CITY OF TUSTIN
REQUEST FOR PROPOSALS
BEGINNING FISCAL YEAR ENDING JUNE 30, 2016

I. INTRODUCTION

A. General Information

The City of Tustin is requesting proposals from qualified firms of Certified Public Accountants to audit its financial statements through the fiscal year ending June 30, 2018, with the option of auditing its financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with auditing standards generally accepted in the United States of America, the standards set forth for financial audits in the current U.S. General Accounting Office's (GAO) Government Auditing Standards, the provisions of the federal Single Audit Act, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, as amended.

There is no expressed or implied obligation for the City of Tustin to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, seven (7) copies of a proposal must be received by Linda Anicich, Finance Executive Assistant, at 300 Centennial Way, Tustin, California, 92780, by **5:00 p.m. on Thursday, February 18, 2016**. The City of Tustin reserves the right to reject any or all proposals submitted. Proposals will be evaluated by the City's Audit Commission. The Audit Commission consists of five members selected by the City Council, representative of the citizens and businesses of the community.

During the evaluation process, the Audit Commission and the City of Tustin reserve the right, where it may serve the City of Tustin's best interest, to request additional information or clarifications from proposers or to allow corrections of errors or omissions. At the discretion of the City of Tustin or the Audit Commission, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City of Tustin reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this Request for Proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the City of Tustin and the firm selected.

It is anticipated the selection of a firm will be completed by **March 10, 2016**. Following the notification of the selected firm, it is expected a contract will be executed between both parties by **March 24, 2016**.

B. Term of Engagement

A three (3) year contract is contemplated, with an option to extend the contract for two one-year periods (possible 5-year total), subject to the annual review and recommendation of the Audit Commission.

C. Subcontracting

If firms submitting proposals are considering subcontracting portions of the engagement, that fact and the name of the proposed subcontracting firm must be clearly identified in the proposal. Following award of the audit contract, no subcontracting will be allowed without the express prior written consent of the City of Tustin.

II. NATURE OF SERVICES REQUIRED

A. General

The City of Tustin is soliciting the services of qualified firms of Certified Public Accountants to audit its financial statements through the fiscal years ending June 30, 2018, with the option to audit the City of Tustin's financial statements for each of the two (2) subsequent fiscal years, subject to the satisfactory negotiation of terms, including a price acceptable to both the City and the selected firm. These audits are to be performed in accordance with the provisions contained in this Request for Proposals.

B. Scope of Work to be Performed

The City desires a Comprehensive Annual Financial Report (CAFR) and its component unit financial statements for the City of Tustin and the Successor Agency to the Tustin Community Redevelopment Agency to be prepared by the independent auditor and be fully compliant with GASB 34 for the fiscal year ended June 30, 2016 and each of the subsequent years, June 30, 2017 and 2018 of the auditing firm's contract with the City.

The selected independent auditor will be required to perform the following tasks:

1. The auditor shall perform an audit of all funds of the City. The audit shall be conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller of the United States. The City's Comprehensive Annual Financial Report (CAFR) will be prepared and printed by the auditing firm. The CAFR will be in full compliance with GASB 34. The auditing firm will render their auditor's report on the basic financial statements which will include both Government-Wide Financial Statements and Fund Financial Statements. The auditing firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information pertaining to the General Fund and each major fund of the City.

The auditor is expected to express an opinion on the fair presentation of the financial statements of the Successor Agency to the Tustin Community Redevelopment Agency and Report on Compliance with applicable laws, regulations, and administrative requirements governing its activities. The auditor shall prepare GASB 34 compliant component unit financial statements for each of the engagements.

2. The auditor shall perform a single audit on the expenditures of federal grants in accordance with OMB Circular A-133 and render the appropriate audit reports on Internal Control over Financial Reporting based upon the audit of the City's financial statements in accordance with *Government Auditing Standards* and the appropriate reports on compliance with Requirements Applicable to each Major Program, Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133. The single audit report will include appropriate schedule of expenditures of federal awards, footnotes, findings and questioned costs, including reportable conditions and material weaknesses, and follow up on prior findings where required.

3. The auditor shall perform agreed-upon auditing procedures pertaining to the City's GANN Limit (Appropriations Limit) and render a letter annually to the City regarding compliance.

4. The auditor shall issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered to be non-reportable conditions. Management letter shall be addressed to the City Manager.

5. The auditor shall prepare and file the Annual State Controller's Report each year by the due date for both the City and the Successor Agency to the Tustin Community Redevelopment Agency.

C. Auditing Standards to be Followed

To meet the requirements of this Request for Proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the current U.S. General Accounting Office's Government Auditing Standards, the provisions of the Single Audit Act and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, as amended.

An opinion on compliance with rules and regulations, as published by the Office of the State Controller, will also be required.

D. Reports to be issued

Following the completion of the audit of the fiscal year's financial statements, the Auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.

2. A Single Audit Report.
3. A Financial and Compliance Audit of the Successor Agency to the Tustin Community Redevelopment Agency.
4. An Agreed Upon Procedures Report in connection with annual calculations of appropriations limit.

In the required report(s) on internal controls, the Auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions that are also material weaknesses shall be identified as such in the report.

Non-reportable conditions discovered by the Auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on internal controls.

The reports on compliance shall include all instances of significant non-compliance.

Irregularities and Illegal Acts. Auditors shall be required to make an immediate written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the following parties: City Manager, City Attorney, and Audit Commission.

Reporting to the Audit Commission. Auditors shall assure themselves that the City of Tustin's Audit Commission is informed of each of the following in accordance with Independence Standards Board (ISB) Standard No. 1:

1. The Auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

E. Special Considerations

1. The City of Tustin will send its Comprehensive Annual Financial Report to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the Auditor will not be required to provide special assistance to the City of Tustin to meet the requirements of that program.

2. The City of Tustin may prepare one or more official statements in connection with the sale of debt securities which will contain the general purpose financial statements and

the Auditor's report thereon. The Auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the Auditor and any necessary "comfort letters" at no additional cost to the City.

3. The City of Tustin has determined that the State Controller's Office will function as the cognizant agency in accordance with the provisions of the Single Audit Act and U.S. Office of Management and Budget (OMB) Circular A-133.

4. The Single Audit Report is not to be included in the Comprehensive Annual Financial Report, but is to be issued separately.

5. A list of findings and other weaknesses from the City of Tustin's most recent financial statement audit are attached to this document (APPENDIX A).

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the Auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the City of Tustin of the need to extend the retention period. The Auditor will be required to make working papers available, upon request, to the following parties or their designees:

City of Tustin
State Controller's Office
U.S. General Accounting Office (GAO); and

Parties designated by the federal or state governments or by the City of Tustin as part of an audit quality review process; and

Auditors of entities of which City of Tustin is a sub-recipient of grant funds
Auditors of entities of which the City of Tustin is a component unit

In addition, the firm shall respond to the reasonable inquiries of successor Auditors and allow successor Auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Background Information

The City of Tustin serves an area of 11.08 square miles with a population of 79,601. The City's fiscal year begins on July 1 and ends on June 30.

The City of Tustin is a full service City providing Administration, Community Development, Public Works, Police, and Parks and Recreation services to the community. Fire Protection services are contracted for with the Orange County Fire Authority.

The City of Tustin has a total annual payroll of $27,000,000 covering 350 full and part-time employees. The City is organized into departments and agencies. The accounting and financial reporting functions of the City are centralized.

More detailed information on the government and its finances can be found in Budget documents, Official Statements, and Annual Financial Reports.

B. Fund Structure

The City of Tustin uses the following fund types and account groups in its financial reporting.

Fund Type/Account Group	Number of Individual Funds	Number with Legally Adopted Annual Budgets
General Fund	17	1
City Capital Fixed Assets	1	
Non-Major Governmental Funds		
Special Revenue Funds	10	8
Capital Project Funds	6	1
Permanent (established by GASB 34)		
Proprietary Funds	4	3
Private-purpose Trust (established by GASB 34)	1	
Agency Funds	4	

C. Budgetary Basis of Accounting

The City of Tustin prepares its budgets on a basis consistent with generally accepted accounting principles.

D. Federal, State, and County Financial Assistance

During the fiscal years to be audited, the City of Tustin may receive the following types of financial assistance.

County Grants:	OCTA (Measure M Competitive Grants); RNSP
State Grants:	Recycling; SLPP; Prop. 69; AB 109; SLESF
Federal Grants:	Community Development Block Grants; U.S. Department of Justice Grant Programs; Dept. of Transportation (Traffic Safety/DUI); U.S. Department of Homeland Security EMPG

E. Pension Plans

The City of Tustin is a member of the State of California Public Employees' Retirement System.

F. Component Units

The City of Tustin is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Using these criteria, component units are included in the City of Tustin's Financial Statements.

The Management of the City of Tustin has identified the Tustin Public Financing Authority as a component unit for inclusion in the City of Tustin's Financial Statements. A separate component financial statement is not issued.

In addition, the City of Tustin has a private purpose trust fund, the Successor Agency to the Tustin Community Redevelopment Agency. This component unit will be audited as part of the audit of the City's Financial Statements.

G. Joint Ventures

The City of Tustin does participate in joint ventures with other governments.

Name of Joint Venture	Name of Other Participating Governments	Type of Services Provided
California Insurance Pool Authority	Cities of Brea, Cypress, Irvine, Laguna Beach, Los Alamitos, Montclair, Orange, San Clemente, Westminster, Yorba Linda	Insurance Pooling and Excess Insurance
Orange County Fire Authority		Fire Protection Services

H. Magnitude of Finance Operations

The Finance Department currently consists of 19 employees. The principal functions performed and the number of employees assigned to each is as follows:

Function	Number of Employees
Finance Director	1 **
Finance Manager	1
PT Finance Manager	1
Admin. Services Manager	1
Customer Svc. Supervisor	1
Senior Accountant	1
Sr. Accounting Specialist	4
Accounting Specialist	2
Water Meter Reader	2
Senior IT Specialist	1
IT Specialist	3
Executive Assistant	1

** Current Finance Director Pamela Arends-King's last day of employment will be Monday, January 11, 2016. Her replacement is pending City Council action.

I. Availability of Prior Audit Reports and Management Letters

The City of Tustin's most recent Comprehensive Annual Financial Report (CAFR) and Auditor's Management Letter for the FY ended June 30, 2015 are included in Appendix A. The 2015

CAFR will be posted on the City's website. Interested proposers who wish to review any prior year audit reports and management letters should contact Jenny Leisz at 300 Centennial Way, Tustin, CA, 92780; telephone number (714) 573-3079; e-mail address jleisz@tustinca.org.

IV. TIME REQUIREMENTS

A. Proposal Calendar

Request for Proposals Issued:	**January 8, 2016**
Due Date For Proposals:	**5:00 p.m. Thursday, February 18, 2016**

B. Notification and Contract Dates

Selected Firm Notified:	**March 10, 2016**
Projected Contract Date:	**March 24, 2016**

C. Date Audit May Commence

The City of Tustin will have all records ready for audit and management personnel available to meet with the firm's personnel no later than **mid-May, 2016**.

D. Schedule for the 2016 Fiscal Year Audit

(A similar schedule will be developed for audits of future fiscal years if the City of Tustin exercises its option for additional audits.)

Each of the following shall be completed by the Auditor no later than the dates indicated.

1. Interim Work
   The Auditor shall complete all interim work between **May/June, 2016**.

2. Detailed Audit Plan
   The Auditor shall provide the City of Tustin by **June 30, 2016** both a detailed audit plan and a list of all schedules to be prepared by the City of Tustin.

3. Field Work
   The Auditor shall complete all field work by **mid-October, 2016**.

4. Draft Reports
   The Auditor shall have drafts of the audit report(s) and recommendations to management available for review by the Finance Manager by **November 8, 2016**.

E. Entrance Conferences, Progress Reporting and Exit Conferences

(A similar time schedule will be developed for audits of future fiscal years if the City of Tustin exercises its option for additional audits.)

At a minimum, the following conferences should be held by the dates indicated on the schedule:

* Entrance conference with all key Finance Department personnel

* **week of May 16, 2016**

The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the Auditor.

* Progress conference, if necessary, with the Audit Commission and the Finance Manager

* **approximately mid-June, 2016**

The purpose of this meeting will be to discuss the year-end work to be performed, to summarize the results of the preliminary review, and to identify the key internal controls or other matters to be tested.

* Entrance conference with the Finance Manager to commence year-end audit work

* **approximately Sept. 12, 2016**

* Exit conference with the Finance Manager

* **approximately mid-Oct., 2016**

The purpose of this meeting will be to summarize the results of the field work and to review significant findings.

F. Date Final Report is Due

The Finance Department will complete their review of the draft report as expeditiously as possible. During that period, the Auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Finance Manager. It is anticipated that this process will be completed and the final report delivered by **November 22, 2016**. The auditors will present the final report to the City Council and Audit Commission.

Fifteen (15) copies of each of the final reports shall be delivered to Jenny Leisz, Finance Manager, at 300 Centennial Way, Tustin, California, 92780.

V. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Finance Department and Clerical Assistance

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the City of Tustin. In addition, clerical support will be made available to the Auditor for preparation of routine letters and memoranda.

B. Computer Applications Assistance

I.T. personnel will be available to assist the Auditor in performing the engagement. They will also be available to provide systems documentation and explanations. The Auditor may be provided computer time and the use of the City of Tustin's computer hardware and software.

C. Work Area, Telephones, Photocopying and FAX Machines

The City of Tustin will provide the Auditor with reasonable work space, desks and chairs. The Auditor will also be provided with access to a telephone line, photocopying facilities and FAX machines.

D. Report Preparation

Report preparation and editing shall be the responsibility of the Auditor.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Inquiries

Inquiries concerning the Request for Proposals and the subject of the Request for Proposals must be made to:

Jenny Leisz, Finance Manager
300 Centennial Way
Tustin, CA 92780
(714) 573-3079
jleisz@tustinca.org

CONTACT WITH PERSONNEL OF THE CITY OF TUSTIN OTHER THAN JENNY LEISZ, FINANCE MANAGER, REGARDING THIS REQUEST FOR PROPOSALS MAY BE GROUNDS FOR ELIMINATION FROM THE SELECTION PROCESS.

2. Submission of Proposals

The following material is required to be received by <u>5:00 p.m. on Thursday, February 18, 2016</u> for a proposing firm to be considered.

a. A master copy (so marked) of a Technical Proposal and six (6) copies to include the following:

i. Title Page
Title page showing the Request for Proposals' subject; the firm's name; the name, address and telephone number of a contact person; and the date of the proposal.

ii. Table of Contents

iii. Transmittal Letter

A signed letter of transmittal should briefly state the proposer's understanding of the work to be done, the commitment to perform the work within the time period, a statement why the firm believes it to be best qualified to perform the engagement and a statement that the proposal is a firm and irrevocable offer for 120 days.

iv. Detailed Proposal

The detailed proposal should follow the order set forth in Section VI B of this Request for Proposals. It should include an executive summary and be limited to a maximum of 25 pages, single sided, double spaced.

v. Executed copies of Proposer Guarantees and Warranties, attached to this Request for Proposals (APPENDIX B)

b. The Proposer shall submit an original and six (6) copies of a dollar cost bid in a **separate sealed** envelope marked as follows:

SEALED DOLLAR COST BID PROPOSAL FOR CITY OF TUSTIN
FOR PROFESSIONAL AUDITING SERVICES
DATE

c. The Proposer shall submit an original and six (6) copies of the completed technical proposal, along with the **separate sealed** dollar cost bid envelope to the following address:

Jenny Leisz
Finance Manager
300 Centennial Way
Tustin, CA 92780

B. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake an independent audit of the City of Tustin in conformity with the requirements of this Request for Proposals. As such, the substance of proposals will carry more weight than their form or manner of presentation. The technical proposal should demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the Request for Proposals' requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

2. Independence

The firm should provide an affirmative statement that it is independent of the City of Tustin as defined by generally accepted auditing standards. The firm also should provide an affirmative statement that it is independent of all of the component units of the City of Tustin as defined by those same standards.

The firm should list and describe the firm's (or proposed subcontractor's) professional relationships involving the City of Tustin or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the City of Tustin written notice of any professional relationships entered into during the period of this agreement.

3. License to Practice in California

An affirmative statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in California.

4. Firm Qualifications and Experience

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, the number and nature of the professional staff to be employed in this engagement on a full-time basis, and the number and nature of the staff to be so employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal Auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

The firm shall also provide copies of the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years.

In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement and indicate whether each such person is licensed to practice as a Certified Public Accountant in California. The firm also should provide information on the government auditing experience of each person, including information on relevant continuing professional education

for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

The firm should provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. The firm also should indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Tustin. However, in either case, the City of Tustin retains the right to approve or reject replacements.

Consultants and firm specialists mentioned in response to this Request for Proposals can only be changed with the express prior written permission of the City of Tustin, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. Prior Engagements with the City of Tustin

The firm should list separately all engagements within the last five (5) years, ranked on the basis of total staff hours, for the City of Tustin by type of engagement (i.e., audit, management advisory services, other). For each engagement, the firm should indicate the scope of work, date, engagement partners, total hours, location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

7. Similar Engagements with Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last five (5) years that are similar to the engagement described in this Request for Proposals. These engagements should be ranked on the basis of total staff hours.

Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

8. Specific Audit Approach

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this Request for Proposals. In developing the work plan, reference should be made to such sources of information as the City of Tustin's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

a. Proposed segmentation of the engagement

b. Level of staff and number of hours to be assigned to each proposed segment of the engagement

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

c. Sample sizes and the extent to which statistical sampling is to be used in the engagement

d. Extent of use of ERP software in the engagement

e. Type and extent of analytical procedures to be used in the engagement

f. Approach to be taken to gain and document an understanding of the City of Tustin's internal control structure

g. Approach to be taken in determining laws and regulations that will be subject to audit test work

h. Approach to be taken in drawing audit samples for purposes of tests of compliance

9. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the City of Tustin.

10. Report Format

The proposal should include sample formats for required reports.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

C. Sealed Dollar Cost Bid

1. Total All-inclusive Maximum Price

The **sealed** dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this Request for Proposals. The total proposed price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses. An escalation factor may be addressed in the **sealed** dollar cost bid that will allow for an accurate evaluation of the total cost for the five (5) year engagement period.

The first page of the **sealed** dollar cost bid will be a completed APPENDIX B, PROPOSER GUARANTIES AND WARRANTIES.

The second page of the **sealed** dollar cost bid will be a completed APPENDIX C, SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE 2016 FINANCIAL STATEMENTS. This should include a schedule of your fees and expenses, presented in the format provided in the attachment (APPENDIX C) that supports the total all-inclusive maximum price, and should include:

- Rates by Partner, Specialist, Supervisory and Staff Level Times / Hours Anticipated for Each
- Out-of-pocket Expenses Included in the Total All-Inclusive Maximum Price and Reimbursement Rates
- Proposal for Subsequent Years

2. Rates for Additional Professional Services

If it should become necessary for the City of Tustin to request the Auditor to render any additional services, then such additional work shall be performed only if set forth in an addendum to the contract between the City of Tustin and the firm. Any such additional work agreed to between the City of Tustin and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

3. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month.

