FIRE STATION #37

CHILI COOK-OFF

TUSTIN RANCH ROAD

TUSTIN

COMMUNITY TREES HISTORY FUTURE

BUILDING OUR FUTURE
HONORING OUR PAST

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30TH, 2014

CITY OF TUSTIN, CALIFORNIA

CITY OF TUSTIN, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED JUNE 30, 2014

Prepared By: Finance Department

CITY OF TUSTIN

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CITY OF TUSTIN

Elected and Administrative Officials

MAYOR

Al Murray

CITY COUNCIL

Charles E. "Chuck" Puckett, Mayor Pro Tem
John Nielsen
Rebecca "Beckie" Gomez
Dr. Allan Bernstein

AUDIT COMMISSION

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

CITY MANAGER/CITY CLERK

Jeffrey C. Parker

David E. Kendig
City Attorney

Elizabeth A. Binsack
Director, Community Development

Pamela Arends-King
Director, Finance/ City Treasurer

Charles Celano
Chief of Police

David Wilson
Director, Parks and Recreation Services

Douglas S. Stack
Director, Public Works/ City Engineer

Derick Yasuda
Acting Director of Human Resources

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TUSTIN

BUILDING OUR FUTURE
HONORING OUR PAST

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, 2014, 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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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, 2014 population at 78,360, a 0.5 % increase from 2013. 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 Public Financing Authority and the City of Tustin Housing Authority (Housing Authority). The activities of both entities are included in these financial statements. Additional information for the Tustin Public Financing Authority and the Tustin Housing Authority is available in Note 1 of the Notes to Basic Financial Statements.

The key element of the City's financial management process is the development and approval of the annual budget. The City Council conducts various open budget workshops as necessary and adopts the budget at a noticed public meeting. The budget is prepared pursuant to generally accepted accounting principles (GAAP) and is balanced by fund. The level of appropriations is controlled by the City Council for each fund. The City Manager is authorized to transfer appropriations within the fund between the various programs and/or departments. Budgetary control is maintained by a real-time financial reporting system. Budget to actual comparisons are provided through display or reports and through budget controls set within the purchasing and accounts payable modules for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund this comparison is presented on page 80 as part of the required supplementary information and for nonmajor governmental funds this comparison is presented on pages 90 – 96 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. The Successor Agency is presented as a Private Purpose Trust Fund on pages 28-29.

ECONOMIC OUTLOOK

The State of California continues to slowly recover from the economic downturn. The statewide unemployment rate has dropped from 8.6% in October 2013 to 7.3% for October 2014, which is 1.5% higher than the United States unemployment rate of 5.8% for October 2014. The Orange County unemployment rate has decreased 1.1% from October 2013 to 5% for October 2014. The City's sales tax revenue continues to be the largest revenue source for the General Fund. It is 43% of total General Fund revenues. Annual sales tax revenue increased from $21.6 million in fiscal year 2012-2013 to $22.3 million in fiscal year 2013-2014, a 3.2% increase. The increase is primarily due to continuing demand for new automobiles. Sales tax revenue for fiscal year 2014-2015 is expected to increase $0.3 million from prior year. Property tax revenue is the second largest General Fund revenue source (16% of total revenues). Orange County property values and property sales have been stable; therefore, property tax revenue stayed approximately the same as prior year at $8.2 million for fiscal year 2013-2014. The City's property tax revenue is expected to increase $0.2 million in fiscal year 2014-2015.

Development at the Marine Corp Air Station Base also referred to as the Legacy continues to move forward. The City completed its negotiations with Standard Pacific for the development of 375 single family homes within the Legacy. The land for the development was sold in August 2014 for $56 million. Community Facilities District 14-01 was formed to raise two special taxes in relation to this development for public services provided such as public safety, parks and street maintenance and to pay debt service for bonds not to exceed $29 million to be issued to fund backbone infrastructure. The bonds are expected to be issued summer 2015. The Irvine Company purchased property within the Legacy for $45.6 million in fiscal year 2012-2013 to construct 533 rental apartment units of which 37 are for moderate income tenants. Of the $45.6 million collected from the Irvine Company, $15.3 million is designated to fund construction of the Legacy backbone infrastructure. The City also entered into an agreement in fiscal year ending June 30, 2013 with Anton Legacy Tustin L.P. for the sale of land for one dollar and $4.3 million to fund construction of the Legacy backbone infrastructure to construct 225 rental apartments of which 88 are very low-income units, 73 are low-income units and 64 are moderate-income units. The apartments are expected to be completed early fiscal year 2014-2015. Construction of the Tustin Ranch Road extension project was completed and officially opened to the public in the fall of 2013. Fire Station #37 in the Legacy was completed in March 2014.

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 2014-15 are estimated to be $0.3 million less than fiscal year 2012-13, primarily due to a decrease in building permits and building plan checks. Expenditures are $3.4 million more than budgeted in fiscal year 2013-14 due to the increase of General Fund dollars that must be spent on public works street maintenance of $1.2 million to meet the maintenance of effort requirements to receive Measure M2 tax dollars from the Orange County Transportation Authority for street repair and rehabilitation; a $1 million transfer to an Emergency Fund; and $0.7 million will be spent on the Economic Development division. That division had been paid for by the Successor Agency of the Tustin Community Redevelopment Agency. The City expects a $0.8 million deficit for fiscal year 2014-15; therefore City Council has chosen to use excess reserves to balance the General Fund budget for fiscal year 2014-2015. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2015.

ACCOMPLISHMENTS AND FUTURE PROJECTS

Major capital improvement projects completed include the Rawlings Reservoir Replacement, Newport Avenue Bicycle Trail Reconstruction, McFadden Avenue Rehabilitation between Mantle Land and Pasadena Avenue, and Irvine Boulevard Rehabilitation between Prospect Avenue and Holt Avenue.

The City's capital projects for fiscal year 2014-2015 are budgeted at $50 million. Funding sources for the capital projects include revenues from gas tax, Community Development Block Grant, water revenues, Community Facility bond proceeds, Measure M2, Park Development Funds, and Water Revenue Bond proceeds. Major projects include the Clifton C. Miller Community Center kitchen remodel; installation of a new Voice Over Internet Protocol (phone) system; Frontier Park Water Element recirculation system; Centennial Park picnic area and entry renovations; replacement of the emergency generators at City Hall and the Senior Center; installation of a biofiltration element in the Edinger/Red Hill/Valencia/Kensington Park Quadrant; traffic signal controller equipment upgrades and replacements; and replacement of Simon Ranch Reservoir, Booster Pump Station, and pipeline.

Major Legacy projects include Red Hill Avenue median improvements between Barranca parkway and north of Valencia Avenue, the Barranca Parkway Improvements from west of Tustin Ranch Road to east of Aston Street; the extension of Armstrong and Warner Avenues; the design of a community park; landscaping and water quality feature installation at the corner of Red Hill Avenue and Barranca Parkway; improvements to Peters Canyon Channel; and the extension of Moffett Drive from Park Avenue to east of Peters Canyon Channel.

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, 2013. This was the twenty-seventh 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, Sean Tran, Administrative Services Manager, Alberto Preciado, Senior Accountant, the finance staff, and consultant Melissa Shirah, C.P.A. Their significance in preparing the final financial documents is reflected in the quality of this report.

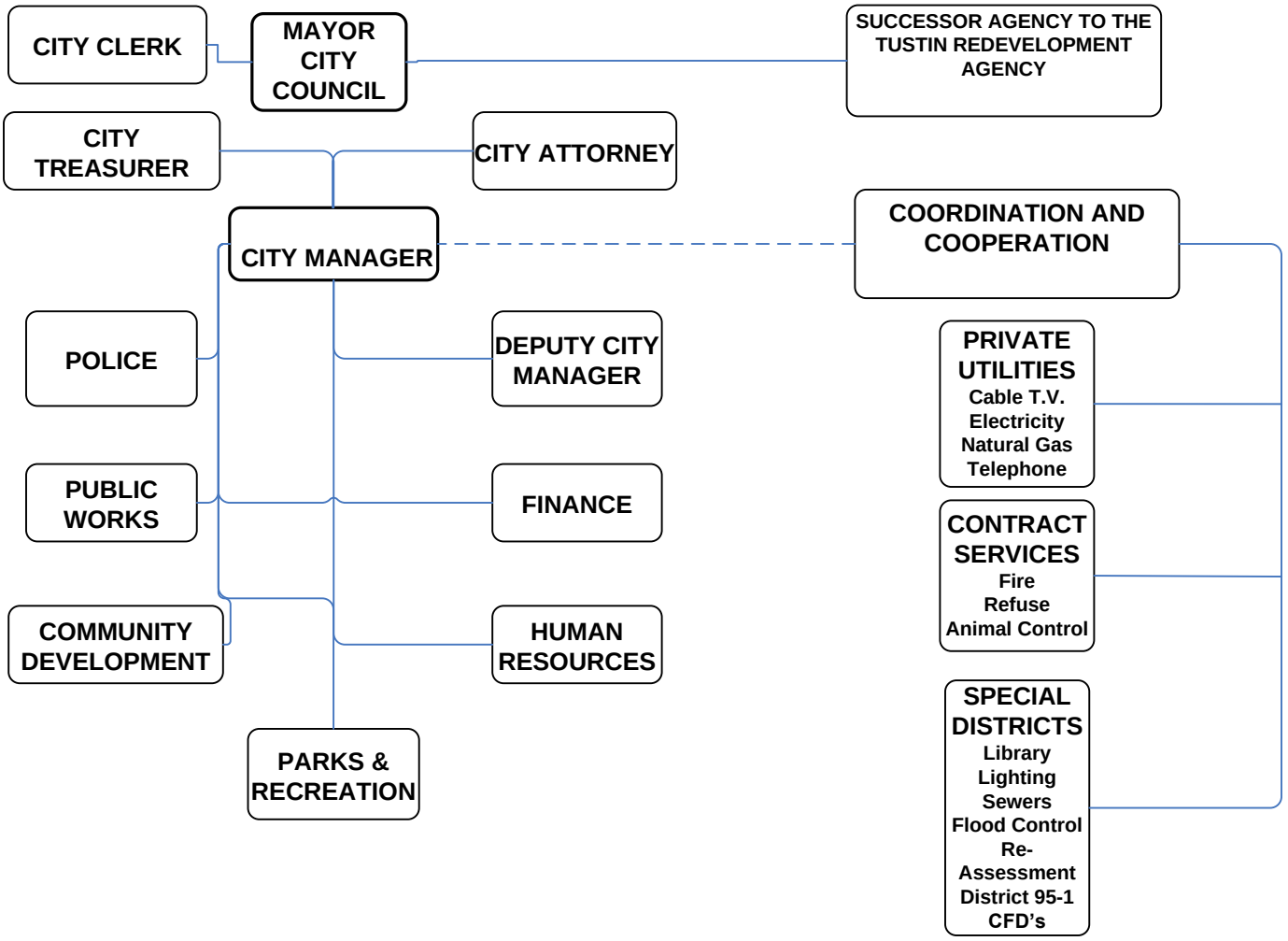
The Mayor and members of the City Council are to be commended for their interest and support in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Pamela Arends-King

Pamela Arends-King
Finance Director/City Treasurer

LOCAL GOVERNMENT
FY 2013-14



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tustin
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Honorable City Council
of the City of Tustin
Tustin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Tustin (the City), as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Offices located in Orange and San Diego Counties

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Tustin, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, and 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them. The budgetary comparison schedules 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 of the City 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
December 15, 2014

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As management of the City of Tustin, California (City), we offer readers of the City of Tustin's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements.

Financial Highlights

- The assets and deferred out flows of resources of the City exceeded its liabilities at June 30, 2014, by $672 million (*net position*). Net position consists of $485.4 million invested in capital assets, $36.7 million in restricted net position and $149.9 million in unrestricted net position.

- The government's total net position decreased by $23 million during the fiscal year ended June 30, 2014. The primary reason for the decrease is due to the recognition of the amount due of $18.2 million to Vestar/Kimco for the completion of back bone infrastructure within the former Marine Corps Air Station known as the Legacy.

- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of $184.5 million, a decrease of $60.5 million in comparison with the prior year. The significant decrease in ending fund balances is primarily due to the increase in spending on capital projects such as the Tustin Ranch Road extension and the recognition of the amount due to Vestar/Kimco for Legacy backbone infrastructure of $18.2 million. Approximately $129 million (70%) is nonspendable and $31.2 million is restricted.

- The net increase in the City's total long-term liabilities was $13.8 million. The $13.8 million net increase is primarily due to the issuance of water revenue bonds in October 2013.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

Government-wide financial statements (Continued)

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

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

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

Fund financial statements

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

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

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

The City maintains various individual governmental funds organized by their type (special revenue, debt service and capital projects funds). Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The General Fund is considered to be a major fund. 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.

Fund financial statements (Continued)

Governmental funds (continued). 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 a private-purpose trust fund to account for the assets, liabilities and activities of the Successor Agency. The Successor Agency was created on February 1, 2012 with the dissolution of the Tustin Community Redevelopment Agency.

