

CITY OF TUSTIN, CALIFORNIA

Comprehensive Annual Financial Report
For the year ended June 30th, 2011



Citrus Ranch Park



Tustin Ranch Road

TUSTIN CITY COUNCIL

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





CITY OF TUSTIN

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2011

Prepared By: Finance Department



CITY OF TUSTIN

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CITY OF TUSTIN

Elected and Administrative Officials

MAYOR

Jerry Amante

CITY COUNCIL

John Nielsen, Mayor Pro Tem

Deborah Gavello

Rebecca “Beckie” Gomez

Al Murray

AUDIT COMMISSION

Craig Shimomura, Chair

R. Lawrence Friend, Chair Pro Tem

Richard G. Hilde

Gregory C. Moore

CITY MANAGER

William A. Huston, Interim

David E. Kendig
City Attorney

Pamela Stoker
City Clerk

George W. Jeffries
City Treasurer

Christine A. Shingleton
Assistant City Manager

Elizabeth A. Binsack
**Director, Community
Development**

Scott M. Jordan
Chief of Police

Pamela Arends-King
Director, Finance

Kristi Recchia
Director, Human Resources

Douglas S. Stack
**Director, Public Works / City
Engineer**

David Wilson
**Director, Parks and Recreation
Services**

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Finance Department



December 29, 2011

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, 2011, 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, 2011, have been audited by White Nelson Diehl Evans LLP, an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Tustin's financial statements for the fiscal year ended June 30, 2011, 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.

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, 2011 population at 75,781. The population has remained flat since 2010. 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. Tustin is in the center of Orange County and, while surrounded by much of the County's main industrial employment, it is essentially a residential community.

Tustin is a full service City. The services provided by the City include police, street and park maintenance, water, recreation, traffic/transportation, public improvements, planning, zoning, and general administrative services. The City contracts with the Orange County Fire Authority for fire suppression services. Also included in the City's overall operations are the Tustin Community Redevelopment Agency and the Tustin Public Financing Authority. Additional information is available on these blended component units in the notes to the 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 monthly financial reporting system. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund this comparison is presented on page 78 as part of the required supplementary information and for nonmajor governmental funds this comparison is presented on pages 83 – 99 as part of the other supplementary information for the governmental funds.

ECONOMIC OUTLOOK

The State of California is slowly recovering from the economic downturn. The statewide unemployment rate has dropped from 12.5% in November 2010 to 11.3% for November 2011. The Orange County unemployment rate has decreased 1.4% from November 2010 to 8.1% for November 2011. The continued recovery from the recession has resulted in an increase in sales tax revenue, which is the General Fund's largest revenue source. Annual Sales tax revenue went from \$20.4 million in fiscal year 2007-2008 to \$15.9 million in fiscal year 2009-2010, a 22% decline over three years; however sales tax increased \$2.7 million in fiscal year 2010-2011 to \$18.6 million. Property tax revenue is the City's largest revenue source. It increased \$1.8 million in fiscal year 2010-2011 but is expected to remain flat for fiscal year 2011-2012. Commercial and residential development has decreased significantly due to the recent economic conditions. New development at the Marine Corp Air Station base has been put on hold except for construction that was already planned. The City's agreement with the proposed development company, Tustin Legacy Community Partners LLC, for the second large phase of development, ended August 2010 due to the recession. The City continues to pursue development for the Marine Corp Air Station base area. It is expected that the completion of the Tustin Ranch Road Extension project will be very helpful in triggering that development.

The City Council continues to take a proactive approach for maintaining the City's healthy financial position by monitoring revenues and expenses. The future economic outlook continues to improve slowly in a positive direction for 2012. To maintain General Fund reserves for fiscal year 2011-2012, the City did not implement employee cost of living raises and increased the employees' contribution to their pension plans for subsequent fiscal year to equal 7% of the total miscellaneous employees' payroll and 9% of the total safety employees' payroll. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2012.

ACCOMPLISHMENTS AND FUTURE PROJECTS

During fiscal year 2010-2011, REI Inc., sporting goods store relocated to the City. The Toyota dealership expanded its operations and Hyundai automobiles are now being sold in Tustin. These events helped contribute to the slight increase in sales tax revenue. Major capital improvement projects completed included the Red Hill Avenue Quiet Zone; playground renovations at Magnolia Tree Park, Laurel Glenn Park, and Centennial Park; Tustin Ranch Road Rehabilitation; and the Red Hill Avenue Parking Bay.

The City's capital projects for fiscal year 2011-2012 are budgeted at \$77.5 million. Funding sources for the capital projects include revenues from gas tax, Community Development Block Grant, water revenues, Redevelopment Agency tax increment, Measure M, Park Development Funds, Water Revenue Bond proceeds and Tax Allocation bond proceeds. Major projects include the expansion of Tustin Ranch Road; Tustin Legacy Fire Station; Red Hill Avenue median improvements between Barranca Parkway and north of Valencia Avenue; Tustin Legacy Park; and the rehabilitation of the Rawlings water reservoir.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tustin for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGMENTS

I wish to express my appreciation to the entire Finance Department staff for their contribution to the department during the year. Their efforts are reflected in this report and in other documents resulting from the annual audit process. Special thanks are due to Jennifer Leisz, Finance Manager, Nipa Shah, Part-time Accounting Supervisor, Sean Tran, Administrative Services Manager, and the finance staff. Their significance in preparing the final financial documents is reflected in the quality of this report.

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

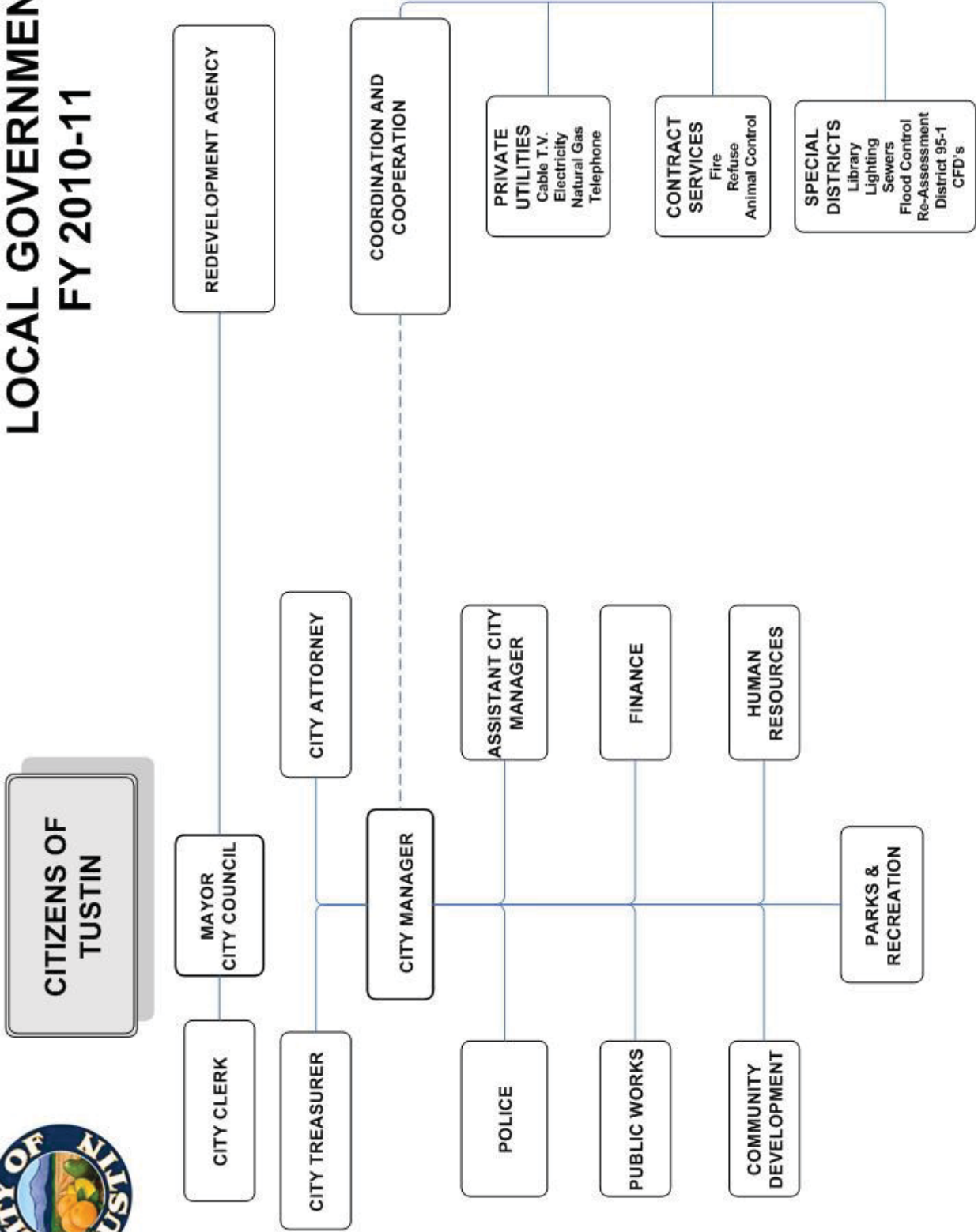
Respectfully submitted,



Pamela Arends-King
Finance Director



LOCAL GOVERNMENT FY 2010-11



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, 2010

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Tustin
Tustin, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tustin, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tustin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tustin, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, the City has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

As explained further in Note 17, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2011 on our consideration of the City of Tustin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress and budgetary comparison schedule, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Tustin, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Diehl Evans LLP

December 29, 2011
Irvine, California

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

As management of the City of Tustin, California (the 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities at June 30, 2011, by \$638.6 million (*net assets*). Net assets consist of \$399.8 million invested in capital assets, net of related debt, \$116.7 million in restricted net assets and \$122 million in unrestricted net assets.
- The government's total net assets increased by \$0.6 million during the fiscal year ended June 30, 2011. Revenues remained relatively flat from prior year; therefore, the increase in total net assets is primarily due to cuts in expenses in governmental activities. Total unrestricted net assets are \$4.5 million higher than last fiscal year, an increase of 3.9%.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$312.3 million, an increase of \$36.6 million in comparison with the prior year. Approximately \$166.5 million (53.3%) is nonspendable and \$131.6 is restricted.
- The net increase in the City's total long-term liabilities was \$54.9 million. The \$54.9 million net increase is primarily due to the issuance of 2010 MCAS Tax Allocation Bonds of \$44.1 million and 2011 Water Revenue Bonds of \$20.7 million for major capital projects.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Government-wide financial statements (continued)

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

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

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

Fund financial statements

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

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

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

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

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Fund financial statements (Continued)

Governmental funds (continued). The City adopts an annual appropriated budget for its General Fund and the special revenue funds to demonstrate compliance with the annual budget. Budgetary comparison schedules have been provided to demonstrate compliance with this budget 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 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 other governmental funds are presented for all other Special Revenue Funds, other Debt Service Funds and other Capital Projects Funds. These combining and individual fund statements and schedules can be found immediately following the required supplementary information.

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

The largest portion of the City's net assets (63 percent) reflects its investment in capital assets e.g., land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Tustin
Summary of Net Assets
As of June 30, 2011
(in millions of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u> <u>% Change</u> <u>2010-2011</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	
Assets:							
Current and other assets	\$295.5	\$338.5	\$5.4	\$27.5	\$300.9	\$366.0	
Capital assets	<u>385.2</u>	<u>383.1</u>	<u>35.1</u>	<u>33.9</u>	<u>420.3</u>	<u>417.0</u>	
Total Assets	<u>680.7</u>	<u>721.6</u>	<u>40.5</u>	<u>61.4</u>	<u>721.2</u>	<u>783.0</u>	8.6%
Liabilities:							
Current liabilities	17.0	22.8	2.2	2.7	19.2	25.5	
Non-Current liabilities	<u>52.1</u>	<u>86.6</u>	<u>11.9</u>	<u>32.3</u>	<u>64.0</u>	<u>118.9</u>	
Total Liabilities	<u>69.1</u>	<u>109.4</u>	<u>14.1</u>	<u>35.0</u>	<u>83.2</u>	<u>144.4</u>	73.5%
Net Assets:							
Invested in capital assets, net of related debt	385.2	378.9	24.5	20.9	409.7	399.8	
Restricted	135.7	116.7	-	-	135.7	116.7	
Unrestricted	<u>90.7</u>	<u>116.6</u>	<u>1.9</u>	<u>5.5</u>	<u>92.6</u>	<u>122.1</u>	31.9%
Total Net Assets	<u>\$611.6</u>	<u>\$612.2</u>	<u>\$26.4</u>	<u>\$26.4</u>	<u>\$638.0</u>	<u>\$638.6</u>	0.1%

Governmental activities. Net assets of the City's governmental activities increased 0.1 % to \$612.2 million, of which \$378.9 million is invested in capital assets such as equipment, buildings and infrastructure, net of related debt. Of the remaining total, \$116.7 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties.

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Government-wide Financial Analysis (Continued)

Governmental activities (continued). The remaining \$116.6 million is subject to designation for specific purposes as approved by the City Council, and may be used to meet the City's ongoing obligations.

City of Tustin
Summary of Changes in Net Assets
For the Year Ended June 30, 2011
(in millions of dollars)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>		<u>% Change</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010-2011</u>
Revenues:							
Program revenues:							
Charges for services	\$7.3	\$6.8	\$10.6	\$12.4	\$17.9	\$19.2	
Operating grants & contributions	3.4	3.4	-	-	3.4	3.4	
Capital grants and contributions	6.3	3.4	-	-	6.3	3.4	
General revenues:							
Taxes	30.6	32.4	-	-	30.6	32.4	
Sales taxes shared state revenues	15.9	18.6	-	-	15.9	18.6	
Motor vehicle taxes	6.1	6.2	-	-	6.1	6.2	
Earnings on investments	4.1	2.4	0.1	0.2	4.2	2.6	
Miscellaneous	<u>1.5</u>	<u>1.7</u>	<u>-</u>	<u>-</u>	<u>1.5</u>	<u>1.7</u>	
Total Revenues	<u>75.2</u>	<u>74.9</u>	<u>10.7</u>	<u>12.6</u>	<u>85.9</u>	<u>87.5</u>	1.9%
Expenses:							
General government	7.8	7.9	-	-	7.8	7.9	
Public safety	27.3	28.6	-	-	27.3	28.6	
Public works	19.9	19.8	-	-	19.9	19.8	
Community services	12.7	13.2	-	-	12.7	13.2	
Interest on long-term debt	4.1	4.8	-	-	4.1	4.8	
Water	<u>-</u>	<u>-</u>	<u>11.9</u>	<u>12.6</u>	<u>11.9</u>	<u>12.6</u>	
Total Expenses	<u>71.8</u>	<u>74.3</u>	<u>11.9</u>	<u>12.6</u>	<u>83.7</u>	<u>86.9</u>	3.8%
Change in net assets	3.4	0.6	(1.2)	-	2.2	0.6	
Net Assets - Beginning, restated	<u>608.2</u>	<u>611.6</u>	<u>27.6</u>	<u>26.4</u>	<u>635.8</u>	<u>638.0</u>	
Net Assets - Ending	<u>\$611.6</u>	<u>\$612.2</u>	<u>\$26.4</u>	<u>\$26.4</u>	<u>\$638.0</u>	<u>\$638.6</u>	0.1%

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Government-wide Financial Analysis (Continued)

Governmental activities increased the net assets by \$0.6 million. The primary reason for this slight increase in net assets is due budgeting and monitoring city-wide expenses. Due to the ramifications of the recession, revenues have increased slowly; therefore expenses have been carefully monitored to not exceed the pace of revenue growth.

Overall, revenues decreased \$0.3 million from prior year. Capital grants and contributions program revenues decreased \$2.9 from prior year because time was spent planning projects and applying for grants that will reimburse capital projects in the next fiscal year. Those funds will be earned when eligible expenditures are incurred in fiscal year 2012. Charges for services decreased \$0.5 million due to the decrease in building and development because of current economic conditions. Taxes increased \$1.8 million primarily due to an increase in property tax revenue. The City's property values continue to remain stable; therefore there were no significant property devaluations to impact revenues, also delinquent secured property tax revenue increased. Sales tax revenue increased \$2.7 million due to the slow economic recovery. Earnings on investments decreased \$1.7 million primarily due to the decrease in interest revenue paid from the Redevelopment Agency's Low and Moderate Income Housing funds to the General Fund for the Reimbursement Agreement in regards to meeting affordable housing obligations. The decline in interest revenue was the result of the significant reduction in principal balance in fiscal year 2009-2010 (See footnote 15.) Earnings on the City's investment portfolio averaged less than 0.8%. Public safety expenses increased \$1.3 million from prior year primarily due to the increase in pension contribution rates and filling vacant positions. Community services expenses increased \$0.5 million due to filling vacant positions and interest on long-term debt increased \$0.7 million due to the issuance of bonds last fiscal year and this fiscal year.