VII. EVALUATION PROCEDURES

A. Review of Proposals

The Audit Commission will use a point formula during the review process to score proposals. Each member of the Audit Commission will first score each technical proposal by each of the criteria described in Section VII C below. The full Audit Commission will then convene to review and discuss these evaluations and to combine the individual scores to arrive at a composite technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the **sealed** dollar cost bid will be opened and additional points will be added to the technical score based on the price bid. The maximum score for price will be assigned to the firm offering the lowest total all-inclusive maximum price. Appropriate fractional scores will be assigned to other proposers.

B. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represents the principal selection criteria which will be considered during the evaluation process.

1. **Mandatory Elements**

   a. The audit firm is independent and licensed to practice in California.

   b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years.

   c. The firm has no conflict of interest with regard to any other work performed by the firm for the City of Tustin.

   d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.

   e. The firm adheres to the instructions in this Request for Proposals on preparing and submitting the proposal.

2. **Technical Qualifications (Maximum Points - 75) Including, but not limited to:**

   a. Expertise and Experience (Maximum Points - 45)

      (1) Such as the firm's past experience and performance on comparable government engagements.

      (2) Such as the quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

   b. Audit Approach (Maximum Points - 30) Including, but not limited to:

      (1) Such as adequacy of proposed staffing plan for various segments of the engagement.

      (2) Such as adequacy of sampling techniques.

      (3) Such as adequacy of analytical procedures.

3. **Price (Maximum Points - 25)**

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

APPENDIX A

AUDITORS MANAGEMENT LETTER AND COPY OF MOST RECENT AUDIT REPORT

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

To the Honorable Mayor and
Members of the City Council
City of Tustin
Tustin, California

We have audited the financial statements of the governmental activities, business-type activity, each major fund, and aggregate remaining fund information of the City of Tustin (the City) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement and planning communication letters to you dated June 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As discussed in Notes 1d and 20 to the financial statements, the City has recorded the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing defined benefit pension plans due to the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. The adoption of these standards required retrospective application resulting in a $45,364,118 and $2,418,112 reduction of previously reported net position of the governmental activities and business-type activity, respectively. No other accounting policies were adopted and the application of other existing polices was not changed during the year ended June 30, 2015. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

The most sensitive estimates affecting the City's financial statements are as follows:

a. Management's estimate of the fair market value of investments is based on market values provided by outside sources.

b. Management's estimate of the value of capital assets (infrastructure assets) is based on industry standards.

c. The estimated useful lives of capital assets for depreciation purposes are based on industry standards.

d. The annual required contributions, pension expense, net pension liability and corresponding deferred outflows of resources and deferred inflows of resources for the City's public defined benefit plans with CalPERS are based on actuarial valuations provided by CalPERS.

e. The annual required contribution and actuarial accrued liability for the City's Other Post-Employment Benefit Plan is based on certain actuarial assumptions and methods prepared by an outside consultant.

f. Management's estimate of the claims payable liabilities related to general liability and worker's compensation claims are based on estimates by the claims administrators.

We evaluated the key factors and assumptions used to develop these estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were reported in Note 9 regarding the CalPERS defined benefit plans, Note 10 regarding the City's other post-employment benefit plan, Note 12 regarding the claims payable, Note 18 regarding the recent changes in legislation affecting California Redevelopment Agencies and Note 20 regarding the restatement of prior year financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Significant Audit Findings (Continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatement, detected as a result of audit procedures, was corrected by management:

a. Adjustment to capital assets to retire right of way property transferred to another agency.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the safety plan schedule of proportionate share of the net pension liability and schedule of contributions, the miscellaneous plan schedule of changes in net pension liability and related ratios and schedule of contributions, the other post-employment benefit plan schedule of funding progress, and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding 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 our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the combining and individual non-major fund financial statements and schedules (supplementary information), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

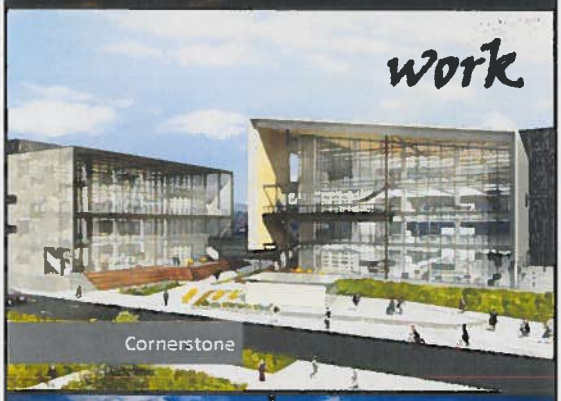
We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on them.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Tustin and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
December 22, 2015



Comprehensive Annual Financial Report

For the year ended June 30, 2015

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, 2015

Prepared By: Finance Department

CITY OF TUSTIN

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CITY OF TUSTIN

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CITY OF TUSTIN

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CITY OF TUSTIN

Elected and Administrative Officials

MAYOR

Charles E. Puckett

CITY COUNCIL

John Nielsen, Mayor Pro Tem
Rebecca Gomez
Al Murray
Dr. Allan Bernstein

AUDIT COMMISSION

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

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
Director of Human Resources

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Finance Department

TUSTIN

BUILDING OUR FUTURE
HONORING OUR PAST

December 23, 2015

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, 2015, 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, 2015, have been audited by White Nelson Diehl Evans LLP, an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Tustin's financial statements for the fiscal year ended June 30, 2015, 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.

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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, 2015 population at 78,347, a 0.02 % decrease from 2014. 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 92 as part of the required supplementary information and for nonmajor governmental funds this comparison is presented on pages 102 - 109 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 maintains a stable economy since the economic downturn. The statewide unemployment rate has dropped from 7.3% in October 2014 to 5.8% for October 2015, which is 0.8% higher than the United States unemployment rate of 5.0% for October 2015. The Orange County unemployment rate has decreased 0.7% from October 2014 to 4.3% for October 2015. The City's sales tax revenue continues to be the largest revenue source for the General Fund. It is 44% of total General Fund revenues. Annual sales tax revenue remained the same from fiscal year 2013-2014 to fiscal year 2014-2015 at $22.2 million. Sales tax revenue for fiscal year 2015-2016 is expected to increase $2.2 million from prior year primarily due to the last triple flip payment the City will receive from the State of California for the 25% of the sales tax the State withheld in prior years. Property tax revenue is the second largest General Fund revenue source (16% of total revenues). Orange County property values and property sales have increased; therefore, property tax revenue is estimated to increase $0.4 million from prior year to $8.8 million for fiscal year 2015-2016.

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 were issued November 2015. Standard Pacific also contributed $16.9 million to be used for the construction of backbone infrastructure within the Legacy. Construction of the 375 homes started spring of 2015.

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 2015-16 are estimated to be $4.4 million more than fiscal year 2014-15, primarily due to the increase in sales tax for the final triple flip payment; increase in property tax revenue and an increase in building permits and building plan checks due to the continuing development of the Legacy. Expenditures are $3.9 million more than budgeted in fiscal year 2014-15 primarily due to the cost of living salary increase of 4% for all employees and the increase in the fire services contract with the Orange County Fire Authority of $0.3 million from prior fiscal year. The City expects a $1.1 million surplus for fiscal year 2015-16. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2016.

ACCOMPLISHMENTS AND FUTURE PROJECTS

Major capital improvement projects completed include the Bocce Ball Court at Pepper Tree Park, Tustin Ranch Irrigation upgrades/rehabilitation, Red Hill grade separation, Browning Avenue/Parkview Way pedestrian enhancements, Enderle Center Dr. and Vandenberg intersection enhancement, Newport Blvd. bicycle trail from Main St. to Irvine Blvd., and Williams Street Storm drains. Legacy projects completed were the Valencia north loop/Armstrong storm drains, street curbs and gutters, sidewalks irrigation, traffic signals and utilities; and Armstrong south loop roadway construction, Armstrong to Tustin Ranch Road.

The City's capital projects for fiscal year 2015-2016 are budgeted at $82 million. Funding sources for the capital projects include revenues from gas tax, Community Development Block Grant, water revenues, Community Facility bond proceeds, Measure M2, Park Development Funds, former Redevelopment Agency bond proceeds and Water Revenue Bond proceeds. Major capital projects for fiscal year 2015-2016 include Centennial Park picnic area and entry renovation, Civic Center and Senior Center alternative power source, annual roadway and public infrastructure maintenance program. Major Legacy projects include Veterans Sports Park at Tustin Legacy, Victory Park, Peters Canyon Channel improvements, Moffett Drive extension from Park Avenue to east of Peters Canyon Channel, Bell Avenue extension from Red Hill Avenue to Armstrong Avenue, Tustin Legacy Linear Park between Barranca Parkway and Armstrong Avenue, and Aston Street extension between Barranca parkway and Tustin Legacy Linear Park, and Red Hill Avenue median improvements between Barranca parkway and north of Valencia Avenue. Water services capital projects for fiscal year 2015-2016 are the Simon Ranch Reservoir; booster pump station and pipeline replacement; and drilling and installing the Edinger Well.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tustin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the twenty-eighth 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, Elizabeth Andrew C.P.A., the finance staff, and consultant Melissa Shirah, C.P.A. Their significance in preparing the final financial documents is reflected in the quality of this report.

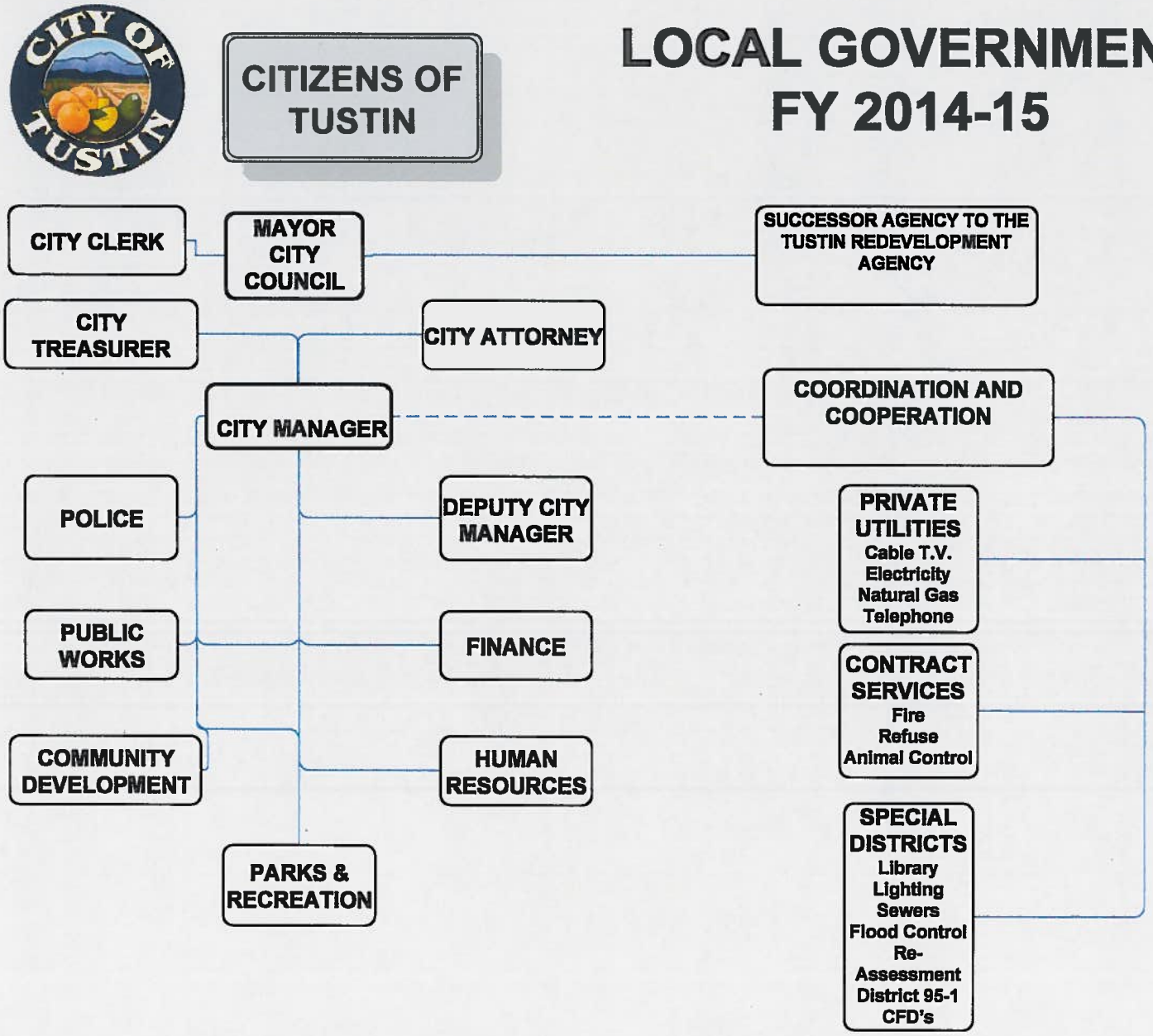
The Mayor and members of the City Council are to be commended for their interest and support in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Pamela Arends-King

Pamela Arends-King
Finance Director/City Treasurer

LOCAL GOVERNMENT
FY 2014-15



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, 2014

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Notes 1 and 20 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68"*. The adoption of these standards required retrospective application resulting in a $45,364,118 and $2,418,112 reduction of previously reported net position, in the governmental activities and business-type activity, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the safety plan schedule of proportionate share of the pension liability and the schedule of contributions, the miscellaneous plan schedule of changes in the net pension liability and related ratios and the schedule of contributions, the other post-employment benefit plan schedule of funding progress, and the budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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.

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 22, 2015, 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 22, 2015

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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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2015, by $706.4 million (*net position*). Net position consists of $480.9 million invested in capital assets, $72.9 million in restricted net position and $152.6 million in unrestricted net position.

- The government's total net position increased by $82.2 million during the fiscal year ended June 30, 2015. The primary reasons for the increase are due to the gain on land held for resale of $48.1 million for the development of residential housing and the receipt of $16.9 million from the developer of the residential housing, Standard Pacific, for backbone infrastructure within the former Marine Corps Air Station known as the Legacy. In addition, bond proceeds totaling $32 million were transferred from the Successor Agency to the Tustin Community Redevelopment Agency (SATCRA) to the General Fund.

- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of $284.8 million, an increase of $100.3 million in comparison with the prior year. The significant increase in ending fund balances is primarily due to the gain on Land Held for Resale of $48.1 million; the backbone infrastructure fee of $16.9 million; the decision from the Department of Finance to allow the City to pay a Due to the SATCRA promissory note of $21.4 million to be paid over five years, therefore it was reclassified to long-term debt; and the transfer of bond proceeds of $32 million from the Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust to the General Fund. Approximately $122.5 million is nonspendable; $40.7 million is restricted; and $37.4 million is assigned.

- The City's long-term liabilities reflect the adoption of Government Accounting Standards Board (GASB) pronouncement 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" with the inclusion of Pension Liabilities for Governmental Activities of $38.1 million and Business-Type Activities of $1.8 million for fiscal year ending June 30, 2015 and $49.6 million for Governmental Activities and $2.6 million for Business-Type Activities for fiscal year ending June 30, 2014.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

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

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

Fund financial statements (Continued)

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

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

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

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

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

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

The second fiduciary fund is an agency fund which is used to account for the assets of Community Facility Districts 04-1, 06-1, 07-1 and 13-1. 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 (68 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, 2015
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	2014-2015
Assets:							
Current and other assets	$245.9	$298.1	$35.0	$38.3	$280.9	$336.4	
Capital assets	461.7	456.6	45.9	45.7	507.6	502.3	
Total Assets	707.6	754.7	80.9	84.0	788.5	838.7	6.4%
Deferred Outflows of Resources	4.2	8.6	0.7	0.6	4.9	9.2	
Liabilities:							
Current liabilities	55.9	12.4	3.4	3.2	59.3	15.6	
Non-Current liabilities	63.7	69.7	46.2	44.6	109.9	114.3	
Total Liabilities	119.6	82.1	49.6	47.8	169.2	129.9	(23.2%)
Deferred Inflows of Resources	-	10.9	-	0.7	-	11.6	
Net Position:							
Net investment in capital assets	461.7	456.6	23.7	24.3	485.4	480.9	
Restricted	36.7	72.9	-	-	36.7	72.9	
Unrestricted	93.8	140.8	8.3	11.8	102.1	152.6	
Total Net Position	$592.2	$670.3	$32.0	$36.1	$624.2	$706.4	13.2%

Governmental activities. Net position of the City's governmental activities increased 13.2% to $670.3 million, of which $456.6 million is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, $72.9 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining $140.8 million is subject to designation for specific purposes as approved by the City Council, and may be used to meet the City's ongoing obligations.

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Changes in Net Position
For the Year Ended June 30, 2015
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	2014-2015
Revenues:							
Program revenues:							
Charges for services	$3.9	$3.8	$18.7	$19.4	$22.6	$23.2	
Operating grants & contributions	3.3	3.5	-	-	3.3	3.5	
Capital grants and contributions	12.2	20.2	-	-	12.2	20.2	
General revenues:							
Taxes	16.3	17.9	-	-	16.3	17.9	
Sales taxes shared state revenues	22.3	22.3	-	-	22.3	22.3	
Motor vehicle taxes	6.2	6.4	-	-	6.2	6.4	
Earnings on investments	0.6	1.1	0.1	0.2	0.7	1.3	
Miscellaneous	4.0	7.8	0.4	0.5	4.4	8.3	
Gain on sale of assets	-	48.1	-	-	-	48.1	
Contribution from Successor Agency	-	32.1	-	-	-	32.1	
Total Revenues	68.8	163.2	19.2	20.1	88.0	183.3	108.3%
Expenses:							
General government	14.8	17.1	-	-	14.8	17.1	
Public safety	28.5	29.9	-	-	28.5	29.9	
Public works	49.5	34.4	-	-	49.5	34.4	
Community services	3.5	3.7	-	-	3.5	3.7	
Water	-	-	16.1	16.0	16.1	16.0	
Total Expenses	96.3	85.1	16.1	16.0	112.4	101.1	(10.1%)
Extraordinary Item:							
Forgiveness of interest on advances	1.4	-	-	-	1.4	-	
Change in net position	(26.1)	78.1	3.1	4.1	(23.0)	82.2	
Net Position - Beginning	663.7	637.6	31.3	34.4	695.0	672.0	
Restatement for Prior Period Adjustment	-	(45.4)		(2.4)		(47.8)	
Net Position - Ending	$637.6	$670.3	$34.4	$36.1	$672.0	$706.4	13.2%

Government-wide Financial Analysis (Continued)

In governmental activities, the increase in net position of $78.1 is primarily due to the following reasons:

- The City received $56 million from Standard Pacific for the sale of 74 acres of Land Held for Resale within the Legacy area. Standard Pacific is developing a residential neighborhood of 375 homes. The City also received $16.9 million from Standard Pacific for the development of Legacy backbone infrastructure.