The second fiduciary fund is an agency fund which is used to account for the assets of Community Facility Districts 04-1, 06-1 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 position (72 percent) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Tustin
Summary of Net Position
As of June 30, 2014
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2013	2014	2013	2014	2013	2014	2013-2014
Assets:							
Current and other assets	$284.0	$245.9	$19.1	$35.0	$303.1	$280.9	
Capital assets	431.8	461.7	45.8	45.9	477.6	507.6	
Total Assets	715.8	707.6	64.9	80.9	780.7	788.5	1.0%
Deferred Outflows of Resources	-	-	0.5	0.5	0.5	0.5	
Liabilities:							
Current liabilities	38.5	55.9	3.8	3.4	42.3	59.3	
Non-Current liabilities	13.6	14.1	30.3	43.6	43.9	57.7	
Total Liabilities	52.1	70.0	34.1	47.0	86.2	117.0	35.7%
Net Position:							
Net investment in capital assets	431.8	461.7	24.2	23.7	456.0	485.4	
Restricted	54.4	36.7	-	-	54.4	36.7	
Unrestricted	177.5	139.2	7.1	10.7	184.6	149.9	(18.8%)
Total Net Position	$663.7	$637.6	$31.3	$34.4	$695.0	$672.0	(3.3%)

Governmental activities. Net position of the City's governmental activities decreased 3.9% to $637.6 million, of which $461.7 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, $36.7 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining $139.2 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.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Changes in Net Position
For the Year Ended June 30, 2014
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2013	2014	2013	2014	2013	2014	2013-2014
Revenues:							
Program revenues:							
Charges for services	$3.9	$3.9	$16.8	$18.7	$20.7	$22.6	
Operating grants & contributions	4.5	3.3	-	-	4.5	3.3	
Capital grants and contributions	21.0	12.2	-	-	21.0	12.2	
General revenues:							
Taxes	16.7	16.3	-	-	16.7	16.3	
Sales taxes shared state revenues	21.6	22.3	-	-	21.6	22.3	
Motor vehicle taxes	6.0	6.2	-	-	6.0	6.2	
Earnings on investments	0.2	0.6	-	0.1	0.2	0.7	
Miscellaneous	7.2	4.0	0.3	0.4	7.5	4.4	
Gain on sale of assets	43.3	-	-	-	43.3	-	
Total Revenues	124.4	68.8	17.1	19.2	141.5	88.0	(37.8%)
Expenses:							
General government	18.7	14.8	-	-	18.7	14.8	
Public safety	30.7	28.5	-	-	30.7	28.5	
Public works	15.1	49.5	-	-	15.1	49.5	
Community services	3.2	3.5	-	-	3.2	3.5	
Interest on long-term debt	0.9	-	-	-	0.9	-	
Water	-	-	13.6	16.1	13.6	16.1	
Total Expenses	68.6	96.3	13.6	16.1	82.2	112.4	36.7%
Extraordinary Item:							
Forgiveness of interest on advances	-	1.4	-	-	-	1.4	
Change in net position	55.8	(26.1)	3.5	3.1	59.3	(23.0)	
Net Position - Beginning, restated	607.9	663.7	27.8	31.3	635.7	695.0	
Net Position - Ending	$663.7	$637.6	$31.3	$34.4	$695.0	$672.0	(3.3%)

See independent auditors' report.

Government-wide Financial Analysis (Continued)

In governmental activities, the decrease in net position of $26.1 million is primarily due to the increase in public works spending from prior year from $15.1 million to $49.5 million. Major public works projects completed during fiscal year ending June 30, 2014 include the Tustin Ranch Road extension through the Legacy and fire station #37 within the Legacy. The increase in Public Works expense also includes the recognition of the amount due to Vestar/Kimco, the developer and owners of the major retail complex in the Legacy known as the District. Vestar/Kimco completed Legacy backbone infrastructure totaling approximately $50 million of which the City was responsible for $18.2 million.

Overall, governmental revenues decreased by $55.6 million from prior year. The primary reason for the decrease is due to the $43.3 million gain on sale of assets in fiscal year ending June 30, 2013. The City sold 21 acres of land held for resale in the Legacy for the construction of rental apartments and land held for resale along the 55 freeway and Edinger Avenue for the construction of two hotels and retail establishments. Operating grants and contributions decreased $1.2 million primarily due to a transfer of funds from the Successor Agency for third party costs incurred relating to the Newport Boulevard extension project of $0.9 million in fiscal year ending June 30, 2013. Taxes decreased $0.4 million from prior fiscal year due to the increase in successful appeals for reconsideration of taxable values of property due to the decrease in property values during the recent recession. Sales tax revenue increased $0.7 million from fiscal year ending June 30, 2013 due to consumers continuing demand for new automobiles. Earnings on investments increased $0.4 million as a result of diversifying the investment portfolio and extending maturity dates based on cash flow needs. Prior year's average weighted rate of return was 0.33% compared to 0.56% for fiscal year ending June 30, 2014. Miscellaneous revenue for governmental activities decreased $3.2 million. The reasons for the decrease were the transfer in for fiscal year ending June 30, 2013 from the Successor Agency to the Tustin Community Redevelopment Agency (Successor Agency) of $2.0 million for reimbursement of capital funds expended for the Newport Boulevard extension project, and the $0.9 million transfer from the Successor Agency to the Housing Authority to meet the low-moderate housing requirement set aside.

Governmental expenses increased $27.7 million from prior year. Of this amount, Public Works spending increased $34.4 million from fiscal year ending June 30, 2013 due to the increase in capital project spending primarily within the Legacy area and the recognition of the amount due to Vestar/Kimco for the completion of backbone infrastructure within the Legacy totaling $18.2 million. The agreement the City had with Vestar/Kimco was that after the projects were complete and land held for resale was sold within the Legacy, then the City would reimburse Vestar/Kimco the amount due. The projects were completed towards the later part of fiscal year ending June 30, 2014 and subsequently the City sold land held for resale in the Legacy to Standard Pacific for the development of 375 single family homes for $56 million in August 2014. With the proceeds of that sale, Vestar/Kimco was paid on September 4, 2014.

General Government expenses decreased $3.9 million from prior year due to:

- A legal settlement payment of $2.1 million to Key Bank paid in fiscal year 2012/2013. After the dissolution of the Tustin Legacy Community Partnership (TLCP), who were the master developers for the Legacy area, a lien of $53 million, held by Key Bank on the property that TLCP held but reverted back to the City after the dissolution was successfully negotiated down to $2.1 million.

Government-wide Financial Analysis (Continued)

- An annual payment of $1.3 million for an annuity in fiscal year ending June 30, 2013. Due to the potential budget deficit for fiscal year ending June 30, 2013, an early retirement incentive was offered to qualifying employees effective October 31, 2012 by purchasing an annuity. 35 employees took advantage of the early retirement incentive. The $1.3 million represents two annual payments of the total cost of the annuity of $3.4 million. No annual payment for the annuity was paid in fiscal year ending June 30, 2014 as it was paid in the prior year.
- Leave buy out of $0.8 million which was paid to the 35 employees that took advantage of the early retirement incentive in the prior fiscal year.

The $2.2 million decrease in Public Safety expenses is primarily due to the decrease in workers compensation cases and liability claims from prior fiscal year. Community services expenses increased $0.3 million due to filing of vacant positions.

Business-Type activities net position increased $3.1 million due to the implementation of 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 $2.5 million primarily due to the increase in purchasing water from the East Orange County Water District. Two of the City's underground wells and pumps, 17th Street and Main Street were inoperable during the fiscal year so more water was purchased instead of pumped. The two pumps and wells are currently being refurbished and repaired.

Extraordinary item, Forgiveness of Interest on Advances increased $1.4 million from fiscal year ending June 30, 2013. The City entered into a promissory note December 2008, maturing December 2013 with the former Redevelopment Agency for $18.8 million with an interest rate of 4.25% per annum compounded semiannually. The Department of Finance (DOF) agreed to lower the interest rate to the Local Agency Investment Fund interest rate effective at the time the promissory note was issued which was 2.54%. The DOF agreed to a flat interest rate. The $1.4 million Forgiveness of Interest on Advances is the difference between the interest accrued and the interest amount DOF agreed would be due. See Note 6 on page 50.

The settlement with the DOF resulted in the decrease of interest on long-term debt of $0.9 million from prior year because the settlement agreement already calculated the flat interest rate that was expensed at the higher rate in prior fiscal years.

Financial Analysis of the Government's Funds

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

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

Financial Analysis of the Government's Funds (Continued)

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of $184.5 million, a decrease of $60.5 million in comparison with the prior year due to the significant increase in spending on capital projects. Approximately $129.0 million (70.0 %) of this total amount constitutes nonspendable fund balance. Of the nonspendable amount $129.0 million is land held for resale. The remainder of the fund balance consists of $31.2 million in restricted funds, $5.5 million assigned to capital projects, and $18.8 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 $18.8 million, while total fund balance was $149.2 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 19% of the total General Fund expenditures.

City of Tustin
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2014
(*in millions of dollars*)

	2013	2014	Total %Change 2013-2014
Revenues:			
Taxes	$44.3	$45.1	
Charges for services	2.4	1.7	
Intergovernmental	5.6	0.9	
Fines and forfeitures	0.7	0.6	
Licenses and permits	0.6	1.3	
Other	3.0	3.8	
Total Revenues	56.6	53.4	(5.7%)
Expenditures:			
General government	16.3	13.1	
Public safety	27.8	28.1	
Public works	6.0	5.8	
Community services	2.7	2.8	
Capital outlay	1.1	49.7	
Interest and fiscal charges	0.9	-	
Total Expenses	54.8	99.5	81.6%
Excess of Revenues Over (Under) Expenditures	1.8	(46.1)	
Other Financing Sources (Uses):			
Net transfers	(0.8)	0.9	
Sale of property	43.3	-	
Total Other Financing Sources (Uses)	42.5	0.9	
Extraordinary Item:			
Forgiveness of interest on advances	-	1.4	
Net Change in Fund Balance	$44.3	($43.8)	(198.9%)

See independent auditors' report.

Financial Analysis of the Government's Funds (Continued)

Transactions impacting revenues in the General Fund were as follows:

- Sales tax revenues were $22.3 million reflecting a $0.7 million increase from prior year due to the continuing demand for new automobiles.
- Charges for services decreased $0.7 million from prior year primarily due to the decrease in workers compensation contributions from other funds and departments as the workers compensation reserves are adequate to cover claims.
- Intergovernmental revenue decreased $4.7 million from prior year due to the decrease of the amount the Successor Agency reimbursed the General Fund ($4.1 million) for an outstanding obligation for third party costs incurred for the extension of Newport Boulevard. The DOF made the determination that the obligation to the City for the third party costs which totaled $38 million was no longer a valid obligation. Also for the fiscal year ending June 30, 2013, $0.5 million was repaid to the General Fund from the Community Facility Districts for negative cash balances in fiscal year ending June 30, 2012.
- License and Permits increased $0.7 million due to the increase in building permits from prior year due to the Irvine Company's construction of apartments in the Legacy and Anton Legacy LP's construction of apartments including low to moderate income apartments in the Legacy. Overall building activity increased in fiscal year ending June 30, 2014.
- Other Revenue increased $0.8 million from prior year. Investment income increased $0.4 million due to the increase in cash from land held for resale of $43.3 million in fiscal year ending June 30, 2013 and the diversification of the investment portfolio and extending maturity dates based on cash flow needs. Prior year's average weighted rate of return was 0.33% compared to 0.56% for fiscal year ending June 30, 2014. Rental income increased $0.2 million from prior year due to the City renting the hangar at the Legacy for commercial purposes and expanding rental leases on City property located on Del Almo Avenue.

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2014:

- General Government expenditures decreased $3.2 million from prior year. A majority of the decline was due to a $2.1 million legal settlement with Key Bank, paid in fiscal year ending June 30, 2013. A legal settlement with Key Bank resolved a $53 million lien on property within the Legacy that reverted back to the City when its business relationship with the former master developer, Tustin Legacy Community Partnership, dissolved. Also in the prior fiscal year there was a payment of $1.3 million for the annual annuity the City purchased for $3.4 million for the early retirement incentive due to the structural deficit the City was experiencing going into fiscal year ending June 30, 2013.
- Public safety expenditures increased $0.3 million due to filing vacant positions.
- The $0.1 million increase for Community services is due to filing vacant positions.
- Public Works expenditures decreased $0.2 million due to vacant positions.
- Capital Outlay increased $48.6 million primarily due to construction in the Legacy such as the Tustin Ranch Road extension, Valencia Avenue extension from Kensington Park Drive to Tustin Ranch Road, the Park Avenue extension from Legacy Road to the Jamboree Road ramp, and fire station #37; and the recognition of the amount due to Vestar/Kimco for the completion of backbone infrastructure totaling approximately $50 million of which the City was responsible for $18.2 million.

Financial Analysis of the Government's Funds (Continued)

- Net transfers increased $1.7 million primarily due to the transfer of cash from the Community Facility Districts to the General Fund to eliminate deficit cash balances. The cash was refunded to the General Fund when the Community Facility Districts were reimbursed for expenditures from the bond proceeds held with the fiscal agent.

Sale of property decreased $43.3 million from prior fiscal year due to the sale of land held for resale in the Legacy to the Irvine Company for construction of apartments and land held for resale along the 55 freeway and Edinger Avenue for the construction of two hotels and retail establishments.

The $1.4 million extraordinary item, Forgiveness of Interest on Advances is due to a settlement between the City and the DOF regarding a promissory note of $18.8 million the City entered into with the former Redevelopment Agency in December 2008 maturing December 2013. The promissory note had an interest rate of 4.25% per annum compounded semiannually. DOF agreed to lower the interest rate to the Local Agency Investment fund interest rate effective at the time the promissory note was issued which was 2.54% and agreed to a flat interest rate. The $1.4 million Forgiveness of Interest on Advances is the difference of the interest accrued and the interest amount DOF agreed would be due. The settlement with the DOF resulted in the decrease of $0.9 million of interest and fiscal charges from prior year.

General Fund Budgetary Highlights

Differences between the General Fund actual revenues and transfers and amended budgeted revenues and transfers were $3.2 million primarily due to better actual revenues received then projected primarily for sales tax, building permits, rental income, hotel bed tax, and investment income. Actual General Fund expenditures were more than the amended budgeted amount of $92.9 million by $6.7 million due to the recognition of the $18.2 million due to Vestar/Kimco for the completion of backbone infrastructure in the Legacy.

Financial Analysis of the Proprietary Funds

The City has one proprietary fund which is the Water Enterprise Fund. Net position of the Water Enterprise increased $3.1 million during fiscal year 2014, from $31.3 million as of June 30, 2013, to $34.4 million as of June 30, 2014. Operating revenues for the Water Fund exceeded operating expenses by $4.2 million, leading to the increase in net position.

Significant activity during the year included the issuance of water revenue bonds totaling $14 million for major capital projects such as the rehabilitation of two wells. The Rawlings Reservoir was completed during fiscal year ending June 30, 2014.

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 52).

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, 2014 amounts to $507.6 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, 2014
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total %Change
	2013	2014	2013	2014	2013	2014	2013-2014
Land	$44.1	$44.1	$1.2	$1.2	$45.3	$45.3	
Right of way	44.3	44.3	-	-	44.3	44.3	
Construction in progress	80.7	69.2	15.6	2.4	96.3	71.6	
Buildings and improvements	64.7	76.0	5.1	4.8	69.8	80.8	
Machinery and equipment	2.7	3.4	-	-	2.7	3.4	
Infrastructure	195.3	224.7	-	-	195.3	224.7	
Property, plant and equipment	-	-	23.9	37.5	23.9	37.5	
Total Capital Assets, Net	$431.8	$461.7	$45.8	$45.9	$447.6	$507.6	13.4%

The major activity affecting capital assets this year was the decrease in construction in progress due to the completion of the Tustin Ranch Road extension and the completion of the Rawlings Reservoir replacement.

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 51).