Business-Type activities net assets remained flat primarily due to the increase in water rates, resulting in a \$1.8 million increase in revenues from prior year that was adequate to cover the annual operating costs. Water operation costs increased \$0.7 primarily due to the increase in production costs.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$312.3 million, an increase of \$36.6 million in comparison with the prior year primarily due to the issuance of the 2010 MCAS-Tustin Redevelopment Project Area Tax Allocation Bonds for \$44.1 million. Approximately \$166.5 million (53.3 %) of this total amount constitutes nonspendable fund balance. Of the nonspendable amount \$145.8 million is land held for resale. The remainder of the fund balance consists of \$130.7 million in restricted funds, \$18.6 million of assigned funds and \$3.5 million deficit of unassigned funds.

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Financial Analysis of the Government's Funds (Continued)

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 \$7.4 million, while total fund balance was \$151.6 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 15.3% of the total General Fund expenditures.

City of Tustin
Summary of Changes in Fund Balances - General Fund
For the Year Ended June 30, 2011
(in millions of dollars)

	<u>2010</u>	<u>2011</u>	<u>Total %Change 2010-2011</u>
Revenues:			
Taxes	\$33.9	\$36.6	
Charges for services	5.7	4.9	
Intergovernmental	1.3	1.1	
Investment revenue	2.3	0.9	
Licenses and permits	0.4	0.7	
Other	<u>1.8</u>	<u>3.5</u>	
Total Revenues	<u>45.4</u>	<u>47.7</u>	5.1%
Expenditures:			
General government	7.1	7.4	
Public safety	26.3	27.4	
Public works	10.1	9.1	
Community services	2.7	2.8	
Capital outlay	1.0	1.1	
Interest and fiscal charges	<u>0.8</u>	<u>0.9</u>	
Total Expenses	<u>48.0</u>	<u>48.7</u>	1.5%
Excess of Revenues Over (Under) Expenditures	(2.6)	(1.0)	
Net Transfers	<u>28.5</u>	<u>2.6</u>	(90.9%)
Net Increase in Fund Balance	<u>\$25.9</u>	<u>\$1.6</u>	(93.8%)

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Financial Analysis of the Government's Funds (Continued)

Transactions impacting revenues in the General Fund were as follows:

- Sales tax revenues were \$18.6 million reflecting a \$2.7 million increase from prior year due to the economic recovery.
- Investment revenue decreased \$1.4 million due to the decrease in interest revenue paid from the Redevelopment Agency's Low and Moderate Income Housing funds to the General fund for the Reimbursement Agreement in regards to meeting affordable housing obligations. The decline in interest revenue was the result of the significant reduction in principal balance in fiscal year 2009-2010.
- Other revenue increased \$1.7 million due to reimbursement from other funds for information technology services.
- Charges for services revenue decreased \$0.8 million due to the slowdown of construction because of the recession.

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2011:

- Public safety expenditures increased \$1.1 million due to the filling of vacant positions and increase in pension contribution rates.
- Public works decreased \$1.0 million due to not filling vacant positions, decrease in property insurance paid; and controlling maintenance expenses.

The Marine Base Project Area Debt Service Fund expenditures exceeded revenues by \$4.5 million, primarily due to the payoff of Notes Payable Series B and Series A of \$8.2 million. The Notes were paid off to ensure a better bond rating for improved interest rates in conjunction with the issuance of the 2010 MCAS Tax allocation bonds.

The CFD Construction Capital Projects Fund revenues exceeded expenditures by \$0.3 million primarily due to the issuance of \$1.6 million Special Tax Bonds, Series 2010, for Community Facilities District No. 06-1. The bond proceeds will be used to continue infrastructure improvements for the Tustin Legacy Columbus Villages development.

General Fund Budgetary Highlights

Differences between the General Fund actual revenues and transfers and amended budgeted revenues and transfers were \$3.2 million primarily due to the increase in sales and property taxes that were higher than what was expected. Actual General Fund expenditures were less than the amended budgeted amount of \$50.4 million by \$1.7 million.

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Financial Analysis of the Proprietary Funds

The City has one proprietary fund which is the Water Enterprise Fund. Unrestricted net assets of the Water Enterprise are \$5.5 million. There was no change in net assets as revenues collected were sufficient to cover costs. New water rates approved June 15, 2010, became effective July 1, 2010. The new water rate structure increased revenues from \$10.7 million to \$12.6, eliminating the ongoing operating deficit from prior fiscal years.

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, 2011 amounts to \$417 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
Net of Accumulated Depreciation
For the Year Ended June 30, 2011
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total %Change 2010-2011
	2010	2011	2010	2011	2010	2011	
Land	\$44.3	\$44.3	\$1.2	\$1.2	\$45.5	\$45.5	
Right of way	42.4	42.4	-	-	42.4	42.4	
Construction in progress	31.8	34.8	1.1	1.3	32.9	36.1	
Buildings and improvements	52.0	51.1	5.9	5.6	57.9	56.7	
Machinery and equipment	2.5	2.8	-	-	2.5	2.8	
Infrastructure	212.2	207.7	-	-	212.2	207.7	
Property, plant and equipment	—	—	<u>26.9</u>	<u>25.8</u>	<u>26.9</u>	<u>25.8</u>	
Total Capital Assets, Net	<u>\$385.2</u>	<u>\$383.1</u>	<u>\$35.1</u>	<u>\$33.9</u>	<u>\$420.3</u>	<u>\$417.0</u>	(0.8%)

The major activity affecting capital assets this year was the completion of the Red Hill Avenue Parking Bay; playground renovations at Magnolia Tee Park, Laurel Glenn Park, and Centennial Park; completion of the Red Hill Avenue quiet zone, Tustin Ranch Road and Bryan Avenue rehabilitation; and replacement of the San Juan Avenue sidewalk.

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 48).

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Capital Asset and Debt Administration (Continued)

Long-term Debt

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$118.9 million. Of this amount, \$108.9 million are secured solely by specified revenue sources such as property tax increment and water service charges.

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2011
(in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2010-2011
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>		
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	
Tax allocation bonds	\$36.0	\$76.8	\$-	\$-	\$36.0	\$76.8	
Notes payable	8.2	-	-	-	8.2	-	
Bonds payable	-	-	11.7	32.1	11.7	32.1	
Claims and judgments	2.2	3.3	-	-	2.2	3.3	
Postemployment benefits obligation	2.5	3.2	-	-	2.5	3.2	
Compensated absences	<u>3.2</u>	<u>3.3</u>	<u>0.2</u>	<u>0.2</u>	<u>3.4</u>	<u>3.5</u>	
Total Outstanding Debt	<u>\$52.1</u>	<u>\$86.6</u>	<u>\$11.9</u>	<u>\$32.3</u>	<u>\$64.0</u>	<u>\$118.9</u>	85.8%

The City's long-term debt increased \$54.9 million from prior year as a result of the following transactions:

- Total payments to reduce long-term obligations were \$14.8 million, which included the payoff of the Marine Base Project Area Notes Payable of \$8.2 million.
- The City issued 2010 Marine Corp Aviation Station-Tustin Redevelopment Project Area Tax Allocation Bonds for \$44.1 million for the financing of redevelopment activities within the project area, primarily the extension of Tustin Ranch Road.
- The Public Financing Authority issued \$20.7 million Water Revenue bonds to complete the reconstruction of the Rawlins Water Reservoir.

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 50.

See independent auditors' report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2011

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for Orange County, California area was 8.1% as of November 2011. This is a 1.4% decrease from November 2010.
- Due to the recession over the past two years, the local economy was significantly impacted by the decline in the financial services and construction sectors. During fiscal year 2010-2011, Orange County has seen a slight increase in activity in the area of financial services and construction sectors. Also the decrease in unemployment has helped to contribute to the increase in sales tax.
- The City's sales tax revenues increased \$2.6 million to \$18.6 from prior fiscal year and are expected to increase slightly (\$0.7 million) for fiscal year 2011-2012. Property tax revenues increased \$1.8 from prior fiscal year, but are expected to remain flat for fiscal year 2011-2012.

The City Council adopted the fiscal year 2011-2012 Budget with total appropriations of \$179.8 million. The General Fund fiscal year 2011-2012 budgeted appropriations are \$53.1 million. This reflects an increase in appropriations of \$5 million due to the increase in transfers from the General Fund to the Liability fund, Unemployment fund, Workers Compensation Fund and Information Technology Funds to meet minimum self-insurance reserve levels based on recent actuaries. Due to the critical economic conditions the City Council will be reviewing the City's financial condition in February 2012.

Requests for Information

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

See independent auditors' report.

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CITY OF TUSTIN

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 132,356,903	\$ 23,598,315	\$ 155,955,218
Receivables:			
Accounts	5,461,966	2,251,894	7,713,860
Interest	142,640	18,140	160,780
Loans	33,520,547	700	33,521,247
Due from other governments	1,741,713	-	1,741,713
Allowance for uncollectibles	(33,147,347)	-	(33,147,347)
Internal balances	1,727,456	(1,727,456)	-
Prepaid expenses and deposits	150,935	-	150,935
Land held for resale	145,779,527	-	145,779,527
Deferred bond issuance costs	1,287,745	343,298	1,631,043
Restricted assets:			
Cash and investments with fiscal agents	49,516,890	2,988,038	52,504,928
Capital assets:			
Not being depreciated	121,478,086	2,443,351	123,921,437
Being depreciated, net	261,608,575	31,483,722	293,092,297
TOTAL ASSETS	721,625,636	61,400,002	783,025,638
LIABILITIES:			
Accounts payable and accrued liabilities	13,300,733	2,100,378	15,401,111
Interest payable	1,089,116	210,243	1,299,359
Deposits payable	6,418,919	328,071	6,746,990
Unearned revenue	2,075,138	-	2,075,138
Noncurrent liabilities:			
Due within one year	8,830,225	957,251	9,787,476
Due in more than one year	77,736,113	31,389,895	109,126,008
TOTAL LIABILITIES	109,450,244	34,985,838	144,436,082
NET ASSETS:			
Invested in capital assets, net of related debt	378,911,546	20,872,492	399,784,038
Restricted for:			
Community services	17,904,381	-	17,904,381
Public safety	266,592	-	266,592
Public works	76,986,905	-	76,986,905
Debt service	21,560,617	-	21,560,617
Unrestricted	116,545,351	5,541,672	122,087,023
TOTAL NET ASSETS	\$ 612,175,392	\$ 26,414,164	\$ 638,589,556

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

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,854,361	\$ 1,109,150	\$ 59,559	\$ -
Public safety	28,622,807	1,196,830	374,799	-
Public works	19,809,907	3,508,904	2,443,057	3,349,834
Community services	13,150,089	969,006	563,866	46,095
Interest on long-term liabilities	4,814,598	-	-	-
Total governmental activities	<u>74,251,762</u>	<u>6,783,890</u>	<u>3,441,281</u>	<u>3,395,929</u>
Business-type activity:				
Water	<u>12,578,667</u>	<u>12,422,746</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 86,830,429</u>	<u>\$ 19,206,636</u>	<u>\$ 3,441,281</u>	<u>\$ 3,395,929</u>

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

Total general revenues

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (6,685,652)	\$ -	\$ (6,685,652)
(27,051,178)	-	(27,051,178)
(10,508,112)	-	(10,508,112)
(11,571,122)	-	(11,571,122)
(4,814,598)	-	(4,814,598)
<u>(60,630,662)</u>	<u>-</u>	<u>(60,630,662)</u>
<u>-</u>	<u>(155,921)</u>	<u>(155,921)</u>
<u>(60,630,662)</u>	<u>(155,921)</u>	<u>(60,786,583)</u>
30,205,879	-	30,205,879
1,648,319	-	1,648,319
142,915	-	142,915
358,526	-	358,526
18,597,453	-	18,597,453
6,189,249	-	6,189,249
2,358,847	158,242	2,517,089
1,700,323	19,064	1,719,387
<u>61,201,511</u>	<u>177,306</u>	<u>61,378,817</u>
570,849	21,385	592,234
<u>611,604,543</u>	<u>26,392,779</u>	<u>637,997,322</u>
<u>\$ 612,175,392</u>	<u>\$ 26,414,164</u>	<u>\$ 638,589,556</u>

CITY OF TUSTIN
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	General	Marine Base Project Area Debt Service Fund
ASSETS		
Cash and investments	\$ 22,070,894	\$ -
Cash and investments with fiscal agents	-	2,827,620
Receivables:		
Accounts	4,293,078	88,876
Interest	17,643	-
Loans	-	-
Notes	-	-
Due from other governments	1,741,713	-
Allowance for uncollectibles	-	-
Due from other funds	13,416,019	-
Advances to other funds	-	6,992,105
Prepaid items and deposits	115,105	-
Land held for resale	144,071,850	-
	<u>\$ 185,726,302</u>	<u>\$ 9,908,601</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	5,776,112	\$ 2,472,407
Due to other funds	-	8,263,285
Advances from other funds	20,976,317	-
Deposits payable	6,407,983	-
Deferred revenue	935,770	698,189
	<u>34,096,182</u>	<u>11,433,881</u>
FUND BALANCES (DEFICIT):		
Nonspendable	144,186,955	6,293,916
Restricted	-	2,827,620
Assigned	-	-
Unassigned	7,443,165	(10,646,816)
	<u>151,630,120</u>	<u>(1,525,280)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 185,726,302</u>	<u>\$ 9,908,601</u>

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

CFD Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 110,286,009	\$ 132,356,903
39,247,336	7,441,934	49,516,890
-	1,080,012	5,461,966
-	124,997	142,640
-	1,095,904	1,095,904
-	32,424,643	32,424,643
-	-	1,741,713
-	(33,147,347)	(33,147,347)
-	-	13,416,019
-	15,711,668	22,703,773
-	35,830	150,935
-	1,707,677	145,779,527
<u>\$ 39,247,336</u>	<u>\$ 136,761,327</u>	<u>\$ 371,643,566</u>
\$ 423,817	\$ 4,628,397	\$ 13,300,733
502,734	4,650,000	13,416,019
-	-	20,976,317
-	10,936	6,418,919
-	3,627,651	5,261,610
<u>926,551</u>	<u>12,916,984</u>	<u>59,373,598</u>
-	16,058,797	166,539,668
38,320,785	89,524,876	130,673,281
-	18,603,317	18,603,317
-	(342,647)	(3,546,298)
<u>38,320,785</u>	<u>123,844,343</u>	<u>312,269,968</u>
<u>\$ 39,247,336</u>	<u>\$ 136,761,327</u>	<u>\$ 371,643,566</u>

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CITY OF TUSTIN

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

June 30, 2011

Fund balances - total governmental funds		\$ 312,269,968
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Capital assets net of depreciation have not been included as financial resources in governmental funds.		383,086,661
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Also, Bond issuance costs are not recorded as assets under the modified accrual basis of accounting. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Balances at June 30, 2011 are:</p>		
Tax allocation bonds	\$(77,600,000)	
Claims and judgments payable	(3,286,318)	
Compensated absences	(3,282,119)	
Post employment benefits obligation	(3,171,070)	
Deferred charges for issuance costs	1,287,745	
Bond discount	872,665	
Bond premium	(99,496)	
Total long-term liabilities	(85,278,593)	(85,278,593)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.		(1,089,116)
Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. Therefore, they are revenue on the accrual basis used in the government-wide statements.		3,186,472
Net assets of governmental activities		\$ 612,175,392

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

CITY OF TUSTIN

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

For the year ended June 30, 2011

	General	Marine Base Project Area Debt Service Fund
	<u>General</u>	<u>Fund</u>
REVENUES:		
Taxes	\$ 36,588,482	\$ 9,800,395
Licenses and permits	716,144	-
Fines and forfeitures	893,642	-
Investment income	911,146	2,952
Intergovernmental revenue	1,120,299	-
Charges for services	4,915,295	-
Rental income	180,520	-
Contributions from property owners - special assessments	-	-
Other revenue	2,334,187	-
TOTAL REVENUES	<u>47,659,715</u>	<u>9,803,347</u>
EXPENDITURES:		
Current:		
General government	7,432,956	-
Public safety	27,410,893	-
Public works	9,110,621	-
Community services	2,752,911	4,999,120
Capital outlay	1,107,607	-
Debt service:		
Principal retirement	-	8,199,000
Interest and fiscal charges	863,861	662,241
Bond issue costs	-	429,731
TOTAL EXPENDITURES	<u>48,678,849</u>	<u>14,290,092</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,019,134)</u>	<u>(4,486,745)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	2,620,957	-
Transfers out	-	(24,057)
Sale of property	18,138	-
Discount on bonds	-	(888,711)
Issuance of debt	-	4,170,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,639,095</u>	<u>3,257,232</u>
NET CHANGE IN FUND BALANCES	1,619,961	(1,229,513)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR (AS RESTATED)	<u>150,010,159</u>	<u>(295,767)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 151,630,120</u>	<u>\$ (1,525,280)</u>

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

CFD Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 10,935,134	\$ 57,324,011
-	-	716,144
-	-	893,642
2,098	716,019	1,632,215
-	4,252,606	5,372,905
-	105,190	5,020,485
-	177,510	358,030
1,593,475	-	1,593,475
-	90,865	2,425,052
<u>1,595,573</u>	<u>16,277,324</u>	<u>75,335,959</u>
-	72,972	7,505,928
-	97,621	27,508,514
-	-	9,110,621
-	4,988,938	12,740,969
1,150,346	7,721,717	9,979,670
-	2,460,000	10,659,000
139,232	2,466,101	4,131,435
-	-	429,731
<u>1,289,578</u>	<u>17,807,349</u>	<u>82,065,868</u>
<u>305,995</u>	<u>(1,530,025)</u>	<u>(6,729,909)</u>
-	24,057	2,645,014
-	(2,620,957)	(2,645,014)
-	-	18,138
-	-	(888,711)
-	40,000,000	44,170,000
-	37,403,100	43,299,427
305,995	35,873,075	36,569,518
<u>38,014,790</u>	<u>87,971,268</u>	<u>275,700,450</u>
<u>\$ 38,320,785</u>	<u>\$ 123,844,343</u>	<u>\$ 312,269,968</u>

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, 2011

Net change in fund balances - total governmental funds \$ 36,569,518

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures exceeded depreciation and disposition of capital assets in the current period:

Capital expenditures	\$ 8,121,160	
Disposition of capital assets	(997,854)	
Depreciation expenses	<u>(9,319,337)</u>	(2,196,031)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long term-debt and changes in other long-term liabilities affects the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term liabilities:

Bond issuance	\$(44,170,000)	
Discount on bond issuance	888,711	
Bond issuance costs	429,731	
Principal repayments	10,659,000	
Amortization of bond discount	(16,046)	
Amortization of bond premium	3,532	
Amortization of bond issuance costs	(31,510)	
Postemployment benefits obligation	(710,054)	
Claims and judgments payable	(1,045,355)	
Compensated absences	<u>(106,301)</u>	(34,098,292)

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds.