- With the dissolution of the Tustin Community Redevelopment Agency February 1, 2012, the State Department of Finance (DOF) disallowed the use of unspent bond proceeds. The City pursed a lawsuit to dispute this disallowance and on August 5, 2014, the DOF issued a letter approving expenditure of the bond proceeds in accordance with bond covenants. The bond proceeds of $32.1 million were transferred from the Successor Agency to the Tustin Community Redevelopment Agency (SATCRDA) to the City effective January 1, 2015 to be spent on capital projects in the Legacy area per the bond covenants.

- The City implemented GASB 68 which requires the recognition of pension liabilities. The restatement for prior period adjustment of a negative $45.4 million in fiscal year 2015 is the adjustment to the government-wide statements for the unfunded pension plan liabilities (see Note 9).

Overall, governmental revenues increased $94.4 million from prior year. The primary reasons for the $94.4 million increase in revenues as previously mentioned were the sale of Land Held for Resale to Standard Pacific for the development of 375 residential homes and the transfer of the unspent bond proceeds from the SATCRDA to the City. Capital grants and contributions increased $8 million from fiscal year 2014 primarily due to the $16.9 million the City received from Standard Pacific for the construction of Legacy backbone infrastructure. Taxes increased $1.6 million from prior year primarily due to:

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

- Property tax revenue increased $0.5 million and Property Tax in Liu of Vehicle License Fees increased $0.2 million due to the increase in property values.

Earnings on investments increased $0.5 million from fiscal year 2014 due to a larger investment portfolio and longer weighted average portfolio life (days) which resulted in a higher weighted average investment yield. Due to the gain on sale of the Land Held for Resale to Standard Pacific and the funds received for the construction of Legacy backbone infrastructure the average balance for the investment portfolio in fiscal year 2015 was $191 million compared to $162 million in fiscal year 2014. The weighted average portfolio life (days) was 730 days with a weighted average portfolio yield of 0.85% in fiscal year 2015. The weighted average portfolio life (days) for fiscal year 2014 was 450 days with a weighted average portfolio yield of 0.56%. Miscellaneous revenue increased $3.9 million from prior year due to the receipt of $0.7 million for the reimbursement of state mandated costs from the past few years; the liquidation of a retention of $0.4 million from Sandoval Pipeline Engineering for failure to complete work in the time allowed for the Tustin Ranch Road extension project; increase in rental income of $0.4 million from renting space within the Legacy; the reimbursement of $1.2 million for street maintenance to meet the City's Maintenance of Effort requirement to receive Measure M sales tax revenue from the Orange County Transportation Authority; and the sale of 5.7 acres of land held for resale for $0.5 million to the South Orange County Community College.

Government-wide Financial Analysis (Continued)

Governmental expenses decreased $11.2 million from prior year primarily due to the decrease in Public Works spending on capital projects. Last fiscal year the City recognized 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 increased $2.3 million from prior year due to:

- The City paid $0.7 million for a payment to the early retirement incentive program administered by Public Agency Retirement Services (See Note 7). No payment to the program was made in prior fiscal year as fiscal year 2014's payment was made in fiscal year 2013.
- The Economic Development Department expenses of $0.7 million were paid out of the General Fund. The Department had been paid out of the Successor Agency to the Tustin Community Redevelopment Agency in the prior year, but the State Department of Finance disallowed those expenses for fiscal year 2015.
- Professional and consulting services for the development of the Legacy increased $1.3 million from prior year due to the increase in planning and design activity.

Public Safety increased $1.4 million from fiscal year 2014 primarily due to the increase in OPEB costs, claims and judgements and compensated absences totaling $1.1 million. Community Services increased $0.2 million from prior year due to the increase in consulting costs in relation to the development at the Legacy.

Extraordinary item Forgiveness of Interest on Advances decreased $1.4 million from fiscal year ending June 30, 2014. 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.

Business-Type activities net position increased $4.1 million from prior year. Charges for services increased $0.7 million from fiscal year 2014 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 decreased $0.1 million primarily because less water was purchased from the East Orange County Water District due to water conservation. The Restatement for Prior Period Adjustment of a negative $2.4 million is the recognition of the pension plan unfunded liability.

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.

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of $284.8 million, an increase of $100.3 million in comparison with the prior year as previously stated is primarily due to the sale of Land Held for Resale for residential homes in the Legacy; the contribution of funds from the developer for construction of backbone infrastructure in the Legacy; and the transfer of unspent bond proceeds from the former Redevelopment Agency to be spent on capital projects in the Legacy. Approximately $122.0 million (43.0 %) of this total amount constitutes nonspendable fund balance. Of the nonspendable amount, $122.0 million is Land Held for Resale. The remainder of the fund balance consists of $40.7 million in restricted funds, $37.4 million assigned to capital projects, and $84.3 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 $84.3 million, while total fund balance was $233.4 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 121% of the total General Fund expenditures.

City of Tustin
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2015
(*in millions of dollars*)

	2014	2015	Total %Change 2014-2015
Revenues:			
Taxes	$45.1	$43.7	
Charges for services	1.7	1.8	
Intergovernmental	0.9	2.6	
Fines and forfeitures	0.6	0.8	
Licenses and permits	1.3	0.9	
Other	3.8	22.4	
Gain on sale of land held for resale	-	48.1	
Total Revenues	53.4	120.3	125.3%
Expenditures:			
General government	13.1	16.6	
Public safety	28.1	33.0	
Public works	5.8	6.3	
Community services	2.8	2.9	
Capital Outlay	49.7	5.8	
Debt service	-	5.0	
Total Expenses	99.5	69.6	(30.1%)
Excess of Revenues Over (Under) Expenditures	(46.1)	50.7	
Other Financing Sources (Uses):			
Net transfers	0.9	2.1	
Special Item	-	21.4	
Extraordinary Item:			
Forgiveness of interest on advances	1.4	-	
Net Change in Fund Balance	($43.8)	74.2	269.4%

Financial Analysis of the Government's Funds (continued)

Transactions impacting revenues in the General Fund were as follows:

- Property tax revenue totaled $14.9 million reflecting an increase of $0.6 million from prior year due to the increase in property values.
- Intergovernmental revenue increased $1.7 million from fiscal year 2014 due to the reimbursement of state mandate costs of $0.7 million from the past few years. The State of California's Governor ordered that past due state mandate costs should be reimbursed due to excess state revenues. The City's Community Development Block Grant (CDBG) program's revenue increased $0.6 million from prior year due to the increase in budgeted funds by the Federal Government.
- License and Permits decreased $0.4 million due to the decrease in building permits from prior year. During fiscal year 2014 the Irvine Company's constructed apartments in the Legacy and St. Anton Legacy LP's constructed apartments including low to moderate income apartments in the Legacy. Overall building activity was higher in fiscal year 2014.
- Other Revenue increased $18.6 million from prior year primarily due to the $16.9 million the City received from Standard Pacific for construction of backbone infrastructure in the Legacy. The City sold 5.7 acres of Land Held for Resale in the Legacy for $0.5 million to the South Orange County Community College. Rental income increased $0.3 million from prior year due to the increase in renting space within the Legacy, primarily providing parking areas for the auto dealerships and renting the hangar located in the Legacy. Reimbursement for cost recovery increased $1.2 million from prior year for street maintenance to meet the City's Maintenance of Effort requirement to receive Measure M sales tax revenue from the Orange County Transportation Authority.

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2015:

- General Government expenditures increased $3.5 million from prior year. Improvement and Right of Away expense increased $1.2 million for street and sidewalk maintenance to meet the Maintenance of Effort requirements to receive the Measure M sales tax from the Orange County Transportation Authority. Claims paid for workers compensation and liability claims increased $0.5 from prior year due to increase of settling outstanding claims. As previously stated, the City paid $0.7 million as a payment to the early retirement incentive program administered by Public Agency Retirement Services. The City paid the fiscal year 2014's payment in fiscal year 2013. The Economic Development Department expenses of $0.7 million were paid out of the General Fund because the Department of Finance disallowed that expense to be paid out of the Successor Agency to the Tustin Community Redevelopment Agency as was done in fiscal year 2014. Also, professional and consulting services for the development of the Legacy increased $1.3 million from prior year due to the increase in planning and design activity.
- Public safety expenditures increased $4.9 million from prior year primarily due to the payment of the Public Safety Side Fund pension liability of $4.3 million and a $0.5 million increase in claims paid.
- Public Works expenditures increased $0.5 million due to filling vacant positions and the increase in contract professional services.
- Capital Outlay decreased $43.9 million primarily due to the decrease in construction projects. Construction projects completed in fiscal year 2014 included 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 $1.2 million from prior year due to the transfer from Community Facility District Agency funds of $2.8 million to the General Fund for services provided in the Special Tax B areas. The services provided are public safety, street, park and landscape maintenance. The City's net transfer to other government funds and agency funds to eliminate deficit cash balances was $0.4 million (See Note 4).

As stated previously the Gain on Sale of Land Held for Resale increased $48.1 million from prior fiscal year due to the sale of Land Held for Resale in the Legacy to Standard Pacific for the development of 375 residential homes.

The $1.4 million extraordinary item, Forgiveness of Interest on Advances, decreased from fiscal year 2014. The extraordinary item was 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 Special Item of $21.4 million is due to a decision from the DOF to allow the City to pay a Due to the Successor Agency promissory note with the former Redevelopment Agency over a five year period; therefore it was reclassified to long-term debt (See Note 8). The $5 million debt service payment was the first payment to the Successor Agency for that long-term debt obligation.

The MCAS 2010 Capital Project Fund's increase in excess of revenues over expenditures of $31.4 million is primarily due, as previously stated, to the DOF allowing the use of unspent bond proceeds that were outstanding when the former Tustin Community Redevelopment Agency was dissolved February 1, 2012. The $32.1 million contribution from the Successor Agency will be used for backbone infrastructure within the Legacy area per the bond covenants.

General Fund Budgetary Highlights

Differences between the General Fund actual revenues and transfers and amended budgeted revenues and transfers were $4.0 million primarily due to better actual revenues received then projected primarily for property taxes, investment income, state mandate reimbursements and developer contributions. The amended budgeted expenditures were $80.5 million, an increase in appropriations of $8.2 million from the original budgeted expenditures of $72.3 million. The increase in appropriations was due the expected increase in professional and consulting services for design and development in the Legacy area. Actual General Fund expenditures were less than the amended budgeted amount of $80.5 million by $10.9 million due to the decrease in capital project spending and use of professional and consulting services.

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 $4.1 million during fiscal year 2015, from $32.0 million as of June 30, 2014, to $36.1 million as of June 30, 2015. Total revenues for the Water Fund exceeded total expenses by $4.1 million; however, with the implementation of GASB 68 the Restatement for Prior Period Adjustment of a negative $2.4 for pension liabilities reduced increase in Net change in position to $1.7 million.

Financial Analysis of the Proprietary Funds (Continued)

Significant activity during the year included the adoption of a water conservation ordinance to encourage saving water during the drought California has been experiencing. As a result of water conservation water production costs decreased $0.1 million from prior fiscal year.

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, 2015 amounts to $502.4 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, 2015
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total %Change
	2014	2015	2014	2015	2014	2015	2014-2015
Land	$44.1	$44.1	$1.2	$1.2	$45.3	$45.3	
Right of way	44.3	43.8	-	-	44.3	43.8	
Construction in progress	69.2	57.8	2.4	3.6	71.6	61.4	
Buildings and improvements	76.0	76.4	4.8	4.5	80.8	80.9	
Machinery and equipment	3.4	3.2	-	-	3.4	3.2	
Infrastructure	224.7	231.4	-	-	224.7	231.4	
Property, plant and equipment	-	-	37.5	36.4	37.5	36.4	
Total Capital Assets, Net	$461.7	$456.7	$45.9	$45.7	$507.6	$502.4	(1.0%)

The major activity affecting capital assets this year was the decrease in construction in progress due to the completion of improvements for Valencia Avenue, Kensington Park Drive, Lansdowne Road, Severyns Road and Armstrong Avenue.

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 50).

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term liabilities of $114.3 million. Of this amount, $42.6 million are secured solely by specified revenue sources such as property tax increment and water service charges.

Long-term Debt (Continued)

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2015
(*in millions of dollars*)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2014	2015	2014	2015	2014	2015	2014-2015
Bonds payable	$-	$-	$43.4	$42.6	$43.4	$42.6	
Due to Successor Agency to the Tustin Community Redevelopment Agency	-	16.4	-	-	-	16.4	
Claims and judgments	4.3	5.1	-	-	4.3	5.1	
Postemployment benefits obligation	4.9	5.7	-	-	4.9	5.7	
Termination benefits	2.0	1.3	-	-	2.0	1.3	
Compensated absences	2.9	3.0	0.2	0.2	3.1	3.2	
Pension liabilities	49.6	38.2	2.6	1.8	52.2	40.0	
Total Outstanding Debt	$63.7	$69.7	$46.2	$44.6	$109.9	$114.3	4.0%

The City's long-term debt as of June 30, 2014, was restated due to implementation of GASB Statements 68 and 71 to record the pension liability. Overall, long-term debt increased $4.4 million from the restated prior year balances mostly due to the reclassification of the amount Due to the Successor Agency to the Tustin Community Redevelopment Agency ($16.4 million) from current to long-term liabilities. This was the result of a settlement agreement with the State Department of Finance. This increase was offset by a decrease of $12.2 million in pension liabilities, comprised of reductions for the Safety (police) Plans totaling $6.4 million and $5.8 million for the Miscellaneous (all other) Plans.

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 52.

Next Year's Budget and Rates

The City Council adopted the fiscal year 2015-2016 Budget with total appropriations of $186.1 million which includes $9 million of capital outlay for the Water Enterprise Fund. The General Fund fiscal year 2015-2016 estimated revenues are $55.5 million and budgeted appropriations are $54.3 million resulting in an estimated operating surplus of $1.2 million. The appropriations are $3.9 million higher than prior year's appropriation. The primary reason for the increase in appropriations is the 4% cost of living salary increase for all employees. The last cost of living salary increase the employees received was in 2008. The fire service $0.3 million. All other appropriations are consistent with fiscal year 2014. There were no fee increases as part of the preparation and adoption of the fiscal year 2015-16 budget.

Requests for Information

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

CITY OF TUSTIN

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	$ 151,529,865	$ 14,767,193	$ 166,297,058
Receivables:			
Accounts	4,744,042	2,791,123	7,535,165
Interest	227,839	30,668	258,507
Loans	1,588,866	-	1,588,866
Allowance for uncollectibles	(1,238,866)	-	(1,238,866)
Prepaid items and deposits	431,231	110	431,341
Land held for resale	122,384,169	-	122,384,169
Restricted assets:			
Cash and investments	18,455,244	20,673,118	39,128,362
Capital assets:			
Not being depreciated	145,713,206	4,728,481	150,441,687
Being depreciated, net	310,935,879	40,984,094	351,919,973
TOTAL ASSETS	754,771,475	83,974,787	838,746,262
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	-	418,969	418,969
Deferred amounts on pension plans	8,648,172	195,401	8,843,573
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,648,172	614,370	9,262,542
LIABILITIES:			
Accounts payable and accrued liabilities	7,143,331	2,203,804	9,347,135
Interest payable	-	487,792	487,792
Deposits payable	5,371,885	482,855	5,854,740
Noncurrent liabilities:			
Due within one year	12,632,869	981,393	13,614,262
Due in more than one year	57,049,754	43,611,267	100,661,021
TOTAL LIABILITIES	82,197,839	47,767,111	129,964,950
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts on pension plans	10,916,161	705,594	11,621,755
NET POSITION:			
Net investment in capital assets	456,649,085	24,270,718	480,919,803
Restricted for:			
Community services	2,110,077	-	2,110,077
Public safety	452,447	-	452,447
Public works	70,366,998	-	70,366,998
Unrestricted	140,727,040	11,845,734	152,572,774
TOTAL NET POSITION	$ 670,305,647	$ 36,116,452	$ 706,422,099

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 17,121,057	$ 252,074	$ 16,764	$ -
Public safety	29,886,284	1,071,099	222,400	-
Public works	34,435,214	1,564,314	2,184,778	20,115,139
Community services	3,699,059	892,102	1,122,881	129,340
Total governmental activities	85,141,614	3,779,589	3,546,823	20,244,479
Business-type activity:				
Water	15,982,078	19,375,359	-	-
Total	$ 101,123,692	$ 23,154,948	$ 3,546,823	$ 20,244,479

General revenues:
- Taxes:
  - Property
  - Franchise
  - Transient occupancy
  - Business license
- Sales taxes shared state revenues
- Motor vehicle taxes shared state revenues
- Earnings on investments
- Gain on sale of land held for resale
- Contribution from sucessor agency
- Miscellaneous

Total general revenues

Change in net position

NET POSITION AT BEGINNING OF YEAR, AS RESTATED

NET POSITION AT END OF YEAR

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activity	Total
$ (16,852,219)	$ -	$ (16,852,219)
(28,592,785)	-	(28,592,785)
(10,570,983)	-	(10,570,983)
(1,554,736)	-	(1,554,736)
(57,570,723)	-	(57,570,723)
-	3,393,281	3,393,281
(57,570,723)	3,393,281	(54,177,442)
14,552,535	-	14,552,535
1,763,878	-	1,763,878
1,090,675	-	1,090,675
419,148	-	419,148
22,269,896	-	22,269,896
6,380,698	-	6,380,698
1,052,276	249,863	1,302,139
48,136,121	-	48,136,121
32,137,773	-	32,137,773
7,829,149	489,090	8,318,239
135,632,149	738,953	136,371,102
78,061,426	4,132,234	82,193,660
592,244,221	31,984,218	624,228,439
$ 670,305,647	$ 36,116,452	$ 706,422,099

CITY OF TUSTIN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	General	MCAS 2010 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 90,711,343	$ 31,420,596	$ 29,397,926	$ 151,529,865
Restricted cash and investments	16,645,150	-	1,810,094	18,455,244
Receivables:				
Accounts	4,050,889	-	693,153	4,744,042
Interest	102,780	28,628	96,431	227,839
Loans	539,133	-	1,049,733	1,588,866
Allowance for uncollectibles	(539,133)	-	(699,733)	(1,238,866)
Prepaid items and deposits	429,400	-	1,831	431,231
Land held for resale	122,029,242	-	354,927	122,384,169
TOTAL ASSETS	$ 233,968,804	$ 31,449,224	$ 32,704,362	$ 298,122,390
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES:				
Accounts payable and accrued liabilities	$ 5,828,375	$ 39,565	$ 1,275,391	$ 7,143,331
Deposits payable	4,556,161	-	815,724	5,371,885
TOTAL LIABILITIES	10,384,536	39,565	2,091,115	12,515,216
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	197,156	-	623,557	820,713
FUND BALANCES:				
Nonspendable	122,458,642	-	-	122,458,642
Restricted	16,650,332	-	24,048,818	40,699,150
Assigned	-	31,409,659	5,940,872	37,350,531
Unassigned	84,278,138	-	-	84,278,138
TOTAL FUND BALANCES	223,387,112	31,409,659	29,989,690	284,786,461
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 233,968,804	$ 31,449,224	$ 32,704,362	$ 298,122,390

See accompanying notes to basic financial statements.