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term liabilities of $57.2 million. Of this amount, $43.4 million are secured solely by specified revenue sources such as property tax increment and water service charges.

Capital Asset and Debt Administration (Continued)

Long-term Debt (Continued)

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2014
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2013	2014	2013	2014	2013	2014	2013-2013
Bonds payable	$-	$-	$30.1	$43.4	$30.1	$43.4	
Claims and judgments	4.4	4.3	-	-	4.4	4.3	
Postemployment benefits obligation	4.3	4.9	-	-	4.3	4.9	
Termination benefits	2.0	2.0	-	-	2.0	2.0	
Compensated absences	2.9	2.9	0.2	0.2	3.1	3.1	
Total Outstanding Debt	$13.6	$14.1	$30.3	$43.6	$43.9	$57.7	31.4%

The City's long-term debt increased $13.8 million from prior year due to the Water Enterprise Fund issuing water revenue bonds of $14 million to rehabilitate two wells and complete other infrastructure projects.

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 53.

Next Year's Budget and Rates

The City Council adopted the fiscal year 2014-2015 Budget with total appropriations of $136.4 million which includes $10.8 million of capital outlay for the Water Enterprise Fund. The General Fund fiscal year 2014-2015 estimated revenues are $50.6 million and budgeted appropriations are $51.4 million resulting in an estimated operating deficit of $0.8 million. The appropriations are $3.4 million more than prior year's appropriation and include an increase of $1.2 million for additional spending on street maintenance to meet the City's Maintenance of Effort to qualify for the receipt of Measure M2 funds for street maintenance and rehabilitation; transfer of the Economic Development Division from the Successor Agency to the General Fund resulting in an annual cost of $0.7 million; an increase in the contract with the Orange County Fire Authority of $0.4 million; a $1 million transfer from the General Fund to an Emergency Fund requested by the City Council; and filling vacant positions within the Police Department. The City Council approved the use of $0.8 million of General Fund undesignated fund balance to balance the fiscal year 2014-2015 budget. The tax rates include an increase in the hotel bed tax. In the November 2014 elections, voters approved the increase of the hotel bed tax from 6% to 10% effective January 1, 2015. There were no fee increases as part of the preparation and adoption of the fiscal year 2014-15 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 POSITION

June 30, 2014

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	$ 92,448,407	$ 11,396,664	$ 103,845,071
Receivables:			
Accounts	11,554,728	3,328,718	14,883,446
Interest	114,954	15,995	130,949
Loans	1,055,263	-	1,055,263
Allowance for uncollectibles	(705,263)	-	(705,263)
Internal balances	454,398	(454,398)	-
Prepaid expenses and deposits	240,053	1,415	241,468
Land held for resale	129,164,828	-	129,164,828
Restricted assets:			
Cash and investments	11,637,694	20,662,549	32,300,243
Capital assets:			
Not being depreciated	157,560,595	3,641,220	161,201,815
Being depreciated, net	304,112,728	42,280,925	346,393,653
TOTAL ASSETS	707,638,385	80,873,088	788,511,473
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	-	473,029	473,029
LIABILITIES:			
Accounts payable and accrued liabilities	29,410,659	2,450,425	31,861,084
Due to Successor Agency to the Tustin Community Redevelopment Agency	21,404,683	-	21,404,683
Interest payable	-	493,455	493,455
Deposits payable	5,130,946	386,706	5,517,652
Noncurrent liabilities:			
Due within one year	7,507,373	936,882	8,444,255
Due in more than one year	6,576,385	42,676,319	49,252,704
TOTAL LIABILITIES	70,030,046	46,943,787	116,973,833
NET POSITION:			
Net investment in capital assets	461,673,323	23,657,878	485,331,201
Restricted for:			
Community services	2,364,429	-	2,364,429
Public safety	442,474	-	442,474
Public works	33,886,555	-	33,886,555
Unrestricted	139,241,558	10,744,452	149,986,010
TOTAL NET POSITION	$ 637,608,339	$ 34,402,330	$ 672,010,669

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

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 14,825,780	$ 249,237	$ 36,615	$ -
Public safety	28,440,799	920,112	343,193	-
Public works	49,538,371	1,710,813	2,435,700	12,181,882
Community services	3,498,460	967,134	509,796	40,224
Total governmental activities	96,303,410	3,847,296	3,325,304	12,222,106
Business-type activity:				
Water	16,100,137	18,682,821	-	-
Total	$ 112,403,547	$ 22,530,117	$ 3,325,304	$ 12,222,106

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:
Forgiveness of interest on advances

Change in net position

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activity	Total
$ (14,539,928)	$ -	$ (14,539,928)
(27,177,494)	-	(27,177,494)
(33,209,976)	-	(33,209,976)
(1,981,306)	-	(1,981,306)
(76,908,704)	-	(76,908,704)
-	2,582,684	2,582,684
(76,908,704)	2,582,684	(74,326,020)
13,661,771	-	13,661,771
1,663,215	-	1,663,215
616,897	-	616,897
393,241	-	393,241
22,288,032	-	22,288,032
6,150,893	-	6,150,893
628,180	144,381	772,561
4,040,996	408,749	4,449,745
49,443,225	553,130	49,996,355
1,412,257	-	1,412,257
(26,053,222)	3,135,814	(22,917,408)
663,661,561	31,266,516	694,928,077
$ 637,608,339	$ 34,402,330	$ 672,010,669

CITY OF TUSTIN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	$ 66,839,982	$ 25,608,425	$ 92,448,407
Restricted cash and investments	1,697,804	9,939,890	11,637,694
Receivables:			
Accounts	3,869,406	7,685,322	11,554,728
Interest	37,792	77,162	114,954
Loans	-	1,055,263	1,055,263
Allowance for uncollectibles	-	(705,263)	(705,263)
Due from other funds	15,236	-	15,236
Advance to other funds	-	454,398	454,398
Prepaid expenses and deposits	240,053	-	240,053
Land held for resale	128,809,901	354,927	129,164,828
TOTAL ASSETS	$ 201,510,174	$ 44,470,124	$ 245,980,298
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	$ 26,591,863	$ 2,818,796	$ 29,410,659
Due to other funds	-	15,236	15,236
Due to Successor Agency to the Tustin Community Redevelopment Agency	21,404,683	-	21,404,683
Deposits payable	4,308,317	822,629	5,130,946
TOTAL LIABILITIES	52,304,863	3,656,661	55,961,524
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	21,222	5,499,074	5,520,296
FUND BALANCES:			
Nonspendable	129,049,954	-	129,049,954
Restricted	1,352,309	29,820,853	31,173,162
Assigned	-	5,493,536	5,493,536
Unassigned	18,781,826	-	18,781,826
TOTAL FUND BALANCES	149,184,089	35,314,389	184,498,478
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 201,510,174	$ 44,470,124	$ 245,980,298

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 POSITION

June 30, 2014

Fund balances - total governmental funds		$ 184,498,478
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental funds.		461,673,323
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position. Balances at June 30, 2014 are:		
Claims and judgments payable	$ (4,278,500)	
Compensated absences payable	(2,853,830)	
Post employment benefits obligation	(4,970,150)	
Termination benefits payable	(1,981,278)	
Total long-term liabilities		(14,083,758)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.		5,520,296
Net position of governmental activities		$ 637,608,339

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	$ 45,096,520	$ -	$ 45,096,520
Licenses and permits	1,284,232	-	1,284,232
Fines and forfeitures	631,340	-	631,340
Investment income	459,703	162,083	621,786
Intergovernmental revenue	967,020	6,486,702	7,453,722
Charges for services	1,672,913	114,355	1,787,268
Rental income	601,727	149,997	751,724
Other revenue	2,765,574	3,345,161	6,110,735
TOTAL REVENUES	53,479,029	10,258,298	63,737,327
EXPENDITURES:			
Current:			
General government	13,120,551	1,084,873	14,205,424
Public safety	28,072,138	98,176	28,170,314
Public works	5,797,705	-	5,797,705
Community services	2,841,129	240,170	3,081,299
Capital outlay	49,719,496	24,702,940	74,422,436
TOTAL EXPENDITURES	99,551,019	26,126,159	125,677,178
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(46,071,990)	(15,867,861)	(61,939,851)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,478,158	606,454	2,084,612
Transfers out	(606,454)	(1,478,158)	(2,084,612)
TOTAL OTHER FINANCING SOURCES (USES)	871,704	(871,704)	-
EXTRAORDINARY GAIN	1,412,257	-	1,412,257
NET CHANGE IN FUND BALANCES	(43,788,029)	(16,739,565)	(60,527,594)
FUND BALANCES - BEGINNING OF YEAR	192,972,118	52,053,954	245,026,072
FUND BALANCES - END OF YEAR	$ 149,184,089	$ 35,314,389	$ 184,498,478

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, 2014

Net change in fund balances - total governmental funds		$(60,527,594)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures and contributions exceeded depreciation and disposition of capital assets in the current period:		
Capital expenditures	$ 40,184,890	
Capital contributions	138,836	
Disposition of capital assets	(542,682)	
Depreciation expenses	(9,869,009)	29,912,035
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt and changes in other long-term liabilities affects the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term liabilities:		
Postemployment benefits obligation	$ (692,326)	
Claims and judgments payable	182,582	
Compensated absences payable	53,372	(456,372)
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as unavailable revenues in the governmental funds:		
Net change in unavailable revenue		5,018,709
Change in net position of governmental activities		$(26,053,222)

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

CITY OF TUSTIN

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2014

	Business-type Activity Water Enterprise Fund
ASSETS:	
CURRENT ASSETS:	
Cash and investments	$ 11,396,664
Accounts receivable	3,328,718
Interest receivable	15,995
Prepaid expenses	1,415
Restricted cash and investments	20,662,549
TOTAL CURRENT ASSETS	35,405,341
NONCURRENT ASSETS:	
Capital assets:	
Not being depreciated	3,641,220
Being depreciated, net	42,280,925
TOTAL NONCURRENT ASSETS	45,922,145
TOTAL ASSETS	81,327,486
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	473,029
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	2,450,425
Advance from other fund	454,398
Deposits payable	386,706
Compensated absences payable	152,095
Termination benefits payable	14,787
Interest payable	493,455
Bonds payable	770,000
TOTAL CURRENT LIABILITIES	4,721,866
LONG-TERM LIABILITIES:	
Compensated absences payable	16,899
Termination benefits payable	29,575
Bonds payable	42,629,845
TOTAL LONG-TERM LIABILITIES	42,676,319
TOTAL LIABILITIES	47,398,185
NET POSITION:	
Net investment in capital assets	23,657,878
Unrestricted	10,744,452
TOTAL NET POSITION	$ 34,402,330

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

CITY OF TUSTIN

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

For the year ended June 30, 2014

	Business-type Activity Water Enterprise Fund
OPERATING REVENUES:	
Charges for services	$ 18,955,616
OPERATING EXPENSES:	
Personnel services	2,408,163
Purchased water	7,632,436
Maintenance and operation	3,157,999
Depreciation and amortization	1,524,084
TOTAL OPERATING EXPENSES	14,722,682
OPERATING INCOME	4,232,934
NONOPERATING REVENUES (EXPENSES):	
Investment income	144,381
Other income	135,954
Interest expense and other fiscal charges	(1,377,455)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,097,120)
CHANGE IN NET POSITION	3,135,814
NET POSITION AT BEGINNING OF YEAR	31,266,516
NET POSITION AT END OF YEAR	$ 34,402,330

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, 2014

	Business-type Activity Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 18,752,447
Payments to suppliers	(10,333,349)
Cash paid to other funds for services	(1,200,000)
Payments to employees	(2,393,049)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,826,049
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(1,420,208)
Cash paid to other funds for capital assets	(439,032)
Proceeds from issuance of debt	14,045,000
Premium from issuance of debt	118,320
Principal paid on bonds	(710,000)
Interest paid	(1,502,292)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	10,091,788
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	134,981
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,052,818
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	17,006,395
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 32,059,213
CASH AND CASH EQUIVALENTS:	
Cash and investments - current assets	$ 11,396,664
Cash and investments - restricted assets	20,662,549
TOTAL CASH AND CASH EQUIVALENTS	$ 32,059,213

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, 2014

	Business-type Activity Water Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 4,232,934
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation and amortization	1,524,084
Other nonoperating income	135,954
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(379,388)
(Increase) decrease in prepaid expenses	(1,190)
Increase (decrease) in accounts payable and accrued liabilities	(730,678)
Increase (decrease) in deposits payable	40,265
Increase (decrease) in compensated absences	4,068
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,826,049

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

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	$ 5,506,431	$ 11,766
Restricted cash and investments	38,454,693	12,057,095
Receivables:		
Taxes	-	83,464
Interest	19,660	-
Due from City of Tustin	21,404,683	-
Prepaid items and deposits	3,790	-
Land held for resale	1,345,000	-
Capital assets, net	229,200	-
TOTAL ASSETS	66,963,457	$ 12,152,325
LIABILITIES:		
Accounts payable	77,011	142
Interest payable	1,031,132	-
Deposits payable	2,000	-
Residual payable to County Auditor-Controller	21,404,683	-
Due to bondholders	-	12,152,183
Long-term liabilities:		
Due within one year	3,060,000	-
Due in more than one year	65,475,107	-
TOTAL LIABILITIES	91,049,933	$ 12,152,325
NET POSITION:		
Held in trust	$ (24,086,476)	

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

CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2014

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Tax revenue	$ 5,408,687
Rental income	15,000
Investment income	199,142
Other revenue	95,355
TOTAL ADDITIONS	5,718,184
DEDUCTIONS:	
Community services	417,017
Interest	3,297,594
Capital contributions to the City of Tustin	138,836
Depreciation and amortization	33,424
TOTAL DEDUCTIONS	3,886,871
EXTRAORDINARY LOSS	(939,658)
CHANGE IN NET POSITION	891,655
NET POSITION - BEGINNING OF YEAR	(24,978,131)
NET POSITION - END OF YEAR	$ (24,086,476)

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. The Financial Reporting Entity:

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

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

Blended Component Units

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

The City of Tustin Housing Authority (the Housing Authority) was established by the City Council in 2011, and is responsible for the administration of providing affordable housing in the City. The Housing Authority is governed by a five-member Board of Directors which consists of members of the City Council. The Housing Authority's financial transactions are reported in the Special Revenue Funds.

Since the City Council serves as the governing board for these component units, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Government-wide and Fund Financial Statements:

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fund Classifications

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

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 City reports the following major proprietary fund:

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

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

Governmental Funds

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

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

Fiduciary Funds

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements:

Current Year Standards

GASB 66 - *"Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62"*, required to be implemented in the current fiscal year did not impact the City.

