

CITY OF TUSTIN
Comprehensive Annual Financial Report
For the Year Ended June 30, 2007

Prepared by:
Ronald A. Nault
Director of Finance

CITY OF TUSTIN
Comprehensive Annual Financial Report
June 30, 2007

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**CITY OF TUSTIN
Elected And
Administrative Officials**

MAYOR

Lou Bone

CITY COUNCIL

Jerry Amante, Mayor Pro Tem
Tony Kawashima
Doug Davert
Jim Palmer

AUDIT COMMITTEE

R. Lawrence Friend, Chair
Gregory C. Moore, Chair Pro Tem
Richard G. Hilde
Craig Shimomura
Walter T. Sullens

CITY MANAGER

William A. Huston

Douglas C. Holland
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

Kristi Recchia
Director, Human Resources

Ronald A. Nault
Director, Finance

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

Tim D. Serlet
**Director, Public Works/
City Engineer**

December 10, 2007

HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
City of Tustin
Tustin, California 92780

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Tustin, California ("the City") for the fiscal year ended June 30, 2007. The CAFR was prepared by the staff of the Finance Department and responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data as presented is accurate in all material respects, is presented in a manner which fairly represents the financial position of the various funds and account groups of the City, and the results of operations of such funds, and that all disclosures necessary to enable the reader to fully understand the City's financial activities have been presented. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and include the unqualified opinion of Moreland & Associates, Inc., independent auditors for the City of Tustin. The independent auditors' report is presented as the first component of the financial section of this report.

The City of Tustin's independent audit is an element of a more comprehensive, federally mandated "Single Audit" which has been established to meet the specific needs and requirements of federal grantor agencies. Single Audit standards require the independent auditor to report on the audited government's internal controls and compliance with legal requirements while focusing on administration of federal grant awards. Satisfying these requirements are duties required of the independent auditor which are in addition to their report on the fair presentation of the financial statements. These "Single Audit" reports are available for the City of Tustin as a separately issued report upon a request to the Finance Director.

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 certified the City's January 1, 2007 population at 72,542 which represents an increase of just over one percent from 2006.

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. Unspent appropriations lapse at year end unless specifically approved for carryover to the subsequent year by resolution of the City Council.

LOCAL ECONOMY AND ECONOMIC OUTLOOK

The City has experienced one of the longest periods of continuous growth in its history with several years of economic expansion. The City's economy is primarily based upon retail sales taxes and rising property taxes from commercial and residential property development. There has been major emphasis placed upon redevelopment with a goal of enhancing diversity of the economic base. Our positive long term outlook is driven by the development of Tustin Legacy. The first two parcels were acquired by John Laing Homes, all 549 units closed escrow and are occupied as of this date. In June of 2005, Vestar/Kimco Tustin, L.P. closed escrow on 59.5 acres and development of The District at Tustin Legacy, a high end commercial/retail center, is well on its way. The first opening is scheduled to take place in the first half of 2007. Lennar Homes of California, LLC has opened their models and are offering approximately 1,540 homes

in 14 different products to potential buyers. The first units are scheduled for occupancy by late 2006.

An area of priority is operational efficiency and cost control. By continuing to implement the latest computer systems and developing cooperation with the private sector and other governmental entities, opportunities for additional cost control may be possible. A long term goal is to maintain compliance with new rules, regulations and procedures which will be affecting the City in future years. Plans are under various stages of implementation for meeting new water quality and storm drain regulations which will be impacting the City over the next several years.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in various securities as authorized in the City's adopted Investment Policy. The average yield on maturing investments during the fiscal year was 4.19 percent, an 88 percent increase from last year's average of 2.22 percent. This is reflective of the Federal Reserve Board's policy of raising short term interest rates in an attempt to balance economic growth in the economy with the mitigation of rising inflation pressures. Interest received for all funds invested by the Treasurer was \$7.55 million. The benchmark ten-year Treasury yield was 5.15% at 6/30/2007, and the two-year Treasury yield was 5.16%. The weighted average maturity of City investments at June 30, 2007 was 318 days. The weighted average yield on all investments was 5.00%.

At June 30 each year the City prepares schedules in compliance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Pools. This new statement requires public agencies to account for and record material market value changes in their investments at year-end. At June 30, 2007 total City investments and deposits were \$134.92 million. The fair market value of those investments was \$135.21 million. The fair value was greater than the book value at that point in time by \$230,000.

RISK MANAGEMENT

At June 30, 2007 the City was insured for Comprehensive General Liability and Workers' Compensation as a member of the California Insurance Pool Authority. The Authority is composed of twelve Cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The City's self insured portion of Workers' Compensation is the first \$400,000, with excess amounts presently insured to the statutory requirements of the State of California. General and Auto Liability is self-insured for the first \$250,000 per occurrence, with excess amounts presently insured to \$5 million and a pooled liability program to a maximum of \$42 million.

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, 2006. This was the twentieth 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 Larry Schutz, Assistant Finance Director, his staff, and our Senior Management Analyst, Keith Neves. Their dedicated efforts in the preparation of the final financial documents are 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.

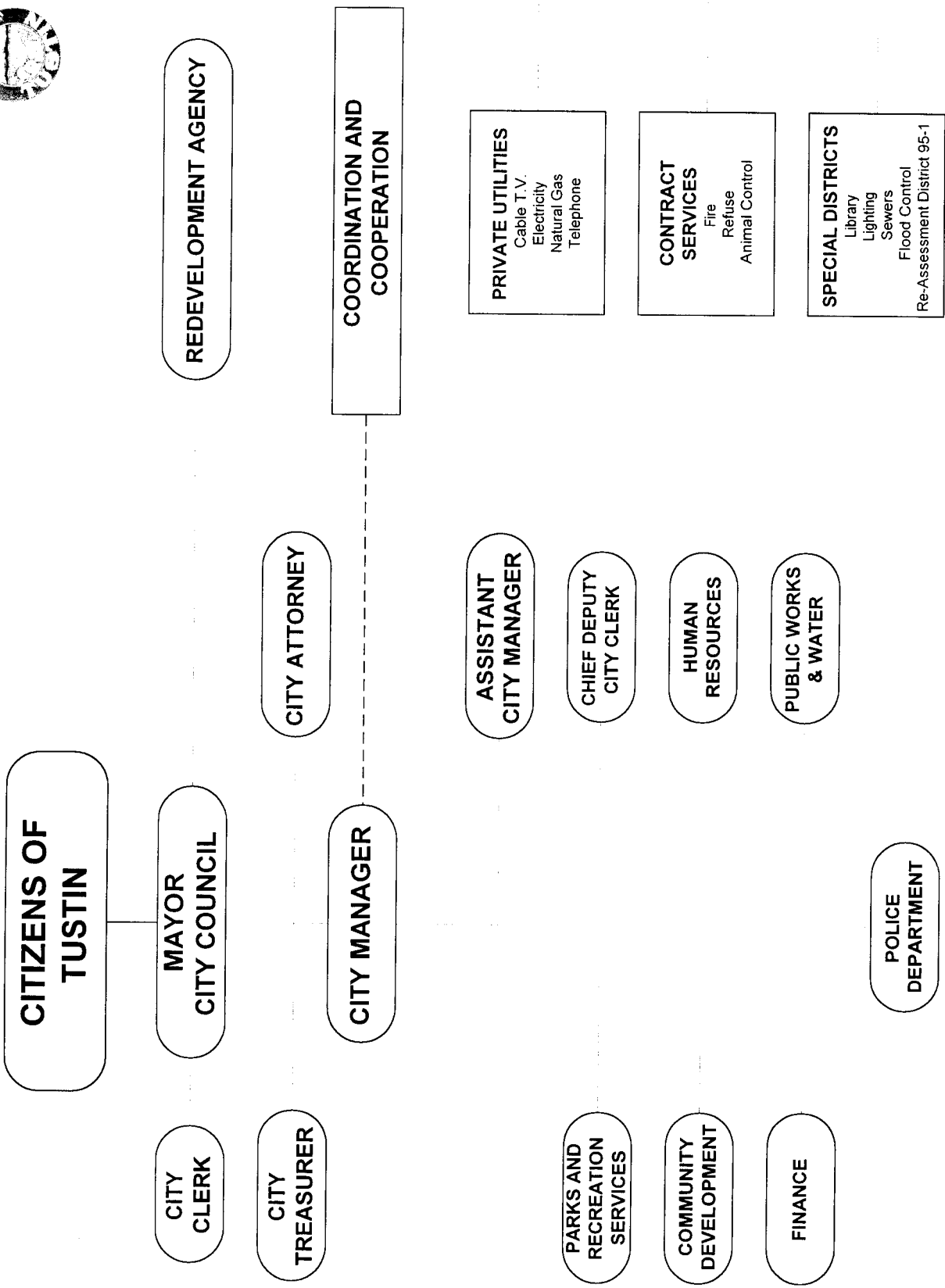
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ronald A. Nault". The signature is written in a cursive, flowing style.