CITY OF TUSTIN

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

June 30, 2015

Fund balances - total governmental funds		$ 284,786,461
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.		456,649,085
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, 2015 are:		
Claims and judgments payable	$ (5,148,755)	
Compensated absences payable	(3,025,019)	
Due to Successor Agency	(16,404,683)	
Post employment benefits obligation	(5,694,218)	
Termination benefits payable	(1,320,852)	
Total long-term liabilities		(31,593,527)
Pension related debt applicable to the City's governmental activites are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred outflows of resources	8,648,172	
Deferred inflows of resources	(10,916,161)	
Pension liability	(38,089,096)	
		(40,357,085)
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.		820,713
Net position of governmental activities		$ 670,305,647

See accompanying notes to basic financial statements.

CITY OF TUSTIN

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

For the year ended June 30, 2015

	General	MCAS 2010 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ 43,696,204	$ -	$ -	$ 43,696,204
Licenses and permits	885,043	-	-	885,043
Fines and forfeitures	752,597	-	-	752,597
Investment income	716,989	123,075	201,597	1,041,661
Intergovernmental revenue	2,644,657	-	12,387,730	15,032,387
Charges for services	1,849,950	-	20,451	1,870,401
Rental income	938,971	-	174,369	1,113,340
Other revenue	3,743,105	-	2,559,287	6,302,392
Developer contribution	16,934,704	-	-	16,934,704
Gain on sale of land held for resale	48,136,121	-	-	48,136,121
Contribution from successor agency	-	32,137,773	-	32,137,773
TOTAL REVENUES	120,298,341	32,260,848	15,343,434	167,902,623
EXPENDITURES:				
Current:				
General government	16,628,862	-	939,435	17,568,297
Public safety	32,963,299	-	99,630	33,062,929
Public works	6,347,830	69,427	-	6,417,257
Community services	2,899,151	-	271,596	3,170,747
Capital outlay	5,781,519	781,762	17,236,812	23,800,093
Debt service:				
Principal retirement	5,000,000	-	-	5,000,000
TOTAL EXPENDITURES	69,620,661	851,189	18,547,473	89,019,323
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,677,680	31,409,659	(3,204,039)	78,883,300
OTHER FINANCING SOURCES (USES):				
Transfers in	3,693,381	-	1,572,721	5,266,102
Transfers out	(1,572,721)	-	(3,693,381)	(5,266,102)
TOTAL OTHER FINANCING SOURCES (USES)	2,120,660	-	(2,120,660)	-
SPECIAL ITEM	21,404,683	-	-	21,404,683
NET CHANGE IN FUND BALANCES	74,203,023	31,409,659	(5,324,699)	100,287,983
FUND BALANCES - BEGINNING OF YEAR	149,184,089	-	35,314,389	184,498,478
FUND BALANCES - END OF YEAR	$ 223,387,112	$ 31,409,659	$ 29,989,690	$ 284,786,461

See accompanying notes to basic financial statements.

CITY OF TUSTIN

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

For the year ended June 30, 2015

Net change in fund balances - total governmental funds		$ 100,287,983
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	$ 6,132,843	
Disposition of capital assets	(515,993)	
Depreciation expenses	(10,641,088)	(5,024,238)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt and changes in other long-term liabilities affects the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term liabilities:		
Principal payment	$ 5,000,000	
Advances from Successor Agency	(21,404,683)	
Postemployment benefits obligation	(724,068)	
Claims and judgments payable	(870,255)	
Compensated absences payable	(171,189)	
Termination benefits payable	660,426	(17,509,769)
Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources		5,007,033
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are reported as available revenues in the governmental funds:		
Net change in unavailable revenue		(4,699,583)
Change in net position of governmental activities		$ 78,061,426

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2015

	Business-type Activity Water Enterprise Fund
ASSETS:	
CURRENT ASSETS:	
Cash and investments	$ 14,767,193
Accounts receivable	2,791,123
Interest receivable	30,668
Prepaid items	110
Restricted cash and investments	20,673,118
TOTAL CURRENT ASSETS	38,262,212
NONCURRENT ASSETS:	
Capital assets:	
Not being depreciated	4,728,481
Being depreciated, net	40,984,094
TOTAL NONCURRENT ASSETS	45,712,575
TOTAL ASSETS	83,974,787
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	418,969
Deferred amounts on pension plans	195,401
TOTAL DEFERRED OUTFLOWS OF RESOURCES	614,370
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	2,203,804
Deposits payable	482,855
Compensated absences payable	176,606
Termination benefits payable	14,787
Interest payable	487,792
Bonds payable	790,000
TOTAL CURRENT LIABILITIES	4,155,844
LONG-TERM LIABILITIES:	
Compensated absences payable	19,622
Termination benefits payable	14,787
Bonds payable	41,743,944
Net pension liability	1,832,914
TOTAL LONG-TERM LIABILITIES	43,611,267
TOTAL LIABILITIES	47,767,111
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts on pension plans	705,594
NET POSITION:	
Net investment in capital assets	24,270,718
Unrestricted	11,845,734
TOTAL NET POSITION	$ 36,116,452

See accompanying notes to basic financial statements.

CITY OF TUSTIN

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

For the year ended June 30, 2015

	Business-type Activity Water Enterprise Fund
OPERATING REVENUES:	
Charges for services	$ 19,375,359
OPERATING EXPENSES:	
Personnel services	2,488,663
Purchased water	6,530,965
Maintenance and operation	3,492,020
Depreciation and amortization	1,771,670
TOTAL OPERATING EXPENSES	14,283,318
OPERATING INCOME	5,092,041
NONOPERATING REVENUES (EXPENSES):	
Investment income	249,863
Other income	489,091
Interest expense and other fiscal charges	(1,695,472)
Loss on sale of assets	(3,289)
TOTAL NONOPERATING REVENUES (EXPENSES)	(959,807)
CHANGE IN NET POSITION	4,132,234
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	31,984,218
NET POSITION AT END OF YEAR	$ 36,116,452

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the year ended June 30, 2015

	Business-type Activity Water Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 20,498,194
Payments to suppliers	(9,144,412)
Cash paid to other funds for services	(1,200,000)
Payments to employees	(2,475,112)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,678,670
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(1,202,202)
Cash paid to other funds for capital assets	(454,398)
Principal paid on bonds	(770,000)
Interest paid	(2,106,162)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,532,762)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	260,054
Change in the fair value of investments	(24,864)
NET CASH PROVIDED BY INVESTING ACTIVITIES	235,190
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,381,098
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	32,059,213
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 35,440,311
CASH AND CASH EQUIVALENTS:	
Cash and investments - current assets	$ 14,767,193
Cash and investments - restricted assets	20,673,118
TOTAL CASH AND CASH EQUIVALENTS	$ 35,440,311

See accompanying notes to basic financial statements.

(Continued)

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
(CONTINUED)

For the year ended June 30, 2015

	Business-type Activity Water Enterprise Fund
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 5,092,041
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,771,670
Other nonoperating income	489,091
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	537,595
(Increase) decrease in prepaid items	1,305
(Increase) decrease in deferred ouflows of resources	(16,058)
Increase (decrease) in accounts payable and accrued liabilities	(246,622)
Increase (decrease) in deposits payable	96,149
Increase (decrease) in compensated absences	27,234
Increase (decrease) in termination benefits payable	(14,788)
Increase (decrease) in net pension liability	(764,541)
Increase (decrease) in deferred inflows of resources	705,594
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,678,670

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	$ 5,304,175	$ 119,268
Restricted cash and investments	6,390,213	12,254,623
Receivables:		
Taxes	-	72,218
Interest	4,833	-
Due from City of Tustin	16,404,683	-
Prepaid items and deposits	5,471	-
Capital assets, net	1,570,400	-
TOTAL ASSETS	29,679,775	$ 12,446,109
LIABILITIES:		
Accounts payable	30,348	$ 980
Interest payable	1,007,695	-
Deposits payable	2,000	-
Due to bondholders	-	12,445,129
Long-term liabilities:		
Due within one year	7,291,171	-
Due in more than one year	74,614,711	-
TOTAL LIABILITIES	82,945,925	$ 12,446,109
NET POSITION:		
Held in trust	$ (53,266,150)	

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2015

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Tax revenue	$ 6,528,897
Rental income	15,000
Investment income	155,180
TOTAL ADDITIONS	6,699,077
DEDUCTIONS:	
Administrative expenses	250,000
Community services	281,648
Interest	3,175,906
Contribution to the City of Tustin	32,137,773
Depreciation and amortization	33,424
TOTAL DEDUCTIONS	35,878,751
CHANGE IN NET POSITION	(29,179,674)
NET POSITION - BEGINNING OF YEAR	(24,086,476)
NET POSITION - END OF YEAR	$ (53,266,150)

See accompanying notes to basic financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. The Financial Reporting Entity:

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

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

Blended Component Units

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Government-wide and Fund Financial Statements:

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

Certain eliminations have been made as prescribed by 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.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fund Classifications

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

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

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

The City reports the following major proprietary fund:

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

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

Governmental Funds

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

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

Fiduciary Funds

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements:

Current Year Standards

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the net position at July 1, 2014 by $45,364,118 and $2,418,112, in the governmental activities and business-type activity, respectively.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the City.

Pending Accounting Standards

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

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Cash, Cash Equivalents and Investments

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

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

Capital Assets

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has three items that qualify for reporting in this category. The first item 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. The second item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability. The third item is a deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first item, which arises only under a modified accrual basis of accounting is *unavailable revenue*, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

Land Held for Resale

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

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 Taxes

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

Property Tax Calendar

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

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

Interest and penalties are assessed after the collection date.

Compensated Absences

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Pensions

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

f. Use of Estimates:

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

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 166,297,058
Restricted cash and investments	39,128,362
Fiduciary Funds:	
Cash and investments	5,423,443
Restricted cash and investments	18,644,836
Total Cash and Investments	$ 229,493,699

2. CASH AND INVESTMENTS (CONTINUED):

Cash and Investments (Continued)

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	$ 9,100
Deposits with financial institutions	6,975,127
Investments	222,509,472
Total Cash and Investments	$ 229,493,699

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

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

Investment Types Authorized by the City's Policy	Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Negotiable certificates of deposit	None	30%	None
Prime quality commercial paper	270 days *	25%	None
Government sponsored pools (LAIF, mutual funds)	N/A	None	None
Commercial bank time drafts (Bankers acceptances)	180 days	25%	30%
Medium-term notes	5 years	15%	None
Municipal and state securities	None	15%	5%
Federal agency bonds or notes	5 years	75%	None
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	$ 3,001,641	$ 22,018,823	$ 9,510,077	$ -	$ 34,530,541
United States Government Sponsored Agency Securities:					
Federal National Mortgage Association (FNMA)	-	-	16,227,854	-	16,227,854
Federal Home Loan Bank (FHLB)	-	10,075,630	15,986,873	-	26,062,503
Federal Home Loan Mortgage Corporation (FHLMC)	-	17,509,419	18,182,271	-	35,691,690
Federal Farm Credit Bank (FFCB)	-	1,995,798	12,851,213	-	14,847,011
Local Agency Investment Pool (LAIF)	28,124,069	-	-	-	28,124,069
Orange County Investment Pool	10,410,395	-	-	-	10,410,395
Negotiable Certificates of Deposit	744,426	2,236,798	9,181,038	-	12,162,262
Medium-term Notes	-	9,100,221	9,128,609	-	18,228,830
Municipal Bonds	-	-	3,986,680	-	3,986,680
Held by Fiscal Agents:					
Money Market Mutual Funds	22,237,637	-	-	-	22,237,637
	$ 64,518,168	$ 62,936,689	$ 95,054,615	$ -	$222,509,472

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, 2015	Minimum Legal Rating	Exempt from Disclosure	AAA	AA+	AA	Other	Not Rated
U.S. Treasury Obligations	$ 34,530,541	N/A	$34,530,541	$ -	$ -	$ -	$ -	$ -
U.S. Government Sponsored Agency Securities:								
FNMA	16,227,854	N/A	-	-	16,227,854	-	-	-
FHLB	26,062,503	N/A	-	-	26,062,503	-	-	-
FHLMC	35,691,690	N/A	-	-	35,691,690	-	-	-
FFCB	14,847,011	N/A	-	-	14,847,011	-	-	-
Local Agency Investment Pool:	28,124,069	N/A	-	-	-	-	-	28,124,069
Orange County Investment Pool	10,410,395	N/A	-	-	-	-	-	10,410,395
Negotiable Certificates of Deposit	12,162,262	N/A	-	-	-	-	-	12,162,262
Medium-term Notes	18,228,830	A	-	2,007,056	-	7,062,790	9,158,984	-
Municipal Bonds	3,986,680	A	-	-	-	-	3,986,680	-
Held by Fiscal Agents:								
Money Market Mutual Funds	22,237,637	A	-	22,237,637	-	-	-	-
Total	$ 222,509,472		$34,530,541	$24,244,693	$92,829,058	$ 7,062,790	$13,145,664	$50,696,726

N/A - Not Applicable

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

Medium-term Notes:		Municipal Bonds:	
A	$ 3,009,377	Aa3	$ 3,986,680
A2	3,115,996		
Aa3e	1,001,921		
AA-	2,031,690		
	$ 9,158,984		

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	United States Government Sponsored Agency Securities	$ 16,227,854
Federal Home Loan Bank	United States Government Sponsored Agency Securities	26,062,503
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	35,691,690
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	14,847,011

Custodial Credit Risk

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

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

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Continued)

As of June 30, 2015, 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, 2015, 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	$ 34,530,541
U.S. Government Sponsored Agency Securities	92,829,058
Medium-term Notes	18,228,830
Municipal Bonds	3,986,680
Negotiable Certificates of Deposit	12,162,262

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 $10,410,395. 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, 2015 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, 2015, was $44,496. An allowance of $44,496 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, 2015, was $655,237. An allowance of $655,237 has been recorded to reflect the amount of loans not expected to be collectible.

Orange County Rescue Mission: On February 10, 2015, the City entered into an agreement with the Orange County Rescue Mission (OCRM), whereby the City agreed to convey two residential buildings to the OCRM to be used for housing for homeless veterans. In exchange, the OCRM executed a promissory note to the City in the amount of $533,000. The note is payable after 30 years with 3% interest. For every year that the OCRM uses the property for homeless veterans housing, the promissory note and any accrued interest will be forgiven by 1/30th. Should the OCRM successfully utilize the properties for homeless veterans housing for all 30 years in which the note is in effect, as stipulated in the deed of trust, it will owe no money to the City. The total outstanding balance at June 30, 2015, including accrued interest of $6,133 was $539,133. An allowance of $539,133 has been recorded to reflect the amount of the note not expected to be collectible.

4. INTERFUND TRANSFERS:

The composition of interfund transfers for the year ended June 30, 2015 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	$ 3,693,381
Other Governmental Funds	General Fund	1,572,721
		$ 5,266,102

4. INTERFUND TRANSFERS (CONTINUED):

The transfers during the fiscal year ended June 30, 2015 were for the following purposes:

A transfer from other governmental funds totaling $322,216 was made to reimburse the General Fund per the adopted budget for fiscal year 2014-15.

A transfer from other governmental funds totaling $537,479 to the General Fund to repay taxes for amounts transferred to cover negative cash in prior years.

A transfer from other governmental funds totaling $2,833,686 to the General Fund for services provided in the Special Tax B area.

The General Fund transferred $1,572,721 to other governmental funds to eliminate negative cash until reimbursement is received from the fiscal agent.

5. LAND TRANSFER FROM THE UNITED STATES GOVERNMENT:

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

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

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

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

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

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

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

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

The recorded value of the remaining parcels as of June 30, 2015 was $90,026,647. The value was based on an assumption that most of the land will be sold in a bulk sale to a single developer and the remaining property not sold will be park space or conveyed to other governmental agencies.

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets, not being depreciated:				
Land	$ 44,140,596	$ -	$ -	$ 44,140,596
Right of way	44,266,501	-	(508,345)	43,758,156
Construction in progress	69,153,498	17,268,882	(28,607,926)	57,814,454
Total capital assets, not being depreciated	157,560,595	17,268,882	(29,116,271)	145,713,206
Capital assets, being depreciated:				
Buildings	71,366,665	-	(15,950)	71,350,715
Improvements other than buildings	23,616,810	2,755,483	(237,387)	26,134,906
Machinery and equipment	15,402,132	606,549	(627,252)	15,381,429
Infrastructure	321,639,450	14,109,855	-	335,749,305
Total capital assets, being depreciated	432,025,057	17,471,887	(880,589)	448,616,355
Less accumulated depreciation for:				
Buildings	(14,025,763)	(1,433,004)	15,950	(15,442,817)
Improvements other than buildings	(4,980,436)	(849,414)	231,464	(5,598,386)
Machinery and equipment	(11,997,525)	(845,060)	625,527	(12,217,058)
Infrastructure	(96,908,605)	(7,513,610)	-	(104,422,215)
Total accumulated depreciation	(127,912,329)	(10,641,088)	872,941	(137,680,476)
Total capital assets, being depreciated, net	304,112,728	6,830,799	(7,648)	310,935,879
Total governmental activities capital assets, net	$ 461,673,323	$ 24,099,681	$ (29,123,919)	$ 456,649,085

6. CAPITAL ASSETS (CONTINUED):

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

General government	$ 214,332
Public safety	330,093
Public works	9,602,805
Community services	493,858
	$ 10,641,088

A summary of changes in the Business-type Activity capital assets for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets, not being depreciated				
Land	$ 1,177,216	$ -	$ -	$ 1,177,216
Construction in progress	2,464,004	1,087,261	-	3,551,265
Total capital assets, not being depreciated	3,641,220	1,087,261	-	4,728,481
Capital assets, being depreciated:				
Buildings and improvements	9,568,372	-	(67,995)	9,500,377
Property, plant and equipment	57,407,957	424,068	(71,216)	57,760,809
Total capital assets, being depreciated	66,976,329	424,068	(139,211)	67,261,186
Less accumulated depreciation for:				
Buildings and improvements	(4,756,632)	(268,009)	64,707	(4,959,934)
Property, plant and equipment	(19,938,772)	(1,449,601)	71,215	(21,317,158)
Total accumulated depreciation	(24,695,404)	(1,717,610)	135,922	(26,277,092)
Total capital assets, being depreciated, net	42,280,925	(1,293,542)	(3,289)	40,984,094
Total business-type activity capital assets, net	$ 45,922,145	$ (206,281)	$ (3,289)	$ 45,712,575

During the fiscal year ended June 30, 2015, the City capitalized interest of $309,126.