GASB 70 - *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"*, required to be implemented in the current fiscal year did not impact the City.

Pending Accounting Standards

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

GASB 68 - *"Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27"*, effective for the fiscal years beginning after June 15, 2014.

GASB 69 - *"Government Combinations and Disposals of Government Operations"*, effective for periods beginning after December 15, 2013.

GASB 71 - *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*, effective for periods beginning after June 30, 2014.

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

Cash, Cash Equivalents and Investments

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Capital Assets

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding, net of accumulated amortization, reported in the government-wide statement of net position and the proprietary fund financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Land Held for Resale

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

Property Taxes

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

Property Tax Calendar

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

Lien date	January 1st
Levy period	July 1st to June 30th
Levy date	On or before 4th Monday in September

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Property Tax Calendar (Continued)

Due date	November 1st - 1st installment February 1st - 2nd installment
Collection date	
December 10th - 1st installment	
	April 10th - 2nd installment

Interest and penalties are assessed after the collection date.

Compensated Absences

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

f. Use of Estimates:

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

g. Subsequent Events:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 15, 2014, the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 103,845,071
Restricted cash and investments	32,300,243
Fiduciary Funds:	
Cash and investments	5,518,197
Restricted cash and investments	50,511,788
Total Cash and Investments	$ 192,175,299

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	$ 9,100
Deposits with financial institutions	8,728,335
Investments	183,437,864
Total Cash and Investments	$ 192,175,299

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 the City's Policy	Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Negotiable certificates of deposit	None	30%	None
Prime quality commercial paper	270 days *	25%	None
Government sponsored pools (LAIF, mutual funds)	N/A	None	None
Commercial bank time drafts (Bankers acceptances)	180 days	25%	30%
Medium-term notes	5 years	10%	None
Municipal and state securities	None	15%	5%
Federal agency bonds or notes	5 years	75%	None
U.S. Treasury securities	5 years	None	None
Money market funds	N/A	None	None
Repurchase agreements	1 year	None	None

N/A - Not Applicable

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

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

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

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

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

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

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

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

	Remaining Maturity				
Investment Type	12 Months or Less	13 - 24 Months	25 - 60 Months	Over 60 Months	Total
United States Treasury Obligations	$ 15,014,260	$ 3,000,234	$ 12,936,641	$ -	$ 30,951,135
United States Government Sponsored Agency Securities:					
Federal National Mortgage Association (FNMA)	-	4,997,655	10,201,890	-	15,199,545
Federal Home Loan Bank (FHLB)	-	-	8,488,634	-	8,488,634
Federal Home Loan Mortgage Corporation (FHLMC)	-	7,112,520	21,963,392	-	29,075,912
Federal Farm Credit Bank (FFCB)	-	-	7,020,277	-	7,020,277
Local Agency Investment Pool (LAIF):					
City	26,718,504	-	-	-	26,718,504
Successor Agency	3,029,480	-	-	-	3,029,480
Orange County Investment Pool	10,384,814	-	-	-	10,384,814
Money Market Mutual Funds	65,000	-	-	-	65,000
Negotiable Certificates of Deposit	2,479,314	743,116	1,986,520	-	5,208,950
Commercial Paper	1,996,733	-	-	-	1,996,733
Medium-term Notes	5,008,540	-	9,118,208		14,126,748
Municipal Bonds	1,002,250	-	-	-	1,002,250
Held by Fiscal Agents:					
Money Market Mutual Funds	30,169,882	-	-	-	30,169,882
	$ 95,868,777	$ 15,853,525	$ 71,715,562	$ -	$183,437,864

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, 2014	Minimum Legal Rating	Exempt from Disclosure	AAA	AA+	AA	Other	Not Rated
U.S. Treasury Obligations	$ 30,951,135	N/A	$ 30,951,135	$ -	$ -	$ -	$ -	$ -
U.S. Government Sponsored Agency Securities:								
FNMA	15,199,545	N/A	-	-	15,199,545	-	-	-
FHLB	8,488,634	N/A	-	-	8,488,634	-	-	-
FHLMC	29,075,912	N/A	-	-	29,075,912	-	-	-
FFCB	7,020,277	N/A	-	-	7,020,277	-	-	-
Local Agency Investment Pool:								
City	26,718,504	N/A	-	-	-	-	-	26,718,504
Successor Agency	3,029,480	N/A	-	-	-	-	-	3,029,480
Orange County Investment Pool	10,384,814	N/A	-	-	-	-	-	10,384,814
Money Market Mutual Funds	65,000	AA	-	65,000	-	-	-	-
Negotiable Certificates of Deposit	5,208,950	N/A	-	-	-	-	-	5,208,950
Commercial Paper	1,996,733	A-1	-	-	-	-	1,996,733	-
Medium-term Notes	14,126,748	A	-	-	-	6,106,998	8,019,750	-
Municipal Bonds	1,002,250	A	-	-	-	-	1,002,250	-
Held by Fiscal Agents:								
Money Market Mutual Funds	30,169,882	A	-	30,169,882	-	-	-	-
Total	$ 183,437,864		$ 30,951,135	$ 30,234,882	$ 59,784,368	$ 6,106,998	$ 11,018,733	$45,341,748

N/A - Not Applicable

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

Commercial Paper:		Medium-term Notes:		Municipal Bonds:	
A-1	$ 1,996,733	A	$ 2,009,666	A1	$ 1,002,250
		A2	5,008,540		
		Aa3e	1,001,544		
			$ 8,019,750		

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

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

As of June 30, 2014, 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, 2014, the City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Carrying Value
U.S. Treasury Obligations	$ 30,951,135
U.S. Government Sponsored Agency Securities	59,784,368
Medium-term Notes	14,126,748
Municipal Bonds	1,002,250
Negotiable Certificates of Deposit	5,208,950
Commercial Paper	1,996,733

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 (OCIP) is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCIP are highly liquid as deposits and withdrawal can be made at any time without penalty. The City's fair value of its share in the pool is the same value of the pool shares, which amounted to $10,384,814. Information on OCIP's use of derivative securities in its investment portfolio and OCIP's and the City's exposure to credit, market, or legal risk is not available.

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, 2014 was $350,000.

Home Improvement Loans: Home improvement loans were provided to low and moderate income households (rental and ownership). These deferred loans are due upon sale, refinance, or when the rental units are no longer available as affordable units. Term is 30 years. The total outstanding balance as of June 30, 2014, was $50,026. An allowance of $50,026 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, 2014, was $655,237. An allowance of $655,237 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 receivables and payables as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 15,236

The amounts loaned from the General Fund are to provide short term loans to fund operations.

Advances To and Advances From

The composition of interfund advances as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	Water Enterprise Fund	$ 454,398

On April 6, 2010, the City entered into a promissory note with the Tustin Water Enterprise Fund in the amount of $2,123,437 to provide the cash necessary to meet a 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 remaining amount receivable from the Water Enterprise Fund as of June 30, 2014 payable to the Other Capital Projects Fund (Other Governmental Fund) is $454,398.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2014 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	$ 1,478,158
Other Governmental Funds	General Fund	606,454
		$ 2,084,612

The transfers during the fiscal year ended June 30, 2014 were for the following purposes:

A transfer from other governmental funds totaling $269,845 was made to reimburse the General Fund per the adopted budget for fiscal year 2013-14.

A transfer from other governmental funds totaling $1,208,313 to the General Fund to repay taxes for amounts transferred to cover negative cash in prior years.

The General Fund transferred $537,480 to other governmental funds to eliminate negative cash until reimbursement is received from the fiscal agent.

The General Fund transferred $21,348 to other governmental funds to correct Air Quality revenue coded to sales tax in the prior year.

The General Fund transferred $47,626 to other governmental funds to transfer interest earnings on deposit accounts to the Other Capital Projects Fund.

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.

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

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

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

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

The recorded value of the remaining parcels that were conveyed to the City is $97,890,526 as of June 30, 2014 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.

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

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 City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and has agreed to installment payments of five years with the first payment due within thirty days of the City accepting DOF's offer. The City is currently reviewing DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency as of June 30, 2014 was $21,404,683. During the year ended June 30, 2014, $1,412,257 of interest was forgiven and is reported as an extraordinary item on the statement of activities.

7. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated:				
Land	$ 44,140,596	$ -	$ -	$ 44,140,596
Right of way	44,266,501	-	-	44,266,501
Construction in progress	80,687,719	39,979,205	(51,513,426)	69,153,498
Total capital assets, not being depreciated	169,094,816	39,979,205	(51,513,426)	157,560,595
Capital assets, being depreciated:				
Buildings	66,004,966	5,361,699	-	71,366,665
Improvements other than buildings	15,575,989	8,040,821	-	23,616,810
Machinery and equipment	14,342,169	1,428,709	(368,746)	15,402,132
Infrastructure	285,375,112	37,026,718	(762,380)	321,639,450
Total capital assets, being depreciated	381,298,236	51,857,947	(1,131,126)	432,025,057
Less accumulated depreciation for:				
Buildings	(12,651,425)	(1,374,338)	-	(14,025,763)
Improvements other than buildings	(4,279,067)	(701,369)	-	(4,980,436)
Machinery and equipment	(11,648,360)	(717,912)	368,747	(11,997,525)
Infrastructure	(90,052,912)	(7,075,390)	219,697	(96,908,605)
Total accumulated depreciation	(118,631,764)	(9,869,009)	588,444	(127,912,329)
Total capital assets, being depreciated, net	262,666,472	41,988,938	(542,682)	304,112,728
Total Governmental activities capital assets, net	$ 431,761,288	$ 81,968,143	$ (52,056,108)	$ 461,673,323

See independent auditors' report.

7. CAPITAL ASSETS (CONTINUED):

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

General government	$ 155,582
Public safety	289,017
Public works	8,944,707
Community services	479,703
	$ 9,869,009

A summary of changes in the Business-type Activities capital assets for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated				
Land	$ 1,177,216	$ -	$ -	$ 1,177,216
Construction in progress	15,614,513	1,610,085	(14,760,594)	2,464,004
Total capital assets, not being depreciated	16,791,729	1,610,085	(14,760,594)	3,641,220
Capital assets, being depreciated:				
Buildings and improvements	9,568,372	-	-	9,568,372
Property, plant and equipment	42,839,888	14,760,594	(192,525)	57,407,957
Total capital assets, being depreciated	52,408,260	14,760,594	(192,525)	66,976,329
Less accumulated depreciation for:				
Buildings and improvements	(4,487,888)	(268,744)	-	(4,756,632)
Property, plant and equipment	(18,930,018)	(1,201,279)	192,525	(19,938,772)
Total accumulated depreciation	(23,417,906)	(1,470,023)	192,525	(24,695,404)
Total capital assets, being depreciated, net	28,990,354	13,290,571	-	42,280,925
Total business-type activity capital assets, net	$ 45,782,083	$ 14,900,656	$ (14,760,594)	$ 45,922,145

During the fiscal year ended June 30, 2014, the City capitalized interest of $189,878.

8. LONG-TERM LIABILITIES:

A summary of long-term liability activity for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
Governmental activities:					
Claims and judgments (Note 12)	$ 4,461,082	$ 2,796,114	$ (2,978,696)	$ 4,278,500	$ 4,278,500
Postemployment benefits obligation (Note 10)	4,277,824	1,107,635	(415,309)	4,970,150	-
Termination benefits	1,981,278	-	-	1,981,278	660,426
Compensated absences	2,907,202	2,234,030	(2,287,402)	2,853,830	2,568,447
Total governmental activities long-term liabilities	$ 13,627,386	$ 6,137,779	$ (5,681,407)	$ 14,083,758	$ 7,507,373
Business-type activities:					
2011 Water Revenue bonds	$ 20,760,000	$ -	$ -	$ 20,760,000	$ -
Bond premium	284,310	-	(10,199)	274,111	-
2012 Refunding Water Revenue bonds	8,200,000	-	(710,000)	7,490,000	725,000
Bond premium	797,129	-	(81,757)	715,372	-
2013 Water Revenue bonds	-	14,045,000	-	14,045,000	45,000
Bond premium	-	118,320	(2,958)	115,362	-
Termination benefits	44,362	-	-	44,362	14,787
Compensated absences	164,926	160,639	(156,571)	168,994	152,095
Total business-type activities long-term liabilities	$ 30,250,727	$ 14,323,959	$ (961,485)	$ 43,613,201	$ 936,882

See independent auditors' report.

8. LONG-TERM LIABILITIES (CONTINUED):

Termination Benefits Payable

In June 2012, the City Council approved the offering of an early retirement incentive program administered by Public Agency Retirement Services (PARS) to directly reduce General Fund expenditures while also making is easier to restructure staffing levels and operations in a more economical and efficient manner. The City offered early retirement incentives to all regular employees meeting the following criteria: a) Employed by the City in a full-time or part-time benefited position as of June 5, 2012; and b) 50 years of age with 5 years of City service and 5 years of CalPERS service as of October 31, 2012; and c) Resign from City employment effective no later than October 31, 2012; and d) Retire under CalPERS effective no later than November 1, 2012. The incentive provided a benefit of 7% of the employee's base salary. Employees chose one of 14 options on how they would receive the benefit. 35 City employees accepted the City's offer. The City purchased an annuity through Pacific Life Insurance Company to fund the plan with 5 annual payments of $675,213. As of June 30, 2014, the outstanding liability due to fund the plan is $2,025,640, ($1,981,278 reported in the governmental activities and $44,362 in the business-type activities) with annual payment dates of October 10, 2014 through 2016.

Business-type Activities

2011 Water Revenue Bonds

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

The City has pledged net revenues received from the operation of the Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2014, total interest and principal remaining on the bonds is $41,473,313. During the fiscal year, the total interest expense incurred was $1,047,625 and net revenues were $5,757,018.

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
2015	$ -	$ 1,047,625	$ 1,047,625
2016	-	1,047,625	1,047,625
2017	-	1,047,625	1,047,625
2018	-	1,047,625	1,047,625
2019	-	1,047,625	1,047,625
2020 - 2024	735,000	5,238,125	5,973,125
2025 - 2029	4,255,000	4,647,150	8,902,150
2030 - 2034	5,470,000	3,430,413	8,900,413
2035 - 2039	6,995,000	1,909,750	8,904,750
2040 - 2041	3,305,000	249,750	3,554,750
	20,760,000	20,713,313	41,473,313
Add: Premium	274,111	-	274,111
Totals	$ 21,034,111	$ 20,713,313	$ 41,747,424

2012 Refunding Water Revenue Bonds

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

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

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $594,664. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2023. The remaining balance at June 30, 2014 is $473,029.