Net change in deferred revenues 966,303

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net change in accrued interest payable on long-term liabilities (670,649)

Change in net assets of governmental activities \$ 570,849

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

CITY OF TUSTIN

STATEMENT OF NET ASSETS
 PROPRIETARY FUND

June 30, 2011

		Business-type Activity
		Water Enterprise Fund
ASSETS		<u>Fund</u>
CURRENT ASSETS:		
Cash and investments		\$ 23,598,315
Accounts receivable		2,251,894
Interest receivable		18,140
Prepaid expenses		700
TOTAL CURRENT ASSETS		<u>25,869,049</u>
NONCURRENT ASSETS:		
Restricted cash and investments with fiscal agents		2,988,038
Deferred bond issuance costs		343,298
Capital assets:		
Not being depreciated		2,443,351
Being depreciated, net		<u>31,483,722</u>
TOTAL NONCURRENT ASSETS		<u>37,258,409</u>
TOTAL ASSETS		<u>63,127,458</u>
LIABILITIES		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities		2,100,378
Advances from other funds		1,727,456
Deposits payable		328,071
Compensated absences		217,251
Interest payable		210,243
Bonds payable		740,000
TOTAL CURRENT LIABILITIES		<u>5,323,399</u>
LONG-TERM LIABILITIES:		
Compensated absences		24,139
Bonds payable		31,365,756
TOTAL LONG-TERM LIABILITIES		<u>31,389,895</u>
TOTAL LIABILITIES		<u>36,713,294</u>
NET ASSETS:		
Invested in capital assets, net of related debt		20,872,492
Unrestricted		<u>5,541,672</u>
TOTAL NET ASSETS		<u>\$ 26,414,164</u>

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

CITY OF TUSTIN

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

For the year ended June 30, 2011

	Business-type Activity
	Water Enterprise Fund
	<u> </u>
OPERATING REVENUES:	
Charges for services	<u>\$ 12,422,746</u>
OPERATING EXPENSES:	
Personnel services	2,551,420
Purchased water and power	2,386,984
Maintenance and operation	5,628,031
Depreciation and amortization	<u>1,343,779</u>
TOTAL OPERATING EXPENSES	<u>11,910,214</u>
OPERATING INCOME	<u>512,532</u>
NONOPERATING REVENUES (EXPENSES):	
Investment income	158,242
Other income	19,064
Interest expense	<u>(668,453)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(491,147)</u>
CHANGE IN NET ASSETS	21,385
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>26,392,779</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$ 26,414,164</u></u>

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

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the year ended June 30, 2011

	Business-type Activity
	<u>Water Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 12,170,877
Payments to suppliers	(6,534,142)
Cash paid to other funds for services	(1,200,000)
Payments to employees	<u>(2,505,983)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>1,930,752</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(150,532)
Cash paid to other funds for capital assets	(413,735)
Proceeds from issuance of debt	19,269,637
Issuance cost	(269,640)
Principal paid on bonds	(710,000)
Interest paid	<u>(585,161)</u>
 NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>17,140,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>153,726</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 19,225,047
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,373,268</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 23,598,315</u></u>

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

(Continued)

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 (CONTINUED)

For the year ended June 30, 2011

	Business-type Activity
	<u>Water</u>
	Enterprise
	<u>Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 512,532
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,343,779
Other nonoperating income	19,064
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(328,511)
(Increase) decrease in prepaid costs	360
Increase (decrease) in accounts payable and accrued liabilities	291,396
Increase (decrease) in deposits payable	57,578
Increase (decrease) in compensated absences	<u>34,554</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u><u>\$ 1,930,752</u></u>

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

CITY OF TUSTIN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments with fiscal agents	\$ 25,730,572
Taxes receivable	110,430
Due from City of Tustin	<u>139,754</u>
 TOTAL ASSETS	 <u><u>\$ 25,980,756</u></u>
LIABILITIES	
Accounts payable	\$ 124,064
Due to the City of Tustin	1,881,390
Due to bondholders	<u>23,975,302</u>
 TOTAL LIABILITIES	 <u><u>\$ 25,980,756</u></u>

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

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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 issues bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

Blended Component Units

The Tustin Community Redevelopment Agency (Agency) was established October 20, 1976 pursuant to the State of California Health and Safety Code, Section 33000, entitled "Community Redevelopment Law". Its purpose is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Tustin. The City provides management assistance to the Agency, and the members of the City Council constitute the members of the Board of Directors of the Agency. The Agency's financial data and transactions are included with the debt service fund type and capital projects fund type.

The separate financial statements of the Tustin Community Redevelopment Agency component unit may be obtained from the City of Tustin Finance Department located in the Tustin Civic Center.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. The Financial Reporting Entity (Continued):

Blended Component Units (Continued)

The Tustin Public Financing Authority is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement dated May 1, 1995, by and between the City of Tustin and the Tustin Community Redevelopment Agency. The members of the City Council constitute the members of the Board of Directors of the Authority. The Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes, and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City or Assessment Districts of the City. Separate component unit financial statements for the Tustin Public Financing Authority are not issued.

b. Government-wide and Fund Financial Statements:

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

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.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Separate financial statements for the City's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental funds. Fiduciary fund statements, even though excluded from the government-wide financial statements, include financial information that primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

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

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

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

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.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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 consistent with GASB Statement No. 34. The City reports the following major governmental funds:

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

The Marine Base Project Area Debt Service Fund is used to meet the debt service requirements of the Marine Base Project Area.

The CFD Construction Capital Projects Fund is used to account for construction and improvements to the Tustin Legacy area.

The City reports the following major proprietary fund:

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

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

Governmental Funds

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

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

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

Fiduciary Funds

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.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Assets, Liabilities and Net Assets or Equity:

Cash, Cash Equivalents and Investments

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

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

Capital Assets

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

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

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

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

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Land Held for Resale

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

Property Taxes

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

Property Tax Calendar

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

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

Interest and penalties are assessed after the collection date.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Compensated Absences

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

2. CASH AND INVESTMENTS:

Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments	\$ 155,955,218
Cash and investments with fiscal agents	52,504,928

Fiduciary Funds:

Cash and investments with fiscal agents	<u>25,730,572</u>
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Total Cash and Investments	<u>\$ 234,190,718</u>
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Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 8,850
Deposits with financial institutions	2,524,374
Investments	<u>231,657,494</u>

Total Cash and Investments	<u>\$ 234,190,718</u>
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See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

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

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

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

N/A - Not Applicable

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements

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

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

N/A Not Applicable

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2011, the City had the following investments. Except for the investments in money market funds and investment contracts, all investments are in the City's internal investment pool.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	Over 60 Months	
United States Treasury Bills	\$ 9,999,710	\$ -	\$ -	\$ -	\$ 9,999,710
United States Treasury Notes	3,013,125	7,036,681	2,992,734	-	13,042,540
United States Government Sponsored Agency Securities:					
FNMA	9,998,700	-	-	-	9,998,700
FHLMC	9,998,800	-	-	-	9,998,800
State Investment Pool	79,069,583	-	-	-	79,069,583
Orange County Investment Pool	15,283,146	-	-	-	15,283,146
Government reserve money market fund	11,034,158	-	-	-	11,034,158
Corporate notes	4,995,356	-	-	-	4,995,356
Held by Fiscal Agents:					
Money market funds	71,095,305	-	-	-	71,095,305
Investment contracts	-	-	1,189,243	5,950,953	7,140,196
	<u>\$214,487,883</u>	<u>\$ 7,036,681</u>	<u>\$ 4,181,977</u>	<u>\$ 5,950,953</u>	<u>\$231,657,494</u>

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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, 2011	Minimum Legal Rating	Exempt from Disclosure	AAA	A-	Not Rated
U.S. Treasury Bills	\$ 9,999,710	N/A	\$ 9,999,710	\$ -	\$ -	\$ -
U.S. Treasury Notes	13,042,540	N/A	13,042,540	-	-	-
U.S. Government Sponsored Agency Securities:						
FNMA	9,998,700	N/A	-	9,998,700	-	-
FHLMC	9,998,800	N/A	-	9,998,800	-	-
State Investment Pool	79,069,583	N/A	-	-	-	79,069,583
Orange County Investment Pool	15,283,146	N/A	-	-	-	15,283,146
Government reserve money market funds	11,034,158	A	-	11,034,158	-	-
Corporate notes	4,995,356	AA	-	2,001,038	2,994,318	-
Held by Fiscal Agents:						
Money market funds	71,095,305	A	-	71,095,305	-	-
Investment contracts	<u>7,140,196</u>	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,140,196</u>
Total	<u>\$ 231,657,494</u>		<u>\$ 23,042,250</u>	<u>\$ 104,128,001</u>	<u>\$ 2,994,318</u>	<u>\$ 101,492,925</u>

Subsequent to June 30, 2011, Standards and Poor's reduced the rating of the United States Government Sponsored Agency Securities from AAA to AA+.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City does not have Investments in any one issuer (other than U. S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total City investments.

Custodial Credit Risk

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

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

As of June 30, 2011, 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, 2011, the City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasuries	\$ 23,042,250
Federal Agency Securities	19,997,500
Corporate Notes	4,995,356

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool

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

Investment in County Investment Pool

The Orange County Investment Pool Fund (OCPIF) is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCPIF are highly liquid as deposits and withdrawal can be made at any time without penalty. The City's fair value of its share in the pool is the same value of the pool shares, which amounted to \$15,283,146. Information on OCPIF's use of derivative securities in its investment portfolio and OCPIF's and the City's exposure to credit, market, or legal risk is not available.

3. LOANS RECEIVABLE:

Multi-Family Development Loan: The Agency provided a Bridge Loan to Senior Apartment Developer to assist in the development of 53 affordable rental units. The total outstanding balance as of June 30, 2011, was \$347,510.

Home Improvement Loans: The Agency has provided deferred home improvement loans 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, 2011, was \$67,468. An allowance of \$67,468 has been recorded to reflect the amount of the loans not expected to be collectible.

Homebuyer Program Loans: The Agency has provided down payment assistance 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, 2011, was \$680,926. An allowance of \$655,237 has been recorded to reflect the amount of loans not expected to be collectible.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

4. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS:

Due To and Due From

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Marine Base Project Area	
	Debt Service Fund	\$ 8,263,285
	CFD Construction	
	Capital Projects Fund	502,734
	Other Governmental Funds	<u>4,650,000</u>
		<u>\$ 13,416,019</u>

The amounts loaned from General Fund to Marine Base Project Area Debt Service Fund, CFD Construction Capital Projects Fund and Other Governmental Funds, are to provide short-term loans to fund operations.

Advances To and Advances From

The composition of interfund advances as of June 30, 2011 is as follows:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>
General Fund	Marine Base Project Area	
	Debt Service Fund	\$ 6,992,105
	Other Governmental Funds	13,984,212
Water Enterprise Fund	Other Governmental Funds	<u>1,727,456</u>
		<u>\$ 22,703,773</u>

On April 6, 2010, the City entered into a promissory note with Tustin Water Enterprise Fund in the amount of \$2,123,437 to provide the cash necessary to meet the bond covenant. The Water Enterprise Fund promised to pay the City on June 1, 2015, the principal amount of \$2,123,437 with interest accrued thereon from April 6, 2010 to the maturity date at the rate of 3.5% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2010. The total amount receivable from Water Fund as of June 30, 2011 for other governmental funds is \$1,727,456.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

Advances To and Advances From (Continued)

On December 31, 2008, the City entered into a promissory note with the Agency in the amount of \$18,881,750. The City promised to pay the Agency on December 1, 2013, the principal amount of \$18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. The total amounts receivable from the General Fund as of June 30, 2011 for the Marine Base Project Area Debt Service Fund and Other Governmental Funds are \$6,992,105 and \$13,984,212, respectively.

Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,620,957
Other Governmental Funds	Marine Base Project Area Debt Service Fund	<u>24,057</u>
		<u>\$ 2,645,014</u>

A transfer from other governmental funds was made to reimburse the General Fund per adopted budget for fiscal year 2010-11 and for activities related to the reimbursement agreement between the City and the Agency.

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.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

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

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

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

The value of the remaining parcels that have been conveyed to the City as of June 30, 2011 is \$101,558,282 and is included in the total of the land held for resale reported in the General Fund. The value was based on an assumption that most of the land will be sold in a bulk sale to a single developer and the remaining property not sold will be park space or conveyed to other governmental agencies.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010 As Restated (See Note 18)	Additions	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 44,259,596	\$ -	\$ -	\$ 44,259,596
Right of way	42,408,200	-	-	42,408,200
Construction in progress	<u>31,846,583</u>	<u>5,504,113</u>	<u>(2,540,406)</u>	<u>34,810,290</u>
 Total capital assets, not being depreciated	 <u>118,514,379</u>	 <u>5,504,113</u>	 <u>(2,540,406)</u>	 <u>121,478,086</u>
Capital assets, being depreciated:				
Buildings	49,837,024	613,469	-	50,450,493
Improvements other than buildings	14,136,665	-	-	14,136,665
Machinery and equipment	12,762,738	1,286,079	(273,153)	13,775,664
Infrastructure	<u>283,754,422</u>	<u>3,257,905</u>	<u>(2,667,132)</u>	<u>284,345,195</u>
 Total capital assets, being depreciated	 <u>360,490,849</u>	 <u>5,157,453</u>	 <u>(2,940,285)</u>	 <u>362,708,017</u>
Less accumulated depreciation for:				
Buildings	(9,207,727)	(1,046,117)	-	(10,253,844)
Improvements other than buildings	(2,704,931)	(503,861)	-	(3,208,792)
Machinery and equipment	(10,257,452)	(959,585)	216,115	(11,000,922)
Infrastructure	<u>(71,552,426)</u>	<u>(6,809,774)</u>	<u>1,726,316</u>	<u>(76,635,884)</u>
 Total accumulated depreciation	 <u>(93,722,536)</u>	 <u>(9,319,337)</u>	 <u>1,942,431</u>	 <u>(101,099,442)</u>
 Total capital assets, being depreciated, net	 <u>266,768,313</u>	 <u>(4,161,884)</u>	 <u>(997,854)</u>	 <u>261,608,575</u>
 Total governmental activities capital assets, net	 <u>\$ 385,282,692</u>	 <u>\$ 1,342,229</u>	 <u>\$(3,538,260)</u>	 <u>\$ 383,086,661</u>

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

6. CAPITAL ASSETS (CONTINUED):

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

General government	\$ 102,783
Public safety	472,891
Public works	8,247,638
Community services	<u>496,025</u>
	<u>\$ 9,319,337</u>

