0.51%
Larwin Square Tustin LLC			22,931,099	0.42%
Cadigan Communities LP			22,816,382	0.41%
MacPherson Properties			22,611,838	0.41%
	$ 814,592,376	8.69%	$ 578,393,710	10.48%

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

Sources: Orange County Assessor's Office
HdL, Coren & Cone

CITY OF TUSTIN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Nine 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
2004	$ 12,011,332	$ 11,507,171	95.80%	$ 27,851	$ 11,535,022	96.03%
2005	19,706,674	19,338,392	98.13%	42,299	19,380,691	98.35%
2006	21,602,011	21,242,797	98.34%	309,074	21,551,871	99.77%
2007	30,701,393	28,617,969	93.21%	799,215	29,417,184	95.82%
2008	33,554,781	31,070,501	92.60%	695,793	31,766,294	94.67%
2009	38,515,110	34,022,959	88.34%	1,417,067	35,440,026	92.02%
2010	31,739,378	28,347,659	89.31%	917,222	29,264,881	92.20%
2011	30,713,746	29,541,000	96.18%	610,052	30,151,052	98.17%
2012	30,163,205	20,433,400	67.74%	147,389	20,580,789	68.23%

Notes:
The amounts presented include City property taxes and Redevelopment Agency (A) tax increment.

This schedule also include amounts collected by the City and Redevelopment Agency (A) that were passed-through to other agencies.

The City of Tustin has elected to show only nine years of data for this schedule.

(A) Effective February 1, 2012, the Redevelopment Agency was dissolved. See Notes 16 and 17 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							
	General Obligation Bonds	Tax Allocation Bonds (1)	Tax Allocation Bonds (7)	Tax Allocation Bonds (8)	Lease Revenue Bonds (2)	Notes Payable (3)	Notes Payable (4)	Total Governmental Activities
2003	$ -	$ 16,800,000	$ -	$ -	$ 1,230,000	$ -	$ -	$ 18,030,000
2004	-	15,910,000	-	-	945,000	-	-	16,855,000
2005	-	14,990,000	-	-	645,000	-	-	15,635,000
2006	-	14,030,000	-	-	330,000	-	-	14,360,000
2007	-	13,020,000	-	-	-	25,000,000	-	38,020,000
2008	-	11,975,000	-	-	-	25,000,000	-	36,975,000
2009	-	10,870,000	-	-	-	14,962,000	19,284,170	45,116,170
2010	-	9,720,000	26,170,000	-	-	8,199,000	20,112,456	64,201,456
2011	-	8,515,000	24,915,000	44,170,000	-	-	20,976,317	98,576,317
2012	-	-	-	-	-	-	21,877,282	21,877,282

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

Per Capita Personal Income is not available for the City of Tustin alone so the Percentage of Personal Per Capita Income has been left off this schedule.

(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 8, 16 and 17 for more information.

(2) In June of 1996 the City issued $2.7 million of Lease Revenue Bonds as a member of the Countywide Joint Powers Authority. The final maturity was August, 2006.

(3) 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.

(4) 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. The balance also includes accrued interest in the amount of $1,162,188. As of February 1, 2012, this note is payable to the Successor Agency to the Tustin Community Redevelopment Agency.

(5) 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.

(6) In 1998 the City executed a note payable in the amount of $6.8 million with the Orange County Water District.

Business-type Activities							
Water Revenue Bonds (5)	Water Revenue Bonds (9)	Water Revenue Bonds (10)	Certificates of Participation	Notes Payable (6)	Total Business-type Activities	Total Primary Government	Debt per Capita
$ -	$ -	$ -	$ 8,100,000	$ 4,632,456	$ 12,732,456	$ 30,762,456	$ 445
-	-	-	7,575,000	3,991,272	11,566,272	28,421,272	407
13,668,367	-	-	-	-	13,668,367	29,303,367	417
13,461,607	-	-	-	-	13,461,607	27,821,607	394
13,331,607	-	-	-	-	13,331,607	51,351,607	719
13,080,000	-	-	-	-	13,080,000	50,055,000	696
12,560,000	-	-	-	-	12,560,000	57,676,170	783
11,875,000	-	-	-	-	11,875,000	76,076,456	1,018
11,165,000	20,760,000	-	-	-	31,925,000	130,501,317	1,722
-	20,760,000	8,910,000	-	-	29,670,000	51,547,282	673

(7) 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 8, 16 and 17 for more information.