Ronald A. Nault
Finance Director



CITY OF TUSTIN LOCAL GOVERNMENT ORGANIZATION



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, 2006

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



President

Executive Director

FINANCIAL SECTION

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December 10, 2007

The Honorable City Council of
the City of Tustin, California

Independent Auditors' Report

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, California, as of and for the year ended June 30, 2007, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2007 on our consideration of the City of Tustin internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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 and other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, and the combining and individual nonmajor fund financial statements and schedules listed as supplementary information in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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City of Tustin

Management's Discussion and Analysis (unaudited)

June 30, 2007

As management of the City of Tustin, California (City), we offer readers of the City of Tustin's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. 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, 2007, by \$580,916,484 (*net assets*). Net assets consist of \$307,302,535 invested in capital assets, net of related debt, \$94,111,615 in restricted net assets and \$179,502,334 in unrestricted net assets.
- The government's total net assets increased by \$22,931,652 during the fiscal year ended June 30, 2007. This is mostly due to the increase in capital assets and the increase of miscellaneous revenue from Governmental Activities.
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$112,455,576, an increase of \$31,392,524 in comparison with the prior year. Approximately 39 percent of this total amount, \$36,438,205, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$20,454,356 or 45 percent of total general fund expenditures for the fiscal year ended June 30, 2007. However, the City Council has designated all of this unreserved fund balance for specified purposes, in accordance with City policies and budgetary guidelines.
- The City's total long-term liabilities increased by \$23,898,072 during the current fiscal year. The key factors in this change were Tax Allocation Bond and Revenue Bond decreases of \$1,330,000, increases in liability claims and compensated absences of \$227,712, and notes payable increases of \$25,000,000.

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 other supplementary information in addition to the basic financial statements themselves.

See independent auditors' report.

Government-wide financial statements

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

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

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

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

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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

See independent auditors' report.

Fund financial statements (Continued)

Governmental funds (Continued). The City maintains various individual governmental funds organized by their type (special revenue, debt service and capital projects funds). Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund, the Water Enterprise Fund, the Tustin Legacy Fund, the Redevelopment Fund and the Capital Improvement Project Fund, all of which 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 non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and the special revenue funds to demonstrate compliance with the annual budget. Budgetary comparison statements have been provided to demonstrate compliance with this budget elsewhere in this report.

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

Proprietary funds. The City of Tustin maintains two different types of proprietary (Enterprise) funds. These enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water Utility and Tustin Legacy Enterprises.

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes Budgetary Comparison Schedules for the General fund. Required supplementary information can be found immediately following the notes to the basic financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented for all non-major Special Revenue Funds, non-major Capital Projects Funds, and all non-major Debt Service Funds. These combining and individual fund statements and schedules can be found immediately following the required supplementary information.

See independent auditors' report.

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 (79 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, 2007
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change 2006-2007
	2006	2007	2006	2007	2006	2007	
Assets:							
Current and other assets	\$103.9	\$137.3	\$209.9	\$358.1	\$313.8	\$320.5	
Capital assets	<u>261.1</u>	<u>285.3</u>	<u>33.8</u>	<u>35.1</u>	<u>295.0</u>	<u>495.3</u>	
Total Assets	<u>365.0</u>	<u>422.6</u>	<u>243.7</u>	<u>393.2</u>	<u>608.8</u>	<u>815.8</u>	34%
Liabilities:							
Long-term liabilities	13.3	33.1	13.2	12.9	26.5	46.0	
Other liabilities	<u>20.6</u>	<u>30.0</u>	<u>3.7</u>	<u>158.9</u>	<u>24.3</u>	<u>188.9</u>	
Total Liabilities	<u>33.9</u>	<u>63.1</u>	<u>16.9</u>	<u>171.8</u>	<u>50.8</u>	<u>234.9</u>	362%
Net Assets:							
Invested in capital assets, net of related debt	261.1	285.3	20.5	22.0	281.6	307.3	
Restricted	55.0	94.1	-	0	55.0	94.1	
Unrestricted	<u>15.0</u>	<u>(19.9)</u>	<u>206.3</u>	<u>199.4</u>	<u>221.4</u>	<u>179.5</u>	(19)%
Total Net Assets	<u>\$331.1</u>	<u>\$359.5</u>	<u>\$226.8</u>	<u>\$221.4</u>	<u>\$558.0</u>	<u>\$580.9</u>	4%

Governmental activities. Net assets of the City's governmental activities increased 9% to \$359,506,153, of which \$285,331,502 is invested in capital assets such as equipment, buildings and infrastructure. Of the remaining total, \$94,111,615 is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$(19,936,964) is subject to designation for specific purposes as approved by the City Council, and may be used to meet the City's ongoing obligations.

See independent auditors' report.