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued)

2012 Refunding Water Revenue Bonds (Continued)

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2014, total interest and principal remaining on the bonds is $8,966,125. During the fiscal year, the total interest expense incurred was $286,375, principal payments were $710,000, and net revenues were $5,757,018.

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

Year Ending June 30,	Principal	Interest	Total
2015	$ 725,000	$ 272,175	$ 997,175
2016	745,000	250,425	995,425
2017	770,000	228,075	998,075
2018	795,000	197,275	992,275
2019	830,000	165,475	995,475
2020 - 2023	3,625,000	362,700	3,987,700
	7,490,000	1,476,125	8,966,125
Add: premium	715,372	-	715,372
Totals	$ 8,205,372	$ 1,476,125	$ 9,681,497

8. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued)

2013 Water Revenue Bonds

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

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2014, total interest and principal remaining on the bonds is $29,081,370. During the fiscal year, the total interest expense incurred was $288,859 and net revenues were $5,757,018.

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

Year Ending June 30,	Principal	Interest	Total
2015	$ 45,000	$ 654,020	$ 699,020
2016	45,000	653,120	698,120
2017	45,000	652,220	697,220
2018	50,000	651,320	701,320
2019	50,000	650,320	700,320
2020 - 2024	535,000	3,217,100	3,752,100
2025 - 2029	1,820,000	2,983,845	4,803,845
2030 - 2034	2,235,000	2,575,906	4,810,906
2035 - 2039	2,790,000	2,012,775	4,802,775
2040 - 2041	6,430,000	985,744	7,415,744
	14,045,000	15,036,370	29,081,370
Add: premium	115,362	-	115,362
Totals	$ 14,160,362	$ 15,036,370	$ 29,196,732

See independent auditors' report.

9. PENSION PLAN:

Plan Description

The City contributes to the California Public Employees' Retirement System (CalPERS), 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. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS' annual financial report may be obtained from its website: www.calpers.ca.gov.

Funding Policy

Participants are required to contribute a percentage of their annual covered salary. The City is required to contribute the remaining amount necessary to fund the benefits for its members, using the actuarial methods recommended by the CalPERS actuaries and actuarial consultants and adopted by the Board of Administration. The following chart summarizes the employee and employer required contributions as of June 30, 2014:

Plan / Group	Hire date into a CalPERS-covered position with City of Tustin	Employee Contribution	Employer Rate
Safety (All Employee Groups)	Hired into the City of Tustin's Safety plan on or before 12.31.11 (3% @ 50)	9%	34.671%
	Hired into the City of Tustin's Safety plan from 01.01.12 – 12.31.12, or on/after 01.01.13 if defined as a "classic member" under the PEPRA (2% @ 50)	9%	19.90%
	Hired on/after 01.01.13 if defined as a "new member" under the PEPRA (2.7% @ 57)	11.5%	11.5%

9. PENSION PLAN (CONTINUED):

Funding Policy (Continued)

Miscellaneous (All Employee Groups)	Hired into the City of Tustin's Miscellaneous plan on or before 12.31.11 (2% @ 55)	7%	10.962%
	Hired into the City of Tustin's Miscellaneous plan from 01.01.12 – 12.31.12, or on/after 01.01.13 if defined as a "classic member" under the PEPRA (2% @ 60)	7%	10.962%
	Hired on/after 01.01.13 if defined as a "new member" under the PEPRA (2% @ 62)	6.25%	10.962%

The funded status of the miscellaneous plan based on the June 30, 2013 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
$85,633,544	$ 69,152,607	$ 16,480,937	80.75 %	$ 11,720,064	140.62 %

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.

Annual Pension Cost

For 2014, the City's annual pension cost of $2,267,691 for the Miscellaneous Plan and $3,829,463 for the Safety Plan (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, 2014 was determined as part of the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions for the Miscellaneous Plan included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.30% to 14.20% depending on age, service and type of employment, and (c) 3.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%.

9. PENSION PLAN (CONTINUED):

Annual Pension Cost (Continued)

The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-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 Plan.

Three-Year Trend Information for PERS - Miscellaneous Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/12	$ 2,349,007	100%	$ -
6/30/13	2,155,633	100%	-
6/30/14	2,267,691	100%	-

Three-Year Trend Information for PERS - Safety Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
6/30/12	$ 3,785,849	100%	$ -
6/30/13	3,766,627	100%	-
6/30/14	3,829,463	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 defined benefit plan which provides medical insurance benefits to eligible retirees in accordance with various labor agreements. Survivor benefits are not provided. The City's OPEB plan does not issue a separate stand-alone report.

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

Eligibility

Employees hired prior to July 1, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with five years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. Employees hired after June 30, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with ten years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2014:

	Police	General	Management	Confidential	Police Support	Total
Retirees Receiving Benefits	35	34	29	1	6	105
Eligible Active Employees	91	83	39	7	44	264

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

Funding Policy

The City's current contributions are made on a pay-as-you-go basis. As of July 1, 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, 2014, the City paid $415,309 in contributions for postemployment health care benefits. Current active employees are not required to contribute any portion towards these benefits.

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

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

Funding Policy (Continued)

The City's ARC for the year ended June 30, 2014 was $1,290,080. 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	$ 440,515	$ 409,050	$ 237,738	$ 27,969	$ 174,808	$ 1,290,080
Interest on net OPEB obligation	43,594	44,154	25,130	11,735	18,360	142,973
Adjustment to ARC	(99,225)	(100,498)	(57,196)	(26,710)	(41,789)	(325,418)
Annual OPEB cost	384,884	352,706	205,672	12,994	151,379	1,107,635
Contributions made	(149,567)	(100,295)	(143,785)	(3,065)	(18,597)	(415,309)
Increase in net OPEB obligation	235,317	252,411	61,887	9,929	132,782	692,326
Net OPEB obligation, beginning	1,304,376	1,321,103	751,881	351,125	549,339	4,277,824
Net OPEB obligation, ending	$ 1,539,693	$ 1,573,514	$ 813,768	$ 361,054	$ 682,121	$ 4,970,150

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	$ 747,031	40.50%	$ 3,615,584
6/30/13	1,034,400	35.98%	4,277,824
6/30/14	1,107,635	37.50%	4,970,150

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

Funding Status and Progress

As of June 30, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $12.05 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $12.05 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 $20.35 million and the ratio of the UAAL to the covered payroll was 59.2%. 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 2014 was determined as part of the June 30, 2013 actuarial valuation. The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.00% investment rate of return (which is based on assumed long-term investment return on plan assets and on the City's assets, as appropriate), annual inflation rate of 3%, annual payroll increase of 3.25% and an annual healthcare cost trend rate 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. IRS SECTION 457 DEFERRED COMPENSATION PLAN:

In accordance with federal law, all part-time employees must be enrolled in Social Security or another "qualified" retirement plan. Since the City does not participate in Social Security, part-time employees are enrolled in the City's IRS Section 457 deferred compensation plan. Nationwide Retirement Solutions, Inc. acts as the third party administrative services provider for the defined contribution plan. Employees are required to contribute 5.5% of salary to the deferred compensation plan every pay period. The City contributes an additional 2% of salary, for a total contribution of 7.5%. Council established the plan by resolution in fiscal year 2011-2012, and has the authority to amend contribution requirements. Contributions to the participants account must equal at least 7.5% of the participant's compensation, or such other minimum amount as required for the plan to be considered a retirement system under applicable government code and legal requirements. Total contributions to the plan during fiscal year 2014 were $58,122.

12. SELF-INSURANCE PROGRAM/RISK POOL:

The City uses a combination of insured and self-insured programs to finance its property and casualty risk. The City is self-insured for worker's compensation, automotive, and general liability risks. Excess liability coverage for the City's self-insurance retention of $250,000 per occurrence is provided through a risk sharing pool, the California Insurance Pool Authority (CIPA). The CIPA provides excess liability coverage above $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.

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

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

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, 2014. At June 30, 2014, estimated claims payable of $4,278,500, 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, 2013 and 2014, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Beginning Balance	Additions	Deletions	Ending Balance
2013	$ 3,010,653	$ 3,290,272	$ 1,839,843	$ 4,461,082
2014	4,461,082	2,796,114	2,978,696	4,278,500

13. SPECIAL ASSESSMENT DISTRICTS' BONDS:

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

13. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

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, 2014
Community Facilities District 04-1, 2013	$ 9,350,000	$ 9,350,000
Community Facilities District 06-1, 2007	53,570,000	52,170,000
Community Facilities District 06-1, 2010	1,675,000	1,645,000
Community Facilities District 07-1, 2007	13,680,000	13,470,000
	$ 78,275,000	$ 76,635,000

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

In September 2007, the City issued $53,570,000 of Special Tax Bonds, Series 2007A, to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds 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, 2014, the amount of the Special Tax Bonds, Series 2007A was $52,170,000.

13. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

In October 2010, the City issued $1,675,000 of Special Tax Bonds, Series 2010 to, to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds 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, 2014, the amount of the Special Tax Bonds, Series 2010 was $1,645,000.

In September 2007, the City issued $13,680,000 of Special Tax Bonds, Series 2007, to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, 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, 2014, the amount of the Special Tax Bonds, Series 2007 was $13,470,000.

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

14. 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.

14. COMMITMENTS AND CONTINGENCIES (CONTINUED):

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, 2014, the total infrastructure cost incurred by the Developer that is subject to reimbursement was $48,529,810 and the total reimbursement made by the City was $30,241,666. The City paid final reimbursement to Vestar totaling $18,288,144 in September 2014 from net proceeds from the sale of land held for resale totaling $55,957,960.

15. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

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

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

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

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

Assigned - This classification includes amounts that are intended to be used for specific purposes as indicated by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes. City Council has not delegated such authority. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

15. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

Unassigned - The classifications include the residual balance for the City'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	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 240,053	$ -	$ 240,053
Land held for resale	128,809,901	-	128,809,901
Restricted for:			
Public works	1,352,309	27,450,172	28,802,481
Public safety	-	442,474	442,474
Community services	-	1,928,207	1,928,207
Assigned to:			
Capital projects	-	5,493,536	5,493,536
Unassigned	18,781,826	-	18,781,826
Total fund balances	$ 149,184,089	$ 35,314,389	$ 184,498,478

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Excess of Expenditures over Appropriations:

	Budget	Actual	Variance with Final Budget
General Fund	$ 92,871,714	$ 99,551,019	$ (6,679,305)
Other Governmental Funds:			
Air Quality Special Revenue Fund	202,000	210,499	(8,499)

17. JOINT POWERS AUTHORITY:

Orange County Fire Authority

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

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

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

18. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

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

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 the other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On September 20, 2011, the City elected to serve as the Successor Agency to the Tustin Community Redevelopment Agency.

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

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.

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.

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

The County Auditor-Controller 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.

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

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.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency remitted $14,317,623 to the CAC on December 18, 2012 for the low and moderate income housing funds due diligence review. The amount due to the CAC for the Other Funds due diligence review is $28,295,637, of which $6,418,355 was remitted by the Successor Agency on May 10, 2013. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and has agreed to installment payments of four years with the first payment due within thirty days of the City accepting DOF's offer. The City is currently reviewing DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount receivable from the City and payable to CAC as of June 30, 2014 was $21,404,683. During the year ended June 30, 2014, $939,658 of interest was forgiven and is reported as an extraordinary item on the statement of changes in fiduciary net position.

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.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The amount due to the City and a corresponding reserve for $34,345,383, are recorded on the City's financial records for reimbursement for the Newport Avenue Extension Phase 1, pursuant to the Public Works agreement dated June 2, 1983. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

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

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

Due from the City of Tustin

On December 31, 2008, the City entered into a promissory note with the former Redevelopment Agency in the amount of $18,881,750. The City promised to pay the former Redevelopment Agency on December 1, 2013, the principal amount of $18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the former Redevelopment Agency was dissolved and the promissory note was transferred to the Successor Agency. The total amount receivable from the General Fund as of June 30, 2014 was $21,404,683. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and has agreed to installment payments of five years with the first payment due within thirty days of the City accepting DOF's offer. The City is currently reviewing DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount due from the City as of June 30, 2014 was $21,404,683.

Capital Assets

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated				
Land	$ 119,000	$ -	$ -	$ 119,000
Capital assets, being depreciated:				
Buildings	190,000	-	-	190,000
Less accumulated depreciation	(76,000)	(3,800)	-	(79,800)
Total capital assets, being depreciated, net	114,000	(3,800)	-	110,200
Successor Agency capital assets, net	$ 233,000	$ (3,800)	$ -	$ 229,200

See independent auditors' report.

19. 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, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014	Due Within One Year
Tax allocation bonds	$ 72,175,000	$ -	$ (2,945,000)	$ 69,230,000	$ 3,060,000
Unamortized premium	92,432	-	(3,532)	88,900	-
Unamortized discount	(813,417)	29,624	-	(783,793)	-
Total bonds payable	$ 71,454,015	$ 29,624	$ (2,948,532)	$ 68,535,107	$ 3,060,000

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, 2014, the 1998 Bonds outstanding balance was $4,565,000.

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

Year Ending June 30,	Principal	Interest	Total
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	$ 4,565,000	$ 339,907	$ 4,904,907

See independent auditors' report.

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2010 Housing Tax Allocation Bonds

On March 1, 2010, the Tustin Community Redevelopment Agency issued $26,170,000 Tax Allocation Housing Bonds, Series 2010 to refinance low and moderate income housing activities throughout the geographic boundaries of the City and, in particular, to repay a reimbursement obligation from the Agency to the City, relating to the City's write down of land for use for affordable housing purposes. Serial bonds are payable in annual installments ranging from $550,000 to $1,300,000 commencing on September 1, 2010. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2% to 5% per annum. At June 30, 2014, the 2010 Housing Bonds outstanding balance was $22,770,000.

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

Year Ending June 30,	Principal	Interest	Total
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	850,000	959,806	1,809,806
2019	880,000	925,206	1,805,206
2020 - 2024	4,985,000	4,047,191	9,032,191
2025 - 2029	5,795,000	2,772,500	8,567,500
2030 - 2034	3,050,000	1,686,850	4,736,850
2035 - 2039	3,935,000	777,656	4,712,656
2040	915,000	24,018	939,018
Totals	$ 22,770,000	$ 14,265,545	$ 37,035,545

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2010 MCAS Tax Allocation Bonds

On October 27, 2010, the Tustin Community Redevelopment Agency issued $44,170,000 Tax Allocation Bonds, Series 2010 for the purpose of financing redevelopment activities within or for the benefit of the Agency's MCAS-Tustin Redevelopment Project Area. The bonds are payable in annual installments ranging from $640,000 to $12,230,000 commencing on September 1, 2011. Interest is payable semiannually on March 1 and September 1, with rates ranging from 2.0% to 5.0% per annum. The bonds maturing on or after September 1, 2019, are subject to optional redemption prior to maturity, as a whole or in part, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. At June 30, 2014, the 2010 MCAS Bonds outstanding balance was $41,895,000.