(8) 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 8, 16 and 17 for more information.

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

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

CITY OF TUSTIN

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt: General Obligation Bonds	Outstanding General Bonded Debt: Tax Allocation Bonds	Outstanding General Bonded Debt: Total	Percent of Assessed Value *	Per Capita
2003	$ -	$ 16,800,000	$ 16,800,000	0.30%	$ 243
2004	-	15,910,000	15,910,000	0.26%	228
2005	-	14,990,000	14,990,000	0.23%	213
2006	-	14,030,000	14,030,000	0.20%	199
2007	-	13,020,000	13,020,000	0.16%	182
2008	-	11,975,000	11,975,000	0.12%	166
2009	-	10,870,000	10,870,000	0.11%	148
2010	-	35,890,000	35,890,000	0.38%	480
2011	-	77,600,000	77,600,000	0.82%	1,024
2012	-	-	-	-	-

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 8, 16 and 17 for more information.

CITY OF TUSTIN

OVERLAPPING DEBT SCHEDULE

June 30, 2012

2011-12 Assessed Valuation	$ 9,375,898,773
Redevelopment Incremental Valuation	(2,048,680,989) (A)
Adjusted Assessed Value	$ 7,327,217,784

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/12	(1) % Applicable	City's Share of Debt at 6/30/12
Metropolitan Water District	$ 196,545,000	0.406%	$ 797,973
Rancho Santiago Community College District	302,555,660	0.017	51,434
Santa Ana Unified School District	302,027,117	0.0003	906
Irvine Unified School District Community Facilities District No. 86-1	106,170,000	0.24	254,808
Tustin Unified School District School Facilities Improvement District No. 2002-1	57,675,577	39.944	23,037,932
Tustin Unified School District School Facilities Improvement District No. 2008-1	49,000,000	39.523	19,366,270
Tustin Unified School District Community Facilities District No. 88-1	50,255,000	100	50,255,000
Tustin Unified School District Community Facilities District No. 06-1	13,560,000	100	13,560,000
City of Tustin Community Facilities Districts	78,620,000	100	78,620,000
Irvine Ranch Water District Improvement Districts	342,641,210	0.493-52.208	95,653,331
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			281,597,654
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	$ 233,751,000	1.945%	4,546,457
Orange County Pension Obligations	214,405,353	1.945	4,170,184
Orange County Board of Education Certificates of Participation	1,600,000	1.945	311,200
Municipal Water District of Orange County Water Facilities Corporation	12,145,000	2.296	278,849
Orange Unified School District Certificates of Participation	48,555,000	0.034	16,509
Orange Unified School District Benefit Obligations	89,865,000	0.034	30,554
Tustin Unified School District Certificates of Participation	50,676,741	0.0003	152
City of Tustin	**-**	**100**	**-**
Irvine Ranch Water District Certificates of Participation	77,190,000	7.369	5,688,131
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:			15,042,036
Less: MWDOC Water Facilities Corporation (100% self supporting)			(278,849)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:			14,763,187
GROSS COMBINED TOTAL DEBT (2)			$ 296,639,690
NET COMBINED TOTAL DEBT			$ 296,360,841

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuations:	
Total Overlapping Tax and Assessment Debt	3.000%

Ratios to Adjusted Assessed Valuations:	
Combined Direct Debt	0.000%
Gross Combined Total Debt	4.050%
Net Combined Total Debt	4.040%

(A) Effective February 1, 2012, the Redevelopment Agency was dissolved. See Notes 16 and 17 for more information.