Government-wide Financial Analysis (Continued)

City of Tustin Summary of Changes in Net Assets For the Year Ended June 30, 2007 (in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2006-2007
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2006</u>	<u>2007</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	
Revenues:							
Program revenues:							
Charges for services	\$7.9	\$7.9	\$12.5	\$10.8	\$20.4	18.7	
Operating grants & contributions	3.7	3.6	-	-	3.7	3.6	
Capital grants and contributions	19.5	9.6	-	-	19.5	9.6	
General revenues:							
Taxes	42.2	50.0	-	-	42.2	50.0	
Grants and contributions, not restricted to specific program	-	-	-	-	-	-	
Earnings on investments	3.2	4.8	1.4	1.5	4.6	6.3	
Gain (loss) on disposal of capital	(.5)	-	-	3.5	(.5)	3.5	
Miscellaneous	1.3	1.5	.1	-	1.4	1.5	
Transfers	5.9	7.9	(5.9)	(7.9)	-	-	
Total Revenues	<u>83.2</u>	<u>85.3</u>	<u>8.1</u>	<u>7.9</u>	<u>91.3</u>	<u>93.2</u>	2%
Expenditures:							
General government	10.3	7.9	-	-	10.3	7.9	
Public safety	23.3	25.3	-	-	23.3	25.3	
Public works	14.4	19.1	-	-	14.4	19.1	
Community services	3.4	3.4	-	-	3.4	3.4	
Unallocated infrastructure depreciation	-	-	-	-	-	-	
Interest on long-term debt	1.0	1.6	-	-	1.0	1.6	
Water Enterprise	-	-	9.3	11.8	9.3	11.8	
Tustin Legacy	-	-	1.4	1.5	1.4	1.5	
Total Expenses	<u>52.4</u>	<u>57.3</u>	<u>10.7</u>	<u>13.3</u>	<u>63.1</u>	<u>70.7</u>	12%
Increase in net assets before transfers	25.0	20.4	3.2	2.5	28.2	22.9	
Transfers	<u>5.9</u>	<u>7.9</u>	<u>(5.9)</u>	<u>(7.9)</u>	<u>-</u>	<u>-</u>	
Change in net assets	30.9	28.3	(2.7)	(5.4)	28.2	22.9	
Net Assets - Beginning	<u>300.3</u>	<u>331.1</u>	<u>229.5</u>	<u>226.8</u>	<u>529.8</u>	<u>557.9</u>	
Net Assets - Ending	<u>\$331.2</u>	<u>\$359.5</u>	<u>\$226.8</u>	<u>\$221.4</u>	<u>\$557.9</u>	<u>\$580.9</u>	4%

See independent auditors' report.

Government-wide Financial Analysis (Continued)

Governmental activities increased the City's net assets by \$59.3 million, thereby accounting for 8.5 percent of the total growth in City net assets. General revenue increases such as sales and property tax accounted for 58.8 percent of total revenues.

Business-type activities decreased the net assets by \$5.4 million, accounting for 2.4 percent of the total reduction in City business type net assets. The Water Enterprise and Tustin Legacy had total expenses of \$11.9 million and \$1.5 million respectively. Also, transfers to Governmental activities totaled \$9.0 million. Total revenue for both business type activities was \$15.3 million. The decrease in net assets was mostly due to transfers out of the former Marine Corps Air Station Tustin (MCAS) and Water Capital Assets Construction.

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.

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

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$112.4 million, an increase of \$31.4 million in comparison with the prior year. Approximately 38.7 percent of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's direction. The remainder of fund balance, \$69 million, is *reserved* to indicate that it is not available for new spending, because it has already been committed to: 1) pay debt service (\$24.5 million), 2) prepay items and deposits (\$.3 million), 3) land held for resale (\$27.1 million), and 4) pay for low income housing (\$17.1 million).

Proprietary funds. Unrestricted net assets of the Water Enterprise and Tustin Legacy amounted to \$6.9 million and \$192.4 million respectively. Total growth for proprietary funds before transfers was \$2.5 million. Proprietary funds financial statements follow immediately after the governmental funds financial statements.

General Fund Financial Highlights

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$20.4 million, while total fund balance was \$20.7 million. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 44.9 percent of the total general fund expenditures. As mentioned above, however, the City Council has designated all of this unreserved fund balance for specified purposes.

See independent auditors' report.

Financial Analysis of the Government's Funds (Continued)

City of Tustin Summary of Changes in Fund Balances - General Fund For the Year Ended June 30, 2007 (in millions of dollars)

	<u>2006</u>	<u>2007</u>	<u>Total %Change 2006-2007</u>
Revenues:			
Taxes	\$30.9	\$33.7	
Charges for services	2.1	2.0	
Intergovernmental	5.6	6.1	
Investment revenue	.3	.6	
Licenses and permits	1.0	2.0	
Other	<u>5.0</u>	<u>4.4</u>	
Total Revenues	<u>44.9</u>	<u>48.8</u>	8%
Expenditures:			
General government	8.1	5.7	
Public safety	22.7	24.4	
Public works	7.7	9.6	
Community services	3.0	3.0	
Capital outlay	<u>2.4</u>	<u>2.7</u>	
Total Expenses	<u>43.9</u>	<u>45.4</u>	3%
Excess of Revenues Over (Under) Expenditures	1.0	3.4	
Net Transfers	<u>3.1</u>	<u>(6.9)</u>	
Net Increase in Fund Balance	<u>\$4.0</u>	<u>(3.5)</u>	0%

Transactions impacting revenues in the general fund were related to a \$3.9 million increase to \$48.8 million, for the fiscal year ended June 30, 2007. This increase amounted to a 8 percent increase from prior year revenues. Some individual components of this change are summarized as follows:

- Sales tax revenues stayed above \$19 million for the third consecutive year due to the effects of the economic upturn that has favorably affected consumer and business spending during the fiscal year ended June 30, 2007.
- Franchise tax revenues increased by \$.2 million to \$1.6 million, in part due to increased energy cost surcharges and the City's proportionate share of those billings.
- Building permit revenue of the general fund increased by \$.1 million to \$1.7 million, due to low interest rates and new construction in Tustin Legacy.

See independent auditors' report.

Financial Analysis of the Government's Funds (Continued)

- Property tax revenues of the general fund increased by \$1.5 million to \$12.4 million, due to increases in assessed valuations and the State sending Property Tax in Lieu of Vehicle License Fees.
- Real Property Tax revenue of the general fund was constant at \$.8 million due to increased construction and decreases in the resale market.

Changes in general fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2007:

- General government expenditures increased by \$9.0 million to \$87.1 million, as a result of higher salary, benefit and construction costs.
- Public safety expenditures increased \$1.8 million to \$24.5 million, due to increased salary and benefit costs for active and retiring sworn employees, and the increase in the contract with the Orange County Fire Authority.
- Public works expenditures increased \$2 million to \$9.7 million, as a result of increased salary and benefit costs and increased work load for Tustin Legacy.
- Capital outlay expenditures increased by \$1.5 million to \$28.5 million, in association with higher costs for construction, staff additions, and higher salary and benefit costs.

General Fund Budgetary Highlights

Differences between the general fund final amended budget and actual amount totals were \$1.3 million and can be briefly summarized as follows:

- \$1.3 million in miscellaneous savings in general government activities
- \$.9 million in vacant positions for public safety
- \$(.2) million in savings for public works activities
- \$0 in savings for community services activities
- \$(.7) million decrease for capital outlay

In each of the above functional expenditure categories, actual expenditures were less or minutely more than final budgeted amounts. Additionally, for the year ended June 30, 2007 revenues were above final budgetary estimates, at \$3.8 million, and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balances.