7. LONG-TERM LIABILITIES:

A summary of long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014 (As Restated - Note 20)	Additions	Deletions	Balance at June 30, 2015	Due Within One Year
Governmental activities:					
Due to Successor Agency to the Tustin Community Redevelopment Agency (Note 8)	$ -	$ 21,404,683	$ (5,000,000)	$ 16,404,683	$ 4,101,171
Pension liability (Note 9c)	49,610,256	-	(11,521,160)	38,089,096	-
Postemployment benefits obligation (Note 10)	4,970,150	1,142,391	(418,323)	5,694,218	-
Claims and judgments (Note 12)	4,278,500	3,874,920	(3,004,665)	5,148,755	5,148,755
Termination benefits	1,981,278	-	(660,426)	1,320,852	660,426
Compensated absences	2,853,830	2,496,825	(2,325,636)	3,025,019	2,722,517
Total governmental activities long-term liabilities	$ 63,694,014	$ 28,918,819	$ (22,930,210)	$ 69,682,623	$ 12,632,869
Business-type activity:					
2011 Water Revenue bonds	$ 20,760,000	$ -	$ -	$ 20,760,000	$ -
Bond premium	274,111	-	(10,200)	263,911	-
2012 Refunding Water Revenue bonds	7,490,000	-	(725,000)	6,765,000	745,000
Bond premium	715,372	-	(81,757)	633,615	-
2013 Water Revenue bonds	14,045,000	-	(45,000)	14,000,000	45,000
Bond premium	115,362	-	(3,944)	111,418	-
Pension liability (Note 9c)	2,597,455	-	(764,541)	1,832,914	-
Termination benefits	44,362	-	(14,788)	29,574	14,787
Compensated absences	168,994	180,891	(153,657)	196,228	176,606
Total business-type activity long-term liabilities	$ 46,210,656	$ 180,891	$ (1,798,887)	$ 44,592,660	$ 981,393

7. LONG-TERM LIABILITIES (CONTINUED):

Termination Benefits Payable

In June 2012, the City Council approved the offering of an early retirement incentive program administered by Public Agency Retirement Services (PARS) to directly reduce General Fund expenditures while also making is easier to restructure staffing levels and operations in a more economical and efficient manner. The City offered early retirement incentives to all regular employees meeting the following criteria: a) Employed by the City in a full-time or part-time benefited position as of June 5, 2012; and b) 50 years of age with 5 years of City service and 5 years of CalPERS service as of October 31, 2012; and c) Resigned from City employment effective no later than October 31, 2012; and d) Retired under CalPERS effective no later than November 1, 2012. The incentive provided a benefit of 7% of the employee's base salary. Employees chose one of 14 options on how they would receive the benefit. Thirty-five City employees accepted the City's offer. The City purchased an annuity through Pacific Life Insurance Company to fund the plan with 5 annual payments of $675,213. As of June 30, 2015, the outstanding liability due to fund the plan is $1,350,426, ($1,320,852 reported in the governmental activities and $29,574 in the business-type activity) with annual payment dates of October 10, 2015 and 2016.

Business-type Activity

2011 Water Revenue Bonds

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

The City has pledged net revenues received from the operation of the Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2015, total interest and principal remaining on the bonds is $40,425,688. During the fiscal year, the total interest expense incurred was $1,047,625 and net revenues were $6,863,711.

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2011 Water Revenue Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
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	-	1,047,625	1,047,625
2021 - 2025	1,505,000	5,201,375	6,706,375
2026 - 2030	4,470,000	4,429,838	8,899,838
2031 - 2035	5,750,000	3,151,850	8,901,850
2036 - 2040	7,345,000	1,560,000	8,905,000
2041	1,690,000	84,500	1,774,500
	20,760,000	19,665,688	40,425,688
Add: Premium	263,911	-	263,911
Totals	$ 21,023,911	$ 19,665,688	$ 40,689,599

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, 2015 is $418,969.

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2012 Refunding Water Revenue Bonds (Continued)

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2015, total interest and principal remaining on the bonds is $7,968,950. During the fiscal year, the total interest expense incurred was $272,175, principal payments were $725,000, and net revenues were $6,863,711.

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

Year Ending June 30,	Principal	Interest	Total
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	860,000	138,500	998,500
2021 - 2023	2,765,000	224,200	2,989,200
	6,765,000	1,203,950	7,968,950
Add: premium	633,615	-	633,615
Totals	$ 7,398,615	$ 1,203,950	$ 8,602,565

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activity (Continued)

2013 Water Revenue Bonds

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

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2015, total interest and principal remaining on the bonds is $28,382,350. During the fiscal year, the total interest expense incurred was $654,020 and net revenues were $6,863,711.

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

Year Ending June 30,	Principal	Interest	Total
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	50,000	648,320	698,320
2021 - 2025	820,000	3,194,690	4,014,690
2026 - 2030	1,900,000	2,908,210	4,808,210
2031 - 2035	2,325,000	2,480,006	4,805,006
2036 - 2040	2,930,000	1,876,338	4,806,338
2041	5,785,000	667,806	6,452,806
	14,000,000	14,382,350	28,382,350
Add: premium	111,418	-	111,418
Totals	$ 14,111,418	$ 14,382,350	$ 28,493,768

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

On December 31, 2008, the City entered into a promissory note with the former Redevelopment Agency in the amount of $18,881,750. The City promised to pay the former Redevelopment Agency on December 1, 2013, the principal amount of $18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the former Redevelopment Agency was dissolved and the promissory note was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate to be used as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and also agreed to five installment payments with the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency was $21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling $5,000,000 was made within the required time period. The remaining balance as of June 30, 2015 is $16,404,683 and is payable in four annual installments of $4,101,171 beginning on or before December 31st, 2015, and again on or before December 31 of each of the following three years (2016, 2017 and 2018). The balance of $21,404,683 at the time of settlement was reclassified to long-term debt and was reported as a special item in the general fund.

9. PENSION PLANS:

a. General Information about the Pension Plans:

Plan Descriptions

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

9. PENSION PLANS (CONTINUED):

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
Hire date	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Benefit formula	2%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2%	2%	2%
Required employee contribution rates	7%	7%	6.25%
Required employer contribution rates	11.701%	11.701%	11.701%

	Safety		
Hire date	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Benefit formula	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2%	2.7%
Required employee contribution rates	9%	9%	11.5%
Required employer contribution rates	27.859%	20.083%	11.500%

9. PENSION PLANS (CONTINUED):

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

Employees Covered

At June 30, 2015, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	218
Inactive employees entitled to but not yet receiving benefits	297
Active employees	172
Total	687

Contributions

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

b. Net Pension Liability:

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

9. PENSION PLANS (CONTINUED):

b. Net Pension Liability (Continued):

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

9. PENSION PLANS (CONTINUED):

b. Net Pension Liability (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time a change in methodology occurs.

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

9. PENSION PLANS (CONTINUED):

b. Net Pension Liability (Continued):

Discount Rate (Continued)

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

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

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

9. PENSION PLANS (CONTINUED):

c. Changes in the Net Pension Liability:

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2014	$ 89,297,153	$ 69,316,731	$ 19,980,422
Changes in the Year:			
Service cost	1,747,494	-	1,747,494
Interest on the total pension liability	6,613,765	-	6,613,765
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	1,379,562	(1,379,562)
Contribution - employee (paid by employer)	-	-	-
Contribution - employee	-	962,617	(962,617)
Net investment income	-	11,900,167	(11,900,167)
Administrative expenses	-	-	-
Benefit payments, including refunds of employee contributions	(3,974,724)	(3,974,724)	-
Net Changes	4,386,535	10,267,622	(5,881,087)
Balance at June 30, 2015	$ 93,683,688	$ 79,584,353	$ 14,099,335

9. PENSION PLANS (CONTINUED):

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability for the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	$ 25,822,675

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for the Safety Plan as of June 30, 2013 and 2014 was as follows:

	Safety
Proportion - June 30, 2013	0.67363%
Proportion - June 30, 2014	0.68843%
Change - Increase (Decrease)	0.01480%

9. PENSION PLANS (CONTINUED):

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

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

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

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	$ 26,757,588	$ 41,322,196
Current Discount Rate	7.50%	7.50%
Net Pension Liability	$ 14,099,335	$ 25,822,675
1% Increase	8.50%	8.50%
Net Pension Liability	$ 3,669,639	$ 13,051,739

Pension Plan Fiduciary Net Position

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

9. PENSION PLANS (CONTINUED):

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

For the year ended June 30, 2015, the City recognized pension expense of $3,470,634. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,552,671	$ -
Differences between actual and expected experience	-	-
Change in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	290,902	-
Net differences between projected and actual earnings on plan investments	-	(11,621,755)
Total	$ 8,843,573	$ (11,621,755)

$8,552,671 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	$ (2,801,545)
2017	(2,801,545)
2018	(2,822,324)
2019	(2,905,439)
2020	-
Thereafter	-

e. Payable to the Pension Plans:

At June 30, 2015, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

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

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.

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, 2015:

	Police	General	Management	Confidential	Police Support	Total
Retirees Receiving Benefits	35	32	28	1	6	102
Eligible Active Employees	93	88	41	6	43	271

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, 2015, the City paid $418,323 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, 2015 was $1,400,220. 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	$ 480,504	$ 450,473	$ 259,022	$ 26,278	$ 183,943	$ 1,400,220
Interest on net OPEB obligation	59,037	60,334	31,203	13,844	26,155	190,573
Adjustment to ARC	(138,910)	(141,961)	(73,417)	(32,574)	(61,540)	(448,402)
Annual OPEB cost	400,631	368,846	216,808	7,548	148,558	1,142,391
Contributions made	(152,182)	(96,746)	(147,328)	(3,117)	(18,950)	(418,323)
Increase in net OPEB obligation	248,449	272,100	69,480	4,431	129,608	724,068
Net OPEB obligation, beginning	1,539,693	1,573,514	813,768	361,054	682,121	4,970,150
Net OPEB obligation, ending	$ 1,788,142	$ 1,845,614	$ 883,248	$ 365,485	$ 811,729	$ 5,694,218

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$ 1,034,400	35.98%	$ 4,277,824
6/30/14	1,107,635	37.50%	4,970,150
6/30/15	1,142,391	36.62%	5,694,218

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 2015 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 2015 were $62,099.

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.

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.

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

The government retains a risk of loss, due to the fact that actual losses may exceed estimated claims or coverage amounts. Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years, and there were no reductions in the City's coverage during the year ended June 30, 2015. At June 30, 2015, estimated claims payable of $5,148,755, 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, 2014 and 2015, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Beginning Balance	Additions	Deletions	Ending Balance
2014	$ 4,461,082	$ 2,796,114	$ 2,978,696	$ 4,278,500
2015	4,278,500	3,874,920	3,004,665	5,148,755

13. SPECIAL ASSESSMENT DISTRICTS' BONDS:

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

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

District Bonds	Amount of Issue	Outstanding June 30, 2015
Community Facilities District 04-1, 2013	$ 9,350,000	$ 9,110,000
Community Facilities District 06-1, 2007	53,570,000	51,770,000
Community Facilities District 06-1, 2010	1,675,000	1,645,000
Community Facilities District 07-1, 2007	13,680,000	13,370,000
	$ 78,275,000	$ 75,895,000

13. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

In May 2013, the City issued $9,350,000 of Special Tax Refunding Bonds, Series 2013 to, to refund in full and defease the City of Tustin Community Facilities District No. 04-1 Special Tax Bonds, Series 2004. The 2004 series were originally issued to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, pay capitalized interest on bonds through September 1, 2032, and pay costs of issuing the Series 2013 Bonds. Serial current interest bonds will mature from September 1, 2032 to September 1, 2032. Term current interest bonds will mature on September 1, 2014, with mandatory sinking payments from September 1, 2030 through September 1, 2032. Interest maturity rates of the current interest bonds range from 2.00% at September 1, 2014 to 5.00% at September 1, 2028 - and current term interest bonds are 5.375% and 5.50% on their respective maturity dates. At June 30, 2015, the amount of the Special Tax Refunding Bonds, Series 2013 was $9,110,000.

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, 2015, the amount of the Special Tax Bonds, Series 2007A was $51,770,000.

In October 2010, the City issued $1,675,000 of Special Tax Bonds, Series 2010 to, to facilitate the new infrastructure construction on the former 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, 2015, the amount of the Special Tax Bonds, Series 2010 was $1,645,000.

13. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

In September 2007, the City issued $13,680,000 of Special Tax Bonds, Series 2007, to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds 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, 2015, the amount of the Special Tax Bonds, Series 2007 was $13,370,000.

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.

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.

15. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

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

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

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

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

	General Fund	MCAS 2010 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	$ 429,400	$ -	$ -	$ 429,400
Land held for resale	122,029,242	-	-	122,029,242
Restricted for:				
Capital projects (1)	16,650,332	-	21,914,707	38,565,039
Public safety programs	-	-	452,447	452,447
Housing projects	-	-	1,681,664	1,681,664
Assigned to:				
Capital projects (2)	-	31,409,659	5,940,872	37,350,531
Unassigned	84,278,138	-	-	84,278,138
Total fund balances	$ 223,387,112	$ 31,409,659	$ 29,989,690	$ 284,786,461

(1) The General Fund balance restricted for capital projects ($16,650,332) is comprised of funds legally restricted for backbone infrastructure at the Tustin Legacy development. A majority of the fund balance restricted for capital projects in the other governmental funds ($21,914,707) includes State gas taxes restricted for allowable street-related purposes and developer fees to improve City parks.

(2) The MCAS 2010 Capital Projects fund balance assigned to capital projects ($31,409,659) is for financing development activities within or for the benefit of the MCAS-Tustin redevelopment project area as indicated by the 2010 MCAS Bond indenture. The other governmental funds balance assigned to capital projects ($5,940,872) is to be used for specific projects indicated in the adopted budget.

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Excess of Expenditures over Appropriations:

	Budget	Actual	Variance with Final Budget
Other Governmental Funds:			
Supplemental Law Enforcement Special Revenue Fund	$ 98,500	$ 137,310	$ (38,810)

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.

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

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

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

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

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

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

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

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

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

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 $25,934,993, 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 to the Tustin Community Redevelopment Agency. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and also agreed to five installment payments with the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency was $21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling $5,000,000 was made within the required time period. The remaining balance as of June 30, 2015 is $16,404,683 and is payable in four annual installments of $4,101,171 beginning on or before December 31st, 2015, and again on or before December 31 of each of the following three years (2016, 2017 and 2018).

Contribution to the City of Tustin

As part of the redevelopment dissolution (see Note 18), proceeds from the 2010 MCAS Tax Allocation Bonds were transferred to the Successor Agency to the Tustin Redevelopment Agency on February 1, 2012. The California Department of Finance (DOF) initially disallowed use of the unspent bond proceeds for the project for which the bond proceeds were intended, and the City pursued a lawsuit to dispute this disallowance. On August 5, 2014, the DOF issued a letter approving expenditure of the bond proceeds in accordance with bond covenants. Funds totaling $32,137,773, were transferred to the City effective January 1, 2015, to be spent on capital projects in the Tustin Legacy area per the bond covenants.

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

Capital Assets

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets, not being depreciated				
Land (1)	$ 1,464,000	$ -	$ -	$ 1,464,000
Capital assets, being depreciated:				
Buildings	190,000	-	-	190,000
Less accumulated depreciation	(79,800)	(3,800)	-	(83,600)
Total capital assets, being depreciated, net	110,200	(3,800)	-	106,400
Successor Agency capital assets, net	$ 1,574,200	$ (3,800)	$ -	$ 1,570,400

Long-Term Liabilities

A summary of long-term liabilities activity for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Due Within One Year
Tax allocation bonds	$ 69,230,000	$ -	$ (3,060,000)	$ 66,170,000	$ 3,190,000
Unamortized premium	88,900	-	(3,532)	85,368	-
Unamortized discount	(783,793)	-	29,624	(754,169)	-
Note payable to County Auditor Controller	21,404,683	-	(5,000,000)	16,404,683	4,101,171
Total long-term liabilities	$ 89,939,790	$ -	$ (8,033,908)	$ 81,905,882	$ 7,291,171

(1) The beginning balance has been increased by $1,345,000 to include land that was previously reported as land held for resale.

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

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable

1998 Town Center Tax Allocation Bonds

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

Serial bonds are payable in annual installments ranging from $775,000 to $1,315,000 commencing on December 1, 1998. Interest is payable semiannually on June 1 and December 1, with rates ranging from 3.5% to 5.0% per annum. The bonds maturing on or after December 1, 2009, are subject to redemption prior to maturity as a whole or in part, at the option of the Agency, on any date on or after December 1, 2008 at prices ranging from 100% to 101% of principal. At June 30, 2015, the 1998 Bonds outstanding balance was $3,120,000.

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

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,525,000	$ 113,888	$ 1,638,888
2017	1,595,000	37,881	1,632,881
Totals	$ 3,120,000	$ 151,769	$ 3,271,769

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, 2015, the 2010 Housing Bonds outstanding balance was $22,010,000.

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

Year Ending June 30,	Principal	Interest	Total
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	920,000	889,206	1,809,206
2021 - 2025	5,190,000	3,831,534	9,021,534
2026 - 2030	5,220,000	2,497,125	7,717,125
2031 - 2035	3,210,000	1,524,663	4,734,663
2036 - 2040	4,140,000	565,688	4,705,688
Totals	$ 22,010,000	$ 13,211,440	$ 35,221,440

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, 2015, the 2010 MCAS Bonds outstanding balance was $41,040,000.

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

Year Ending June 30,	Principal	Interest	Total
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	1,010,000	1,794,325	2,804,325
2021 - 2025	5,705,000	8,296,744	14,001,744
2026 - 2030	7,170,000	6,782,694	13,952,694
2031 - 2035	9,125,000	4,770,375	13,895,375
2036 - 2040	11,650,000	2,185,000	13,835,000
2041	2,690,000	67,250	2,757,250
Totals	$ 41,040,000	$ 31,437,713	$ 72,477,713

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

Long-Term Liabilities (Continued)

Note Payable to County Auditor Controller

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency remitted $14,317,623 to the County Auditor-Controller ("CAC") on December 18, 2012 for the low and moderate income housing funds due diligence review. The amount due to the CAC for the Other Funds due diligence review is $28,295,637, of which $6,418,355 was remitted by the Successor Agency on May 10, 2013. The City negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate of 2.54% which was in effect at the time the City entered into the promissory note with the former Redevelopment Agency and has agreed to installment payments over four years after the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount receivable from the City and payable to CAC as of June 30, 2014 was $21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling $5,000,000 was made within the required time period. The remaining balance as of June 30, 2015 is $16,404,683 and is payable in four annual installments of $4,101,171 beginning on or before December 31, 2015, and again on or before December 31st of each of the following three years (2016, 2017 and 2018).