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Assessed valuation	$ 4,939,592,000	$ 5,283,848,000	$ 5,615,226,000	$ 6,039,188,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,234,898,000	1,320,962,000	1,403,806,500	1,509,797,000
Debt limit percentage	15%	15%	15%	15%
Debt limit	185,234,700	198,144,300	210,570,975	226,469,550
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	$ 185,234,700	$ 198,144,300	$ 210,570,975	$ 226,469,550
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 However, this provision was enacted when assessed valuation was based upon 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 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					
2007	2008	2009	2010	2011	2012
$ 6,698,963,000	$ 7,469,096,000	$ 7,940,761,000	$ 7,753,504,000	$ 7,645,102,000	$ 7,705,016,000
25%	25%	25%	25%	25%	25%
1,674,740,750	1,867,274,000	1,985,190,250	1,938,376,000	1,911,275,500	1,926,254,000
15%	15%	15%	15%	15%	15%
251,211,113	280,091,100	297,778,538	290,756,400	286,691,325	288,938,100
-	-	-	-	-	-
$ 251,211,113	$ 280,091,100	$ 297,778,538	$ 290,756,400	$ 286,691,325	$ 288,938,100
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	Refunding Water Revenue Bonds Debt Service Principal	Interest	Coverage
2003	$ 8,718,072	$ 6,019,880	$ 2,698,192	$ 525,000	$ 421,200	2.85
2004	9,189,579	6,032,117	3,157,462	400,000	311,002	4.44
2005	8,905,221	7,297,101	1,608,120	230,000	583,920	1.98
2006	9,348,715	7,417,023	1,931,692	130,000	575,410	2.74
2007	10,844,515	9,986,251	858,264	180,000	570,470	1.14
2008	11,240,752	10,053,706	1,187,046	335,000	563,450	1.32
2009	11,510,315	10,573,932	936,383	520,000	550,385	0.87
2010	12,829,902	9,928,608	2,901,294	685,000	530,105	2.39
2011	12,422,746	10,566,435	1,856,311	710,000	502,705	1.53
2012	15,112,161	10,683,621	4,428,540	740,000	1,432,659	2.04

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 expenses.

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

(A) 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 8, 16 and 17 for more information.

Tax Allocation Bonds (A)			
Tax Allocation	Debt Service		Coverage
	Principal	Interest	
$ 2,295,614	$ 850,000	$ 800,450	1.39
2,362,640	890,000	765,205	1.43
2,401,247	920,000	727,640	1.46
2,952,481	960,000	687,680	1.79
3,956,734	1,000,000	642,040	2.41
3,381,188	1,055,000	594,358	2.05
4,460,947	1,105,000	547,365	2.70
3,831,975	1,150,000	497,180	2.33
17,928,849	2,460,000	2,204,419	3.84
-	-	-	-

CITY OF TUSTIN

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	City of Tustin Population	Personal Income (In Thousands)	Per Capita Personal Income	County of Orange Unemployment Rate
2003	69,126	$ 1,764,929	$ 25,532	4.90%
2004	69,753	1,832,204	26,267	4.70%
2005	70,291	1,953,946	27,798	4.20%
2006	70,524	2,064,542	29,274	3.70%
2007	71,383	2,246,281	31,468	3.30%
2008	71,931	2,368,395	32,926	3.80%
2009	73,670	2,450,480	33,263	5.20%
2010	74,736	2,407,036	32,207	8.90%
2011	75,733	2,363,057	31,186	9.40%
2012	76,597	2,429,318	31,716	8.60%

Source: HdL Coren & Cone, LLC

CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Six Years Ago

	2012		2006 (1)	
Employer	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Young's Market Co LLC	2,100	5.14%		
Tustin Unified School District	1,600	3.92%		
Lamppost Pizza Corp	1,400	3.43%		
Ricoh Electronics Inc	1,384	3.39%	1,038	2.77%
Toshiba America Medical Systs	900	2.20%	300	0.76%
Rockwell Collins Inc	600	1.47%		
Costco	450	1.10%		
Safmarine	400	0.98%		
City Of Tustin	300	0.73%		
Cash Plus Inc	250	0.61%		
Warner Systems Inc	250	0.61%		
Home Depot	203	0.50%		
Health South Tustin Rehab Hosp	200	0.49%		
Logomark Inc	200	0.49%		
Straub Distributing Co	200	0.49%		
Tustin Toyota	200	0.49%		
Schick Records Management	199	0.49%		
Peregrine Pharmaceuticals	174	0.43%		
All Green Electronic Recycling LLC	150	0.37%		
Texas Instruments			560	1.42%
MacPherson Enterprises			540	1.37%
Cherokee International			330	0.84%
Revere Transducers			200	0.51%
Tustin Hospital			200	0.51%
Fireman's Fund Insurance			190	0.48%
KTBN Channel 40 Trinity Broadcasting			180	0.46%
Safeguard Business Systems			175	0.45%