A summary of changes in the Business-type Activities capital assets for the year ended June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Capital assets, not being depreciated				
Land	\$ 1,177,216	\$ -	\$ -	\$ 1,177,216
Construction in progress	<u>1,146,157</u>	<u>174,091</u>	<u>(54,113)</u>	<u>1,266,135</u>
Total capital assets, not being depreciated	<u>2,323,373</u>	<u>174,091</u>	<u>(54,113)</u>	<u>2,443,351</u>
Capital assets, being depreciated:				
Buildings and improvements	9,546,474	21,898	-	9,568,372
Property, plant and equipment	<u>42,831,232</u>	<u>8,656</u>	<u>-</u>	<u>42,839,888</u>
Total capital assets, being depreciated	<u>52,377,706</u>	<u>30,554</u>	<u>-</u>	<u>52,408,260</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,681,855)	(268,565)	-	(3,950,420)
Property, plant and equipment	<u>(15,941,995)</u>	<u>(1,032,123)</u>	<u>-</u>	<u>(16,974,118)</u>
Total accumulated depreciation	<u>(19,623,850)</u>	<u>(1,300,688)</u>	<u>-</u>	<u>(20,924,538)</u>
Total capital assets, being depreciated, net	<u>32,753,856</u>	<u>(1,270,134)</u>	<u>-</u>	<u>31,483,722</u>
Total business-type activity capital assets, net	<u>\$ 35,077,229</u>	<u>\$ (1,096,043)</u>	<u>\$ (54,113)</u>	<u>\$ 33,927,073</u>

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES:

A summary of long-term liability activity for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Due Within One Year
Governmental activities:					
Tax allocation bonds	\$ 35,890,000	\$ 44,170,000	\$ (2,460,000)	\$ 77,600,000	\$ 2,590,000
Unamortized premium	103,028	-	(3,532)	99,496	-
Unamortized discount	-	(888,711)	16,046	(872,665)	-
Notes payable	<u>8,199,000</u>	<u>-</u>	<u>(8,199,000)</u>	<u>-</u>	<u>-</u>
Total bonds and notes payable	44,192,028	43,281,289	(10,646,486)	76,826,831	2,590,000
Claims and judgments	2,240,963	2,138,342	(1,092,987)	3,286,318	3,286,318
Postemployment benefits					
Obligation (see Note 9)	2,461,016	887,145	(177,091)	3,171,070	-
Compensated absences	<u>3,175,818</u>	<u>2,037,697</u>	<u>(1,931,396)</u>	<u>3,282,119</u>	<u>2,953,907</u>
 Total governmental activities long-term liabilities	 <u>\$ 52,069,825</u>	 <u>\$ 48,344,473</u>	 <u>\$ (13,847,960)</u>	 <u>\$ 86,566,338</u>	 <u>\$ 8,830,225</u>
Business-type activities:					
2003 Refunding Water					
Revenue bonds	\$ 11,875,000	\$ -	\$ (710,000)	\$ 11,165,000	\$ 740,000
Deferred charges on refunding	(147,193)	-	23,240	(123,953)	-
2011 Water					
Revenue bonds	-	20,760,000	-	20,760,000	-
Bond premium	-	305,984	(1,275)	304,709	-
Compensated absences	<u>206,836</u>	<u>279,988</u>	<u>(245,434)</u>	<u>241,390</u>	<u>217,251</u>
 Total business-type activities long-term liabilities	 <u>\$ 11,934,643</u>	 <u>\$ 21,345,972</u>	 <u>\$ (933,469)</u>	 <u>\$ 32,347,146</u>	 <u>\$ 957,251</u>

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities

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, 2011, the 1998 Bonds outstanding balance was \$8,515,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,255,000	\$ 385,466	\$ 1,640,466
2013	1,315,000	323,771	1,638,771
2014	1,380,000	258,073	1,638,073
2015	1,445,000	188,138	1,633,138
2016	1,525,000	113,888	1,638,888
2017	<u>1,595,000</u>	<u>37,881</u>	<u>1,632,881</u>
Totals	<u>\$ 8,515,000</u>	<u>\$ 1,307,217</u>	<u>\$ 9,822,217</u>

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (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, 2011, the 2010 Housing Bonds outstanding balance was \$24,915,000.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 695,000	\$ 1,121,331	\$ 1,816,331
2013	715,000	1,100,181	1,815,181
2014	735,000	1,078,431	1,813,431
2015	760,000	1,054,106	1,814,106
2016	785,000	1,025,106	1,810,106
2017 - 2021	4,420,000	4,619,031	9,039,031
2022 - 2026	5,415,000	3,595,753	9,010,753
2027 - 2031	4,620,000	2,251,125	6,871,125
2032 - 2036	3,375,000	1,352,531	4,727,531
2037 - 2040	<u>3,395,000</u>	<u>367,894</u>	<u>3,762,894</u>
Totals	<u>\$ 24,915,000</u>	<u>\$ 17,565,489</u>	<u>\$ 42,480,489</u>

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (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, 2011, the 2010 MCAS Bonds outstanding balance was \$44,170,000.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 640,000	\$ 2,025,375	\$ 2,665,375
2013	805,000	2,006,900	2,811,900
2014	830,000	1,982,375	2,812,375
2015	855,000	1,957,100	2,812,100
2016	880,000	1,931,075	2,811,075
2017 - 2021	4,870,000	9,157,700	14,027,700
2022 - 2026	5,955,000	8,035,881	13,990,881
2027 - 2031	7,520,000	6,422,431	13,942,431
2032 - 2036	9,585,000	4,302,625	13,887,625
2037 - 2041	<u>12,230,000</u>	<u>1,588,000</u>	<u>13,818,000</u>
Totals	<u>\$ 44,170,000</u>	<u>\$ 39,409,462</u>	<u>\$ 83,579,462</u>

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Governmental Activities (Continued)

Notes Payable

On April 1, 2007, the Tustin Community Redevelopment Agency entered into two related Note Purchase Agreements in the amounts of \$19,900,000 Series B (Tax-exempt) and \$5,100,000 Series A (Taxable) with Citigroup Global Markets, Inc. for the acquisition of a thirty-seven acre parcel of land adjacent to the Marine Base Project Area that will provide freeway access to and from the Marine Base Project Area. Principal is payable in annual payments due in November of each year. Interest payments are payable monthly during the Initial Note Period with a fixed interest rate of 4.32% through November 2008. After the Initial Note Period, variable rate interest payments are payable monthly based upon the current Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) on the 2007 Series A Note and the London Interbank Offered Rate (LIBOR) for the 2007 Series B Note. Interest payments after the Initial Note Period have been calculated based upon the year-end interest rates of 1.03% for Series A and 4.56% for Series B. The remaining balances of the notes were paid off in fiscal year 2011.

Pledged Revenues

The tax allocation bonds are secured and to be serviced from tax increment revenues and dedicated housing tax increment, through the fiscal year 2041. Total debt service requirements for tax allocation bonds through 2041 are \$135,882,168 consisting of principal payments of \$77,600,000 and interest payments of \$58,282,168. Pledged tax increment revenue recognized during the year was \$18.3 million against the total debt service payment of \$12.9 million.

Although the incremental property taxes were projected to produce sufficient revenues to meet the debt service requirements over the life of the bonds, certain conditions could have a material, adverse impact on revenues allocated to the Agency. These include future decreases in the assessed valuation of the project areas, decreases in the applicable tax rates or collection rates, general decline in the economic condition of the project areas, or a change in the law reducing the tax increment received by the Agency.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities

2003 Refunding Water Revenue Bonds

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

The Bonds are payable in annual installments ranging from \$130,000 to \$1,160,000 until maturity on April 1, 2023. Interest is payable semiannually on April 1 and October 1, with rates ranging from 3.7% to 4.65% per annum.

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$309,873. The difference reported in the accompanying statements as a deduction from revenue bonds payable, is being charged to interest expense through 2023.

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, 2011, total interest and principal remaining on the bonds is \$14,564,360. During the fiscal year, the total principal paid and interest expense incurred were \$1,212,705 and net revenues were \$2,033,617.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ 740,000	\$ 474,305	\$ 1,214,305
2013	770,000	444,705	1,214,705
2014	800,000	413,905	1,213,905
2015	830,000	381,905	1,211,905
2016	865,000	348,705	1,213,705
2017 - 2021	4,890,000	1,176,895	6,066,895
2022 - 2023	2,270,000	158,940	2,428,940
	<u>11,165,000</u>	<u>3,399,360</u>	<u>14,564,360</u>
Less: deferred charges on refunding	<u>(123,953)</u>	<u>-</u>	<u>(123,953)</u>
Totals	<u>\$ 11,041,047</u>	<u>\$ 3,399,360</u>	<u>\$ 14,440,407</u>

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Business-type Activities (Continued)

2011 Water Revenue Bonds

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

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2011, total interest and principal remaining on the bonds is \$44,459,044. During the fiscal year, there were no debt service payments due.

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

Year Ending June 30,	Principal	Interest	Total
2012	\$ -	\$ 890,481	\$ 890,481
2013	-	1,047,625	1,047,625
2014	-	1,047,625	1,047,625
2015	-	1,047,625	1,047,625
2016	-	1,047,625	1,047,625
2017 - 2021	-	5,238,125	5,238,125
2022 - 2026	2,315,000	5,126,125	7,441,125
2027 - 2031	4,700,000	4,199,313	8,899,313
2032 - 2036	6,040,000	2,861,750	8,901,750
2037 - 2041	7,705,000	1,192,750	8,897,750
	<u>20,760,000</u>	<u>23,699,044</u>	<u>44,459,044</u>
Add: Premium	<u>304,709</u>	<u>-</u>	<u>304,709</u>
Totals	<u>\$ 21,064,709</u>	<u>\$ 23,699,044</u>	<u>\$ 44,763,753</u>

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. PENSION PLAN:

Plan Description

The City contributes to the California Public Employees' Retirement System (PERS), an agent-multiple employer public employee defined pension benefit plan for miscellaneous employees and a cost-sharing multiple-employer public employee defined benefit pension plan for public safety employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. For City employees, other than safety and management, the City contributes 3.5% of the employees' contribution and the employee contributes 3.5%. For safety employees, the City contributes 4.5% of the employees' contribution and the employee contributes 4.5%. For City management, other than safety management, the City contributes 3% of the employees' contribution and the employee contributes 4%. For safety management, the City contributes 5% of the employees' contribution and the employee contributes 4%. The City is required to contribute the remaining amount necessary to fund the benefits for its members, using the actuarial methods recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration.

The required employer contribution rate for year ended June 30, 2011 was 8.962% and 27.402% for miscellaneous and safety employees, respectively. The contribution requirements of the plan members are established by the state statute and the employer contribution rate is established and may be amended by PERS.

The funded status of the plan based on the June 30, 2010 actuarial valuation is as follows:

Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	Unfunded Liability % of Covered Payroll
\$69,334,930	\$ 63,773,252	\$ 5,561,678	92.0 %	\$ 13,660,580	40.7 %

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

8. PENSION PLAN (CONTINUED):

Funding Policy (Continued)

The schedule of funding progress presented as Required Supplementary Information following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The assumptions for the June 30, 2010 actuarial valuation for the funded status were the same as those of the June 30, 2008 valuation that determined the required contributions.

Annual Pension Cost

For 2011, the City's annual pension cost of \$2,205,531 for the Miscellaneous Plan and \$3,396,182 for the Safety Plan (based on an actuarially determined basis) was equal to the City's required and actual contributions. The required contribution for the miscellaneous plan for the year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions for the Miscellaneous Plan included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of the actuarial valuation date was 19 years for the miscellaneous employee plan.

Three-Year Trend Information for PERS
Miscellaneous Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 2,379,894	100%	\$ -
6/30/10	2,254,708	100%	-
6/30/11	2,205,531	100%	-

Three-Year Trend Information for PERS
Safety Plan

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 3,323,919	100%	\$ -
6/30/10	3,245,673	100%	-
6/30/11	3,396,182	100%	-

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

9. POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description

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

Eligibility

Employees 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. The benefits are available only to employees who retire from the City. Membership of the plan consisted of the following at June 30, 2011:

	<u>Police</u>	<u>General</u>	<u>Mgmt</u>	<u>Conf</u>	<u>Police Support</u>	<u>Total</u>
Retirees Receiving Benefits	29	20	18	0	5	72
Eligible Active Employees	87	101	43	6	40	277

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

Funding Policy

The City's current contribution is based on pay-as-you-go. As of July 1, 2010, 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, 2011, the City paid \$177,091 directly to retirees towards their 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 in accordance with the parameters of GASB Statement 45. 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.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

Funding Policy (Continued)

The City's ARC for the year ended June 30, 2011 was \$985,173. 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:

	<u>Police</u>	<u>General</u>	<u>Mgmt</u>	<u>Conf</u>	<u>Police Support</u>	<u>Total</u>
ARC (OPEB cost)	\$ 327,450	\$ 341,564	\$ 172,194	\$ 16,937	\$ 127,028	\$ 985,173
Interest on net						
OPEB obligation	31,078	23,955	24,498	15,252	9,436	104,219
Adjustment to ARC	<u>(60,310)</u>	<u>(46,487)</u>	<u>(47,541)</u>	<u>(29,598)</u>	<u>(18,311)</u>	<u>(202,247)</u>
Annual pension cost	298,218	319,032	149,151	2,591	118,153	887,145
Contributions made	<u>(79,622)</u>	<u>(31,636)</u>	<u>(58,450)</u>	<u>-</u>	<u>(7,383)</u>	<u>(177,091)</u>
Increase in net OPEB obligation	218,596	287,396	90,701	2,591	110,770	710,054
Net OPEB obligation, beginning	<u>733,878</u>	<u>565,666</u>	<u>578,492</u>	<u>360,164</u>	<u>222,816</u>	<u>2,461,016</u>
Net OPEB obligation, ending	<u>\$ 952,474</u>	<u>\$ 853,062</u>	<u>\$ 669,193</u>	<u>\$ 362,755</u>	<u>\$ 333,586</u>	<u>\$ 3,171,070</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 1,090,989	17.90%	\$ 1,699,651
6/30/10	897,043	15.10%	2,461,016
6/30/11	887,145	19.96%	3,171,070

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

Funding Status and Progress

As of June 30, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$13.6 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$13.6 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 \$23.1 million and the ratio of the UAAL to the covered payroll was 58.9%. 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 2011 was determined as part of the July 1, 2009 actuarial valuation. The actuarial cost method used for determining the benefit obligations is the entry age normal cost method. The actuarial assumptions included a 4.25% investment rate of return (which is based on assumed long-term investment return on plan assets and on the City's assets, as appropriate), annual inflation rate of 3%, annual payroll increase of 3.25% and an annual healthcare cost trend rate with increases that vary by year. The UAAL is being amortized as a level percentage of projected payroll over a closed period of 30 years.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

10. SELF-INSURANCE PROGRAM/RISK POOL:

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

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

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

The government retains a risk of loss, due to the fact that actual losses may exceed estimated claims or coverage amounts. Settled claims have not exceeded any of the City's coverage amounts in any of the last three fiscal years, and there were no reductions in the City's coverage during the year ended June 30, 2011. At June 30, 2011, estimated claims payable of \$3,268,318, 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, 2010 and 2011, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

<u>June 30,</u>	<u>Balance</u>	<u>Estimates</u>	<u>Payments</u>	<u>Balance</u>
2010	\$ 1,939,920	\$ 1,342,669	\$ 1,041,626	\$ 2,240,963
2011	2,240,963	2,138,342	1,092,987	3,286,318

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

11. 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.

<u>District Bonds</u>	<u>Amount of Issue</u>	<u>Outstanding June 30, 2011</u>
Assessment District 95-1	\$ 35,705,000	\$ 8,045,000
Assessment District 95-2, 1996	41,500,000	20,066,000
Assessment District 95-2, 1997	3,300,000	780,000
Assessment District 95-2, 1998	4,185,000	1,240,000
Assessment District 95-2, 1999	4,995,000	1,355,000
Assessment District 95-2, 2001	2,245,000	675,000
Community Facilities District 04-1, 2004	11,415,000	10,335,000
Community Facilities District 06-1, 2007	53,570,000	53,425,000
Community Facilities District 06-1, 2010	1,675,000	1,675,000
Community Facilities District 07-1, 2007	<u>13,680,000</u>	<u>13,650,000</u>
	<u>\$ 172,270,000</u>	<u>\$ 111,246,000</u>

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

11. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

Tustin Public Financing Authority

In February 1999, the Tustin Public Financing Authority (PFA) issued \$35,705,000 of Revenue Bonds, Series A, to facilitate the issuance of the \$35,705,000 of Assessment District Bonds for Reassessment District 95-1. The proceeds of the PFA bonds were used to purchase certain limited obligation bonds of Reassessment District 95-1. At June 30, 2011, the amount of the PFA Revenue Bonds, Series A, outstanding was \$8,045,000.

In February 1996, the PFA issued \$41,500,000 of Limited Obligation Improvement Bonds, Series A. The proceeds from the sale of the Series A Bonds were used to refund outstanding limited obligation improvement bonds of the City for Assessment District 85-1 and Assessment District 86-2. At June 30, 2011, the amount of the PFA Limited Obligation Improvement Bonds, Series A, outstanding was \$20,066,000.

In November 1997, the PFA issued \$3,300,000 of Revenue Bonds, Series B, to facilitate the issuance of the \$3,300,000 of Assessment District bonds for Reassessment District 95-2. The proceeds were used to purchase the entire issue of limited obligation bonds of the Reassessment District 95-2. The 95-2 Assessment bonds (issued October 1997 and concurrently sold to the PFA) were issued for the purpose of refunding a portion of the 1996 Assessment bonds 95-2. At June 30, 2011, the amount of the PFA Revenue Bonds, Series B, outstanding was \$780,000.