See independent auditors' report.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$320.5 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City of Tustin
Summary of Changes in Capital Assets
For the Year Ended June 30, 2007
(in millions of dollars)

	Governmental		Business-Type		Total		Total %Change
	Activities		Activities				
	2006	2007	2006	2007	2006	2007	
Land	\$14.0	\$12.6	\$1.2	\$1.1	\$15.2	\$13.7	
Right of way	21.7	22.1	-	-	21.7	22.1	
Construction in progress	61.9	89.1	2.4	5.0	64.3	94.1	
Buildings and improvements	25.4	24.8	6.9	6.7	32.3	31.5	
Machinery and equipment	6.1	5.9	-	-	6.1	5.9	
Infrastructure	127.5	126.2	-	-	127.5	126.2	
Property, plant and equipment	<u>4.5</u>	<u>4.6</u>	<u>23.3</u>	<u>22.3</u>	<u>27.8</u>	<u>26.9</u>	
Total Capital Assets, Net	<u>\$261.1</u>	<u>\$285.3</u>	<u>\$33.8</u>	<u>\$35.1</u>	<u>\$294.9</u>	<u>\$320.4</u>	9%

Major capital asset transactions during the current fiscal year included the following:

- The City of Tustin's investment in capital assets for its governmental activities as of June 30, 2007 amount to \$285.3 million (net of accumulated depreciation). This investment in capital assets includes land, street, water and storm drain systems, building and structures, machinery and equipment and construction in progress.
- The implementation of GASB Statement No. 34 required the City to perform an inventory of its capital assets. The objective of this inventory was to develop cost data that could be used to comply with the infrastructure and capital assets reporting requirements.

Additional information on the City's capital assets can be found in the notes to the basic financial statements section of this report (beginning on page 50).

See independent auditors' report.

Capital Asset and Debt Administration (Continued)

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$54.4 million, which consisted of \$13.4 million of Water Enterprise Capital Improvement Project revenue bonds, \$13 million tax allocation bonds, \$25 million notes payable, and \$3 million in liability and compensated absences.

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2007
(in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2006-2007
	Activities		Activities		Total		
	2006	2007	2006	2007	2006	2007	
Tax allocation bonds	14.0	13.0	-	-	14.0	13.0	
County-wide revenue bonds	.3	-	-	-	.3	-	
Certificates of participation	-	-	-	-	-	-	
Notes payable	-	25.0	-	-	-	25.0	
Bonds payable	-	-	13.5	13.4	13.5	13.4	
Claims and judgments	.5	.5	(.2)	(.2)	.3	.3	
Compensated absences	<u>2.4</u>	<u>2.6</u>	<u>.1</u>	<u>.1</u>	<u>2.5</u>	<u>2.7</u>	
Total Outstanding Debt	<u>\$17.2</u>	<u>\$41.1</u>	<u>\$13.4</u>	<u>\$13.3</u>	<u>\$30.6</u>	<u>\$54.4</u>	78%

Long-term debt-related events during the fiscal year ended June 30, 2007 for *Government Activity* included:

- Decrease in bonded debt of \$1.3 million
- No change in claims and judgments
- Increase in compensated absences of \$.2 million
- Increase in notes payable of \$25 million

Long-term debt-related events during the fiscal year ended June 30, 2007 for *Business Type Activity* debt included:

- Decrease in bonded debt of \$.2 million
- No change in compensated absences

Additional information on the City's long-term debt can be found in the notes to the basic financial statements section of this report (beginning on page 52).

See independent auditors' report.

Economic Factors

The City of Tustin's economy is clearly linked to the national and state economy. However, because the City is still developing, its local economy can experience departures from other local, state or national trends; with resultant recurring revenue fluctuations. Additionally, because the City's revenues are obtained from a limited number of sources, further revenue fluctuations may occur from year to year. Detailed information about the economic analysis, revenue assumptions, and other budgetary process parameters utilized in annual budget preparation, can be obtained from the City's 2006-2007 Citywide budget, available through the Finance Department.

Requests for Information

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

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CITY OF TUSTIN
Statement of Net Assets
June 30, 2007

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 93,547,222	\$ 24,893,831	\$ 118,441,053
Developer receivable		228,000,000	228,000,000
Taxes receivable	316,713		316,713
Interest receivable	909,116	234,479	1,143,595
Accounts receivable	730,944	2,041,821	2,772,765
Loans receivable	1,142,081		1,142,081
Internal balances	40,284	(40,284)	
Due from other governments	7,848,237		7,848,237
Land held for resale	27,050,000	101,558,282	128,608,282
Prepaid items and deposits	252,012	25,288	277,300
Deferred bond issuance costs		149,690	149,690
Restricted assets:			
Cash and investments with fiscal agents	5,493,824	1,192,066	6,685,890
Capital Assets:			
Not being depreciated	124,010,459	6,188,480	130,198,939
Being depreciated, net	161,321,041	28,980,640	190,301,681
Total Assets	422,661,933	393,224,293	815,886,226
<u>Liabilities</u>			
Accounts payable and accrued liabilities	15,765,832	3,221,555	18,987,387
Interest payable	51,420	140,863	192,283
Deposits payable	5,045,724	224,118	5,269,842
Unearned revenue	1,170,389	154,882,043	156,052,432
Noncurrent Liabilities:			
Due within one year	7,930,566	467,566	8,398,132
Due in more than one year	33,191,849	12,877,817	46,069,666
Total Liabilities	63,155,780	171,813,962	234,969,742
<u>Net Assets</u>			
Invested in capital assets, net of related debt	285,331,502	21,971,033	307,302,535
Restricted for:			
Community services	17,860,492		17,860,492
Public safety	124,482		124,482
Public works	44,566,774		44,566,774
Debt service	31,559,867		31,559,867
Unrestricted	(19,936,964)	199,439,298	179,502,334
Total Net Assets	\$ 359,506,153	\$ 221,410,331	\$ 580,916,484

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Activities
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	Program Revenues		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:			
General government	\$ 7,926,778	\$ 2,540,796	\$ 68,035
Public safety	25,269,653	1,476,811	702,575
Public works	19,091,399	2,987,687	1,817,690
Community services	3,444,799	916,075	1,089,605
Interest on long term debt	1,618,814		
	<u>57,351,443</u>	<u>7,921,369</u>	<u>3,677,905</u>
Business-type Activities:			
Water	11,879,958	10,418,522	
Tustin Legacy	1,518,560	409,693	
	<u>13,398,518</u>	<u>10,828,215</u>	
Total	<u>\$ 70,749,961</u>	<u>\$ 18,749,584</u>	<u>\$ 3,677,905</u>

General revenues:

Taxes:

Sales taxes

Property taxes, levied for general purpose

Franchise taxes

Transient occupancy taxes

Motor vehicle taxes

Earning on investments

Gain (loss) on disposal of capital assets

Miscellaneous

Transfers

Total General Revenues and Transfers

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

See Accompanying Notes to Financial Statements.

Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Capital			
Grants and Contributions			
	\$ (5,317,947)		\$ (5,317,947)
	(23,090,267)		(23,090,267)
\$ 9,632,999	(4,653,023)		(4,653,023)
19,908	(1,419,211)		(1,419,211)
	(1,618,814)		(1,618,814)
<u>9,652,907</u>	<u>(36,099,262)</u>		<u>(36,099,262)</u>
		\$ (1,461,436)	(1,461,436)
		(1,108,867)	(1,108,867)
		(2,570,303)	(2,570,303)
<u>\$ 9,652,907</u>	<u>(36,099,262)</u>	<u>(2,570,303)</u>	<u>(38,669,565)</u>
	19,317,135		19,317,135
	28,617,969		28,617,969
	1,534,720		1,534,720
	161,105		161,105
	443,222		443,222
	4,842,033	1,567,316	6,409,349
		3,519,618	3,519,618
	1,598,099		1,598,099
	7,943,105	(7,943,105)	
	<u>64,457,388</u>	<u>(2,856,171)</u>	<u>61,601,217</u>
	28,358,126	(5,426,474)	22,931,652
	<u>331,148,027</u>	<u>226,836,805</u>	<u>557,984,832</u>
	<u>\$ 359,506,153</u>	<u>\$ 221,410,331</u>	<u>\$ 580,916,484</u>

CITY OF TUSTIN
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Measure M Special Revenue Fund</u>	<u>Marine Base Project Area Capital Projects Fund</u>
<u>Assets</u>			
Cash and investments	\$ 19,048,963	\$ 205,155	\$ 4,769,223
Cash and investments with fiscal agents			
Taxes receivable	154,968		
Interest receivable	281,380	13,611	37,322
Accounts receivable	408,855		42,200
Loans receivable			
Due from other funds	8,732,019		
Due from other governments	3,030,921	4,662,530	
Prepaid items and deposits	248,372		
Land held for resale			25,000,000
Total Assets	<u><u>\$ 31,905,478</u></u>	<u><u>\$ 4,881,296</u></u>	<u><u>\$ 29,848,745</u></u>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 5,943,965	\$ 3,939,160	\$ 186,134
Due to other funds			5,001,086
Deposits payable	5,045,724		
Deferred revenue	213,061	2,700,000	
Total Liabilities	<u><u>11,202,750</u></u>	<u><u>6,639,160</u></u>	<u><u>5,187,220</u></u>
<u>Fund Balances</u>			
Reserved for:			
Debt service			
Prepaid expenses and deposits	248,372		
Land held for resale			25,000,000
Low income housing			
Unreserved reported in:			
General fund	20,454,356		
Special revenue funds		(1,757,864)	
Capital projects funds			(338,475)
Total Fund Balances	<u><u>20,702,728</u></u>	<u><u>(1,757,864)</u></u>	<u><u>24,661,525</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 31,905,478</u></u>	<u><u>\$ 4,881,296</u></u>	<u><u>\$ 29,848,745</u></u>

See Accompanying Notes to Financial Statements.

South Central Project Area Capital Projects Fund	Marine Base Project Area Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 8,726,897	\$ 60,796,984	\$ 93,547,222
		5,493,824	5,493,824
		161,745	316,713
	68,041	508,762	909,116
	67,238	212,651	730,944
		1,142,081	1,142,081
			8,732,019
		154,786	7,848,237
\$ 3,640			252,012
1,345,000		705,000	27,050,000
<u>\$ 1,348,640</u>	<u>\$ 8,862,176</u>	<u>\$ 69,175,833</u>	<u>\$ 146,022,168</u>
\$ 599,675	\$ 1,817,535	\$ 3,279,363	\$ 15,765,832
3,001,086		689,563	8,691,735
			5,045,724
		1,150,240	4,063,301
<u>3,600,761</u>	<u>1,817,535</u>	<u>5,119,166</u>	<u>33,566,592</u>
	7,044,641	24,515,225	31,559,866
3,640			252,012
1,345,000		705,000	27,050,000
		17,155,493	17,155,493
			20,454,356
		12,397,703	10,639,839
(3,600,761)		9,283,246	5,344,010
<u>(2,252,121)</u>	<u>7,044,641</u>	<u>64,056,667</u>	<u>112,455,576</u>
<u>\$ 1,348,640</u>	<u>\$ 8,862,176</u>	<u>\$ 69,175,833</u>	<u>\$ 146,022,168</u>

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CITY OF TUSTIN
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007

Fund balances for governmental funds	\$ 112,455,576
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	285,331,500
Long-term debt and compensated absences have not been included in the governmental fund activity.	(41,122,415)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(51,420)
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.	<u>2,892,912</u>
Net Assets of Governmental Activities	<u><u>\$ 359,506,153</u></u>

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Measure M Special Revenue Fund</u>	<u>Marine Base Project Area Capital Projects Fund</u>
Revenues:			
Taxes	\$ 33,775,420		
Licenses and permits	2,095,154		
Fines and forfeitures	783,390		
Use of money and property	689,483	\$ 111,277	\$ 259,099
Intergovernmental revenue	6,191,407	9,599,730	
Charges for services	2,043,251		
Rental income	188,768		78,773
Other revenue	3,126,358		
	<u>48,893,231</u>	<u>9,711,007</u>	<u>337,872</u>
Total Revenues			
Expenditures:			
Current:			
General government	5,771,424		105,684
Public safety	24,450,803		
Public works	9,651,745		
Community services	3,023,648		
Capital outlay	2,646,479	8,645,126	570,663
Debt service:			
Principal retirement			
Interest and fiscal charges			
	<u>45,544,099</u>	<u>8,645,126</u>	<u>676,347</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>3,349,132</u>	<u>1,065,881</u>	<u>(338,475)</u>
Other Financing Sources (Uses):			
Proceeds from debt issuance			25,000,000
Transfers in			
Transfers out	(7,000,000)		
Sale of property	110,118		
	<u>(6,889,882)</u>		<u>25,000,000</u>
Total Other Financing Sources (Uses)			
Net Changes in Fund Balances	(3,540,750)	1,065,881	24,661,525
Fund Balances - Beginning	<u>24,243,478</u>	<u>(2,823,745)</u>	
Fund Balances - Ending	<u>\$ 20,702,728</u>	<u>\$ (1,757,864)</u>	<u>\$ 24,661,525</u>

See Accompanying Notes to Financial Statements.

South Central Project Area Capital Projects Fund	Marine Base Project Area Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 5,061,499	\$ 9,469,650	\$ 48,306,569
			2,095,154
	391,655	2,777,068	783,390
		4,345,685	4,228,582
			20,136,822
			2,043,251
\$ 10,774		71,135	349,450
		34,012	3,160,370
<u>10,774</u>	<u>5,453,154</u>	<u>16,697,550</u>	<u>81,103,588</u>
96,585	144,424	1,688,799	7,806,916
			24,450,803
			9,651,745
			3,023,648
5,726,055		10,915,350	28,503,673
		1,330,000	1,330,000
	774,775	846,122	1,620,897
<u>5,822,640</u>	<u>919,199</u>	<u>14,780,271</u>	<u>76,387,682</u>
<u>(5,811,866)</u>	<u>4,533,955</u>	<u>1,917,279</u>	<u>4,715,906</u>
3,514,862		7,280,832	25,000,000
		(3,795,694)	10,795,694
		1,566,500	(10,795,694)
			1,676,618
<u>3,514,862</u>		<u>5,051,638</u>	<u>26,676,618</u>
(2,297,004)	4,533,955	6,968,917	31,392,524
44,883	2,510,686	57,087,750	81,063,052
<u>\$ (2,252,121)</u>	<u>\$ 7,044,641</u>	<u>\$ 64,056,667</u>	<u>\$ 112,455,576</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, 2007

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

Net change in fund balances - total governmental funds \$ 31,392,524

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

Capital expenditures	\$ 33,021,130	
Disposition of capital assets	(1,013,516)	
Disposition of land	(1,300,000)	
Depreciation expense	<u>(6,508,899)</u>	24,198,715

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-debt and changes in other long-term liabilities effects 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.