(1) Information is not available for fiscal year 2001-2002.

Sources: www.InfoUSA.com, City of Tustin

CITY OF TUSTIN

FULL-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	32	32	31	31	31	31	27	27	25	29
Community Development	21	21	22	24	28	29	28	24	17	17
Public Works	47	47	48	48	50	51	50	53	52	51
Police	141	141	141	141	145	144	147	147	140	139
Parks and Recreation	20	20	18	17	17	15	16	15	14	15
Redevelopment Agency	5	5	2	3	5	5	6	6	6	5
Water	22	22	22	22	20	20	23	22	23	25
Total	288	288	284	286	296	295	297	294	277	281

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

Source: City of Tustin Finance Department

CITY OF TUSTIN

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations (1)	2	2	2	2	2	2	2	2	2	2
Public Works										
Street (miles)	101.8	101.8	101.8	101.8	101.8	106.3	127.2	127.2	127.2	127.2
Street Lights	2,855	2,855	2,855	2,855	2,855	3,285	3,544	3,544	3,544	3,544
Traffic Signals	97	97	97	97	97	113	113	116	117	118
Storm Drain (miles)	23.7	23.7	23.7	23.7	23.7	49.1	49.2	49.2	49.2	49.2
Street Trees	16,689	16,667	16,744	16,638	16,638	15,821	15,853	15,853	15,837	15,786
Parks and Recreation										
Parks	12	12	12	12	12	12	12	13	13	13
Parks (acres)	81.5	81.5	81.5	81.5	81.5	81.5	81.5	98.5	98.5	98.5
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1	1	1
Water										
Metered Services	13,500	13,500	13,500	13,900	14,080	14,117	14,118	14,118	14,139	14,139
Average daily consumption	12,500	12,500	12,500	12,514	17,205	14,970	14,460	14,460	12,899	13,491
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	12	12	12	12	12	12	13	13	13	13
Water Main (miles)	173	173	173	173	173	173	173	173	173	173
Fire Hydrants	2,200	2,200	2,200	2,200	2,200	2,200	2,201	2,201	2,201	2,201

(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 2003	2004	2005	2006
Residential	2,259,295	2,522,125	2,539,105	2,847,140
Apartment/Multiple Units	958,049	1,042,914	1,101,639	1,218,770
Commercial	270,860	288,347	285,628	331,990
Fire Services	557	598	1,100	306
Irrigation	118,393	129,127	132,442	137,651
Government	133,120	180,387	170,830	179,426
Restaurants	48,046	59,591	61,706	71,356
Hospitals	15,756	18,333	13,732	14,690
Non-Profit	33,287	35,386	37,906	43,427
Industrial	64,675	57,214	60,262	77,425
Hotel/Motels	10,705	9,806	8,502	10,878
All Others	80,312	96,678	112,043	103,570
	3,993,055	4,440,506	4,524,895	5,036,629

Measured in hundred cubic feet.