In November 1998, the PFA issued \$4,185,000 of Revenue Bonds, Series C, to facilitate the issuance of the \$4,185,000 of Assessment District bonds for Reassessment District 95-2. The proceeds were used to purchase the entire issue of limited obligation bonds of the Reassessment District 95-2. The 95-2 Assessment bonds (issued December 1998 and concurrently sold to the PFA) were issued for the purpose of refunding a portion of the 1996 Assessment Bonds 95-2 bonds. The net proceeds of \$4,135,943 were used to refund \$3,648,000 of Assessment District 95-2 bonds. As a result, a portion of the Assessment District 95-2 bonds are considered to be defeased. At June 30, 2011, the amount of the PFA Revenue Bonds, Series C, outstanding was \$1,240,000.

In November 1999, the PFA issued \$4,995,000 of Revenue Bonds, Series D, to facilitate the issuance of the \$4,995,000 of Assessment District bonds for Reassessment District 95-2. The proceeds were used to purchase the entire issue of limited obligation bonds of the Reassessment District 95-2. The 95-2 Assessment bonds (issued November 1999 and concurrently sold to the PFA) were issued for the purpose of refunding a portion of the 1996 Assessment Bonds 95-2. The net proceeds of \$4,937,880 were used to refund \$4,323,000 of Assessment District 95-2 bonds. As a result, a portion of the Assessment District 95-2 bonds are considered to be defeased. At June 30, 2011, the amount of the PFA Revenue Bonds, Series D, outstanding was \$1,355,000.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

11. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

Tustin Public Financing Authority (Continued)

In October 2001, the PFA issued \$2,245,000 of Revenue Bonds, Series E, to facilitate the issuance of the \$2,245,000 of Assessment District bonds for Reassessment District 95-2. The proceeds were used to purchase the entire issue of limited obligation bonds of the Reassessment District 95-2. The 95-2 Assessment bonds (issued October 2001 and concurrently sold to the PFA) were issued for the purpose of refunding a portion of the 1996 Assessment Bonds 95-2. The net proceeds of \$2,223,063 were used to refund \$1,970,000 of Assessment District 95-2 bonds. As a result, a portion of the Assessment District 95-2 bonds are considered defeased. At June 30, 2011, the amount of the PFA Revenue Bonds, Series E, outstanding was \$675,000.

Community Facilities District

In December 2004, the City issued \$11,415,000 of Special Tax Bonds, Series 2004, to facilitate the new infrastructure construction on the former MCAB being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, pay capitalized interest on bonds through September 16, 2005, and pay costs of issuing the Series 2004 Bonds. Serial current interest bonds will mature from September 1, 2006 to September 1, 2025. Term current interest bonds will mature on September 1, 2029, with mandatory sinking payments from September 1, 2030 through September 1, 2034. Interest maturity rates of the current interest bonds range from 2.75% at September 1, 2006 to 5.35% at September 1, 2025 - and current term interest bonds are 5.375% and 5.50% on their respective maturity dates. At June 30, 2011, the amount of the Special Tax Bonds, Series 2004 was \$10,335,000.

In September 2007, the City issued \$53,570,000 of Special Tax Bonds, Series 2007A, to facilitate the new infrastructure construction on the former MCAB being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, pay capitalized interest on bonds through September 1, 2008, and pay costs of issuing the Series 2007A Bonds. Serial current interest bonds will mature from September 1, 2009 to September 1, 2025. Term current interest bonds will mature on September 1, 2036, with mandatory sinking payments from September 1, 2026 through September 1, 2036. Interest maturity rates of the current interest bonds range from 4% at September 1, 2009 to 5.375% at September 1, 2025 and current term interest bonds are 6% on their respective maturity dates. At June 30, 2011, the amount of the Special Tax Bonds, Series 2007A was \$53,425,000.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

11. SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED):

Community Facilities District (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 MCAB being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, and pay costs of issuing the Series 2007 Bonds. Serial current interest bonds will mature from September 1, 2009 to September 1, 2025. Term current interest bonds will mature on September 1, 2037, with mandatory sinking payments from September 1, 2026 through September 1, 2037. Interest maturity rates of the current interest bonds range from 4% at September 1, 2009 to 5.65% at September 1, 2025 and current term interest bonds are 6% through their respective maturity dates. At June 30, 2011, the amount of the Special Tax Bonds, Series 2007 was \$13,650,000.

In October 2010, the City issued \$1,675,000 of Special Tax Bonds, Series 2010 to, to facilitate the new infrastructure construction on the former MCAB being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, and pay costs of issuing the Series 2010 Bonds. Serial current interest bonds will mature from September 1, 2011 to September 1, 2035. Term current interest bonds will mature on September 1, 2039, with mandatory sinking payments from September 1, 2036 through September 1, 2039. Interest maturity rates of the current interest bonds range from 1.5% at September 1, 2011 to 5.625% at September 1, 2035 and current term interest bonds are 5.75% through their respective maturity dates. At June 30, 2011, the amount of the Special Tax Bonds, Series 2010 was \$1,675,000.

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.

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CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

12. 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.

The California Health and Safety Code requires redevelopment agencies to set aside 20 percent of their tax increment from project areas established after 1976 for low and moderate income housing. Between fiscal years 1985-86 and 1991-92, the Tustin Community Redevelopment Agency deferred a total of \$2,776,042 from its low and moderate-income housing obligation, and is the amount outstanding as of June 30, 2011.

In July 2004, the City entered into a disposition and development agreement (“DDA”) with Vestar Development Company (“Developer”) where the City agreed to sell and/or lease or sublease and developer agreed to purchase and/or lease or sublease the Tustin Legacy Property. Pursuant to the DDA, the City and Developer entered into an infrastructure construction and payment agreement (“Agreement”) dated June 8, 2005. The Agreement calls for the Developer to pay the Project Fair Share Contribution (as defined in the DDA) with respect to the Tustin Legacy Backbone Infrastructure program. Pursuant to the original and subsequent agreements, the Developer is entitled to reimbursement of its infrastructure costs that exceed the Project Fair Share Obligation upon full acceptance of individual Developer Backbone Infrastructure Segments. As of June 30, 2011, the total infrastructure cost incurred by the Developer that is subject to reimbursement was \$45,164,084 and the total reimbursement made by the City was \$30,241,666. Estimated future reimbursements to be made by the City (as the infrastructure segments are completed and accepted by the City and only if there are excess land sale proceeds from parcels identified in the agreement) are \$21,873,901.

See independent auditors’ report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. The fund balances reported on the fund statements now consist of the following categories:

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

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

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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

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

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

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

13. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED):

	General Fund	Marine Base Project Area Debt Service Fund	CFD Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund balances (deficit):					
Nonspendable:					
Prepaid items	\$ 115,105	\$ -	\$ -	\$ 35,830	\$ 150,935
Advance to other funds		6,293,916	-	14,315,290	20,609,206
Land held for resale	144,071,850	-	-	1,707,677	145,779,527
Restricted for:					
Low income					
housing projects	-	-	-	15,245,065	15,245,065
Capital projects	-	-	38,320,785	6,122,384	44,443,169
Debt service	-	2,827,620	-	9,518,666	12,346,286
Public safety	-	-	-	266,592	266,592
Redevelopment projects	-	-	-	58,372,169	58,372,169
Assigned to:					
Capital projects	-	-	-	18,603,317	18,603,317
Unassigned	<u>7,443,165</u>	<u>(10,646,816)</u>	<u>-</u>	<u>(342,647)</u>	<u>(3,546,298)</u>
Total fund					
balances (deficit)	<u>\$ 151,630,120</u>	<u>\$ (1,525,280)</u>	<u>\$ 38,320,785</u>	<u>\$ 123,844,343</u>	<u>\$ 312,269,968</u>

14. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balance

The Marine Base Project Area Debt Service Fund had deficit fund balance of \$1,525,280 at June 30, 2011. This deficit is expected to be relieved from future revenues or transfers.

Expenditures Exceed Appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other Governmental Funds:			
Supplemental Law Enforcement			
Special Revenue Fund	\$ 88,200	\$ 121,346	\$ (33,146)

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

15. CITY AND AGENCY REIMBURSEMENT AGREEMENT:

Reimbursement Agreement

In order to assist the Agency in meeting its affordable housing obligations, the City entered into an agreement to sell property at a discount sufficient to permit developers to economically develop the required number of affordable housing units and has encumbered the sale of the properties and units with covenants, promissory notes and deeds of trust to ensure maintaining the affordability of those units in accordance with the California Community Redevelopment Law. The affordable units are located at Tustin Fields I and II and are comprised of thirty-three very low, twenty-three low and sixty-two moderate income units, which are secured by promissory notes and deeds of trusts by the City that reflect an average of approximately \$502,600 for very low-income units, \$485,900 for low-income units and \$279,100 for moderate-income units. The City's promissory notes and deeds of trust reflect the affordable housing subsidy (the difference between the fair market value of the dwelling unit at the time of purchase and the affordable housing purchase price of the units).

On June 5, 2007, the City and Agency executed a Reimbursement Agreement whereby the Agency agrees to reimburse the City for the affordable housing subsidy from tax increment revenues, including but not limited to the Agency's Low and Moderate-Income Housing Set-Aside deposits from the MCAS Tustin Project Area, Town Center and South Central Project Areas as determined on an annual basis as part of the budget process. As of the date of the agreement, the total subsidy value associated with the production of the affordable housing units is \$23,585,726 on Tustin Field I and \$22,822,010 on Tustin Field II, for a total of \$46,407,736.

During the fiscal year 2011, the Agency reimbursed the City \$1,325,546 from the South Central and Town Center Low Income Housing Fund and \$1,084,537 from the Marine Base Low Income Housing Fund. The reimbursement amounts were recorded as a transfer in the accompanying financial statements. Interest paid by the Agency during the fiscal year to the City was as follows: \$368,846 by the Marine Base Low Income Housing Fund and \$450,813 by the South Central and Town Center Low Income Housing Fund. This obligation is expected to increase in future years as the City anticipates reselling additional property to developers and affordability subsidy for these additional affordable housing units is estimated at \$195,658,760. Since the obligation is contingent upon future tax increment revenues, only actual payments by the Agency to the City are recorded in the accompanying financial statements.

As a result of the reimbursement agreement, any payments received from the promissory notes that are held in the City's will be returned to the Agency. The outstanding balance of the promissory notes at June 30, 2011 of \$32,424,643 is offset by an allowance of \$32,424,643 to reflect the amount of the notes not expected to be collected.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

15. CITY AND AGENCY REIMBURSEMENT AGREEMENT (CONTINUED):

Cooperative Agreement

On February 1 2011, the Agency entered into a cooperation agreement with the City, whereby the City will help the Agency and cooperate with the Agency to expeditiously implement the projects outlined in the five year implementation plans adopted by the Agency. As consideration for City's help, the Agency agreed to pay the City an amount equal to the cost to the City to carry out the projects, including without limitation all costs incurred by the City for the planning, acquisition and disposition, financing, development, permitting, design, site testing, bidding, construction and construction management for the projects. The Agency's obligation under the cooperation agreement constitutes an indebtedness of the Agency for the purpose of carrying out the redevelopment of the Project Areas. The obligation will be payable out of net available tax increments. During the fiscal year, the City did not incur any costs covered by this agreement. Therefore, no reimbursements were made by the Agency.

16. JOINT POWERS AUTHORITY:

Orange County Fire Authority

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

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

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

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

17. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Tustin intends to use tax increment allocable to its redevelopment agency for this purpose. The amounts to be paid after fiscal year 2011-12 and 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

In the event that Assembly Bill X1 26 is upheld, the receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible with a loss recognized by the advancing funds. Funds of the City may also be impacted by the elimination of reimbursements previously paid to the City by the redevelopment agency for shared administrative services.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

See independent auditors' report.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 2, 2011, Agency Ordinance No. 1405 was adopted, indicating that the Agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the agency is estimated to be \$7,105,796 with one half due on January 15, 2012 and the other half due May 15, 2012. The amounts to be paid after fiscal year 2011-12 and 2012-13 have yet to be determined by the state legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments.

On December 29, 2011, the California Supreme Court rendered an opinion upholding Assembly Bill 1x 26 and invalidating Assembly Bill 1x 27. The impact of this decision is not reflected in the accompanying financial statements.

CITY OF TUSTIN

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

18. RESTATEMENT OF BEGINNING BALANCES:

The balance of governmental activities net assets at July 1, 2010 was restated as follows:

Net assets at July 1, 2010, as previously reported	\$ 610,690,043
To correct CFD expenses that were inadvertently reported as City expenses	<u>914,500</u>
Net assets at July 1, 2010, as restated	<u>\$ 611,604,543</u>

The fund balance of the CFD Construction Capital Projects Fund at July 1, 2010 was restated by \$914,500 from \$37,100,290 to \$38,014,790 to correct CFD expenses that were inadvertently reported as City expenses.

The fund balance of the Marine Base Project Area Capital Projects Fund at July 1, 2010 was restated by \$25,000,000 from \$27,379,849 to \$2,379,849 to remove land held for resale that is owned by City of Tustin.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2011

**SCHEDULE OF FUNDING PROGRESS FOR PERS
MISCELLANEOUS EMPLOYEES**

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

**SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST-EMPLOYMENT BENEFIT PLAN**

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

See independent auditors' report.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 34,642,300	\$ 34,642,300	\$ 36,588,482	\$ 1,946,182
Licenses and permits	2,043,500	339,500	716,144	376,644
Fines and forfeitures	751,900	751,900	893,642	141,742
Investment income	248,000	248,000	911,146	663,146
Intergovernmental	1,022,900	1,013,000	1,120,299	107,299
Charges for services	1,796,800	3,506,200	4,915,295	1,409,095
Rental income	117,300	470,100	180,520	(289,580)
Other revenue	2,309,300	2,315,800	2,334,187	18,387
TOTAL REVENUES	42,932,000	43,286,800	47,659,715	4,372,915
EXPENDITURES:				
Current:				
General government	6,786,940	6,850,340	7,432,956	(582,616)
Public safety	28,324,517	28,324,517	27,410,893	913,624
Public works	10,352,500	10,459,900	9,110,621	1,349,279
Community services	2,815,700	2,815,700	2,752,911	62,789
Capital outlay	1,369,800	1,952,543	1,107,607	844,936
Debt service:				
Interest and fiscal charges	-	-	863,861	(863,861)
TOTAL EXPENDITURES	49,649,457	50,403,000	48,678,849	1,724,151
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,717,457)	(7,116,200)	(1,019,134)	6,097,066
OTHER FINANCING SOURCES:				
Transfers in	4,869,703	3,832,745	2,620,957	(1,211,788)
Sale of property	3,000	3,000	18,138	15,138
TOTAL OTHER FINANCING SOURCES	4,872,703	3,835,745	2,639,095	(1,196,650)
NET CHANGE IN FUND BALANCE	(1,844,754)	(3,280,455)	1,619,961	4,900,416
FUND BALANCE - BEGINNING OF YEAR	150,010,159	150,010,159	150,010,159	-
FUND BALANCE - END OF YEAR	\$ 148,165,405	\$ 146,729,704	\$ 151,630,120	\$ 4,900,416

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

CITY OF TUSTIN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

1. BUDGETS AND BUDGETARY ACCOUNTING:

The City follows these procedures in establishing the budgets.

- (1) The annual budget is adopted by the City Council after the holding of a hearing and provides for the general operation of the City. The operating budget includes proposed expenditures and the means of financing them.
- (2) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers City expenditures in all governmental funds, except for debt service and capital improvement projects carried forward from prior years.

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

- (3) Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Capital projects appropriations are an automatic supplemental appropriation for the next year. All others lapse unless they are encumbered at year-end or re-appropriated through the formal budget process. There were no outstanding encumbrances at year-end.
- (4) Annual budgets are adopted for the General and Special Revenue Funds on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the City's Debt Service and Proprietary Funds as the City is not legally required to adopt budgets for these fund types. Budgetary comparisons of Capital Projects Funds are primarily "long-term" budgets, which emphasize capital outlay plans extending over one year. Because of the long-term nature of these budgets, "annual" budget comparisons are not considered meaningful and accordingly, no budgetary information is provided.

See independent auditors' report.

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SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

OTHER GOVERNMENTAL FUNDS

June 30, 2011

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.

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

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

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

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CITY OF TUSTIN

OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2011

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

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

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

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

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

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

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

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

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds			
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture
ASSETS				
Cash and investments	\$ 4,952,120	\$ 2,150,184	\$ 8,692,052	\$ 219,725
Cash and investments with fiscal agents	-	-	-	-
Receivables:				
Accounts	308,183	365,207	2,549	-
Interest	3,781	1,642	6,637	168
Loans	-	-	-	-
Notes	-	-	-	-
Allowance for uncollectibles	-	-	-	-
Advances to other funds	-	-	-	-
Prepaid items and deposits	-	-	-	-
Land held for resale	-	-	-	-
TOTAL ASSETS	\$ 5,264,084	\$ 2,517,033	\$ 8,701,238	\$ 219,893
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2,727,349	\$ 39,688	\$ 88,643	\$ -
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Deferred revenue	-	262,345	-	-
TOTAL LIABILITIES	2,727,349	302,033	88,643	-
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	2,536,735	2,215,000	-	219,893
Assigned	-	-	8,612,595	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	2,536,735	2,215,000	8,612,595	219,893
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,264,084	\$ 2,517,033	\$ 8,701,238	\$ 219,893

See independent auditors' report.