Issuance of note payable	\$ (25,000,000)	
Principal payments	1,330,000	
Claims and judgments payable	(31,753)	
Compensated absences	<u>(196,319)</u>	(23,898,072)

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. (3,337,124)

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:

Accrued interest payable on long-term liabilities 2,083

Change in Net Assets of Governmental Activities \$ 28,358,126

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities		
	Water	Tustin Legacy	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 6,355,739	\$ 18,538,092	\$ 24,893,831
Accounts receivable	2,036,973	4,848	2,041,821
Interest receivable	65,049	169,430	234,479
Prepaid expenses	25,288		25,288
Total Current Assets	<u>8,483,049</u>	<u>18,712,370</u>	<u>27,195,419</u>
Noncurrent Assets:			
Restricted cash and investments	1,192,066		1,192,066
Developer receivable		228,000,000	228,000,000
Deferred bond issuance costs	149,690		149,690
Property held for resale		101,558,282	101,558,282
Capital assets, net of accumulated depreciation	35,169,120		35,169,120
Total Assets	<u>44,993,925</u>	<u>348,270,652</u>	<u>393,264,577</u>
<u>Liabilities and Net Assets</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	2,291,181	930,374	3,221,555
Unearned revenue		154,882,043	154,882,043
Due to other funds	37,452	2,832	40,284
Deposits payable	224,118		224,118
Compensated absences	132,566		132,566
Interest payable	140,863		140,863
Bonds payable	335,000		335,000
Total Current Liabilities	<u>3,161,180</u>	<u>155,815,249</u>	<u>158,976,429</u>
Long-term Liabilities:			
Compensated absences	14,730		14,730
Bonds payable	12,863,087		12,863,087
Total Long-term Liabilities	<u>12,877,817</u>		<u>12,877,817</u>
Total Liabilities	<u>16,038,997</u>	<u>155,815,249</u>	<u>171,854,246</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	21,971,033		21,971,033
Unrestricted	6,983,895	192,455,403	199,439,298
Total Net Assets	<u>\$ 28,954,928</u>	<u>\$ 192,455,403</u>	<u>\$ 221,410,331</u>

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities		
	Water	Tustin Legacy	Total
Operating Revenues:			
Charges for services	\$ 10,418,522	\$ 409,693	\$ 10,828,215
Operating Expenses:			
Personnel services	1,842,180	372,670	2,214,850
Purchased water and power	1,201,465		1,201,465
Maintenance and operation	6,942,606	1,145,890	8,088,496
Depreciation and amortization	1,322,792		1,322,792
Total Operating Expenses	11,309,043	1,518,560	12,827,603
Operating Income (Loss)	(890,521)	(1,108,867)	(1,999,388)
Nonoperating Revenues (Expenses):			
Interest income	425,993	1,141,323	1,567,316
Interest expense	(570,915)		(570,915)
Gain on sale of land		3,519,618	3,519,618
Total Nonoperating Revenues (Expenses)	(144,922)	4,660,941	4,516,019
Income (Loss) Before Transfers	(1,035,443)	3,552,074	2,516,631
Transfers out		(7,943,105)	(7,943,105)
Changes in Net Assets	(1,035,443)	(4,391,031)	(5,426,474)
Total Net Assets - Beginning	29,990,371	196,846,434	226,836,805
Total Net Assets - Ending	\$ 28,954,928	\$ 192,455,403	\$ 221,410,331

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities		
	Water	Tustin Legacy	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 9,779,686	\$ 465,696	\$ 10,245,382
Payment to suppliers	(6,231,857)	(1,342,652)	(7,574,509)
Cash paid to other funds	(1,041,871)	(480,444)	(1,522,315)
Payment to employees	(1,812,761)	(377,568)	(2,190,329)
Net Cash Provided by (Used for) Operating Activities	<u>693,197</u>	<u>(1,734,968)</u>	<u>(1,041,771)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of assets		8,543,618	8,543,618
Acquisition of capital assets	(2,604,045)	(4,579,541)	(7,183,586)
Cash paid to other funds		(3,363,564)	(3,363,564)
Principal paid on bonds	(180,000)		(180,000)
Interest paid	(569,160)		(569,160)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(3,353,205)</u>	<u>600,513</u>	<u>(2,752,692)</u>
Cash Flows from Investing Activities:			
Interest on investments	<u>441,153</u>	<u>1,135,920</u>	<u>1,577,073</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,218,855)	1,465	(2,217,390)
Cash and Cash Equivalents - Beginning	<u>9,766,660</u>	<u>18,536,627</u>	<u>28,303,287</u>
Cash and Cash Equivalents - Ending	<u>\$ 7,547,805</u>	<u>\$ 18,538,092</u>	<u>\$ 26,085,897</u>

(Continued)

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2007

	Business-type Activities		
	Water	Tustin Legacy	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (890,521)	\$ (1,108,867)	\$ (1,999,388)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,322,792		1,322,792
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(613,331)	54,981	(558,350)
(Increase) decrease in prepaid costs	(13,165)		(13,165)
Increase (decrease) in accounts payable and accrued liabilities	865,426	(681,082)	184,344
Increase (decrease) in deposits payable	(4,619)		(4,619)
Increase (decrease) in compensated absences	26,615		26,615
Net Cash Provided by (Used for) Operating Activities	<u>\$ 693,197</u>	<u>\$ (1,734,968)</u>	<u>\$ (1,041,771)</u>
Noncash Operating Activities:			
Transfer of Property held for Resale to Developer		\$ 154,881,021	\$ 154,881,021
Noncash Capital Activities:			
Capital Asset Transfer to Governmental Activities		7,943,105	7,943,105
Total Non Cash Activities	<u>\$ -</u>	<u>\$ 162,824,126</u>	<u>\$ 162,824,126</u>

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Fiduciary Net Assets
June 30, 2007

<u>Assets</u>	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Cash and investments with fiscal agents		\$ 17,684,714
Taxes receivable		84,542
Interest receivable		880,231
Total Assets	\$ -	\$ 18,649,487
<u>Liabilities</u>		
Due to bondholders		\$ 18,649,487
Total Liabilities	\$ -	\$ 18,649,487

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended June 30, 2007

Additions:	
Use of money and property	\$ 2,519
Deletions:	
Disbursement to beneficiary	149,919
Net Assets - Beginning	<u>147,400</u>
Net Assets - Ending	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

CITY OF TUSTIN
Notes to Financial Statements
June 30, 2007

I. 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.

1. 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 also act as the governing body 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.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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 Redevelopment Agency of the City of Tustin. 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 and/or to refinance outstanding obligations of the City or Assessment Districts of the City. Currently the Authority has only issued debt to purchase the limited obligation bonds of Assessment Districts 95-1, 95-2 and 04-1 and a promissory note related to the transfer of the Tustin Marine Base to the City.

Separate component unit financial statements for the Tustin Public Financing Authority are not issued.