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

Year Ending June 30,	Principal	Interest	Total
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	935,000	1,872,025	2,807,025
2019	970,000	1,833,925	2,803,925
2020 - 2024	5,475,000	8,535,306	14,010,306
2025 - 2029	6,835,000	7,125,831	13,960,831
2030 - 2034	8,690,000	5,215,750	13,905,750
2035 - 2039	11,100,000	2,753,750	13,853,750
2039 - 2041	5,250,000	265,750	5,515,750
Totals	$ 41,895,000	$ 33,394,812	$ 75,289,812

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2014

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)
06/30/11	$ 68,289,474	$ 75,399,067	$ 7,109,593	90.57%	$ 13,462,500	52.81%
06/30/12	72,395,531	79,578,148	7,182,617	90.97%	13,524,065	53.11%
06/30/13	69,152,607	85,633,544	16,480,937	80.75%	11,720,064	140.62%

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)
06/30/09	$ -	$ 8,584,000	$ 8,584,000	0.00%	$ 23,100,000	37.16%
06/30/11	-	9,801,000	9,801,000	0.00%	21,515,000	45.55%
06/30/13	-	12,047,000	12,047,000	0.00%	20,346,000	59.21%

See independent auditors' report.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	$ 43,417,900	$ 43,417,900	$ 45,096,520	$ 1,678,620
Licenses and permits	584,700	584,700	1,284,232	699,532
Fines and forfeitures	726,000	726,000	631,340	(94,660)
Investment income	105,000	105,000	459,703	354,703
Intergovernmental	1,169,156	1,169,156	967,020	(202,136)
Charges for services	2,151,100	2,151,100	1,672,913	(478,187)
Rental income	447,600	447,600	601,727	154,127
Other revenue	2,307,200	2,307,200	2,765,574	458,374
TOTAL REVENUES	50,908,656	50,908,656	53,479,029	2,570,373
EXPENDITURES:				
Current:				
General government	15,364,677	15,992,150	13,120,551	2,871,599
Public safety	29,495,120	29,556,336	28,072,138	1,484,198
Public works	6,000,060	6,271,560	5,797,705	473,855
Community services	2,953,225	2,953,225	2,841,129	112,096
Capital outlay	3,881,456	37,148,443	49,719,496	(12,571,053)
Debt service:				
Interest and fiscal charges	950,000	950,000	-	950,000
TOTAL EXPENDITURES	58,644,538	92,871,714	99,551,019	(6,679,305)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,735,882)	(41,963,058)	(46,071,990)	(4,108,932)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,612,301	1,612,301	1,478,158	(134,143)
Transfers out	(1,420,000)	(1,420,000)	(606,454)	813,546
Sale of property	5,000	5,000	-	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	197,301	197,301	871,704	674,403
EXTRAORDINARY GAIN	-	-	1,412,257	1,412,257
NET CHANGE IN FUND BALANCE	(7,538,581)	(41,765,757)	(43,788,029)	(2,022,272)
FUND BALANCE - BEGINNING OF YEAR	192,972,118	192,972,118	192,972,118	-
FUND BALANCE - END OF YEAR	$ 185,433,537	$ 151,206,361	$ 149,184,089	$ (2,022,272)

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

CITY OF TUSTIN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgets.

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

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

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

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

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

See independent auditors' report.

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SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue Funds				
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture	Air Quality
ASSETS					
Cash and investments	$ 5,260,360	$ 770,741	$ 8,125,489	$ 380,304	$ 91,063
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	231,095	6,343,828	-	-	-
Interest	2,771	406	4,277	200	48
Loans	-	-	-	-	-
Allowance for uncollectibles	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Land held for resale	-	-	-	-	-
TOTAL ASSETS	$ 5,494,226	$ 7,114,975	$ 8,129,766	$ 380,504	$ 91,111
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	$ 158,718	$ 299,616	$ 55,635	$ 8,522	$ 21,156
Due to other funds	-	15,236	-	-	-
Deposits payable	-	-	-	-	-
TOTAL LIABILITIES	158,718	314,852	55,635	8,522	21,156
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	5,084,074	-	-	-
FUND BALANCES:					
Restricted	5,335,508	1,716,049	8,074,131	371,982	69,955
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	5,335,508	1,716,049	8,074,131	371,982	69,955
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,494,226	$ 7,114,975	$ 8,129,766	$ 380,504	$ 91,111

See independent auditors' report.

Special Revenue Funds (Continued)			Capital Projects Funds				
Supplemental Law Enforcement	Housing Authority	Total	Construction 95-1	Other Capital Projects	CFD Construction	Total	Total Other Governmental Funds
$ 69,350	$ 1,590,491	$ 16,287,798	$ 3,664,234	$ 5,656,393	$ -	$ 9,320,627	$ 25,608,425
-	-	-	-	-	9,939,890	9,939,890	9,939,890
4,612	-	6,579,535	3	1,105,260	524	1,105,787	7,685,322
37	65,839	73,578	-	3,584	-	3,584	77,162
-	1,055,263	1,055,263	-	-	-	-	1,055,263
-	(705,263)	(705,263)	-	-	-	-	(705,263)
-	-	-	-	454,398	-	454,398	454,398
-	354,927	354,927	-	-	-	-	354,927
$ 73,999	$ 2,361,257	$ 23,645,838	$ 3,664,237	$ 7,219,635	$ 9,940,414	$ 20,824,286	$ 44,470,124
$ 3,507	$ 8,114	$ 555,268	$ 13,028	$ 913,406	$ 1,337,094	$ 2,263,528	$ 2,818,796
-	-	15,236	-	-	-	-	15,236
-	9,936	9,936	-	812,693	-	812,693	822,629
3,507	18,050	580,440	13,028	1,726,099	1,337,094	3,076,221	3,656,661
-	415,000	5,499,074	-	-	-	-	5,499,074
70,492	1,928,207	17,566,324	3,651,209	-	8,603,320	12,254,529	29,820,853
-	-	-	-	5,493,536	-	5,493,536	5,493,536
70,492	1,928,207	17,566,324	3,651,209	5,493,536	8,603,320	17,748,065	35,314,389
$ 73,999	$ 2,361,257	$ 23,645,838	$ 3,664,237	$ 7,219,635	$ 9,940,414	$ 20,824,286	$ 44,470,124

CITY OF TUSTIN

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

For the year ended June 30, 2014

	Special Revenue Funds				
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture	Air Quality
REVENUES:					
Investment income	$ 28,083	$ 13,098	$ 46,055	$ 2,153	$ 963
Intergovernmental revenue	2,435,700	2,444,333	-	200,126	-
Charges for services	-	-	18,540	-	95,815
Rental income	-	-	149,997	-	-
Other revenue	-	-	2,540	-	-
TOTAL REVENUES	2,463,783	2,457,431	217,132	202,279	96,778
EXPENDITURES:					
Current:					
General government	802,394	1,781	33,538	243,082	-
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	1,023,933	3,281,589	246,333	-	210,499
TOTAL EXPENDITURES	1,826,327	3,283,370	279,871	243,082	210,499
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	637,456	(825,939)	(62,739)	(40,803)	(113,721)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	21,348
Transfers out	-	(93,211)	(23,333)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(93,211)	(23,333)	-	21,348
NET CHANGE IN FUND BALANCES	637,456	(919,150)	(86,072)	(40,803)	(92,373)
FUND BALANCES - BEGINNING OF YEAR	4,698,052	2,635,199	8,160,203	412,785	162,328
FUND BALANCES - END OF YEAR	$ 5,335,508	$ 1,716,049	$ 8,074,131	$ 371,982	$ 69,955

See independent auditors' report.

Special Revenue Funds (Continued)			Capital Projects Funds				
Supplemental Law Enforcement	Housing Authority	Total	Construction 95-1	Other Capital Projects	CFD Construction	Total	Total Other Governmental Funds
$ 261	$ 9,335	$ 99,948	$ (2,709)	$ 62,631	$ 2,213	$ 62,135	$ 162,083
146,366	-	5,226,525	-	1,252,801	7,376	1,260,177	6,486,702
-	-	114,355	-	-	-	-	114,355
-	-	149,997	-	-	-	-	149,997
-	18,687	21,227	2,164	3,321,770	-	3,323,934	3,345,161
146,627	28,022	5,612,052	(545)	4,637,202	9,589	4,646,246	10,258,298
-	-	1,080,795	-	4,078	-	4,078	1,084,873
98,176	-	98,176	-	-	-	-	98,176
-	240,170	240,170	-	-	-	-	240,170
6,397	-	4,768,751	104,456	8,801,031	11,028,702	19,934,189	24,702,940
104,573	240,170	6,187,892	104,456	8,805,109	11,028,702	19,938,267	26,126,159
42,054	(212,148)	(575,840)	(105,001)	(4,167,907)	(11,019,113)	(15,292,021)	(15,867,861)
-	-	21,348	-	47,626	537,480	585,106	606,454
-	-	(116,544)	(153,301)	-	(1,208,313)	(1,361,614)	(1,478,158)
-	-	(95,196)	(153,301)	47,626	(670,833)	(776,508)	(871,704)
42,054	(212,148)	(671,036)	(258,302)	(4,120,281)	(11,689,946)	(16,068,529)	(16,739,565)
28,438	2,140,355	18,237,360	3,909,511	9,613,817	20,293,266	33,816,594	52,053,954
$ 70,492	$ 1,928,207	$ 17,566,324	$ 3,651,209	$ 5,493,536	$ 8,603,320	$ 17,748,065	$ 35,314,389

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 10,000	$ 10,000	$ 28,083	$ 18,083
Intergovernmental revenue	2,223,400	2,223,400	2,435,700	212,300
TOTAL REVENUES	2,233,400	2,233,400	2,463,783	230,383
EXPENDITURES:				
Current:				
General government	928,000	928,000	802,394	125,606
Capital outlay	1,258,100	1,427,285	1,023,933	403,352
TOTAL EXPENDITURES	2,186,100	2,355,285	1,826,327	528,958
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	47,300	(121,885)	637,456	759,341
FUND BALANCE - BEGINNING OF YEAR	4,698,052	4,698,052	4,698,052	-
FUND BALANCE - END OF YEAR	$ 4,745,352	$ 4,576,167	$ 5,335,508	$ 759,341

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 2,000	$ 2,000	$ 13,098	$ 11,098
Intergovernmental revenue	8,110,774	8,110,774	2,444,333	(5,666,441)
TOTAL REVENUES	8,112,774	8,112,774	2,457,431	(5,655,343)
EXPENDITURES:				
General Government	-	-	1,781	(1,781)
Capital outlay	9,365,907	9,365,907	3,281,589	6,084,318
TOTAL EXPENDITURES	9,365,907	9,365,907	3,283,370	6,082,537
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,253,133)	(1,253,133)	(825,939)	427,194
OTHER FINANCING USES:				
Transfers out	(39,000)	(39,000)	(93,211)	(54,211)
NET CHANGE IN FUND BALANCE	(1,292,133)	(1,292,133)	(919,150)	372,983
FUND BALANCE - BEGINNING OF YEAR	2,635,199	2,635,199	2,635,199	-
FUND BALANCE - END OF YEAR	$ 1,343,066	$ 1,343,066	$ 1,716,049	$ 372,983

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 55,000	$ 55,000	$ 46,055	$ (8,945)
Charges for services	13,500	13,500	18,540	5,040
Rental income	128,000	128,000	149,997	21,997
Other revenue	-	-	2,540	2,540
TOTAL REVENUES	196,500	196,500	217,132	20,632
EXPENDITURES:				
Current:				
General government	-	2,022	33,538	(31,516)
Capital outlay	388,500	538,500	246,333	292,167
TOTAL EXPENDITURES	388,500	540,522	279,871	260,651
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(192,000)	(344,022)	(62,739)	281,283
OTHER FINANCING USES:				
Transfers out	-	-	(23,333)	(23,333)
NET CHANGE IN FUND BALANCE	(192,000)	(344,022)	(86,072)	257,950
FUND BALANCE - BEGINNING OF YEAR	8,160,203	8,160,203	8,160,203	-
FUND BALANCE - END OF YEAR	$ 7,968,203	$ 7,816,181	$ 8,074,131	$ 257,950

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 500	$ 500	$ 2,153	$ 1,653
Intergovernmental revenue	222,000	222,000	200,126	(21,874)
TOTAL REVENUES	222,500	222,500	202,279	(20,221)
EXPENDITURES:				
Current:				
General government	187,000	252,000	243,082	8,918
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,500	(29,500)	(40,803)	(11,303)
FUND BALANCE - BEGINNING OF YEAR	412,785	412,785	412,785	-
FUND BALANCE - END OF YEAR	$ 448,285	$ 383,285	$ 371,982	$ (11,303)

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ 100	$ 100	$ 963	$ 863
Charges for services	82,000	82,000	95,815	13,815
TOTAL REVENUES	82,100	82,100	96,778	14,678
EXPENDITURES:				
Capital outlay	202,000	202,000	210,499	(8,499)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(119,900)	(119,900)	(113,721)	6,179
OTHER FINANCING SOURCES:				
Transfers in	-	-	21,348	21,348
NET CHANGE IN FUND BALANCE	(119,900)	(119,900)	(92,373)	27,527
FUND BALANCE - BEGINNING OF YEAR	162,328	162,328	162,328	-
FUND BALANCE - END OF YEAR	$ 42,428	$ 42,428	$ 69,955	$ 27,527

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 261	$ 261
Intergovernmental revenue	123,100	123,100	146,366	23,266
TOTAL REVENUES	123,100	123,100	146,627	23,527
EXPENDITURES:				
Current:				
Public safety	97,800	97,800	98,176	(376)
Capital outlay	25,000	52,400	6,397	46,003
TOTAL EXPENDITURES	122,800	150,200	104,573	45,627
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	300	(27,100)	42,054	69,154
FUND BALANCE - BEGINNING OF YEAR	28,438	28,438	28,438	-
FUND BALANCE - END OF YEAR	$ 28,738	$ 1,338	$ 70,492	$ 69,154

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Investment income	$ -	$ -	$ 9,335	$ 9,335
Other revenue	-	-	18,687	18,687
TOTAL REVENUES	-	-	28,022	28,022
EXPENDITURES:				
Current:				
Community services	265,800	265,800	240,170	25,630
TOTAL EXPENDITURES	265,800	265,800	240,170	25,630
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(265,800)	(265,800)	(212,148)	53,652
FUND BALANCE - BEGINNING OF YEAR	2,140,355	2,140,355	2,140,355	-
FUND BALANCE - END OF YEAR	$ 1,874,555	$ 1,874,555	$ 1,928,207	$ 53,652

See independent auditors' report.