Special Revenue Funds (Continued)			Debt Service Funds		
Air Quality	Supplemental Law Enforcement	Total Special Revenue Funds	Town Center Project Area	South Central Project Area	Total Debt Service Funds
\$ 72,959	\$ 39,243	\$ 16,126,283	\$ 1,649,059	\$ 4,993,843	\$ 6,642,902
-	-	-	1,700,255	-	1,700,255
17,617	11,316	704,872	37,057	46,867	83,924
56	30	12,314	1,259	3,813	5,072
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,992,106	6,992,106	13,984,212
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 90,632</u>	<u>\$ 50,589</u>	<u>\$ 16,843,469</u>	<u>\$ 10,379,736</u>	<u>\$ 12,036,629</u>	<u>\$ 22,416,365</u>
\$ -	\$ 3,890	\$ 2,859,570	\$ 484	\$ 4,682	\$ 5,166
-	-	-	-	4,650,000	4,650,000
-	-	-	-	-	-
-	-	262,345	698,190	698,188	1,396,378
-	3,890	3,121,915	698,674	5,352,870	6,051,544
-	-	-	6,293,916	6,293,918	12,587,834
90,632	46,699	5,108,959	3,387,146	389,841	3,776,987
-	-	8,612,595	-	-	-
-	-	-	-	-	-
<u>90,632</u>	<u>46,699</u>	<u>13,721,554</u>	<u>9,681,062</u>	<u>6,683,759</u>	<u>16,364,821</u>
<u>\$ 90,632</u>	<u>\$ 50,589</u>	<u>\$ 16,843,469</u>	<u>\$ 10,379,736</u>	<u>\$ 12,036,629</u>	<u>\$ 22,416,365</u>

(Continued)

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
(CONTINUED)

June 30, 2011

	Capital Projects Funds		
	Other Capital Projects	Construction 95-1	Town Center Project Area
ASSETS			
Cash and investments	\$ 12,476,476	\$ 1,281,813	\$ 4,649,628
Cash and investments with fiscal agents	-	3,869,142	-
Receivables:			
Accounts	247,032	-	-
Interest	9,526	-	3,553
Loans	-	-	-
Notes	-	-	-
Allowance for uncollectibles	-	-	-
Advances to other funds	1,727,456	-	-
Prepaid items and deposits	-	-	855
Land held for resale	-	-	-
TOTAL ASSETS	<u>\$ 14,460,490</u>	<u>\$ 5,150,955</u>	<u>\$ 4,654,036</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 1,167,485	1,796	\$ 11,441
Due to other funds	-	-	-
Deposits payable	-	-	-
Deferred revenue	1,574,827	-	-
TOTAL LIABILITIES	<u>2,742,312</u>	<u>1,796</u>	<u>11,441</u>
FUND BALANCES:			
Nonspendable	1,727,456	-	855
Restricted	-	5,149,159	4,641,740
Assigned	9,990,722	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>11,718,178</u>	<u>5,149,159</u>	<u>4,642,595</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,460,490</u>	<u>\$ 5,150,955</u>	<u>\$ 4,654,036</u>

See independent auditors' report.

Capital Projects Funds (Continued)

Low Income Housing	Marine Base Project Area	South Central Project Area	Marine Base Low Income Housing	Total Capital Projects Funds	Total Other Governmental Funds
\$ 12,331,065	\$ 40,153,343	\$ 13,743,371	\$ 2,881,128	\$ 87,516,824	\$ 110,286,009
1,248,358	-	-	624,179	5,741,679	7,441,934
21,416	550	-	22,218	291,216	1,080,012
51,175	30,661	10,496	2,200	107,611	124,997
1,095,904	-	-	-	1,095,904	1,095,904
19,678,176	-	-	12,746,467	32,424,643	32,424,643
(20,400,880)	-	-	(12,746,467)	(33,147,347)	(33,147,347)
-	-	-	-	1,727,456	15,711,668
30,000	480	4,495	-	35,830	35,830
217,606	-	1,345,000	145,071	1,707,677	1,707,677
<u>\$ 14,272,820</u>	<u>\$ 40,185,034</u>	<u>\$ 15,103,362</u>	<u>\$ 3,674,796</u>	<u>\$ 97,501,493</u>	<u>\$ 136,761,327</u>
\$ 21,869	\$ 531,316	\$ 18,323	\$ 11,431	\$ 1,763,661	\$ 4,628,397
-	-	-	-	-	4,650,000
9,936	1,000	-	-	10,936	10,936
394,101	-	-	-	1,968,928	3,627,651
<u>425,906</u>	<u>532,316</u>	<u>18,323</u>	<u>11,431</u>	<u>3,743,525</u>	<u>12,916,984</u>
247,606	480	1,349,495	145,071	3,470,963	16,058,797
13,599,308	39,994,885	13,735,544	3,518,294	80,638,930	89,524,876
-	-	-	-	9,990,722	18,603,317
-	(342,647)	-	-	(342,647)	(342,647)
<u>13,846,914</u>	<u>39,652,718</u>	<u>15,085,039</u>	<u>3,663,365</u>	<u>93,757,968</u>	<u>123,844,343</u>
<u>\$ 14,272,820</u>	<u>\$ 40,185,034</u>	<u>\$ 15,103,362</u>	<u>\$ 3,674,796</u>	<u>\$ 97,501,493</u>	<u>\$ 136,761,327</u>

CITY OF TUSTIN

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

For the year ended June 30, 2011

	Special Revenue Funds			
	Gas Tax	Measure M	Park Acquisition and Development	Asset Forfeiture
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Investment income	22,131	10,151	31,348	741
Intergovernmental revenue	2,137,935	1,187,138	20,309	185,694
Charges for services	-	-	22,554	-
Rental income	-	-	83,549	-
Other revenue	-	-	32,800	-
TOTAL REVENUES	2,160,066	1,197,289	190,560	186,435
EXPENDITURES:				
Current:				
General government	-	-	9,600	63,372
Public safety	-	-	-	-
Community services	-	-	-	-
Capital outlay	3,212,345	292,046	458,384	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
TOTAL EXPENDITURES	3,212,345	292,046	467,984	63,372
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,052,279)	905,243	(277,424)	123,063
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(210,874)	-	-
Issuance of debt	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(210,874)	-	-
NET CHANGE IN FUND BALANCES	(1,052,279)	694,369	(277,424)	123,063
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	3,589,014	1,520,631	8,890,019	96,830
FUND BALANCES - END OF YEAR	\$ 2,536,735	\$ 2,215,000	\$ 8,612,595	\$ 219,893

See independent auditors' report.

Special Revenue Funds (Continued)			Debt Service Funds		
Air Quality	Supplemental Law Enforcement	Total Special Revenue Funds	Town Center Project Area	South Central Project Area	Total Debt Service Funds
\$ -	\$ -	\$ -	\$ 3,981,348	\$ 2,806,680	\$ 6,788,028
353	345	65,069	109,021	36,215	145,236
-	163,154	3,694,230	-	-	-
82,636	-	105,190	-	-	-
-	-	83,549	-	-	-
-	-	32,800	-	-	-
<u>82,989</u>	<u>163,499</u>	<u>3,980,838</u>	<u>4,090,369</u>	<u>2,842,895</u>	<u>6,933,264</u>
-	-	72,972	-	-	-
-	97,621	97,621	-	-	-
-	-	-	772,722	518,057	1,290,779
169,000	23,725	4,155,500	-	-	-
-	-	-	1,205,000	-	1,205,000
-	-	-	446,334	29,604	475,938
<u>169,000</u>	<u>121,346</u>	<u>4,326,093</u>	<u>2,424,056</u>	<u>547,661</u>	<u>2,971,717</u>
<u>(86,011)</u>	<u>42,153</u>	<u>(345,255)</u>	<u>1,666,313</u>	<u>2,295,234</u>	<u>3,961,547</u>
-	-	-	-	-	-
-	-	(210,874)	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(210,874)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(86,011)	42,153	(556,129)	1,666,313	2,295,234	3,961,547
<u>176,643</u>	<u>4,546</u>	<u>14,277,683</u>	<u>8,014,749</u>	<u>4,388,525</u>	<u>12,403,274</u>
<u>\$ 90,632</u>	<u>\$ 46,699</u>	<u>\$ 13,721,554</u>	<u>\$ 9,681,062</u>	<u>\$ 6,683,759</u>	<u>\$ 16,364,821</u>

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2011

	Capital Projects Funds		
	Other Capital Projects	Construction 95-1	Town Center Project Area
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Investment income	115,255	3,597	16,351
Intergovernmental revenue	558,376	-	-
Charges for services	-	-	-
Rental income	-	-	-
Other revenue	50,797	-	-
TOTAL REVENUES	724,428	3,597	16,351
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Community services	-	-	198,268
Capital outlay	3,111,739	90,926	2,418
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	4,127
TOTAL EXPENDITURES	3,111,739	90,926	204,813
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,387,311)	(87,329)	(188,462)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
Issuance of debt	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	(2,387,311)	(87,329)	(188,462)
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	14,105,489	5,236,488	4,831,057
FUND BALANCES - END OF YEAR	\$ 11,718,178	\$ 5,149,159	\$ 4,642,595

See independent auditors' report.

Capital Projects Funds (Continued)

Low Income Housing	Marine Base Project Area	South Central Project Area	Marine Base Low Income Housing	Total Capital Projects Funds	Total Other Governmental Funds
\$ 1,697,007	\$ -	\$ -	\$ 2,450,099	\$ 4,147,106	\$ 10,935,134
39,908	271,296	49,537	9,770	505,714	716,019
-	-	-	-	558,376	4,252,606
-	-	-	-	-	105,190
74,561	4,400	15,000	-	93,961	177,510
798	6,470	-	-	58,065	90,865
<u>1,812,274</u>	<u>282,166</u>	<u>64,537</u>	<u>2,459,869</u>	<u>5,363,222</u>	<u>16,277,324</u>
-	-	-	-	-	72,972
-	-	-	-	-	97,621
230,071	2,930,888	193,839	145,093	3,698,159	4,988,938
-	101,215	259,919	-	3,566,217	7,721,717
836,667	-	-	418,333	1,255,000	2,460,000
<u>1,222,201</u>	<u>1,251</u>	<u>12,143</u>	<u>750,441</u>	<u>1,990,163</u>	<u>2,466,101</u>
<u>2,288,939</u>	<u>3,033,354</u>	<u>465,901</u>	<u>1,313,867</u>	<u>10,509,539</u>	<u>17,807,349</u>
<u>(476,665)</u>	<u>(2,751,188)</u>	<u>(401,364)</u>	<u>1,146,002</u>	<u>(5,146,317)</u>	<u>(1,530,025)</u>
-	24,057	-	-	24,057	24,057
(1,325,546)	-	-	(1,084,537)	(2,410,083)	(2,620,957)
-	40,000,000	-	-	40,000,000	40,000,000
<u>(1,325,546)</u>	<u>40,024,057</u>	<u>-</u>	<u>(1,084,537)</u>	<u>37,613,974</u>	<u>37,403,100</u>
(1,802,211)	37,272,869	(401,364)	61,465	32,467,657	35,873,075
<u>15,649,125</u>	<u>2,379,849</u>	<u>15,486,403</u>	<u>3,601,900</u>	<u>61,290,311</u>	<u>87,971,268</u>
<u>\$ 13,846,914</u>	<u>\$ 39,652,718</u>	<u>\$ 15,085,039</u>	<u>\$ 3,663,365</u>	<u>\$ 93,757,968</u>	<u>\$ 123,844,343</u>

CITY OF TUSTIN

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

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 18,600	\$ 18,600	\$ 22,131	\$ 3,531
Intergovernmental revenue	1,348,420	1,175,200	2,137,935	962,735
TOTAL REVENUES	1,367,020	1,193,800	2,160,066	966,266
EXPENDITURES:				
Capital outlay	3,341,180	3,949,912	3,212,345	737,567
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,974,160)	(2,756,112)	(1,052,279)	1,703,833
FUND BALANCE - BEGINNING OF YEAR	3,589,014	3,589,014	3,589,014	-
FUND BALANCE - END OF YEAR	\$ 1,614,854	\$ 832,902	\$ 2,536,735	\$ 1,703,833

See independent auditors' report.

CITY OF TUSTIN

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

MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 9,000	\$ 9,000	\$ 10,151	\$ 1,151
Intergovernmental revenue	647,708	647,708	1,187,138	539,430
TOTAL REVENUES	656,708	656,708	1,197,289	540,581
EXPENDITURES:				
Capital outlay	2,476,033	2,476,033	292,046	2,183,987
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,819,325)	(1,819,325)	905,243	2,724,568
OTHER FINANCING USES:				
Transfers out	-	-	(210,874)	(210,874)
NET CHANGE IN FUND BALANCE	(1,819,325)	(1,819,325)	694,369	2,513,694
FUND BALANCE - BEGINNING OF YEAR	1,520,631	1,520,631	1,520,631	-
FUND BALANCE - END OF YEAR	\$ (298,694)	\$ (298,694)	\$ 2,215,000	\$ 2,513,694

See independent auditors' report.

CITY OF TUSTIN

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

PARK ACQUISITION AND DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 122,000	\$ 122,000	\$ 31,348	\$ (90,652)
Intergovernmental revenue	-	-	20,309	20,309
Charges for services	13,000	13,000	22,554	9,554
Rental income	-	-	83,549	83,549
Other revenue	-	-	32,800	32,800
TOTAL REVENUES	<u>135,000</u>	<u>135,000</u>	<u>190,560</u>	<u>55,560</u>
EXPENDITURES:				
Current:				
General government	-	-	9,600	(9,600)
Capital outlay	<u>673,000</u>	<u>687,000</u>	<u>458,384</u>	<u>228,616</u>
TOTAL EXPENDITURES	<u>673,000</u>	<u>687,000</u>	<u>467,984</u>	<u>219,016</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(538,000)	(552,000)	(277,424)	274,576
FUND BALANCE - BEGINNING OF YEAR	<u>8,890,019</u>	<u>8,890,019</u>	<u>8,890,019</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,352,019</u>	<u>\$ 8,338,019</u>	<u>\$ 8,612,595</u>	<u>\$ 274,576</u>

See independent auditors' report.

CITY OF TUSTIN

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

ASSET FORFEITURE SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,300	\$ 1,300	\$ 741	\$ (559)
Intergovernmental revenue	50,000	60,000	185,694	125,694
TOTAL REVENUES	51,300	61,300	186,435	125,135
EXPENDITURES:				
Current:				
General government	50,000	70,000	63,372	6,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,300	(8,700)	123,063	131,763
FUND BALANCE - BEGINNING OF YEAR	96,830	96,830	96,830	-
FUND BALANCE - END OF YEAR	\$ 98,130	\$ 88,130	\$ 219,893	\$ 131,763

See independent auditors' report.

CITY OF TUSTIN

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

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 100	\$ 100	\$ 353	\$ 253
Charges for services	81,600	81,600	82,636	1,036
TOTAL REVENUES	81,700	81,700	82,989	1,289
EXPENDITURES:				
Capital outlay	-	169,000	169,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	81,700	(87,300)	(86,011)	1,289
FUND BALANCE - BEGINNING OF YEAR	176,643	176,643	176,643	-
FUND BALANCE - END OF YEAR	\$ 258,343	\$ 89,343	\$ 90,632	\$ 1,289

See independent auditors' report.

CITY OF TUSTIN

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

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 345	\$ 345
Intergovernmental revenue	116,000	116,000	163,154	47,154
TOTAL REVENUES	116,000	116,000	163,499	47,499
EXPENDITURES:				
Current:				
Public safety	88,200	88,200	97,621	(9,421)
Capital outlay	-	-	23,725	(23,725)
TOTAL EXPENDITURES	88,200	88,200	121,346	(33,146)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,800	27,800	42,153	14,353
FUND BALANCE - BEGINNING OF YEAR	4,546	4,546	4,546	-
FUND BALANCE - END OF YEAR	\$ 32,346	\$ 32,346	\$ 46,699	\$ 14,353

See independent auditors' report.