Source: City of Tustin Finance Department

Fiscal Year					
2007	2008	2009	2010	2011	2012
3,319,069	3,202,982	3,012,575	2,749,415	2,592,741	2,733,482
1,312,731	1,264,584	1,226,181	1,142,749	1,133,899	1,172,823
360,170	326,987	305,601	287,951	296,001	305,638
11,453	478	184	217	275	1,242
171,200	174,858	171,382	145,287	134,408	149,957
265,158	260,688	264,425	238,914	212,561	236,658
67,378	61,029	54,916	52,761	48,873	53,183
14,243	14,376	11,222	9,636	11,587	12,204
48,320	48,922	45,387	43,985	41,291	44,488
71,065	69,920	67,985	56,360	51,760	58,298
13,367	12,803	12,890	13,562	8,332	8,514
100,604	115,246	105,221	171,781	176,248	147,552
5,754,758	5,552,873	5,277,969	4,912,618	4,707,976	4,924,039

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
2003	$ 16.00	$ 0.35	$ 1.12	$ 1.20	$ 1.32
2004	16.00	0.35	1.12	1.20	1.32
2005	16.00	0.35	1.12	1.20	1.32
2006	18.16	0.40	1.27	1.36	1.50
2007	20.24	0.44	1.42	1.52	1.67
2008	22.26	0.49	1.56	1.67	1.84
2009	22.26	0.49	1.56	1.67	1.84
2010	22.26	0.49	1.56	1.67	1.84

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges: Up to 10 HCF	From 11 to 20 HCF	From 21 to 30 HCF	From 31 to 40 HCF	From 41 to 50 HCF	From 51 to 60 HCF	All Over 60 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

Notes:

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

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

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

Source: City of Tustin Finance Department

CITY OF TUSTIN

WATER CUSTOMERS

Current Year and Six Years Ago

Water Customer	2012 Water Charges	2012 Percent of Total Water Revenues	2006 (1) Water Charges	2006 (1) Percent of Total Water Revenues
TUSTIN UNIFIED SCHOOL DIST	$ 471,855	3.80%	$ 204,869	3.50%
CITY OF TUSTIN	128,889	1.04%	52,710	0.90%
AT& T SERVICES, INC.	74,379	0.60%		
RICOH ELECTRONICS INC	68,087	0.55%		
HSA LP	59,167	0.48%	53,459	0.91%
CALTRANS - DISTRICT 12	56,450	0.45%		
TUSTIN ACRES COMM ASSOC	46,659	0.38%	22,501	0.38%
CMC ASSOCIATION MGMT	38,992	0.31%	23,149	0.40%
SCHROEDER PROP MGMT	38,895	0.31%	19,940	0.34%
TUSTIN PLAZA CENTER, LP	37,930	0.31%		
CADIGAN COMMUNITIES	37,171	0.30%		
SKB-TUSTIN LLC	36,655	0.30%		
RED HILL ASSOCIATION	33,974	0.27%		
15701 TV WAY PARTNERSHIP	30,955	0.25%		
SIERRA CORP MGT	30,075	0.24%		
SYCAMORE GARDENS ASSOC	29,388	0.24%		
TRINITY UNITED PRESBYTERIAN	28,703	0.23%		
AVALON 2 CALIF 1 LP	28,453	0.23%		
BRIARWOOD INVESTMENT CO LT	27,404	0.22%	25,311	0.43%
TUSTIN HOSPITAL MEDICAL CENTER	25,101	0.20%		
KEY INN	24,659	0.20%		
TUSTIN VILLAGE COMMUNITY ASSOC	24,610	0.20%	18,364	0.31%
TUSTIN PLACE H.O.A.	24,208	0.19%		
VILLA VALENCIA MHP	24,033	0.19%		
VALENCIA GARDENS OWNER LLC	23,274	0.19%		
BASCOM EAST TUSTIN AVE APT LLC			65,410	1.12%
PACIFIC BELL			50,417	0.86%
V KAY - NNC VALENCIA GARDENS A			27,033	0.46%
GREENWOOD AND MCKENZIE			23,490	0.40%
ALDERS APARTMENT COMPANY			20,903	0.36%
PACIFIC POINT APTS			20,513	0.35%
WESTCHESTER PARK L.P			19,784	0.34%
ARNEL MANAGEMENT			18,655	0.32%
REGENCY WEST			18,599	0.32%
SYCAMORE CREEK APARTMENTS			17,878	0.31%
Total Water Sales	$ 1,449,966	11.67%	$ 702,985	12.01%

(1) Information is not available for fiscal year 2001-2002.

Source: City of Tustin Finance Department

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