20. RESTATEMENTS OF PRIOR YEAR FINANCIAL STATEMENTS:

Restatements of the Government-Wide Financial Statements' net position as of July 1, 2014 are as follows:

	Governmental Activities	Business-type Activity	Total
Net position at July 1, 2014, as originally reported	$ 637,608,339	$ 34,402,330	$ 672,010,669
Implementation of GASB Statements 68 and 71 to record pension liability at beginning of year	(45,364,118)	(2,418,112)	(47,782,230)
Net position at July 1, 2014, as restated	$ 592,244,221	$ 31,984,218	$ 624,228,439

20. RESTATEMENTS OF PRIOR YEAR FINANCIAL STATEMENTS (CONTINUED):

Restatement of the Water Enterprise Fund's net position as of July 1, 2014 is as follows:

Net position at July 1, 2014, as originally reported	$ 34,402,330
Implementation of GASB Statements 68 and 71 to record pension liability at beginning of year	(2,418,112)
Net position at July 1, 2014, as restated	$ 31,984,218

21. SUBSEQUENT EVENTS:

In August 2015, the City entered into a school facilities implementation, funding and migration agreement, and related site conveyance agreement with the Tustin Unified School District (TUSD) as well as a joint community facilities agreement with TUSD and Standard Pacific that provides a framework for development of grades 6-12 schools on the 40-acre designated site, along with the opening of Heritage Elementary School as a magnet elementary site in the fall of 2016. The estimated cost to complete the project is $75,117,850. In order to facilitate the implementation plan, the City will advance funds to the project development with three different approaches. First the City advanced $4 million in October 2015. Second, the City will deposit an additional $15 million in the project development account by May 2016. Third, the City will have the option to advance additional funds for the entire project or just certain projects. The City also issued 2014-1 Community Facilities District Special Tax Bonds, Series 2015A, totaling $27,045,000. Of the $27,045,000, $7,858,391 are available to be spent on school facilities.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 22, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SAFETY PLAN

Last Ten Fiscal Years*

	2015
Plan's proportion of the net pension liability	0.68843%
Plan's proportionate share of the net pension liability	$ 25,822,675
Plan's covered - employee payroll	$ 9,640,345
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	267.86%
Plan's fiduciary net position	$ 89,890,706
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	348.11%
Plan's proportionate share of aggregate employer contributions	$ 2,544,912

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
There were no changes in assumptions

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
SAFETY PLAN

Last Ten Fiscal Years*

	2015
Contractually required contribution (actuarially determined)	$ 3,045,919
Contributions in relation to the actuarially determined contributions	(3,045,919)
Contribution deficiency (excess)	$ -
Covered - employee payroll	$ 9,640,345
Contributions as a percentage of covered - employee payroll	31.60%

Notes to Schedule:

Valuation Date	6/30/2013
Methods and Assumptions Used to Determine Contribution Rates:	
Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 year fixed with 5 year ramp up at beginning and 5 year ramp down at the end of the amortization period. Changes in liability for plan amendments, changes in actuarial methodology and assumptions are amortized over a 20 year period.
Asset valuation method	Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	50 years
Mortality	Morality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF TUSTIN

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

Last Ten Fiscal Years*

	2015
Total Pension Liability:	
Service cost	$ 1,747,494
Interest on total pension liability	6,613,765
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefit terms	-
Benefit payments, including refunds of employee contributions	(3,974,724)
Net Change in Total Pension Liability	4,386,535
Total Pension Liability - Beginning of Year	89,297,153
Total Pension Liability - End of Year (a)	$ 93,683,688
Plan Fiduciary Net Position:	
Contributions - employer	$ 1,379,562
Contributions - employee	962,617
Net investment income	11,900,167
Benefit payments	(3,974,724)
Net Change in Plan Fiduciary Net Position	10,267,622
Plan Fiduciary Net Position - Beginning of Year	69,316,731
Plan Fiduciary Net Position - End of Year (b)	$ 79,584,353
Net Pension Liability - Ending (a)-(b)	$ 14,099,335
Plan fiduciary net position as a percentage of the total pension liability	84.95%
Covered - employee payroll	$ 12,071,666
Net pension liability as percentage of covered- employee payroll	116.80%

Notes to Schedule:

Benefit Changes:
There were not changes in benefits.

Changes in Assumptions:
There were not changes in assumptions

* Fiscal year 2015 was the 1st year of implementation; therefore, only one year is shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

	2015
Actuarially determined contribution	$ 1,379,562
Contributions in relation to the actuarially determined contributions	(1,379,562)
Contribution deficiency (excess)	$ -
Covered - employee payroll	$ 12,071,666
Contributions as a percentage of covered - employee payroll	11.43%

Notes to Schedule:

Valuation Date	6/30/2013
Methods and Assumptions Used to Determine Contribution Rates:	
Single and agent employers	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 year fixed with 5 year ramp up at beginning and 5 year ramp down at the end of the amortization period. Changes in liability for plan amendments, changes in actuarial methodology and assumptions are amortized over a 20 year period.
Asset valuation method	Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	2.0% at 55 retirement age from 55-67, 2% at 62 retirement age 52-67
Mortality	Morality assumptions are based on mortality rates resulting from the 2010 CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF TUSTIN

SCHEDULE OF FUNDING PROGRESS

For the year ended June 30, 2015

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%

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes	$ 43,053,400	$ 43,053,400	$ 43,696,204	$ 642,804
Licenses and permits	921,900	921,900	885,043	(36,857)
Fines and forfeitures	726,000	726,000	752,597	26,597
Investment income	113,000	113,000	716,989	603,989
Intergovernmental	1,439,200	1,439,200	2,644,657	1,205,457
Charges for services	2,165,400	2,165,400	1,849,950	(315,450)
Rental income	767,400	767,400	938,971	171,571
Other revenue	2,577,100	2,577,100	3,743,105	1,166,005
Developer contribution	8,500,000	8,500,000	16,934,704	8,434,704
Gain on sale of land held for resale	56,000,000	56,000,000	48,136,121	(7,863,879)
TOTAL REVENUES	116,263,400	116,263,400	120,298,341	4,034,941
EXPENDITURES:				
Current:				
General government	19,652,100	26,524,978	16,628,862	9,896,116
Public safety	29,706,800	29,706,800	32,963,299	(3,256,499)
Public works	6,047,400	6,228,869	6,347,830	(118,961)
Community services	3,076,000	3,076,000	2,899,151	176,849
Capital outlay	13,842,600	14,966,725	5,781,519	9,185,206
Debt service:				
Principal retirement	-	-	5,000,000	(5,000,000)
TOTAL EXPENDITURES	72,324,900	80,503,372	69,620,661	10,882,711
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43,938,500	35,760,028	50,677,680	14,917,652
OTHER FINANCING SOURCES (USES):				
Transfers in	3,591,300	3,706,300	3,693,381	(12,919)
Transfers out	(2,720,600)	(7,835,600)	(1,572,721)	6,262,879
TOTAL OTHER FINANCING SOURCES (USES)	870,700	(4,129,300)	2,120,660	6,249,960
SPECIAL ITEM	-	-	21,404,683	21,404,683
NET CHANGE IN FUND BALANCE	44,809,200	31,630,728	74,203,023	42,572,295
FUND BALANCE - BEGINNING OF YEAR	149,184,089	149,184,089	149,184,089	-
FUND BALANCE - END OF YEAR	$ 193,993,289	$ 180,814,817	$ 223,387,112	$ 42,572,295

See accompanying note to required supplementary information.

CITY OF TUSTIN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgets.

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

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

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

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

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

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SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

OTHER GOVERNMENTAL FUNDS

June 30, 2015

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.

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

CAPITAL PROJECTS FUNDS

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

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

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

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, 2015

	Special Revenue Funds				
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture	Air Quality
ASSETS					
Cash and investments	$ 5,177,648	$ 3,979,545	$ 7,988,607	$ 381,794	$ 167,414
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	209,507	251,679	-	-	25,511
Interest	4,718	3,674	7,278	348	153
Loans	-	-	-	-	-
Allowance for uncollectibles	-	-	-	-	-
Prepaid items and deposits	-	-	-	-	-
Land held for resale	-	-	-	-	-
TOTAL ASSETS	$ 5,391,873	$ 4,234,898	$ 7,995,885	$ 382,142	$ 193,078
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	$ 236,984	$ 217,050	$ 158,837	$ 20	$ 9
Deposits payable	-	-	-	-	-
TOTAL LIABILITIES	236,984	217,050	158,837	20	9
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	-	-	-	-
FUND BALANCES:					
Restricted	5,154,889	4,017,848	7,837,048	382,122	193,069
Assigned	-	-	-	-	-
TOTAL FUND BALANCES	5,154,889	4,017,848	7,837,048	382,122	193,069
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,391,873	$ 4,234,898	$ 7,995,885	$ 382,142	$ 193,078

Special Revenue Funds (Continued)			Capital Projects Funds			
Supplemental Law Enforcement	Housing Authority	Special Tax B	Construction 95-1	Other Capital Projects	CFD Construction	Total Other Governmental Funds
$ 68,902	$ 1,355,502	$ -	$ 3,392,248	$ 6,886,266	$ -	$ 29,397,926
-	-	-	-	-	1,810,094	1,810,094
5,267	-	-	-	200,870	319	693,153
63	73,923	-	-	6,274	-	96,431
-	1,049,733	-	-	-	-	1,049,733
-	(699,733)	-	-	-	-	(699,733)
-	1,831	-	-	-	-	1,831
-	354,927	-	-	-	-	354,927
$ 74,232	$ 2,136,183	$ -	$ 3,392,248	$ 7,093,410	$ 1,810,413	$ 32,704,362
$ 3,907	$ 21,896	-	$ -	$ 145,880	$ 490,808	$ 1,275,391
-	9,936	-	-	805,788	-	815,724
3,907	31,832	-	-	951,668	490,808	2,091,115
-	422,687	-	-	200,870	-	623,557
70,325	1,681,664	-	3,392,248	-	1,319,605	24,048,818
-	-	-	-	5,940,872	-	5,940,872
70,325	1,681,664	-	3,392,248	5,940,872	1,319,605	29,989,690
$ 74,232	$ 2,136,183	$ -	$ 3,392,248	$ 7,093,410	$ 1,810,413	$ 32,704,362

CITY OF TUSTIN

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

For the year ended June 30, 2015

	Special Revenue Funds				
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture	Air Quality
REVENUES:					
Investment income	$ 40,326	$ 30,498	$ 61,599	$ 3,036	$ 845
Intergovernmental revenue	2,184,778	6,458,491	-	58,594	122,345
Charges for services	-	-	20,451	-	-
Rental income	-	-	174,369	-	-
Other revenue	-	-	-	-	-
TOTAL REVENUES	2,225,104	6,488,989	256,419	61,630	123,190
EXPENDITURES:					
Current:					
General government	841,700	2,699	40,251	51,490	76
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	1,564,023	4,072,876	453,251	-	-
TOTAL EXPENDITURES	2,405,723	4,075,575	493,502	51,490	76
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(180,619)	2,413,414	(237,083)	10,140	123,114
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(111,615)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(111,615)	-	-	-
NET CHANGE IN FUND BALANCES	(180,619)	2,301,799	(237,083)	10,140	123,114
FUND BALANCES - BEGINNING OF YEAR	5,335,508	1,716,049	8,074,131	371,982	69,955
FUND BALANCES - END OF YEAR	$ 5,154,889	$ 4,017,848	$ 7,837,048	$ 382,122	$ 193,069

Special Revenue Funds (Continued)			Capital Projects Funds			
Supplemental Law Enforcement	Housing Authority	Special Tax B	Construction 95-1	Other Capital Projects	CFD Construction	Total Other Governmental Funds
$ 520	$ 11,370	$ -	$ 2,709	$ 49,502	$ 1,192	$ 201,597
136,623	-	2,833,686	-	593,000	213	12,387,730
-	-	-	-	-	-	20,451
-	-	-	-	-	-	174,369
-	13,683	-	4,254	2,206,350	335,000	2,559,287
137,143	25,053	2,833,686	6,963	2,848,852	336,405	15,343,434
-	-	-	-	3,219	-	939,435
99,630	-	-	-	-	-	99,630
-	271,596	-	-	-	-	271,596
37,680	-	-	55,323	2,398,297	8,655,362	17,236,812
137,310	271,596	-	55,323	2,401,516	8,655,362	18,547,473
(167)	(246,543)	2,833,686	(48,360)	447,336	(8,318,957)	(3,204,039)
-	-	-	-	-	1,572,721	1,572,721
-	-	(2,833,686)	(210,601)	-	(537,479)	(3,693,381)
-	-	(2,833,686)	(210,601)	-	1,035,242	(2,120,660)
(167)	(246,543)	-	(258,961)	447,336	(7,283,715)	(5,324,699)
70,492	1,928,207	-	3,651,209	5,493,536	8,603,320	35,314,389
$ 70,325	$ 1,681,664	$ -	$ 3,392,248	$ 5,940,872	$ 1,319,605	$ 29,989,690

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 10,000	$ 10,000	$ 40,326	$ 30,326
Intergovernmental revenue	2,004,100	2,004,100	2,184,778	180,678
TOTAL REVENUES	2,014,100	2,014,100	2,225,104	211,004
EXPENDITURES:				
Current:				
General government	1,003,360	1,014,302	841,700	172,602
Capital outlay	1,641,300	1,893,338	1,564,023	329,315
TOTAL EXPENDITURES	2,644,660	2,907,640	2,405,723	501,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(630,560)	(893,540)	(180,619)	712,921
FUND BALANCE - BEGINNING OF YEAR	5,335,508	5,335,508	5,335,508	-
FUND BALANCE - END OF YEAR	$ 4,704,948	$ 4,441,968	$ 5,154,889	$ 712,921

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 2,000	$ 2,000	$ 30,498	$ 28,498
Intergovernmental revenue	8,967,988	8,967,988	6,458,491	(2,509,497)
TOTAL REVENUES	8,969,988	8,969,988	6,488,989	(2,480,999)
EXPENDITURES:				
Current:				
General government	-	-	2,699	(2,699)
Capital outlay	8,856,300	12,016,717	4,072,876	7,943,841
TOTAL EXPENDITURES	8,856,300	12,016,717	4,075,575	7,941,142
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	113,688	(3,046,729)	2,413,414	5,460,143
OTHER FINANCING USES:				
Transfers out	(39,000)	(39,000)	(111,615)	(72,615)
NET CHANGE IN FUND BALANCE	74,688	(3,085,729)	2,301,799	5,387,528
FUND BALANCE - BEGINNING OF YEAR	1,716,049	1,716,049	1,716,049	-
FUND BALANCE - END OF YEAR	$ 1,790,737	$ (1,369,680)	$ 4,017,848	$ 5,387,528

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 55,000	$ 55,000	$ 61,599	$ 6,599
Charges for services	13,500	13,500	20,451	6,951
Rental income	128,000	128,000	174,369	46,369
TOTAL REVENUES	196,500	196,500	256,419	59,919
EXPENDITURES:				
Current:				
General government	-	-	40,251	(40,251)
Capital outlay	973,500	1,128,480	453,251	675,229
TOTAL EXPENDITURES	973,500	1,128,480	493,502	634,978
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(777,000)	(931,980)	(237,083)	694,897
FUND BALANCE - BEGINNING OF YEAR	8,074,131	8,074,131	8,074,131	-
FUND BALANCE - END OF YEAR	$ 7,297,131	$ 7,142,151	$ 7,837,048	$ 694,897

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 1,000	$ 1,000	$ 3,036	$ 2,036
Intergovernmental revenue	150,000	150,000	58,594	(91,406)
TOTAL REVENUES	151,000	151,000	61,630	(89,370)
EXPENDITURES:				
Current:				
General government	320,000	320,000	51,490	268,510
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(169,000)	(169,000)	10,140	179,140
FUND BALANCE - BEGINNING OF YEAR	371,982	371,982	371,982	-
FUND BALANCE - END OF YEAR	$ 202,982	$ 202,982	$ 382,122	$ 179,140

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ 100	$ 100	$ 845	$ 745
Intergovernmental revenue	82,000	82,000	122,345	40,345
TOTAL REVENUES	82,100	82,100	123,190	41,090
EXPENDITURES:				
Current:				
General Government	-	-	76	(76)
Capital outlay	100,000	100,000	-	100,000
TOTAL EXPENDITURES	100,000	100,000	76	99,924
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,900)	(17,900)	123,114	141,090
FUND BALANCE - BEGINNING OF YEAR	69,955	69,955	69,955	-
FUND BALANCE - END OF YEAR	$ 52,055	$ 52,055	$ 193,069	$ 141,090

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ -	$ -	$ 520	$ 520
Intergovernmental revenue	123,100	123,100	136,623	13,523
TOTAL REVENUES	123,100	123,100	137,143	14,043
EXPENDITURES:				
Current:				
Public safety	98,500	98,500	99,630	(1,130)
Capital outlay	-	-	37,680	(37,680)
TOTAL EXPENDITURES	98,500	98,500	137,310	(38,810)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,600	24,600	(167)	(24,767)
FUND BALANCE - BEGINNING OF YEAR	70,492	70,492	70,492	-
FUND BALANCE - END OF YEAR	$ 95,092	$ 95,092	$ 70,325	$ (24,767)

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Investment income	$ -	$ -	$ 11,370	$ 11,370
Other revenue	-	-	13,683	13,683
TOTAL REVENUES	-	-	25,053	25,053
EXPENDITURES:				
Current:				
Community services	366,400	366,400	271,596	94,804
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(366,400)	(366,400)	(246,543)	119,857
FUND BALANCE - BEGINNING OF YEAR	1,928,207	1,928,207	1,928,207	-
FUND BALANCE - END OF YEAR	$ 1,561,807	$ 1,561,807	$ 1,681,664	$ 119,857

CITY OF TUSTIN

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

SPECIAL TAX B SPECIAL REVENUE FUND

For the year ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental revenue	$ 2,250,000	$ 2,250,000	$ 2,833,686	$ 583,686
OTHER FINANCING USES:				
Transfers out	(2,250,000)	(2,250,000)	(2,833,686)	(583,686)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -	$ -