2. Joint Ventures

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.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

Countywide Joint Powers Authority

In June 1996, the City, joining with eight other cities, created a Countywide Joint Powers Agreement (CJPA) for the purpose of financing the cost of an 800 MHz Radio System used among all County public safety agencies and public works, and other municipal capital improvements. In July 1996, CJPA issued a lease revenue bond in the amount of \$27.725 million, at interest rates ranging from 4.1% to 5.75%. Under a lease and lease-back agreement, the City received a prepaid rent in the amount of \$2.7 million to upgrade the radio system and to finance construction of a new park.

Separate financial statements of the Countywide Joint Powers Authority are not available.

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.

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.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

Separate financial statements for the government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. Fiduciary statements, even though excluded from the government-wide financial statements includes 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 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. 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 distinguish generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include 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. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All government-wide activities and proprietary funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

Fund Classifications:

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

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

The Measure M Special Revenue Fund is used to account for monies received from the County for street projects.

The Marine Base Project Area Capital Projects Fund is used to account for acquisition and construction activity in the Marine Base Project Area.

The South Central Project Area Capital Projects Fund is used to account for acquisition and construction activity in the South Central Project Area.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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

The City reports the following major proprietary funds:

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

The Tustin Legacy Fund is used to account for the receipts and disbursements related to the development of the property transferred to the City by the United States Government.

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

Government 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:

Private Purpose Trust Fund is used to account for deferred compensation assets for which the City has retained fiduciary responsibility.

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. 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 they City is not obligated.

D. Assets, Liabilities and Net Assets or Equity

1. Cash 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

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

liquidation sale), except for certain investments which have a remaining life of less than one year when purchased, which are stated at amortized cost.

All cash and investments of the proprietary fund are pooled with the City's pooled cash and investments and are therefore considered cash equivalents for purposes of the statement of cash flows.

2. Developer Receivable

Developer receivable includes the value of capital infrastructure to be given to the City by developers as consideration for the conveyance of land to the developer.

3. 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 market 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 1 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. The City has valued and recorded all infrastructure asset data in its entirety as of June 30, 2004.

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 balance sheet. The lives used for depreciation purposes of each capital asset class are:

Property and plant	5 – 40 years
Equipment	4 – 10 years
Infrastructure	25 – 75 years

4. Land Held for Resale

Land held for resale is carried at the lower of cost or estimated realizable value. Fund balances are reserved in amounts equal to the carrying value of land held for resale because such assets are not available to finance the City's current operations.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

5. 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 only those taxes which are received within 60 days after year end.

Property Tax Calendar

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

Lien date	January 1
Levy date	July 1 to June 30
Due date	November 1 – 1 st installment February 1 – 2 nd installment
Collection date	December 10 – 1 st installment April 10 – 2 nd installment

6. 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. 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 balance sheet for amounts relating to the proprietary fund type.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

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.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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 financial statements are the 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, Capital Projects and Proprietary Funds as the City is not legally required to adopt budgets for these fund types. Budgetary comparisons of other fund types 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.

B. Deficit Fund Balances/Net Assets

The Measure M Special Revenue Fund, South Central Project Area, Town Center Project Area, Construction 04-01 Capital Project Funds had deficit fund balances of \$1,757,864, \$2,252,121, \$2,288 and \$902,700 respectively. These deficits are expected to be relieved from future revenues or transfers.

C. Expenditures exceeded appropriations as follows:

	Budget	Actual	Variance
Other Governmental Funds:			
Asset Forfeiture			
Special Revenue Fund	\$ 25,000	\$ 80,800	\$ (55,800)
Supplemental Law Enforcement			
Special Revenue Fund	122,766	250,801	(128,035)

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows.

Statement of Net Assets:	
Cash and investments	\$ 118,441,053
Cash and investments held by bond trustee	6,685,890
Fiduciary Funds:	
Cash and investments with fiscal agent	<u>17,684,714</u>
Total Cash and Investments	<u><u>\$ 142,811,657</u></u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 5,700
Deposits with financial institutions	1,499,377
Investments	<u>141,306,580</u>
Total Cash and Investments	<u><u>\$ 142,811,657</u></u>

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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 of Tustin. The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	50%	None
Banker's Acceptances	180 days	25%	30%
Commercial Paper	90 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Corporate Notes	5 years	10%	None
Mutual Funds	N/A	20%	10%
Money Market Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are 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 trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</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 Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Certificates of Deposit	None	None	None
Corporate Notes	None	None	None
Repurchase Agreements	None	None	None

Disclosures Relating to Interest Rate Risk

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

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

As of June 30, 2007, the City had the following investments. Except for the investment in money market funds and investment contracts, all investments are in the City's internal investment pool.

Investment Type	Amount	Maturity Date
Federal Home Loan Bank Note	\$ 9,879,583	July 11, 2007
Federal Home Loan Bank Note	9,893,958	July 30, 2007
U. S. Treasury Bill	4,874,496	July 26, 2007
U. S. Treasury Bill	4,874,875	August 30, 2007
Federal Home Loan Bank Note	9,916,253	August 10, 2007
U. S. Treasury Bill	4,875,886	September 20, 2007
U. S. Treasury Bill	4,878,035	October 25, 2007
U. S. Treasury Bill	4,878,540	November 29, 2007
U. S. Treasury Bill	4,878,414	December 27, 2007
U. S. Treasury Bill	1,998,890	December 31, 2007
U. S. Treasury Bill	1,998,030	January 31, 2008
U. S. Treasury Bill	1,997,583	February 29, 2008
U. S. Treasury Bill	1,996,037	March 31, 2008
U. S. Treasury Bill	1,996,250	April 30, 2008
U. S. Treasury Bill	1,997,816	May 31, 2008
State of California Investment Pool	28,719,846	176 Days
Orange County Investment Pool	2,247,066	257 Days
Government Reserve Money Market	15,034,418	
Total Pooled Investments	116,935,976	
Investments held by bond Trustees:		
Money Market Funds	17,070,510	
Investment Contracts	7,300,094	
Total: Investments with Bond Trustee	24,370,604	
Total Investments	\$ 141,306,580	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2007, the City did not have any investments that were highly sensitive to interest rate fluctuations.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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 actual rating as of year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End	
				AAA	Not Rated
U. S. Treasury Bills	\$ 41,244,852	N/A	\$ 41,244,852		
Federal Agency Securities	29,689,794	N/A		\$ 29,689,794	
State Investment Pool Orange County Investment Pool	28,719,846 2,247,066	N/A N/A			\$ 28,719,846 2,247,066
Government Reserve Money Market Funds	15,034,418				15,034,418
Held by Bond Trustee: Money Market Funds	17,070,510	A			17,070,510
Investment Contracts	7,300,094	N/A			7,300,094
Total	\$ 141,306,580		\$ 41,244,852	\$ 29,689,794	\$ 70,371,934

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U. S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FHLB	Federal agency securities	\$29,689,794

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

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2007, 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, 2007, City 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. Treasury Bills	\$41,244,852
Federal Agency Securities	29,689,794

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 \$2,247,066. 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.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

B. Loans Receivable

Commercial Loans

The Agency has commercial loans to small businesses for making improvements. At June 30, 2007, the amount due to the Agency under this program totaled \$350,000.