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CITY OF TUSTIN

AGENCY FUNDS

June 30, 2011

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

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

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

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

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

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

CITY OF TUSTIN

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2011

	Assessment District 95-1	Assessment District 95-2	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Total
ASSETS						
Cash and investments with fiscal agents	\$ 8,281,889	\$ 3,029,637	\$ 3,120,784	\$ 9,097,213	\$ 2,201,049	\$ 25,730,572
Taxes receivable	21,752	33,935	6,169	48,522	52	110,430
Due from City of Tustin	139,754	-	-	-	-	139,754
TOTAL ASSETS	\$ 8,443,395	\$ 3,063,572	\$ 3,126,953	\$ 9,145,735	\$ 2,201,101	\$ 25,980,756
LIABILITIES						
Accounts payable	\$ 31,624	\$ 34,186	\$ 5,128	\$ 52,659	\$ 467	\$ 124,064
Due to the City of Tustin	313,679	155,836	132,525	926,395	352,955	1,881,390
Due to bondholders	8,098,092	2,873,550	2,989,300	8,166,681	1,847,679	23,975,302
TOTAL LIABILITIES	\$ 8,443,395	\$ 3,063,572	\$ 3,126,953	\$ 9,145,735	\$ 2,201,101	\$ 25,980,756

See independent auditors' report.

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSESSMENT DISTRICT 95-1				
ASSETS:				
Cash and investments with fiscal agents	\$ 9,395,603	\$ 7,304,814	\$ 8,418,528	\$ 8,281,889
Taxes receivable	24,996	21,752	24,996	21,752
Due from the City	-	139,754	-	139,754
TOTAL ASSETS	\$ 9,420,599	\$ 7,466,320	\$ 8,443,524	\$ 8,443,395
LIABILITIES:				
Accounts payable	\$ 26,878	\$ 1,747,680	\$ 1,742,934	\$ 31,624
Due to City of Tustin	236,940	313,679	236,940	313,679
Due to bondholders	9,156,781	5,404,961	6,463,650	8,098,092
TOTAL LIABILITIES	\$ 9,420,599	\$ 7,466,320	\$ 8,443,524	\$ 8,443,395
ASSESSMENT DISTRICT 95-2				
ASSETS:				
Cash and investments with fiscal agents	\$ 3,104,668	\$ 1,353,359	\$ 1,428,390	\$ 3,029,637
Taxes receivable	9,618	33,935	9,618	33,935
TOTAL ASSETS	\$ 3,114,286	\$ 1,387,294	\$ 1,438,008	\$ 3,063,572
LIABILITIES:				
Accounts payable	\$ 9,642	\$ 1,231,458	\$ 1,206,914	\$ 34,186
Due to City of Tustin	12,361	155,836	12,361	155,836
Due to bondholders	3,092,283	-	218,733	2,873,550
TOTAL LIABILITIES	\$ 3,114,286	\$ 1,387,294	\$ 1,438,008	\$ 3,063,572

See independent auditors' report.

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
COMMUNITY FACILITIES DISTRICT 04-01				
ASSETS:				
Cash and investments with fiscal agents	\$ 3,039,780	\$ 856,255	\$ 775,251	\$ 3,120,784
Taxes receivable	33,179	6,169	33,179	6,169
TOTAL ASSETS	\$ 3,072,959	\$ 862,424	\$ 808,430	\$ 3,126,953
LIABILITIES:				
Accounts payable	\$ -	\$ 669,606	\$ 664,478	\$ 5,128
Due to City of Tustin	143,952	132,525	143,952	132,525
Due to bondholders	2,929,007	60,293	-	2,989,300
TOTAL LIABILITIES	\$ 3,072,959	\$ 862,424	\$ 808,430	\$ 3,126,953
COMMUNITY FACILITIES DISTRICT 06-01				
ASSETS:				
Cash and investments with fiscal agents	\$ 9,812,090	\$ 5,955,964	\$ 6,670,841	\$ 9,097,213
Taxes receivable	67,071	48,522	67,071	48,522
TOTAL ASSETS	\$ 9,879,161	\$ 6,004,486	\$ 6,737,912	\$ 9,145,735
LIABILITIES:				
Accounts payable	\$ 1,964	\$ 3,908,743	\$ 3,858,048	\$ 52,659
Due to City of Tustin	29,152	1,840,894	943,651	926,395
Due to bondholders	9,848,045	254,849	1,936,213	8,166,681
TOTAL LIABILITIES	\$ 9,879,161	\$ 6,004,486	\$ 6,737,912	\$ 9,145,735

See independent auditors' report.

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
COMMUNITY FACILITIES DISTRICT 07-01				
ASSETS:				
Cash and investments with fiscal agents	\$ 1,833,910	\$ 835,362	\$ 468,223	\$ 2,201,049
Taxes receivable	-	52	-	52
TOTAL ASSETS	\$ 1,833,910	\$ 835,414	\$ 468,223	\$ 2,201,101
LIABILITIES:				
Accounts payable	\$ -	\$ 465,435	\$ 464,968	\$ 467
Due to City of Tustin	3,255	352,955	3,255	352,955
Due to bondholders	1,830,655	17,024	-	1,847,679
TOTAL LIABILITIES	\$ 1,833,910	\$ 835,414	\$ 468,223	\$ 2,201,101
TOTAL ALL AGENCY FUNDS				
ASSETS:				
Cash and investments with fiscal agents	\$ 27,186,051	\$ 16,305,754	\$ 17,761,233	\$ 25,730,572
Taxes receivable	134,864	110,430	134,864	110,430
Due from the City	-	139,754	-	139,754
TOTAL ASSETS	\$ 27,320,915	\$ 16,555,938	\$ 17,896,097	\$ 25,980,756
LIABILITIES:				
Accounts payable	\$ 38,484	\$ 8,022,922	\$ 7,937,342	\$ 124,064
Due to City of Tustin	425,660	2,795,889	1,340,159	1,881,390
Due to bondholders	26,856,771	5,737,127	8,618,596	23,975,302
TOTAL LIABILITIES	\$ 27,320,915	\$ 16,555,938	\$ 17,896,097	\$ 25,980,756

See independent auditors' report.

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STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2011

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	110
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	120
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	126
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	134
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	136

Sources:

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

CITY OF TUSTIN

NET ASSETS BY COMPONENT

Last Seven Fiscal Years
(accrual bases of accounting)

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

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

Fiscal Year		
2009	2010	2011
\$ 357,299,104	\$ 360,282,692	\$ 378,911,546
145,602,640	135,670,302	116,718,495
104,037,153	114,737,049	116,545,351
<u>\$ 606,938,897</u>	<u>\$ 610,690,043</u>	<u>\$ 612,175,392</u>
\$ 24,964,824	\$ 24,541,113	\$ 20,872,492
1,191,694	-	-
1,981,499	1,851,666	5,541,672
<u>\$ 28,138,017</u>	<u>\$ 26,392,779</u>	<u>\$ 26,414,164</u>
\$ 382,263,928	\$ 384,823,805	\$ 399,784,038
146,794,334	135,670,302	116,718,495
106,018,652	116,588,715	122,087,023
<u>\$ 635,076,914</u>	<u>\$ 637,082,822</u>	<u>\$ 638,589,556</u>

CITY OF TUSTIN

CHANGES IN NET ASSETS
EXPENSES AND PROGRAM REVENUES

Last Seven Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year		
2009	2010	2011
\$ 8,499,303	\$ 7,802,579	\$ 7,854,361
29,126,019	27,277,141	28,622,807
22,102,002	20,816,686	19,809,907
5,112,770	12,742,391	13,150,089
3,566,782	4,087,839	4,814,598
<u>68,406,876</u>	<u>72,726,636</u>	<u>74,251,762</u>
12,569,331	11,938,146	12,578,667
1,259,093	-	-
<u>13,828,424</u>	<u>11,938,146</u>	<u>12,578,667</u>
1,694,464	1,404,925	1,109,150
2,136,772	1,168,348	1,196,830
2,374,308	3,761,321	3,508,904
897,386	957,545	969,006
4,253,442	3,403,411	3,441,281
<u>18,865,776</u>	<u>6,287,231</u>	<u>3,395,929</u>
<u>30,222,148</u>	<u>16,982,781</u>	<u>13,621,100</u>
11,281,679	10,594,471	12,422,746
22,587	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>11,304,266</u>	<u>10,594,471</u>	<u>12,422,746</u>
\$ (38,184,728)	\$ (55,743,855)	\$ (60,630,662)
(2,524,158)	(1,343,675)	(155,921)
<u>\$ (40,708,886)</u>	<u>\$ (57,087,530)</u>	<u>\$ (60,786,583)</u>

CITY OF TUSTIN

CHANGES IN NET ASSETS
GENERAL REVENUES

Last Seven Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year		
2009	2010	2011
\$ 34,022,959	\$ 28,347,659	\$ 30,205,879
154,379	141,335	142,915
356,565	337,867	358,526
1,689,573	1,720,505	1,648,319
19,858,142	15,917,332	18,597,453
252,666	6,122,789	6,189,249
4,863,469	4,086,852	2,358,847
2,314,540	1,520,662	1,700,323
-	-	-
103,805,196	-	-
<u>167,317,489</u>	<u>58,195,001</u>	<u>61,201,511</u>
164,764	86,654	158,242
-	-	-
82,810	25,340	19,064
(103,805,196)	-	-
<u>(103,557,622)</u>	<u>111,994</u>	<u>177,306</u>
<u>\$ 63,759,867</u>	<u>\$ 58,306,995</u>	<u>\$ 61,378,817</u>
\$ 129,132,761	\$ 2,451,146	\$ 570,849
(106,081,780)	(1,231,681)	21,385
<u>\$ 23,050,981</u>	<u>\$ 1,219,465</u>	<u>\$ 592,234</u>

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Seven Fiscal Years
(modified accrual basis of accounting)

Fund Balance prior to GASB 54

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

Fund Balance prior to GASB 54

General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental fund:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Seven Fiscal Years
(modified accrual basis of accounting)

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

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

	Fiscal Year		
	2009	2010	2011
\$	56,198,002	\$ 52,579,529	\$ 57,324,011
	1,692,955	3,538,198	716,144
	832,188	890,770	893,642
	4,429,915	3,198,484	1,632,215
	14,626,663	5,378,430	5,372,905
	4,497,309	2,708,705	5,020,485
	771,807	869,645	358,030
	-	4,051,180	1,593,475
	1,188,200	1,028,432	2,425,052
	<u>84,237,039</u>	<u>74,243,373</u>	<u>75,335,959</u>
	6,728,236	7,197,709	7,505,928
	27,759,939	26,359,435	27,508,514
	11,311,291	10,133,685	9,110,621
	5,005,986	12,251,479	12,740,969
	24,772,717	13,125,983	9,979,670
	11,143,000	7,913,000	10,659,000
	3,570,834	4,603,661	4,131,435
	-	-	429,731
	<u>90,292,003</u>	<u>81,584,952</u>	<u>82,065,868</u>
	<u>(6,054,964)</u>	<u>(7,341,579)</u>	<u>(6,729,909)</u>
	-	26,274,205	43,281,289
	142,866,218	37,207,661	2,645,014
	(41,295,836)	(37,207,661)	(2,645,014)
	-	-	-
	40,201	7,421	18,138
	<u>101,610,583</u>	<u>26,281,626</u>	<u>43,299,427</u>
\$	<u>95,555,619</u>	<u>\$ 18,940,047</u>	<u>\$ 36,569,518</u>
	28.96%	22.37%	26.76%

CITY OF TUSTIN

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		
	Secured	Unsecured	Taxable Assessed Value
2002	\$ 4,360,086	\$ 385,783	\$ 4,745,869
2003	4,637,831	301,761	4,939,592
2004	4,969,203	314,645	5,283,848
2005	5,306,887	308,339	5,615,226
2006	5,753,518	285,670	6,039,188
2007	6,397,216	301,747	6,698,963
2008	7,109,465	359,631	7,469,096
2009	7,505,735	435,026	7,940,761
2010	7,381,782	371,722	7,753,504
2011	7,274,075	371,027	7,645,102

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.

Redevelopment Agency			Taxable Assessed Value	Total Direct Tax Rate
Secured	Unsecured			
\$ 598,180	\$ 99,367	\$ 697,547	0.195%	
621,304	67,143	688,447	0.091%	
659,266	61,810	721,076	0.190%	
927,400	68,767	996,167	0.220%	
1,039,506	71,738	1,111,244	0.226%	
1,496,217	84,203	1,580,420	0.261%	
2,425,555	165,392	2,590,947	0.279%	
1,946,378	71,422	2,017,800	0.326%	
1,667,398	80,166	1,747,564	0.308%	
1,696,957	77,235	1,774,192	0.310%	

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year			
	2005	2006	2007	2008
Direct Rate:				
City of Tustin	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272
Tustin Unified School District	0.4397	0.4397	0.4397	0.4397
South Orange County Community College District	0.0886	0.0886	0.0886	0.0886
County of Orange	0.0617	0.0617	0.0617	0.0617
Orange County Flood Control District	0.0198	0.0198	0.0198	0.0198
Orange County Library District	0.0167	0.0167	0.0167	0.0167
Orange County Department of Education	0.0161	0.0161	0.0161	0.0161
Various Special Districts	0.2302	0.2302	0.2302	0.2302
Total Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
Tustin Unified School District Bonds	0.0554	0.0311	0.0023	0.0317
Met4ropliton Water district Bonds	0.0058	0.0052	0.0047	0.0045
Rancho Santiago Community College District Bonds	0.0273	0.0169	0.0191	0.0237
Irvine Ranch Water District Bonds	0.0001	0.0477	0.2138	0.2143
Santa Ana Unified School District Bonds	0.0496	0.0435	0.0392	0.0359
Total Overlapping Rates	0.1382	0.1444	0.2791	0.3101
Total Direct and Overlapping Rates	\$ 1.1382	\$ 1.1444	\$ 1.2791	\$ 1.3101

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

Fiscal Year		
2009	2010	2011
\$ 0.1272	\$ 0.1272	\$ 0.1272
0.4397	0.4397	0.4397
0.0886	0.0886	0.0886
0.0617	0.0617	0.0617
0.0198	0.0198	0.0198
0.0167	0.0167	0.0167
0.0161	0.0161	0.0161
0.2302	0.2302	0.2302
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
0.0310	0.0380	0.0596
0.0043	0.0043	0.0037
0.0225	0.0274	0.0314
0.2143	0.2242	0.2242
0.0321	0.0739	0.0717
<u>0.3042</u>	<u>0.3678</u>	<u>0.3906</u>
<u>\$ 1.3042</u>	<u>\$ 1.3678</u>	<u>\$ 1.3906</u>

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2011		2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (1)	Taxable Assessed Value	Percent of Total City Taxable Assessed Value (2)
Irvine Company LLC	\$ 215,725,010	2.29%	\$ 268,500,342	5.03%
Vestar Kimco Tustin LP	154,066,340	1.64%	-	0.00%
Avalon II California Value I	84,390,000	0.90%	-	0.00%
Irvine Apartment Communities LP	83,879,946	0.89%	-	0.00%
Tustin Legacy Community Partners	60,304,007	0.64%	-	0.00%
American Funding US Investments LP	57,006,297	0.61%	-	0.00%
Borchard Redhill SKB-Tustin LLC	49,334,093	0.52%	24,097,260	0.45%
PK II Larwin Square SC LP	48,435,507	0.51%	-	0.00%
Ricoh Development of California Inc	46,703,056	0.50%	-	0.00%
Costco Wholesale	46,653,846	0.50%	-	0.00%
Steelcase Inc	-	0.00%	70,631,906	1.32%
Ricoh Electronics Inc	-	0.00%	37,874,047	0.71%
Sanyo Foods Corporation	-	0.00%	40,351,683	0.76%
AIMCO Brookside Tustin	-	0.00%	36,270,723	0.68%
Pairgain Technologies Inc	-	0.00%	357,017,058	0.67%
Texas Instruments Inc	-	0.00%	30,828,673	0.58%
Catellus Finance	-	0.00%	26,730,107	0.50%
Duragag Company Inc	-	0.00%	27,216,688	0.51%
	<u>\$ 846,498,102</u>	<u>9.00%</u>	<u>\$ 919,518,487</u>	<u>11.21%</u>

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

CITY OF TUSTIN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Eight Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2004	\$ 12,011,332	\$ 11,507,171	95.80%	\$ 27,851	\$ 11,535,022	96.03%
2005	19,706,674	19,338,392	98.13%	42,299	19,380,691	98.35%
2006	21,602,011	21,242,797	98.34%	309,074	21,551,871	99.77%
2007	30,701,393	28,617,969	93.21%	695,793	29,313,762	95.48%
2008	33,554,781	31,070,501	92.60%	325,973	31,396,474	93.57%
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%

Notes:

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

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

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

CITY OF TUSTIN

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities							
	General Obligation Bonds	Tax Allocation Bonds (1)	Tax Allocation Bonds (7)	Tax Allocation Bonds (8)	Lease Revenue Bonds (2)	Notes Payable (3)	Notes Payable (4)	Total Governmental Activities
2002	\$ -	\$ 17,650,000	\$ -	\$ -	\$ 1,500,000	\$ -	\$ -	\$ 19,150,000
2003	-	16,800,000	-	-	1,230,000	-	-	18,030,000
2004	-	15,910,000	-	-	945,000	-	-	16,855,000
2005	-	14,990,000	-	-	645,000	-	-	15,635,000
2006	-	14,030,000	-	-	330,000	-	-	14,360,000
2007	-	13,020,000	-	-	-	25,000,000	-	38,020,000
2008	-	11,975,000	-	-	-	25,000,000	-	36,975,000
2009	-	10,870,000	-	-	-	14,962,000	19,284,170	45,116,170
2010	-	9,720,000	26,170,000	-	-	8,199,000	20,112,456	64,201,456
2011	-	8,515,000	24,915,000	44,170,000	-	-	20,976,317	98,576,317

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

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

- (1) On July 1, 1998 the City issued \$20.8 million of Tax Allocation Refunding Bonds to retire Series 1987 Refunding Bonds.
- (2) In June of 1996 the City issued \$2.7 million of Lease Revenue Bonds as a member of the Countywide Joint Powers Authority. The final maturity was August, 2006.
- (3) In April of 2007 the Tustin Redevelopment Agency executed a note payable in the amount of \$25 million to acquire property to carry out the program objectives of the Agency.
- (4) In December of 2008 the City executed a note payable to the Tustin Redevelopment Agency in the amount of \$18,881,750 to increase its deposit of probable compensation per court order pending litigation. The balance also includes accrued interest in the amount of \$1,162,188.
- (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.
- (6) In 1998 the City executed a note payable in the amount of \$6.8 million with the Orange County Water District.
- (7) In March 2010 the Tustin Redevelopment Agency issued \$26,170,000 Tax Allocation Housing Bonds, Series 2010 to refinance low and moderate income housing activities throughout the geographic boundaries in the City.