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CITY OF TUSTIN

AGENCY FUNDS

June 30, 2015

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

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

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

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

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

CITY OF TUSTIN

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2015

	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Community Facilities District 13-01	Total
ASSETS					
Cash and investments	$ 18,529	$ 99,759	$ -	$ 980	$ 119,268
Restricted cash and investments	1,075,291	9,246,015	1,933,317	-	12,254,623
Taxes receivable	14,372	57,846	-	-	72,218
TOTAL ASSETS	$ 1,108,192	$ 9,403,620	$ 1,933,317	$ 980	$ 12,446,109
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ 980	$ 980
Due to bondholders	1,108,192	9,403,620	1,933,317	-	12,445,129
TOTAL LIABILITIES	$ 1,108,192	$ 9,403,620	$ 1,933,317	$ 980	$ 12,446,109

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
COMMUNITY FACILITIES DISTRICT 04-01				
ASSETS:				
Cash and investments	$ -	$ 1,274,823	$ 1,256,294	$ 18,529
Restricted cash and investments	1,003,329	687,825	615,863	1,075,291
Taxes receivable	19,215	14,372	19,215	14,372
TOTAL ASSETS	$ 1,022,544	$ 1,977,020	$ 1,891,372	$ 1,108,192
LIABILITIES:				
Accounts payable	$ -	$ 687,825	$ 687,825	$ -
Due to bondholders	1,022,544	1,269,980	1,184,332	1,108,192
TOTAL LIABILITIES	$ 1,022,544	$ 1,957,805	$ 1,872,157	$ 1,108,192
COMMUNITY FACILITIES DISTRICT 06-01				
ASSETS:				
Cash and investments	$ 11,766	$ 5,539,715	$ 5,451,722	$ 99,759
Restricted cash and investments	9,145,080	3,604,914	3,503,979	9,246,015
Taxes receivable	64,249	57,846	64,249	57,846
TOTAL ASSETS	$ 9,221,095	$ 9,202,475	$ 9,019,950	$ 9,403,620
LIABILITIES:				
Accounts payable	$ 142	$ 3,609,657	$ 3,609,799	$ -
Due to bondholders	9,220,953	5,523,894	5,341,227	9,403,620
TOTAL LIABILITIES	$ 9,221,095	$ 9,133,551	$ 8,951,026	$ 9,403,620
COMMUNITY FACILITIES DISTRICT 07-01				
ASSETS:				
Cash and investments	$ -	$ 1,144,603	$ 1,144,603	$ -
Restricted cash and investments	1,908,686	914,747	890,116	1,933,317
TOTAL ASSETS	$ 1,908,686	$ 2,059,350	$ 2,034,719	$ 1,933,317
LIABILITIES:				
Accounts payable	$ -	$ 914,601	$ 914,601	$ -
Due to bondholders	1,908,686	1,144,865	1,120,234	1,933,317
TOTAL LIABILITIES	$ 1,908,686	$ 2,059,466	$ 2,034,835	$ 1,933,317

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
COMMUNITY FACILITIES DISTRICT 13-01				
ASSETS:				
Cash and investments	$ -	$ 217,474	$ 216,494	$ 980
TOTAL ASSETS	$ -	$ 217,474	$ 216,494	$ 980
LIABILITIES:				
Accounts payable	$ -	$ 217,474	$ 216,494	$ 980
TOTAL LIABILITIES	$ -	$ 217,474	$ 216,494	$ 980
TOTAL ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	$ 11,766	$ 8,176,615	$ 8,069,113	$ 119,268
Restricted cash and investments	12,057,095	5,207,486	5,009,958	12,254,623
Taxes receivable	83,464	72,218	83,464	72,218
TOTAL ASSETS	$ 12,152,325	$ 13,456,319	$ 13,162,535	$ 12,446,109
LIABILITIES:				
Accounts payable	$ 142	$ 5,429,557	$ 5,428,719	$ 980
Due to bondholders	12,152,183	7,938,739	7,645,793	12,445,129
TOTAL LIABILITIES	$ 12,152,325	$ 13,368,296	$ 13,074,512	$ 12,446,109

STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2015

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. 118

Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 128

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. 134

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. 142

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. 144

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			
	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	$ 261,132,785	$ 285,331,502	$ 343,062,465	$ 357,299,104
Restricted	55,021,376	94,111,615	161,669,815	145,602,640
Unrestricted	14,993,866	(19,936,964)	(14,320,020)	104,037,153
Total governmental activities net position	$ 331,148,027	$ 359,506,153	$ 490,412,260	$ 606,938,897
Business-type activities:				
Net investment in capital assets	$ 20,494,561	$ 22,150,723	$ 22,267,386	$ 24,964,824
Restricted	-	-	-	1,191,694
Unrestricted	206,342,244	199,289,608	172,421,511	1,981,499
Total business-type activities net position	$ 226,836,805	$ 221,440,331	$ 194,688,897	$ 28,138,017
Primary government:				
Net investment in capital assets	$ 281,627,346	$ 307,482,225	$ 365,329,851	$ 382,263,928
Restricted	55,021,376	94,111,615	161,669,815	146,794,334
Unrestricted	221,336,110	179,352,644	158,101,491	106,018,652
Total primary government net position	$ 557,984,832	$ 580,946,484	$ 685,101,157	$ 635,076,914

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 360,282,692	$ 378,911,546	$ 412,683,460	$ 431,761,288	$ 461,673,323	$ 456,649,085
135,670,302	116,718,495	47,727,966	54,367,385	36,693,458	72,929,522
114,737,049	116,545,351	147,513,249	177,532,888	93,877,440	140,727,040
$ 610,690,043	$ 612,175,392	$ 607,924,675	$ 663,661,561	$ 592,244,221	$ 670,305,647
$ 24,541,113	$ 20,872,492	$ 25,479,160	$ 24,171,745	$ 23,657,878	$ 24,270,718
-	-	-	-	-	-
1,851,666	5,541,672	2,795,701	7,094,771	8,326,340	11,845,734
$ 26,392,779	$ 26,414,164	$ 28,274,861	$ 31,266,516	$ 31,984,218	$ 36,116,452
$ 384,823,805	$ 399,784,038	$ 438,162,620	$ 455,933,033	$ 485,331,201	$ 480,919,803
135,670,302	116,718,495	47,727,966	54,367,385	36,693,458	72,929,522
116,588,715	122,087,023	150,308,950	184,627,659	102,203,780	152,572,774
$ 637,082,822	$ 638,589,556	$ 636,199,536	$ 694,928,077	$ 624,228,439	$ 706,422,099

CITY OF TUSTIN

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Expenses:				
Governmental activities:				
General government	$ 10,269,053	$ 7,926,778	$ 8,668,759	$ 8,499,303
Public safety	23,255,837	25,269,653	27,875,230	29,126,019
Public works	14,354,535	19,091,399	30,814,898	22,102,002
Community services	3,425,790	3,444,799	3,442,833	5,112,770
Interest on long-term debt	1,003,920	1,618,814	4,715,026	3,566,782
Total governmental activities expenses	52,309,135	57,351,443	75,516,746	68,406,876
Business-type activities:				
Water	9,365,401	11,879,958	11,870,706	12,569,331
Tustin Legacy	1,355,822	1,518,560	1,279,802	1,259,093
Total business-type activities expenses	10,721,223	13,398,518	13,150,508	13,828,424
Program revenues:				
Governmental activities:				
Charges for services:				
General government	2,388,279	2,540,796	2,716,432	1,694,464
Public safety	1,364,877	1,476,811	2,749,660	2,136,772
Public works	3,230,212	2,987,687	1,688,753	2,374,308
Community services	876,199	916,075	929,548	897,386
Operating grants and contributions	3,655,881	3,677,905	3,831,037	4,253,442
Capital grants and contributions	19,470,274	9,652,907	79,210,370	18,865,776
Total governmental activities program revenues	30,985,722	21,252,181	91,125,800	30,222,148
Business-type activities:				
Charges for services:				
Water	8,858,151	10,418,522	10,923,061	11,281,679
Tustin Legacy	3,660,334	409,693	34,370	22,587
Capital grants and contributions	-	-	28,299,036	-
Total business-type activities program revenues	12,518,485	10,828,215	39,256,467	11,304,266
Net revenues (expenses):				
Governmental activities	$ (21,323,413)	$ (36,099,262)	$ 15,609,054	$ (38,184,728)
Business-type activities	1,797,262	(2,570,303)	26,105,959	(2,524,158)
Total net revenues (expenses)	$ (19,526,151)	$ (38,669,565)	$ 41,715,013	$ (40,708,886)

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 7,802,579	$ 7,854,361	$ 12,266,470	$ 18,705,913	$ 14,825,780	$ 17,121,057
27,277,141	28,622,807	28,800,773	30,702,298	28,440,799	29,886,284
20,816,686	19,809,907	20,765,854	15,087,234	49,538,371	34,435,214
12,742,391	13,150,089	7,078,104	3,201,865	3,498,460	3,699,059
4,087,839	4,814,598	3,057,645	967,115	-	-
72,726,636	74,251,762	71,968,846	68,664,425	96,303,410	85,141,614
11,938,146	12,578,667	13,467,541	13,574,149	16,100,137	15,982,078
-	-	-	-	-	-
11,938,146	12,578,667	13,467,541	13,574,149	16,100,137	15,982,078
1,404,925	1,109,150	1,390,073	763,101	249,237	252,074
1,168,348	1,196,830	1,133,096	917,947	920,112	1,071,099
3,761,321	3,508,904	800,328	1,248,595	1,710,813	1,564,314
957,545	969,006	974,747	926,432	967,134	892,102
3,403,411	3,441,281	3,590,210	4,513,158	3,325,304	3,546,823
6,287,231	3,395,929	20,902,629	20,998,311	12,222,106	20,244,479
16,982,781	13,621,100	28,791,083	29,367,544	19,394,706	27,570,891
10,594,471	12,422,746	15,112,161	16,688,773	18,682,821	19,375,359
-	-	-	-	-	-
-	-	-	-	-	-
10,594,471	12,422,746	15,112,161	16,688,773	18,682,821	19,375,359
$ (55,743,855)	$ (60,630,662)	$ (43,177,763)	$ (39,296,881)	$ (76,908,704)	$ (57,570,723)
(1,343,675)	(155,921)	1,644,620	3,114,624	2,582,684	3,393,281
$ (57,087,530)	$ (60,786,583)	$ (41,533,143)	$ (36,182,257)	$ (74,326,020)	$ (54,177,442)

CITY OF TUSTIN

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	$ 21,242,797	$ 28,617,969	$ 31,070,501	$ 34,022,959
Transient occupancy taxes	155,199	161,105	163,831	154,379
Business license taxes	N/A	N/A	N/A	356,565
Other taxes	1,409,696	1,534,720	1,665,601	1,689,573
Sales tax	18,912,722	19,317,135	20,428,465	19,858,142
Motor vehicle in lieu, unrestricted	433,795	443,222	321,918	252,666
Investment income	3,202,914	4,842,033	7,417,199	4,863,469
Other general revenues	1,323,230	1,598,099	1,523,530	2,314,540
Gain (loss) on disposal of capital assets	(422,555)	-	(1,366,208)	-
Gain on sale of land held for resale	-	-	-	-
Transfers	5,931,225	7,943,105	53,668,609	103,805,196
Extraordinary item	-	-	-	-
Contribution from successor agency	-	-	-	-
Total governmental activities	52,189,023	64,457,388	114,893,446	167,317,489
Business-type activities:				
Investment income	1,411,899	1,567,316	815,560	164,764
Gain (loss) on disposal of capital assets	-	3,519,618	(681)	-
Miscellaneous	49,070	-	23,337	82,810
Transfers	(5,931,225)	(7,943,105)	(53,668,609)	(103,805,196)
Total business-type activities	(4,470,256)	(2,856,171)	(52,830,393)	(103,557,622)
Total primary government	$ 47,718,767	$ 61,601,217	$ 62,063,053	$ 63,759,867
Changes in net position:				
Governmental activities	$ 30,865,610	$ 28,358,126	$ 130,502,500	$ 129,132,761
Business-type activities	(2,672,994)	(5,426,474)	(26,724,434)	(106,081,780)
Total primary government	$ 28,192,616	$ 22,931,652	$ 103,778,066	$ 23,050,981

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 28,347,659	$ 30,205,879	$ 23,270,718	$ 14,526,101	$ 13,661,771	$ 14,552,535
141,335	142,915	137,131	137,064	616,897	1,090,675
337,867	358,526	44,800	377,498	393,241	419,148
1,720,505	1,648,319	1,621,521	1,655,388	1,663,215	1,763,878
15,917,332	18,597,453	19,931,865	21,575,405	22,288,032	22,269,896
6,122,789	6,189,249	5,833,094	5,951,653	6,150,893	6,380,698
4,086,852	2,358,847	958,169	243,921	628,180	1,052,276
1,520,662	1,700,323	14,444,183	7,231,648	4,040,996	7,829,149
-	-	-	-	-	-
-	-	-	43,335,089	-	48,136,121
-	-	-	-	-	-
-	-	(27,314,435)	-	1,412,257	-
-	-	-	-	-	32,137,773
58,195,001	61,201,511	38,927,046	95,033,767	50,855,482	135,632,149
86,654	158,242	156,855	39,700	144,381	249,863
-	-	-	-	-	-
25,340	19,064	59,222	271,858	408,749	489,090
-	-	-	-	-	-
111,994	177,306	216,077	311,558	553,130	738,953
$ 58,306,995	$ 61,378,817	$ 39,143,123	$ 95,345,325	$ 51,408,612	$ 136,371,102
$ 2,451,146	$ 570,849	$ (4,250,717)	$ 55,736,886	$ (26,053,222)	$ 78,061,426
(1,231,681)	21,385	1,860,697	3,426,182	3,135,814	4,132,234
$ 1,219,465	$ 592,234	$ (2,390,020)	$ 59,163,068	$ (22,917,408)	$ 82,193,660

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			
	2006	2007	2008	2009
General fund:				
Reserved	$ 118,510	$ 248,372	$ 116,342	$ 120,632,293
Unreserved	24,124,968	20,454,356	24,471,029	1,971,846
Total general fund	$ 24,243,478	$ 20,702,728	$ 24,587,371	$ 122,604,139
All other governmental funds:				
Reserved	$ 34,612,789	$ 68,724,358	$ 76,696,588	$ 49,777,973
Unreserved, reported in:				
Special revenue funds	8,550,855	10,639,839	64,896,223	16,437,130
Debt service funds	2,510,686	-	-	-
Capital projects funds	11,145,244	12,388,651	17,558,428	90,474,987
Total all other governmental funds	$ 56,819,574	$ 91,752,848	$ 159,151,239	$ 156,690,090

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					
2010	2011	2012	2013	2014	2015
$ 144,139,167	$ -	$ -	$ -	$ -	$ -
5,870,992	-	-	-	-	-
$ 150,010,159	$ -	$ -	$ -	$ -	$ -
$ 66,609,267	$ -	$ -	$ -	$ -	$ -
14,277,683	-	-	-	-	-
(6,774,245)	-	-	-	-	-
75,663,086	-	-	-	-	-
$ 149,775,791	$ -	$ -	$ -	$ -	$ -
$ 144,139,167	$ 144,186,955	$ 144,604,847	$ 128,988,209	$ 129,049,954	$ 122,458,642
-	-	-	19,615,343	1,352,309	16,650,332
47,608	-	-	-	-	-
5,823,384	-	-	-	-	-
-	7,443,165	4,077,344	44,368,566	18,781,826	84,278,138
$ 150,010,159	$ 151,630,120	$ 148,682,191	$ 192,972,118	$ 149,184,089	$ 223,387,112
$ 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	24,048,818
344,708	-	-	-	-	-
11,670,324	18,603,317	16,239,322	16,880,590	5,493,536	37,350,531
(8,495,076)	(10,989,463)	-	-	-	-
$ 149,775,791	$ 160,639,848	$ 56,224,280	$ 52,053,954	$ 35,314,389	$ 61,399,349

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Revenues:				
Taxes	$ 40,542,668	$ 48,306,569	$ 51,775,505	$ 56,198,002
Licenses and permits	2,153,355	2,095,154	2,710,309	1,692,955
Fines and forfeitures	784,966	783,390	818,868	832,188
Investment income	2,849,921	4,228,582	7,529,488	4,429,915
Intergovernmental revenues	15,338,254	20,136,822	27,394,402	14,626,663
Charges for services	2,107,336	2,043,251	1,583,324	4,497,309
Rental income	304,733	349,450	786,438	771,807
Developer contributions	-	-	-	-
Gain on sale of land held for resale	-	-	-	-
Contribution from Successor Agency	-	-	-	-
Other revenues	8,260,032	3,160,370	59,309,772	1,188,200
Total revenues	72,341,265	81,103,588	151,908,106	84,237,039
Expenditures:				
Current:				
General government	10,134,368	7,806,916	8,295,887	6,728,236
Public safety	22,697,122	24,450,803	26,561,960	27,759,939
Public works	7,691,894	9,651,745	10,136,680	11,311,291
Community services	3,026,890	3,023,648	2,886,132	5,005,986
Capital outlay	27,057,889	28,503,673	15,080,865	24,772,717
Debt service:				
Principal retirement	1,275,000	1,330,000	1,055,000	11,143,000
Interest and fiscal charges	1,023,622	1,620,897	4,718,806	3,570,834
Bond issue costs	-	-	-	-
Total expenditures	72,906,785	76,387,682	68,735,330	90,292,003
Excess (deficiency) of revenues over (under) expenditures	(565,520)	4,715,906	83,172,776	(6,054,964)
Other financing sources (uses):				
Proceeds from debt issuance	-	25,000,000	-	-
Transfers in	7,190,511	10,795,694	7,803,274	142,866,218
Transfers out	(5,270,356)	(10,795,694)	(7,803,274)	(41,295,836)
Contribution to developer	-	-	(11,934,400)	-
Sale of property	137,442	1,676,618	44,658	40,201
Total other financing sources (uses)	2,057,597	26,676,618	(11,889,742)	101,610,583
Extraordinary gain (loss)	-	-	-	-
Special item	-	-	-	-
Net change in fund balances	$ 1,492,077	$ 31,392,524	$ 71,283,034	$ 95,555,619
Debt service as a percentage of noncapital expenditures	5.28%	6.57%	12.06%	28.96%

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 52,579,529	$ 57,324,011	$ 50,907,306	$ 44,279,024	$ 45,096,520	$ 43,696,204
3,538,198	716,144	443,928	577,044	1,284,232	885,043
890,770	893,642	875,068	678,428	631,340	752,597
3,198,484	1,632,215	472,725	173,890	621,786	1,041,661
5,378,430	5,372,905	6,413,137	21,551,042	7,453,722	15,032,387
2,708,705	5,020,485	2,813,752	2,685,080	1,787,268	1,870,401
869,645	358,030	480,255	550,003	751,724	1,113,340
4,051,180	1,593,475	-	-	-	16,934,704
-	-	-	43,340,797	-	48,136,121
-	-	-	-	-	32,137,773
1,028,432	2,425,052	14,075,025	9,773,813	6,110,735	6,302,392
74,243,373	75,335,959	76,481,196	123,609,121	63,737,327	167,902,623
7,197,709	7,505,928	11,656,331	17,357,805	14,205,424	17,568,297
26,359,435	27,508,514	28,714,347	27,944,039	28,170,314	33,062,929
10,133,685	9,110,621	6,954,384	5,980,807	5,797,705	6,417,257
12,251,479	12,740,969	6,506,381	2,752,523	3,081,299	3,170,747
13,125,983	9,979,670	25,816,530	28,487,231	74,422,436	23,800,093
7,913,000	10,659,000	2,590,000	-	-	5,000,000
4,603,661	4,131,435	3,264,323	967,115	-	-
-	429,731	-	-	-	-
81,584,952	82,065,868	85,502,296	83,489,520	125,677,178	89,019,323
(7,341,579)	(6,729,909)	(9,021,100)	40,119,601	(61,939,851)	78,883,300
26,274,205	43,281,289	-	-	-	-
37,207,661	2,645,014	3,020,291	6,122,454	2,084,612	5,266,102
(37,207,661)	(2,645,014)	(3,020,291)	(6,122,454)	(2,084,612)	(5,266,102)
-	-	-	-	-	
7,421	18,138	43,745	-	-	-
26,281,626	43,299,427	43,745	-	-	-
-	-	(98,386,142)	-	1,412,257	-
-	-	-	-	-	21,404,683
$ 18,940,047	$ 36,569,518	$(107,363,497)	$ 40,119,601	$ (60,527,594)	$ 100,287,983
22.37%	26.76%	10.88%	1.76%	0.00%	6.42%

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
2006	$ 5,753,518	$ 285,670	$ 6,039,188
2007	6,397,216	301,747	6,698,963
2008	7,708,506	435,160	8,143,666
2009	7,019,706	341,056	7,360,762
2010	6,874,131	323,694	7,197,825
2011	6,791,003	318,875	7,109,878
2012	6,865,333	294,518	7,159,851
2013	6,975,148	295,303	7,270,451
2014	7,151,192	267,629	7,418,821
2015	7,503,074	287,558	7,790,632

Notes:
Exemptions are netted directly against individual categories.