CITY OF TUSTIN

AGENCY FUNDS

June 30, 2014

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

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

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

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

CITY OF TUSTIN

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2014

	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Total
ASSETS				
Cash and investments	$ -	$ 11,766	$ -	$ 11,766
Restricted cash and investments	1,003,329	9,145,080	1,908,686	12,057,095
Taxes receivable	19,215	64,249	-	83,464
TOTAL ASSETS	$ 1,022,544	$ 9,221,095	$ 1,908,686	$ 12,152,325
LIABILITIES				
Accounts payable	$ -	$ 142	$ -	$ 142
Due to bondholders	1,022,544	9,220,953	1,908,686	12,152,183
TOTAL LIABILITIES	$ 1,022,544	$ 9,221,095	$ 1,908,686	$ 12,152,325

See independent auditors' report.

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
COMMUNITY FACILITIES DISTRICT 04-01				
ASSETS:				
Cash and investments	$ -	$ 1,298,244	$ 1,298,244	$ -
Restricted cash and investments	537,450	734,279	268,400	1,003,329
Taxes receivable	29,485	19,215	29,485	19,215
TOTAL ASSETS	$ 566,935	$ 2,051,738	$ 1,596,129	$ 1,022,544
LIABILITIES:				
Accounts payable	$ -	$ 730,247	$ 730,247	$ -
Due to bondholders	566,935	1,295,522	839,913	1,022,544
TOTAL LIABILITIES	$ 566,935	$ 2,025,769	$ 1,570,160	$ 1,022,544
COMMUNITY FACILITIES DISTRICT 06-01				
ASSETS:				
Cash and investments	$ 156,532	$ 5,351,156	$ 5,495,922	$ 11,766
Restricted cash and investments	9,024,663	3,660,572	3,540,155	9,145,080
Taxes receivable	78,885	64,249	78,885	64,249
TOTAL ASSETS	$ 9,260,080	$ 9,075,977	$ 9,114,962	$ 9,221,095
LIABILITIES:				
Accounts payable	$ -	$ 3,660,436	$ 3,660,294	$ 142
Due to bondholders	9,260,080	5,363,759	5,402,886	9,220,953
TOTAL LIABILITIES	$ 9,260,080	$ 9,024,195	$ 9,063,180	$ 9,221,095

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, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
COMMUNITY FACILITIES DISTRICT 07-01				
ASSETS:				
Cash and investments	$ 24,001	$ 1,117,887	$ 1,141,888	$ -
Restricted cash and investments	1,868,347	914,579	874,240	1,908,686
TOTAL ASSETS	$ 1,892,348	$ 2,032,466	$ 2,016,128	$ 1,908,686
LIABILITIES:				
Accounts payable	$ -	$ 914,470	$ 914,470	$ -
Due to bondholders	1,892,348	1,127,007	1,110,669	1,908,686
TOTAL LIABILITIES	$ 1,892,348	$ 2,041,477	$ 2,025,139	$ 1,908,686
TOTAL ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	$ 180,533	$ 7,767,287	$ 7,936,054	$ 11,766
Restricted cash and investments	11,430,460	5,309,430	4,682,795	12,057,095
Taxes receivable	108,370	83,464	108,370	83,464
TOTAL ASSETS	$ 11,719,363	$ 13,160,181	$ 12,727,219	$ 12,152,325
LIABILITIES:				
Accounts payable	$ -	$ 5,305,153	$ 5,305,011	$ 142
Due to bondholders	11,719,363	7,786,288	7,353,468	12,152,183
TOTAL LIABILITIES	$ 11,719,363	$ 13,091,441	$ 12,658,479	$ 12,152,325

See independent auditors' report.

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2014

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

Contents: Pages

Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. 104

Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 114

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. 120

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. 128

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. 130

Sources:

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

CITY OF TUSTIN

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	$ 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 position	$ 300,282,417	$ 331,148,027	$ 359,506,153	$ 490,412,260
Business-type activities:				
Net investment in capital assets	$ 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 position	$ 229,509,799	$ 226,836,805	$ 221,440,331	$ 194,688,897
Primary government:				
Net investment in capital assets	$ 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 position	$ 529,792,216	$ 557,984,832	$ 580,946,484	$ 685,101,157

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 357,299,104	$ 360,282,692	$ 378,911,546	$ 412,683,460	$ 431,761,288	$ 461,673,323
145,602,640	135,670,302	116,718,495	47,727,966	54,367,385	36,693,458
104,037,153	114,737,049	116,545,351	147,513,249	177,532,888	139,241,558
$ 606,938,897	$ 610,690,043	$ 612,175,392	$ 607,924,675	$ 663,661,561	$ 637,608,339
$ 24,964,824	$ 24,541,113	$ 20,872,492	$ 25,479,160	$ 24,171,745	$ 23,657,878
1,191,694	-	-	-	-	-
1,981,499	1,851,666	5,541,672	2,795,701	7,094,771	10,744,452
$ 28,138,017	$ 26,392,779	$ 26,414,164	$ 28,274,861	$ 31,266,516	$ 34,402,330
$ 382,263,928	$ 384,823,805	$ 399,784,038	$ 438,162,620	$ 455,933,033	$ 485,331,201
146,794,334	135,670,302	116,718,495	47,727,966	54,367,385	36,693,458
106,018,652	116,588,715	122,087,023	150,308,950	184,627,659	149,986,010
$ 635,076,914	$ 637,082,822	$ 638,589,556	$ 636,199,536	$ 694,928,077	$ 672,010,669

CITY OF TUSTIN

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten 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
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

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 8,499,303	$ 7,802,579	$ 7,854,361	$ 12,266,470	$ 18,705,913	$ 14,825,780
29,126,019	27,277,141	28,622,807	28,800,773	30,702,298	28,440,799
22,102,002	20,816,686	19,809,907	20,765,854	15,087,234	49,538,371
5,112,770	12,742,391	13,150,089	7,078,104	3,201,865	3,498,460
3,566,782	4,087,839	4,814,598	3,057,645	967,115	-
68,406,876	72,726,636	74,251,762	71,968,846	68,664,425	96,303,410
12,569,331	11,938,146	12,578,667	13,467,541	13,574,149	16,100,137
1,259,093	-	-	-	-	-
13,828,424	11,938,146	12,578,667	13,467,541	13,574,149	16,100,137
1,694,464	1,404,925	1,109,150	1,390,073	763,101	249,237
2,136,772	1,168,348	1,196,830	1,133,096	917,947	920,112
2,374,308	3,761,321	3,508,904	800,328	1,248,595	1,710,813
897,386	957,545	969,006	974,747	926,432	967,134
4,253,442	3,403,411	3,441,281	3,590,210	4,513,158	3,325,304
18,865,776	6,287,231	3,395,929	20,902,629	20,998,311	12,222,106
30,222,148	16,982,781	13,621,100	28,791,083	29,367,544	19,394,706
11,281,679	10,594,471	12,422,746	15,112,161	16,688,773	18,682,821
22,587	-	-	-	-	-
-	-	-	-	-	-
11,304,266	10,594,471	12,422,746	15,112,161	16,688,773	18,682,821
$ (38,184,728)	$ (55,743,855)	$ (60,630,662)	$ (43,177,763)	$ (39,296,881)	$ (76,908,704)
(2,524,158)	(1,343,675)	(155,921)	1,644,620	3,114,624	2,582,684
$ (40,708,886)	$ (57,087,530)	$ (60,786,583)	$ (41,533,143)	$ (36,182,257)	$ (74,326,020)

CITY OF TUSTIN

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General revenues and other changes in net position:				
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 position:				
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)	(26,724,434)
Total primary government	$ 21,946,745	$ 28,192,616	$ 22,931,652	$ 103,778,066

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 34,022,959	$ 28,347,659	$ 30,205,879	$ 23,270,718	$ 14,526,101	$ 13,661,771
154,379	141,335	142,915	137,131	137,064	616,897
356,565	337,867	358,526	44,800	377,498	393,241
1,689,573	1,720,505	1,648,319	1,621,521	1,655,388	1,663,215
19,858,142	15,917,332	18,597,453	19,931,865	21,575,405	22,288,032
252,666	6,122,789	6,189,249	5,833,094	5,951,653	6,150,893
4,863,469	4,086,852	2,358,847	958,169	243,921	628,180
2,314,540	1,520,662	1,700,323	14,444,183	7,231,648	4,040,996
-	-	-	-	43,335,089	-
103,805,196	-	-	-	-	-
-	-	-	(27,314,435)	-	1,412,257
167,317,489	58,195,001	61,201,511	38,927,046	95,033,767	50,855,482
164,764	86,654	158,242	156,855	39,700	144,381
-	-	-	-	-	-
82,810	25,340	19,064	59,222	271,858	408,749
(103,805,196)	-	-	-	-	-
(103,557,622)	111,994	177,306	216,077	311,558	553,130
$ 63,759,867	$ 58,306,995	$ 61,378,817	$ 39,143,123	$ 95,345,325	$ 51,408,612
$ 129,132,761	$ 2,451,146	$ 570,849	$ (4,250,717)	$ 55,736,886	$ (26,053,222)
(106,081,780)	(1,231,681)	21,385	1,860,697	3,426,182	3,135,814
$ 23,050,981	$ 1,219,465	$ 592,234	$ (2,390,020)	$ 59,163,068	$ (22,917,408)

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

Fund Balance prior to GASB 54

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

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 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	$ 128,988,209	$ 129,049,954
-	-	-	-	19,615,343	1,352,309
-	47,608	-	-	-	-
-	5,823,384	-	-	-	-
-	-	7,443,165	4,077,344	44,368,566	18,781,826
$ -	$ 150,010,159	$ 151,630,120	$ 148,682,191	$ 192,972,118	$ 149,184,089
$ -	$ 34,800,738	$ 22,352,713	$ 1,710,292	$ 1,287,607	$ -
-	111,455,097	130,673,281	38,274,666	33,885,757	29,820,853
-	344,708	-	-	-	-
-	11,670,324	18,603,317	16,239,322	16,880,590	5,493,536
-	(8,495,076)	(10,989,463)	-	-	-
$ -	$ 149,775,791	$ 160,639,848	$ 56,224,280	$ 52,053,954	$ 35,314,389

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten 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 gain (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%

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 56,198,002	$ 52,579,529	$ 57,324,011	$ 50,907,306	$ 44,279,024	$ 45,096,520
1,692,955	3,538,198	716,144	443,928	577,044	1,284,232
832,188	890,770	893,642	875,068	678,428	631,340
4,429,915	3,198,484	1,632,215	472,725	173,890	621,786
14,626,663	5,378,430	5,372,905	6,413,137	21,551,042	7,453,722
4,497,309	2,708,705	5,020,485	2,813,752	2,685,080	1,787,268
771,807	869,645	358,030	480,255	550,003	751,724
-	4,051,180	1,593,475	-	-	-
1,188,200	1,028,432	2,425,052	14,075,025	9,773,813	6,110,735
84,237,039	74,243,373	75,335,959	76,481,196	80,268,324	63,737,327
6,728,236	7,197,709	7,505,928	11,656,331	17,357,805	14,205,424
27,759,939	26,359,435	27,508,514	28,714,347	27,944,039	28,170,314
11,311,291	10,133,685	9,110,621	6,954,384	5,980,807	5,797,705
5,005,986	12,251,479	12,740,969	6,506,381	2,752,523	3,081,299
24,772,717	13,125,983	9,979,670	25,816,530	28,487,231	74,422,436
11,143,000	7,913,000	10,659,000	2,590,000	-	-
3,570,834	4,603,661	4,131,435	3,264,323	967,115	-
-	-	429,731	-	-	-
90,292,003	81,584,952	82,065,868	85,502,296	83,489,520	125,677,178
(6,054,964)	(7,341,579)	(6,729,909)	(9,021,100)	(3,221,196)	(61,939,851)
-	26,274,205	43,281,289	-	-	-
142,866,218	37,207,661	2,645,014	3,020,291	6,122,454	2,084,612
(41,295,836)	(37,207,661)	(2,645,014)	(3,020,291)	(6,122,454)	(2,084,612)
-	-	-	-	-	-
40,201	7,421	18,138	43,745	43,340,797	-
101,610,583	26,281,626	43,299,427	43,745	43,340,797	-
-	-	-	(98,386,142)	-	1,412,257
$ 95,555,619	$ 18,940,047	$ 36,569,518	$ (107,363,497)	$ 40,119,601	$ (60,527,594)
28.96%	22.37%	26.76%	10.88%	1.76%	0.00%

CITY OF TUSTIN

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

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		
	Secured	Unsecured	Taxable Assessed Value
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
2013	7,486,098	341,604	7,827,702
2014	7,679,827	317,521	7,997,348

Notes:
Exemptions are netted directly against individual categories.

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

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

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

Redevelopment Agency (A)			
Secured	Unsecured	Taxable Assessed Value (A)	Total Direct Tax Rate (B)
$ 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%
1,596,843	77,628	1,674,471	0.302%
1,663,391	71,642	1,735,033	0.116%

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year			
	2005	2006	2007	2008
Direct Rate (A):				
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
Metropolitan 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

Notes:

(A) Individual direct rates applied to the revenue base.