Business-type Activities						
Water Revenue Bonds (5)	Water Revenue Bonds (9)	Certificates of Participation	Notes Payable (6)	Total Business-type Activities	Total Primary Government	Debt per Capita
\$ -	\$ -	\$ 8,600,000	\$ 5,248,472	\$ 13,848,472	\$ 32,998,472	\$ 477
-	-	8,100,000	4,632,456	12,732,456	30,762,456	445
-	-	7,575,000	3,991,272	11,566,272	28,421,272	408
13,668,367	-	-	-	13,668,367	29,303,367	417
13,461,607	-	-	-	13,461,607	27,821,607	393
13,331,607	-	-	-	13,331,607	51,351,607	716
13,080,000	-	-	-	13,080,000	50,055,000	690
12,560,000	-	-	-	12,560,000	57,676,170	782
11,875,000	-	-	-	11,875,000	76,076,456	1,018
11,165,000	20,760,000	-	-	31,925,000	130,501,317	1,722

CITY OF TUSTIN

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value *	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2002	\$ -	\$ 17,650,000	\$ 17,650,000	0.32%	\$ 255
2003	-	16,800,000	16,800,000	0.30%	243
2004	-	15,910,000	15,910,000	0.26%	228
2005	-	14,990,000	14,990,000	0.23%	213
2006	-	14,030,000	14,030,000	0.20%	198
2007	-	13,020,000	13,020,000	0.16%	181
2008	-	11,975,000	11,975,000	0.12%	165
2009	-	10,870,000	10,870,000	0.11%	147
2010	-	35,890,000	35,890,000	0.38%	480
2011	-	77,600,000	77,600,000	0.82%	1,024

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.

CITY OF TUSTIN

OVERLAPPING DEBT SCHEDULE

June 30, 2011

2010-11 Assessed Valuation	\$ 9,419,294,337
Redevelopment Incremental Valuation	<u>(2,137,240,963)</u>
Adjusted Assessed Value	<u><u>\$ 7,282,053,374</u></u>

	Total Debt 6/30/11	(1) % Applicable	City's Share of Debt at 6/30/11
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 227,670,000	0.408%	\$ 928,894
Rancho Santiago Community College District	309,908,025	0.016	49,585
Irvine Unified School District Community Facilities District No. 86-1	88,440,000	0.251	221,984
Tustin Unified School District School Facilities Improvement District No. 2002-1	60,148,766	40.899	24,600,244
Tustin Unified School District School Facilities Improvement District No. 2008-1	50,000,000	40.471	20,235,500
Tustin Unified School District Community Facilities District No. 88-1	52,325,000	100	52,325,000
Tustin Unified School District Community Facilities District No. 06-1	13,560,000	100	13,560,000
City of Tustin Community Facilities Districts	79,085,000	100	79,085,000
City of Tustin 1915 Act Bonds	32,161,000	100	32,161,000
Irvine Ranch Water District Improvement Districts	348,132,340	0.543-50.558	101,942,939
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>325,110,146</u></u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Orange County General Fund Obligations	\$ 316,898,000	1.949%	6,176,342
Orange County Pension Obligations	54,682,497	1.949	1,065,762
Orange County Board of Education Certificates of Participation	19,000,000	1.949	370,310
Municipal Water District of Orange County Water Facilities Corporation	14,120,000	2.302	325,042
South Orange County Community College District Certificates of Participation	17,375,000	4.532	787,435
Orange Unified School District Certificates of Participation	49,350,000	0.033	16,286
Orange Unified School District Benefit Obligations	91,365,000	0.033	30,150
Tustin Unified School District Certificates of Participation	5,005,000	42.299	2,117,065
City of Tustin	20,976,317	100	20,976,317
Irvine Ranch Water District Certificates of Participation	81,400,000	7.378	6,005,692
Orange County Fire Authority	-	0	-
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:			<u>37,870,401</u>
Less: MWDOC Water Facilities Corporation (100% self supporting)			<u>(325,042)</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:			<u><u>37,545,359</u></u>
GROSS COMBINED TOTAL DEBT (2)			<u><u>\$ 362,980,547</u></u>
NET COMBINED TOTAL DEBT			<u><u>\$ 362,655,505</u></u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Ratios to 2010-11 Assessed Valuations:

Total Overlapping Tax and Assessment Debt 4.460%

Ratios to Adjusted Assessed Valuations:

Combined Direct Debt 0.290%

Gross Combined Total Debt 4.980%

Net Combined Total Debt 4.980%

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 4,745,869,000	\$ 4,939,592,000	\$ 5,283,848,000	\$ 5,615,226,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,186,467,250	1,234,898,000	1,320,962,000	1,403,806,500
Debt limit percentage	15%	15%	15%	15%
Debt limit	177,970,088	185,234,700	198,144,300	210,570,975
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	<u>\$ 177,970,088</u>	<u>\$ 185,234,700</u>	<u>\$ 198,144,300</u>	<u>\$ 210,570,975</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

Sources: County Tax Assessor's Office
City Finance Department

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 6,039,188,000	\$ 6,698,963,000	\$ 7,469,096,000	\$ 7,940,761,000	\$ 7,753,504,000	\$ 7,645,102,000
25%	25%	25%	25%	25%	25%
1,509,797,000	1,674,740,750	1,867,274,000	1,985,190,250	1,938,376,000	1,911,275,500
15%	15%	15%	15%	15%	15%
226,469,550	251,211,113	280,091,100	297,778,538	290,756,400	286,691,325
-	-	-	-	-	-
<u>\$ 226,469,550</u>	<u>\$ 251,211,113</u>	<u>\$ 280,091,100</u>	<u>\$ 297,778,538</u>	<u>\$ 290,756,400</u>	<u>\$ 286,691,325</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF TUSTIN

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Refunding Water Revenue Bonds		
				Debt Service		Coverage
				Principal	Interest	
2002	\$ 9,789,933	\$ 6,208,470	\$ 3,581,463	\$ 500,000	\$ 459,950	3.73
2003	8,718,072	6,019,880	2,698,192	525,000	421,200	2.85
2004	9,189,579	6,032,117	3,157,462	400,000	311,002	4.44
2005	8,905,221	7,297,101	1,608,120	230,000	583,920	1.98
2006	9,348,715	7,417,023	1,931,692	130,000	575,410	2.74
2007	10,844,515	9,986,251	858,264	180,000	570,470	1.14
2008	11,240,752	10,053,706	1,187,046	335,000	563,450	1.32
2009	11,510,315	10,573,932	936,383	520,000	550,385	0.87
2010	12,829,902	9,928,608	2,901,294	685,000	530,105	2.39
2011	12,422,746	10,566,435	1,856,311	710,000	502,705	1.53

Notes:

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

Operating expenses do not include interest or depreciation expenses.

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

Tax Allocation Bonds

Tax Allocation	Debt Service		Coverage
	Principal	Interest	
\$ 2,359,830	\$ 825,000	\$ 833,537	1.42
2,295,614	850,000	800,450	1.39
2,362,640	890,000	765,205	1.43
2,401,247	920,000	727,640	1.46
2,952,481	960,000	687,680	1.79
3,956,734	1,000,000	642,040	2.41
3,381,188	1,055,000	594,358	2.05
4,460,947	1,105,000	547,365	2.70
3,831,975	1,150,000	497,180	2.33
17,928,849	2,460,000	2,204,419	3.84

CITY OF TUSTIN

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	City of Tustin Population	Personal Income (In Thousands)	Per Capita Personal Income	County of Orange Unemployment Rate
2002	68,366	\$ 1,738,009	\$ 25,422	3.90%
2003	69,126	1,764,929	25,532	4.90%
2004	69,753	1,832,204	26,267	4.70%
2005	70,291	1,953,946	27,798	4.20%
2006	70,524	2,064,542	29,274	3.70%
2007	71,383	2,246,281	31,468	3.30%
2008	71,931	2,368,395	32,926	3.80%
2009	73,670	2,450,480	33,263	5.20%
2010	74,736	2,407,036	32,207	8.90%
2011	75,733	2,363,057	31,186	9.40%

CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2011		2002	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Young's Market Co LLC	2,100	5.42%		
Lamppost Pizza Corp	1,400	3.61%		
Ricoh Electronics Inc	1,384	3.57%	1,038	2.75%
Toshiba America Medical Sys	900	2.32%	300	0.80%
Rockwell Collins Inc	600	1.55%		
Costco	450	1.16%		
Cherokee International Inc	350	0.90%	300	0.80%
City Of Tustin	300	0.77%	275	0.73%
Raj Manufacturing Inc	260	0.67%		
Cash Plus Inc	250	0.64%		
Kleen Impressions	250	0.64%		
Ricoh Business Solutions	250	0.64%		
Southern California Pipeline	235	0.61%		
Home Depot	203	0.52%		
Health South Tustin Rehab Hosp	200	0.52%		
Logomark Inc	200	0.52%		
Red Robin Gourmet Burgers	200	0.52%		
Smc Corp Of America	200	0.52%		
Straub Distributing Co	200	0.52%		
Tustin Toyota	200	0.52%		
Steelcase Inc			1,100	2.92%
Silicon Systems, Inc			400	1.06%
MAI Systems Corporation			363	0.96%
MacPherson Enterprises			360	0.95%
Dynachem Electronic Materials			350	0.93%
L. H. Research			300	0.80%
Tustin Hospital			240	0.64%
Elite Security Services			200	0.53%
Eldorado Bank			200	0.53%
Fireman's Fund Insurance			190	0.50%
KTBN Channel 40 Trinity Broadcasting			179	0.47%
Safeguard Business Systems			175	0.47%

Sources: US Census Buteau
www.InfoUSA.com
 Tustin Chamber of Commerce

CITY OF TUSTIN

FULL-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	32	32	32	31	31	31	31	27	27	25
Community Development	24	21	21	22	24	28	29	28	24	17
Public Works	48	47	47	48	48	50	51	50	53	52
Police	139	141	141	141	141	145	144	147	147	140
Parks and Recreation	16	20	20	18	17	17	15	16	15	14
Redevelopment Agency	3	5	5	2	3	5	5	6	6	6
Water	21	22	22	22	22	20	20	23	22	23
Total	<u>283</u>	<u>288</u>	<u>288</u>	<u>284</u>	<u>286</u>	<u>296</u>	<u>295</u>	<u>297</u>	<u>294</u>	<u>277</u>

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

CITY OF TUSTIN
CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations (1)	2	2	2	2	2	2	2	2	2	2
Public Works										
Street (miles)	101.8	101.8	101.8	101.8	101.8	101.8	106.3	127.2	127.2	127.2
Street Lights	2,855	2,855	2,855	2,855	2,855	2,855	3,285	3,544	3,544	3,544
Traffic Signals	97	97	97	97	97	97	113	113	116	117
Storm Drain (miles)	23.7	23.7	23.7	23.7	23.7	23.7	49.1	49.2	49.2	49.2
Street Trees	16,559	16,689	16,667	16,744	16,638	16,638	15,821	15,853	15,853	15,837
Parks and Recreation										
Parks	12	12	12	12	12	12	12	12	13	13
Parks (acres)	81.5	81.5	81.5	81.5	81.5	81.5	81.5	81.5	98.5	98.5
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1	1	1
Water										
Metered Services	13,500	13,500	13,500	13,500	13,900	14,080	14,117	14,118	14,118	14,139
Average daily consumption	12,500	12,500	12,500	12,500	12,514	17,205	14,970	14,460	14,460	12,899
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	12	12	12	12	12	12	12	13	13	13
Water Main (miles)	173	173	173	173	173	173	173	173	173	173
Fire Hydrants	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,201	2,201	2,201

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

CITY OF TUSTIN

WATER CONSUMPTION BY CUSTOMER TYPE

Last Nine Fiscal Years

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

Measured in hundred cubic feet.

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

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

CITY OF TUSTIN

WATER RATES

Last Ten Fiscal Years

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges			
		Up to 12 HCF	From 13 to 40 HCF	From 41 to 60 HCF	All Over 60 HCF
2002	\$ 16.00	\$ 0.35	\$ 1.12	\$ 1.20	\$ 1.32
2003	16.00	0.35	1.12	1.20	1.32
2004	16.00	0.35	1.12	1.20	1.32
2005	16.00	0.35	1.12	1.20	1.32
2006	18.16	0.40	1.27	1.36	1.50
2007	20.24	0.44	1.42	1.52	1.67
2008	22.26	0.49	1.56	1.67	1.84
2009	22.26	0.49	1.56	1.67	1.84
2010	22.26	0.49	1.56	1.67	1.84

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges						
		Up to 10 HCF	From 11 to 20 HCF	From 21 to 30 HCF	From 31 to 40 HCF	From 41 to 50 HCF	From 51 to 60 HCF	All Over 60 HCF
2011	\$ 34.49	\$ 0.58	\$ 1.02	\$ 1.33	\$ 1.65	\$ 1.97	\$ 2.29	\$ 2.62

Notes:

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

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.

CITY OF TUSTIN

WATER CUSTOMERS

Current Year and Nine Years Ago

Water Customer	2011		2002	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
TUSTIN UNIFIED SCHOOL DIST	\$ 466,467	3.75%	\$ 214,528	3.52%
CITY OF TUSTIN	148,837	1.20%	51,706	0.85%
AVALON 2 CALIF 1 LP	126,158	1.02%		
AT& T SERVICES, INC.	76,797	0.62%		
RICOH ELECTRONICS INC	59,515	0.48%		
CALTRANS - DISTRICT 12	59,225	0.48%		
SCHROEDER PROP MGMT	58,441	0.47%	32,948	0.54%
TUSTIN ACRES COMM ASSOC	54,514	0.44%	30,846	0.51%
V KAY - NNC VALENCIA GARDENS A	52,264	0.42%	32,238	0.53%
CARMEL PARTNERS MS#3	52,142	0.42%		
CADIGAN COMMUNITIES - MONTEREY PINE!	51,282	0.41%		
WESTCHESTER PARK L.P	49,524	0.40%	22,864	0.38%
BRIARWOOD INVESTMENT CO LT	49,336	0.40%	21,578	0.35%
SIERRA CORP MGT	47,367	0.38%		
15701 TV WAY PARTNERSHIP	42,606	0.34%		
CMC ASSOCIATION MGMT	42,345	0.34%	26,974	0.44%
SKB-TUSTIN LLC	39,779	0.32%		
VILLA VALENCIA MHP	39,776	0.32%		
SADDLEBACK MOBILODGE	39,391	0.32%		
ARCHSTONE COMMUNITIES	38,900	0.31%		
TUSTIN PLAZA CENTER, LP	37,021	0.30%		
REGENCY WEST	36,341	0.29%	17,562	0.29%
WATERSTONE GARDENS INVESTMENTS LP	35,454	0.29%		
ALDERS APARTMENT COMPANY	34,499	0.28%	17,091	0.28%
GREAT WEST AMERICAN	33,821	0.27%		
STEELCASE			85,132	1.40%
HSA LP			51,655	0.85%
SYCAMORE GARDENS ASSOC			46,640	0.72%
PACIFIC BELL			37,580	0.62%
GREENWOOD AND MCKENZIE			27,811	0.46%
ARNEL MANAGEMENT			22,184	0.36%
TUSTIN VILLAGE COMMUNITY ASSOC			19,834	0.33%
PACIFIC POINT APTS			14,752	0.24%
Total Water Sales	<u>\$ 1,771,800</u>	<u>14.26%</u>	<u>\$ 773,923</u>	<u>12.67%</u>

Source: City of Tustin Finance Department

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