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

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

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

Redevelopment Agency (A)			
Secured	Unsecured	Taxable Assessed Value (A)	Total Direct Tax Rate (B)
$ 1,039,506	$ 71,738	$ 1,111,244	0.226%
1,496,217	84,203	1,580,420	0.261%
1,826,514	89,863	1,916,377	0.279%
2,432,407	165,392	2,597,799	0.326%
2,175,049	128,194	2,303,243	0.308%
2,180,029	129,387	2,309,416	0.310%
2,085,982	133,065	2,219,047	0.303%
2,107,792	123,929	2,231,721	0.302%
2,192,026	121,534	2,313,560	0.116%
2,362,339	139,834	2,502,173	0.116%

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year			
	2006	2007	2008	2009
Direct Rate:				
City of Tustin	$ 0.1272	$ 0.1272	$ 0.1272	$ 0.1272
Tustin Unified School District	0.4397	0.4397	0.4397	0.4397
South Orange County Community College District	0.0886	0.0886	0.0886	0.0886
County of Orange	0.0617	0.0617	0.0617	0.0617
Orange County Flood Control District	0.0198	0.0198	0.0198	0.0198
Orange County Library District	0.0167	0.0167	0.0167	0.0167
Orange County Department of Education	0.0161	0.0161	0.0161	0.0161
Various Special Districts	0.2302	0.2302	0.2302	0.2302
Total Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
Tustin Unified School District Bonds	0.0311	0.0023	0.0317	0.0310
Metropolitan Water District Bonds	0.0052	0.0047	0.0045	0.0043
Rancho Santiago Community College District Bonds	0.0169	0.0191	0.0237	0.0225
Irvine Ranch Water District Bonds	0.0477	0.2138	0.2143	0.2143
Santa Ana Unified School District Bonds	0.0435	0.0392	0.0359	0.0321
Total Overlapping Rates	0.1444	0.2791	0.3101	0.3042
Total Direct and Overlapping Rates	$ 1.1444	$ 1.2791	$ 1.3101	$ 1.3042

Source: Hdl, Coren & Cone

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 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
0.0380	0.0596	0.0559	0.0672	0.0891	0.0696
0.0043	0.0037	0.0037	0.0035	0.0035	0.0035
0.0274	0.0314	0.0315	0.0324	0.0333	0.0508
0.2242	0.2242	0.2155	0.2155	0.2155	0.0960
0.0739	0.0717	0.0715	0.0775	0.0736	0.0687
0.3678	0.3906	0.3781	0.3961	0.4150	0.2886
$ 1.3678	$ 1.3906	$ 1.3781	$ 1.3961	$ 1.4150	$ 1.2886

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Ten Years Ago

Taxpayer	2015 Taxable Assessed Value	2015 Percent of Total City Taxable Assessed Value	2005 Taxable Assessed Value	2005 Percent of Total City Taxable Assessed Value
Irvine Company LLC	$ 228,477,924	2.22%	$ 65,223,171	1.00%
Vestar Kimco Tustin LP	162,372,463	1.58%		
Avalon II California Value I LP	98,143,300	0.95%		
Irvine Apartment Communities LP	50,873,840	0.49%	210,693,161	3.42%
Ricoh Development of California Inc	48,516,780	0.47%		
PK II Larwin Square SC LP	48,263,673	0.47%		
Borchard Redhill SKB-Tustin LLC	47,709,881	0.46%	30,113,321	0.46%
Cadigan Communities LP	47,482,617	0.46%	26,194,631	0.40%
Costco Wholesale Corporation	47,286,886	0.46%		
CPII Park Place LLC	42,498,878	0.41%		
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%
	$ 821,626,242	7.97%	$ 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
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%
2015	9,287,149	9,007,785	96.99%	163,497	9,171,282	98.75%

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
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
2015	-	-	-	-	-	16,404,683	16,404,683

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

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

(2) In 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. As of February 1, 2012, this note is payable to the Successor Agency to the Tustin Community Redevelopment Agency. See Note 19 for more information.

(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 Activity							
Water Revenue Bonds (5)	Water Revenue Bonds (8)	Water Revenue Bonds (9)	Water Revenue Bonds (10)	Total Business-type Activity	Total Primary Government	Percentage of Personal Income	Debt Per Capita
$ 13,461,607	$ -	$ -	$ -	$ 13,461,607	$ 27,821,607	1.35%	$ 394
13,331,607	-	-	-	13,331,607	51,351,607	2.29%	719
13,080,000	-	-	-	13,080,000	50,055,000	2.11%	696
12,560,000	-	-	-	12,560,000	57,676,170	2.35%	783
11,875,000	-	-	-	11,875,000	76,076,456	3.16%	1,018
11,165,000	20,760,000	-	-	31,925,000	130,501,317	5.52%	1,722
-	20,760,000	8,910,000	-	29,670,000	51,547,282	2.12%	673
-	21,044,310	8,997,129	-	30,041,439	52,858,379	2.16%	678
-	21,034,111	8,205,372	14,160,362	43,399,845	64,804,528	2.73%	827
-	21,023,911	7,398,615	14,111,418	42,533,944	58,938,627	2.44%	752

(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
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	-	-	-	-	-
2015	-	-	-	-	-

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, 2015

2014-15 Assessed Valuation	$10,292,804,580
Redevelopment Incremental Valuatior	(2,334,044,315)
Adjusted Assessed Value	$ 7,958,760,265

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/15	(1) % Applicable	City's Share of Debt at 6/30/15
Metropolitan Water District	$ 110,420,000	0.444%	$ 490,265
Rancho Santiago Community College District	277,290,443	0.014	38,821
Rancho Santiago Community College District School Facilities Improvement Dst No. 1	70,585,000	0.001	706
Santa Ana Unified School District	282,043,547	0.001	2,820
Tustin Unified School District School Facilities Improvement District No. 2002-1	49,798,788	44.364	22,092,734
Tustin Unified School District School Facilities Improvement District No. 2008-1	70,495,000	42.409	29,896,225
Tustin Unified School District School Facilities Improvement District No. 2012-1	32,535,000	43.748	14,233,412
Tustin Unified School District Community Facilities District No. 88-1	38,360,000	100.000	38,360,000
Tustin Unified School District Community Facilities District No. 06-1	13,465,000	100.000	13,465,000
City of Tustin Community Facilities Districts	75,895,000	100.000	75,895,000
Irvine Unified School District Community Facilities District No. 86-1	77,270,000	0.241	186,221
Irvine Ranch Water District Improvement Districts	458,823,980	5.497-81.041	55,982,916
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$ 250,644,120
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	98,906,000	2.185%	2,161,096
Orange County Pension Obligations	366,854,623	2.185	8,015,774
Orange County Board of Education Certificates of Participatior	15,190,000	2.185	331,902
Municipal Water District of Orange County Water Facilities Corporatior	5,360,000	2.611	139,950
Orange Unified School District Certificates of Participation	30,614,699	0.029	8,878
Orange Unified School District Benefit Obligations	84,965,000	0.029	24,640
Santa Ana Unified School District Certificates of Participation	73,662,130	0.001	737
City of Tustin	-	**100.000**	-
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:			10,682,977
Less: MWDOC Water Facilities Corporation (100% self supporting)			139,950
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:			10,543,027
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	$ 94,160,000	0.002-100.00%	$ 66,170,560
GROSS COMBINED TOTAL DEBT			$ 327,497,657 (2)
NET COMBINED TOTAL DEBT			$ 327,357,707

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

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

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

Ratios to 2014-15 Assessed Valuations:	
Total Overlapping Tax and Assessment Debt	2.44%
Total Direct Debt	0.00%
Gross Combined Total Debt	3.18%
Net Combined Total Debt	3.18%

Ratios to Redevelopment Incremental Valuations ($2,334,044,315)	
Total Overlapping Tax Increment Debt	2.84%

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2006	2007	2008	2009
Assessed valuation	$ 6,039,188,000	$ 6,698,963,000	$ 8,143,666,000	$ 7,360,762,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,509,797,000	1,674,740,750	2,035,916,500	1,840,190,500
Debt limit percentage	15%	15%	15%	15%
Debt limit	226,469,550	251,211,113	305,387,475	276,028,575
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	$ 226,469,550	$ 251,211,113	$ 305,387,475	$ 276,028,575
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					
2010	2011	2012	2013	2014	2015
$ 7,197,825,000	$ 7,109,878,000	$ 7,159,851,000	$ 7,270,451,000	$ 7,418,821,000	$ 7,790,632,000
25%	25%	25%	25%	25%	25%
1,799,456,250	1,777,469,500	1,789,962,750	1,817,612,750	1,854,705,250	1,947,658,000
15%	15%	15%	15%	15%	15%
269,918,438	266,620,425	268,494,413	272,641,913	278,205,788	292,148,700
-	-	-	-	-	-
$ 269,918,438	$ 266,620,425	$ 268,494,413	$ 272,641,913	$ 278,205,788	$ 292,148,700
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF TUSTIN

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Water Revenue Bonds Debt Service Principal	Water Revenue Bonds Debt Service Interest	Coverage
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
2015	19,375,359	12,511,648	6,863,711	770,000	1,973,820	2.50

Notes:

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

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

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

Tax Allocation Bonds (A)			
Tax Allocation	Debt Service		Coverage
	Principal	Interest	
$ 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
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%
2015	78,347	2,411,442	30,779	5.10%

Source: HdL Coren & Cone, LLC

CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2015 Number of Employees	2015 Percent of Total Employment	2006 (1) Number of Employees	2006 (1) Percent of Total Employment
Tustin Unified School District	1,449	3.39%		
Rockwell Collins Inc	600	1.40%		
Ricoh Electronics Inc	500	1.17%	1,038	2.77%
Costco	450	1.05%		
City of Tustin	372	0.87%		
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 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	31	31	31	27	27	25	29	26	35	33
Community Development	24	28	29	28	24	17	17	15	15	16
Public Works	48	50	51	50	53	52	51	40	47	48
Police	141	145	144	147	147	140	139	131	140	141
Parks and Recreation	17	17	15	16	15	14	15	13	13	14
Redevelopment Agency	3	5	5	6	6	6	5	3	-	-
Water	22	20	20	23	22	23	25	17	17	18
Total	286	296	295	297	294	277	281	245	267	270

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 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	106.3	127.2	127.2	127.2	127.2	127.2	129.1	129.1
Street Lights	2,855	2,855	3,285	3,544	3,544	3,544	3,544	3,544	3,640	3,640
Traffic Signals	97	97	113	113	116	117	118	118	121	121
Storm Drain (miles)	23.7	23.7	49.1	49.2	49.2	49.2	49.2	49.2	51.2	51.4
Street Trees	16,638	16,638	15,821	15,853	15,853	15,837	15,786	16,097	16,073	15,815
Parks and Recreation										
Parks	12	12	12	12	13	13	13	13	13	13
Parks (acres)	81.5	81.5	81.5	81.5	98.5	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	13,900	14,080	14,117	14,118	14,118	14,139	14,139	14,172	14,181	14,148
Average daily consumption	12,514	17,205	14,970	14,460	14,460	12,899	13,491	13,601	13,975	13,975
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	12	12	12	13	13	13	13	13	13	13
Water Main (miles)	173	173	173	173	173	173	173	173	173	173
Fire Hydrants	2,200	2,200	2,200	2,201	2,201	2,201	2,201	2,201	1,914	1,945

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

Source: City of Tustin Finance Department

CITY OF TUSTIN

WATER CONSUMPTION BY CUSTOMER TYPE

Last Ten Fiscal Years

Type of Customer	Fiscal Year 2006	2007	2008	2009
Residential	2,847,140	3,319,069	3,202,982	3,012,575
Apartment/Multiple Units	1,218,770	1,312,731	1,264,584	1,226,181
Commercial	331,990	360,170	326,987	305,601
Fire Services	306	11,453	478	184
Irrigation	137,651	171,200	174,858	171,382
Government	179,426	265,158	260,688	264,425
Restaurants	71,356	67,378	61,029	54,916
Hospitals	14,690	14,243	14,376	11,222
Non-Profit	43,427	48,320	48,922	45,387
Industrial	77,425	71,065	69,920	67,985
Hotel/Motels	10,878	13,367	12,803	12,890
All Others	103,570	100,604	115,246	105,221
	5,036,629	5,754,758	5,552,873	5,277,969

Measured in hundred cubic feet.

Source: City of Tustin Finance Department

Fiscal Year					
2010	2011	2012	2013	2014	2015
2,749,415	2,592,741	2,733,482	2,815,322	2,905,069	2,603,538
1,142,749	1,133,899	1,172,823	1,158,480	1,163,159	1,139,321
287,951	296,001	305,638	308,376	321,125	310,585
217	275	1,242	818	577	837
145,287	134,408	149,957	151,965	167,346	155,766
238,914	212,561	236,658	268,581	276,292	229,262
52,761	48,873	53,183	53,461	52,520	51,658
9,636	11,587	12,204	12,442	7,634	10,018
43,985	41,291	44,488	44,476	45,920	41,601
56,360	51,760	58,298	57,462	60,438	59,292
13,562	8,332	8,514	10,417	12,866	21,379
171,781	176,248	147,552	82,716	87,785	71,324
4,912,618	4,707,976	4,924,039	4,964,516	5,100,731	4,694,581

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
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 61 HCF
2011	$ 34.49	$ 0.58	$ 1.02	$ 1.33	$ 1.65	$ 1.97	$ 2.29	$ 2.62
2012	36.94	0.70	1.22	1.60	1.99	2.37	2.76	3.17
2013	40.63	0.73	1.29	1.69	2.10	2.56	2.97	3.40
2014	43.59	0.79	1.38	1.81	2.25	2.79	3.24	3.70
2015 (1)	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05

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

Notes:

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

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

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

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

Source: City of Tustin Finance Department

CITY OF TUSTIN

WATER CUSTOMERS

Current Year and Nine Years Ago

Water Customer	2015 Water Charges	2015 Percent of Total Water Revenues	2006 (1) Water Charges	2006 (1) Percent of Total Water Revenues
Tustin Unified School District	$ 708,074	3.74%	$ 204,869	3.50%
City of Tustin	164,480	0.87%	52,710	0.90%
AT& T Services, Inc.	83,470	0.44%		
Ricoh Electronics, Inc.	80,191	0.42%		
CalTrans - District 12	70,667	0.37%		
Tustin Plaza Center, LP	59,833	0.32%		
Schroeder Property Management	53,205	0.28%	19,940	0.34%
SKB-Tustin LLC	51,237	0.27%		
Tustin Acres Comm. Assoc.	49,974	0.26%	22,501	0.38%
Westchester Park L.P.	36,694	0.19%	19,784	0.34%
Tustin Place Homeowners Association	35,756	0.19%		
Tree Haven Homeowners Association	34,875	0.18%		
HSA LP	34,852	0.18%	53,459	0.91%
15701 TV Way Partnership	34,080	0.18%		
Sierra Corporate Management	33,912	0.18%		
71286 JMJ LLC	33,124	0.17%		
Residence Inn Tustin	32,925	0.17%		
Briarwood Investment Co. Ltd.	31,556	0.17%	25,311	0.43%
Bascon East Tustin Ave Apt. LLC			65,410	1.12%
Pacific Bell			50,417	0.86%
V KAY - NNC Valencia Gardens			27,033	0.46%
Greenwood and McKenzie			23,490	0.40%
CMC Association Mgmt.			23,149	0.40%
Alders Apartment Company			20,903	0.36%
Pacific Point Apartments			20,513	0.35%
Arnel Management			18,655	0.32%
Regency West			18,599	0.32%
Tustin Village Community Assoc.			18,364	0.31%
Sycamore Creek Apartments			17,878	0.31%
Total Water Sales	$ 1,628,905	8.58%	$ 702,985	12.01%

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

Source: City of Tustin Finance Department

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APPENDIX B

PROPOSER GUARANTEES AND WARRANTIES

A. The proposer certifies it can and will provide and make available, at a minimum, all services set forth in Section II, Nature of Services Required.

B. Proposer warrants that it is willing and able to obtain Professional Liability Insurance providing limits not less than one (1) million dollars of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof, or show evidence of the ability to provide substitute security equal to the same limit.

C Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the City of Tustin.

D. Proposer warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official:_____

Name (typed):_____

Title:_____

Firm:_____

Date:_____

APPENDIX C

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE 2016 FINANCIAL STATEMENTS

	Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners	_____	$_____	$_____	$_____
Managers	_____	$_____	$_____	$_____
Supervisory Staff	_____	$_____	$_____	$_____
Staff	_____	$_____	$_____	$_____
Other (specify)	_____	$_____	$_____	$_____
SUBTOTAL	_____	$_____	$_____	$_____

Out-of-pocket expenses:

Meals and Lodging $_____

Transportation $_____

Other (specify) $_____

TOTAL proposed price for 2016 audit $_____

Fee and Expense Proposal for Subsequent Years:

Escalation Factor	2017	2018	2019	2020