Source: Hdl, Coren & Cone

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272
0.4397	0.4397	0.4397	0.4397	0.4397	0.4397
0.0886	0.0886	0.0886	0.0886	0.0886	0.0886
0.0617	0.0617	0.0617	0.0617	0.0617	0.0617
0.0198	0.0198	0.0198	0.0198	0.0198	0.0198
0.0167	0.0167	0.0167	0.0167	0.0167	0.0167
0.0161	0.0161	0.0161	0.0161	0.0161	0.0161
0.2302	0.2302	0.2302	0.2302	0.2302	0.2302
1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
0.0310	0.0380	0.0596	0.0559	0.0672	0.0891
0.0043	0.0043	0.0037	0.0037	0.0035	0.0035
0.0225	0.0274	0.0314	0.0315	0.0324	0.0333
0.2143	0.2242	0.2242	0.2155	0.2155	0.2155
0.0321	0.0739	0.0717	0.0715	0.0775	0.0736
0.3042	0.3678	0.3906	0.3781	0.3961	0.4150
$ 1.3042	$ 1.3678	$ 1.3906	$ 1.3781	$ 1.3961	$ 1.4150

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

	2014		2005	
Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Irvine Company LLC	$ 227,080,989	2.33%	$ 65,223,171	1.00%
Vestar Kimco Tustin LP	161,608,021	1.66%		
Avalon II California Value I	97,699,746	1.00%		
PK II Larwin Square SC LP	50,771,745	0.52%		
Irvine Apartment Communities LP	50,674,680	0.52%	210,693,161	3.42%
Ricoh Development of California Inc	49,023,342	0.50%		
Borchard Redhill SKB-Tustin LLC	47,494,260	0.49%	30,113,321	0.46%
Costco Wholesale Corporation	47,423,012	0.49%		
Cadigan Communities LP	47,268,376	0.48%	26,194,631	0.40%
CPII Park Place LLC	42,307,193	0.43%		
Moffett Meadows Partners, LLC			144,651,140	2.22%
WL Homes			69,876,021	1.07%
Bascom East Tustin Avenue Apartment LLC			67,546,366	1.04%
Pan Pacific Retail Prop			44,593,136	0.68%
Saddleback Memorial Medic			39,596,614	0.61%
Bedrosian Tustin, LLC			26,753,547	0.41%
	$ 821,351,364	8.42%	$ 725,241,108	11.31%

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

Sources: Hdl, Coren & Cone

CITY OF TUSTIN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2013	9,492,638	9,257,817	97.53%	121,715	9,379,532	98.81%
2014	9,862,476	9,655,778	97.90%	121,400	9,777,178	99.14%

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

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

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

Source: County of Orange Auditor Controller's Office

CITY OF TUSTIN

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities						
	Tax Allocation Bonds (1)	Tax Allocation Bonds (6)	Tax Allocation Bonds (7)	Lease Revenue Bonds (2)	Notes Payable (3)	Notes Payable (4)	Total Governmental Activities
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
2013	-	-	-	-	-	22,816,940	22,816,940
2014	-	-	-	-	-	21,404,683	21,404,683

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 18 and 19 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 $2,522,933. As of February 1, 2012, this note is payable to the Successor Agency to the Tustin Community Redevelopment Agency. See Note 18 for more information.

(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.

Business-type Activities						
Water Revenue Bonds (5)	Water Revenue Bonds (8)	Water Revenue Bonds (9)	Water Revenue Bonds (10)	Total Business-type Activities	Total Primary Government	Debt Per Capita
$ 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
-	21,044,310	8,997,129	-	30,041,439	52,858,379	678
-	21,034,111	8,205,372	14,160,362	43,399,845	64,804,528	827

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

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

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

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

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

CITY OF TUSTIN

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt: General Obligation Bonds	Outstanding General Bonded Debt: Tax Allocation Bonds	Outstanding General Bonded Debt: Total	Percent of Assessed Value *	Per Capita
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	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-

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

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

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

CITY OF TUSTIN

OVERLAPPING DEBT SCHEDULE

June 30, 2014

2013-14 Assessed Valuation	$ 9,732,380,911
Redevelopment Incremental Valuation	(1,716,672,478)
Adjusted Assessed Value	$ 8,015,708,433

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/14	(1) % Applicable	City's Share of Debt at 6/30/14
Metropolitan Water District	$ 132,275,000	0.445%	$ 588,624
Rancho Santiago Community College District	285,430,201	0.015	42,815
Santa Ana Unified School District	289,561,562	0.0005	1,448
Tustin Unified School District School Facilities Improvement District No. 2002-1	53,319,645	45.447	24,232,179
Tustin Unified School District School Facilities Improvement District No. 2008-1	72,135,000	43.215	31,173,140
Tustin Unified School District School Facilities Improvement District No. 2012-1	35,000,000	44.065	15,422,750
Tustin Unified School District Community Facilities District No. 88-1	45,415,000	100.000	45,415,000
Tustin Unified School District Community Facilities District No. 06-1	13,515,000	100.000	13,515,000
City of Tustin Community Facilities Districts	76,635,000	100.000	76,635,000
Irvine Unified School District Community Facilities District No. 86-1	88,135,000	0.271	238,846
Irvine Ranch Water District Improvement Districts	325,662,300	0.487-81.795	96,466,938
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			**$ 303,731,740**
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	145,476,000	2.200%	3,200,472
Orange County Pension Obligations	32,195,288	2.200	708,296
Orange County Board of Education Certificates of Participation	15,500,000	2.200	341,000
Municipal Water District of Orange County Water Facilities Corporation	7,775,000	2.633	204,716
Orange Unified School District Certificates of Participation	86,665,000	0.030	26,000
Orange Unified School District Benefit Obligations	33,191,560	0.030	9,957
Santa Ana Unified School District Certificates of Participation	76,291,353	0.0005	381
City of Tustin	**-**	**100.000**	**-**
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:			4,490,822
Less: MWDOC Water Facilities Corporation (100% self supporting)			204,716
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:			4,286,106
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	$ 100,025,000	0.002-100.00%	$ 69,230,616
GROSS COMBINED TOTAL DEBT			$ 377,453,178 (2)
NET COMBINED TOTAL DEBT			$ 377,248,462

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

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

Ratios to 2013-14 Assessed Valuations:	
Total Overlapping Tax and Assessment Debt	3.12%
Total Direct Debt	0.00%
Gross Combined Total Debt	3.88%
Net Combined Total Debt	4.71%
Ratios to Redevelopment Incremental Valuations ($1,716,672,478):	
Total Overlapping Tax Increment Debt	4.03%

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Assessed valuation	$ 5,615,226,000	$ 6,039,188,000	$ 6,698,963,000	$ 7,469,096,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,403,806,500	1,509,797,000	1,674,740,750	1,867,274,000
Debt limit percentage	15%	15%	15%	15%
Debt limit	210,570,975	226,469,550	251,211,113	280,091,100
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	$ 210,570,975	$ 226,469,550	$ 251,211,113	$ 280,091,100
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

Sources: County Tax Assessor's Office
City Finance Department

Fiscal Year					
2009	2010	2011	2012	2013	2014
$ 7,940,761,000	$ 7,753,504,000	$ 7,645,102,000	$ 7,705,016,000	$ 7,827,702,000	$ 7,997,348,000
25%	25%	25%	25%	25%	25%
1,985,190,250	1,938,376,000	1,911,275,500	1,926,254,000	1,956,925,500	1,999,337,000
15%	15%	15%	15%	15%	15%
297,778,538	290,756,400	286,691,325	288,938,100	293,538,825	299,900,550
-	-	-	-	-	-
$ 297,778,538	$ 290,756,400	$ 286,691,325	$ 288,938,100	$ 293,538,825	$ 299,900,550
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF TUSTIN

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Water Revenue Bonds Debt Service Principal	Interest	Coverage
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
2013	16,688,773	11,462,258	5,226,515	710,000	957,111	3.14
2014	18,955,616	13,198,598	5,757,018	710,000	1,622,859	2.47

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 18 and 19 for more information.

Tax Allocation Bonds (A)			
Tax Allocation	Debt Service		Coverage
	Principal	Interest	
$ 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
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%
2013	77,983	2,451,708	31,439	5.60%
2014	78,360	2,375,640	30,317	4.90%

Source: HdL Coren & Cone, LLC

CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Eight Years Ago

	2014		2006 (1)	
Employer	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Tustin Unified School District	1,313	3.07%		
Rockwell Collins Inc	600	1.40%		
Ricoh Electronics Inc	500	1.17%	1,038	2.77%
Costco	450	1.05%		
City of Tustin	360	0.84%		
Newport Specialty Hospital	300	0.70%		
Tustin Hospital Medical Center	300	0.70%	200	0.51%
Toshiba America Medical Systs	300	0.70%	300	0.76%
Micro Vention Inc.	300	0.70%		
Balboa Water Group	253	0.59%		
KTBN Channel 40 Trinity Broadcasting			180	0.46%
Texas Instruments			560	1.42%
MacPherson Enterprises			540	1.37%
GE Power Electronics (formerly Cherokee International)			330	0.84%
Revere Transducers			200	0.51%
Fireman's Fund Insurance			190	0.48%
Safeguard Business Systems			175	0.45%

(1) Information is not available for fiscal year 2004-2005.

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

CITY OF TUSTIN

FULL-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	31	31	31	31	27	27	25	29	26	35
Community Development	22	24	28	29	28	24	17	17	15	15
Public Works	48	48	50	51	50	53	52	51	40	47
Police	141	141	145	144	147	147	140	139	131	140
Parks and Recreation	18	17	17	15	16	15	14	15	13	13
Redevelopment Agency	2	3	5	5	6	6	6	5	3	-
Water	22	22	20	20	23	22	23	25	17	17
Total	284	286	296	295	297	294	277	281	245	267

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

Source: City of Tustin Human Resource Department

CITY OF TUSTIN

CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	106.3	127.2	127.2	127.2	127.2	127.2	129.1
Street Lights	2,855	2,855	2,855	3,285	3,544	3,544	3,544	3,544	3,544	3,640
Traffic Signals	97	97	97	113	113	116	117	118	118	121
Storm Drain (miles)	23.7	23.7	23.7	49.1	49.2	49.2	49.2	49.2	49.2	51.2
Street Trees	16,744	16,638	16,638	15,821	15,853	15,853	15,837	15,786	16,097	16,073
Parks and Recreation										
Parks	12	12	12	12	12	13	13	13	13	13
Parks (acres)	81.5	81.5	81.5	81.5	81.5	98.5	98.5	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	13,900	14,080	14,117	14,118	14,118	14,139	14,139	14,172	14,181
Average daily consumption	12,500	12,514	17,205	14,970	14,460	14,460	12,899	13,491	13,601	13,975
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	12	12	12	12	13	13	13	13	13	13
Water Main (miles)	173	173	173	173	173	173	173	173	173	173
Fire Hydrants	2,200	2,200	2,200	2,200	2,201	2,201	2,201	2,201	2,201	1,914

(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 2005	2006	2007	2008
Residential	2,539,105	2,847,140	3,319,069	3,202,982
Apartment/Multiple Units	1,101,639	1,218,770	1,312,731	1,264,584
Commercial	285,628	331,990	360,170	326,987
Fire Services	1,100	306	11,453	478
Irrigation	132,442	137,651	171,200	174,858
Government	170,830	179,426	265,158	260,688
Restaurants	61,706	71,356	67,378	61,029
Hospitals	13,732	14,690	14,243	14,376
Non-Profit	37,906	43,427	48,320	48,922
Industrial	60,262	77,425	71,065	69,920
Hotel/Motels	8,502	10,878	13,367	12,803
All Others	112,043	103,570	100,604	115,246
	4,524,895	5,036,629	5,754,758	5,552,873

Measured in hundred cubic feet.

Source: City of Tustin Finance Department

Fiscal Year					
2009	2010	2011	2012	2013	2014
3,012,575	2,749,415	2,592,741	2,733,482	2,815,322	2,905,069
1,226,181	1,142,749	1,133,899	1,172,823	1,158,480	1,163,159
305,601	287,951	296,001	305,638	308,376	321,125
184	217	275	1,242	818	577
171,382	145,287	134,408	149,957	151,965	167,346
264,425	238,914	212,561	236,658	268,581	276,292
54,916	52,761	48,873	53,183	53,461	52,520
11,222	9,636	11,587	12,204	12,442	7,634
45,387	43,985	41,291	44,488	44,476	45,920
67,985	56,360	51,760	58,298	57,462	60,438
12,890	13,562	8,332	8,514	10,417	12,866
105,221	171,781	176,248	147,552	82,716	87,785
5,277,969	4,912,618	4,707,976	4,924,039	4,964,516	5,100,731

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
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
2013	40.63	0.73	1.29	1.69	2.10	2.56	2.97	3.40
2014	43.59	0.79	1.38	1.81	2.25	2.79	3.24	3.70

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 Eight Years Ago

Water Customer	2014 Water Charges	2014 Percent of Total Water Revenues	2006 (1) Water Charges	2006 (1) Percent of Total Water Revenues
Tustin Unified School District	$ 778,935	4.11%	$ 204,869	3.50%
City of Tustin	171,104	0.90%	52,710	0.90%
CalTrans - District 12	83,238	0.44%		
AT& T Services, Inc.	71,216	0.38%		
Ricoh Electronics, Inc.	78,935	0.42%		
Tustin Place Homeowners Association	48,439	0.26%		
Tustin Plaza Center, LP	47,173	0.25%		
Schroeder Property Management	44,598	0.24%	19,940	0.34%
SKB-Tustin LLC	42,485	0.22%		
HSA LP	34,623	0.18%	53,459	0.91%
Tustin Acres Comm. Assoc.	33,548	0.18%	22,501	0.38%
15701 TV Way Partnership	33,025	0.17%		
EMS Development	32,212	0.17%		
Trinity United Presbyterian	31,115	0.16%		
Red Hill Association	29,176	0.15%		
Westchester Park L.P.	28,767	0.15%	19,784	0.34%
Cadigan Communities	28,493	0.15%		
Valencia Gardens Owner LLC	28,022	0.15%		
School's First Credit Union	27,080	0.14%		
Atomic Investments	26,591	0.14%		
Sycamore Gardens Assoc.	26,133	0.14%		
GRE Tustin Financial	25,678	0.14%		
CMC Association Mgmt.	25,374	0.13%	23,149	0.40%
Key Inn	25,046	0.13%		
Sierra Corp. Mgt.	24,456	0.13%		
Briarwood Investment Co. Lt.			25,311	0.43%
Tustin Village Community Assoc.			18,364	0.31%
Bascon East Tustin Ave Apt. LLC			65,410	1.12%
Pacific Bell			50,417	0.86%
V KAY - NNC Valencia Gardens			27,033	0.46%
Greenwood and McKenzie			23,490	0.40%
Alders Apartment Company			20,903	0.36%
Pacific Point Apartments			20,513	0.35%
Arnel Management			18,655	0.32%
Regency West			18,599	0.32%
Sycamore Creek Apartments			17,878	0.31%
Total Water Sales	$ 1,825,462	9.63%	$ 702,985	12.01%

(1) Information is not available for fiscal year 2004-2005.

Source: City of Tustin Finance Department

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