Home Improvement Loans

The Agency has provided a home improvement program to low and moderate income households. These loans are payable to the Agency in ten years or when the borrower sells their property, whichever comes first. The total outstanding balance as of June 30, 2007 was \$146,845.

Homebuyer Program Loans

The Agency has provided down payment assistance to qualified first time homebuyers. These loans are payable to the City in ten years or when borrower sells their property, whichever comes first. The total outstanding balance as of June 30, 2007 was \$645,236.

C. Developer Receivables

The property conveyance to Tustin Legacy Community Partners (TLCP), LLC on June 19, 2007 pursuant to the phased conveyances anticipated in a Disposition and Development Agreement (Master Development site) involved no provision for an initial cash payment by TLCP to the City. As consideration for the transfer of the Phase 1 Conveyance Property, the Developer was required to perform certain Developer Backbone Infrastructure Work, work related to Local Infrastructure, to pay certain other eligible expenses under the Conveyance Agreement and perform other obligations related to Phase I, as set forth in the Scope of Development under the DDA, each of which constituted an offset against land value, and as a result the Developer is unable to generate a rate of return sufficient to support the payment of any cash consideration with the Phase 1 Conveyance. The value of the Backbone Infrastructure Work is estimated to be approximately \$228,000,000 and is to be contributed to the City sometime during Phase II in 2009. As of June 30, 2007 the City has recorded a \$228,000,000 developer receivable and a deferred revenue in the amount of \$154,881,021 which represents the difference between the value of the contributed Backbone Infrastructure and value of the land held for resale, \$73,118,979 that was conveyed to TLCP.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007 is as follows:

Due To	Due From	
General Fund	Marine Base Project Area	
	Capital Projects Fund	\$ 5,001,086
	South Central Project Area	
	Capital Projects Fund	3,001,086
	Water Enterprise Fund	37,452
	Tustin Legacy Enterprise Fund	2,832
	Other Governmental Funds	689,563
		\$ 8,732,019

The amount loaned from the General Fund to the Marine Base Project Area Capital Projects Fund, South Central Project Area Capital Projects Fund, Water Enterprise Fund, Tustin Legacy Enterprise Fund, and Other Governmental Funds is to provide a short-term loan to fund operations of the various funds.

Interfund Transfers

Transfers Out	Transfers In		Totals
	South Central Project Area Capital Projects Fund	Other Governmental Funds	
General Fund		\$ 7,000,000	\$ 7,000,000
Other Governmental Funds	\$ 3,514,862	280,832	3,795,694
	\$ 3,514,862	\$ 7,280,832	10,795,694
			7,943,105 *
			\$ 18,738,799

* Transfer represents capital asset transferred from Tustin Legacy Enterprise Fund to governmental activities.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

Transfers from the General Fund and Other Governmental Funds made to South Central Project Area Capital Projects Fund and Other Governmental Funds were made to provide funding for capital projects and debt service.

E. Prepaid Items and Deposits

The composition of prepaid items and deposits as of June 30, 2007 is as follows:

	General Fund	South Central Project Area Capital Projects Fund	Water Enterprise Fund	Totals
Prepaid postage	\$ 10,970		\$ 1,852	\$ 12,822
Miscellaneous prepaid items and deposits	<u>237,402</u>	<u>\$ 3,640</u>	<u>23,436</u>	<u>264,478</u>
	<u>\$ 248,372</u>	<u>\$ 3,640</u>	<u>\$ 25,288</u>	<u>\$ 277,300</u>

F. Land Transfer from the United States Government

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

The real properties, consisting of approximately 1,153 acres of land located within the bounds of the former MCAS Tustin, will be 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 III (consisting of approximately 18 acres) and Parcel Group IV (consisting of approximately 119 acres) are tentatively scheduled to be conveyed by 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 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

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

certain conditions as detailed in the agreement with the Government and the terms and conditions of the settlement and release agreements between the City of Tustin and SAUSD and the City of Tustin and the RSCCD.

The SAUSD declined the conveyance of the land from the City of Tustin 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 proceeds from the sale, lease, or equivalent use of the Properties during the first seven years after the recordation of the first Quitclaim Deed must be used to support long-term job creation and the redevelopment of, or related to, MCAS Tustin. Tax revenues shall not be construed to be proceeds from a sale, lease, or equivalent use of property. Allowable uses of the proceeds are specified in the Agreement. The Government may recoup all proceeds which have not been reinvested in allowable uses described in the Agreement.

The value of the remaining parcels that have been conveyed to the City as of June 30, 2007 is \$101,558,282 and is included in the total of the Property held for resale reported in the Tustin Legacy Enterprise 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.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

G. Capital Assets

A summary of changes in the Governmental Activities capital assets at June 30, 2007 is as follows:

	Balance at July 1, 2006	Increases	Decreases	Balance at June 30, 2007
Capital Assets, not Being Depreciated:				
Land	\$ 13,999,317		\$ 1,300,000	\$ 12,699,317
Right of way	21,711,758	\$ 439,179		22,150,937
Construction in progress	61,904,657	32,904,831 *	5,649,283	89,160,205
Total Capital Assets, Not Being Depreciated	<u>97,615,732</u>	<u>33,344,010</u>	<u>6,949,283</u>	<u>124,010,459</u>
Capital Assets, Being Depreciated:				
Buildings	31,679,150	117,858		31,797,008
Improvements other than buildings	7,455,767	108,332		7,564,099
Machinery and equipment	12,234,347	969,915	625,172	12,579,090
Infrastructure	183,435,831	4,130,298	2,452,903	185,113,226
Total Capital Assets, Being Depreciated	<u>234,805,095</u>	<u>5,326,403</u>	<u>3,078,075</u>	<u>237,053,423</u>
Less Accumulated Depreciation for:				
Buildings	6,252,421	688,800		6,941,221
Improvements other than buildings	1,420,630	264,564		1,685,194
Machinery and equipment	7,704,061	1,048,970	611,944	8,141,087
Infrastructure	55,910,930	4,506,565	1,452,615	58,964,880
Total Accumulated Depreciation	<u>71,288,042</u>	<u>6,508,899</u>	<u>2,064,559</u>	<u>75,732,382</u>
Total Capital Assets, Being Depreciated, Net	<u>163,517,053</u>	<u>(1,182,496)</u>	<u>1,013,516</u>	<u>161,321,041</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 261,132,785</u>	<u>\$ 32,161,514</u>	<u>\$ 7,962,799</u>	<u>\$ 285,331,500</u>

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

General government	\$ 74,709
Public safety	668,738
Public works	5,343,072
Community services	422,380
Total	<u>\$ 6,508,899</u>

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

A summary of changes in the Business-Type Activities capital assets at June 30, 2007 is as follows:

	Balance at July 1, 2006	Increases	Decreases	Balance at June 30, 2007
Capital Assets, not Being Depreciated:				
Land	\$ 1,217,247		\$ 40,031	\$ 1,177,216
Construction in progress	2,410,727	\$ 10,543,642	7,943,105 *	5,011,264
Total Capital Assets, Not Being Depreciated	<u>3,627,974</u>	<u>10,543,642</u>	<u>7,983,136</u>	<u>6,188,480</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	9,546,474			9,546,474
Property, plant, and equipment	35,228,525	40,032		35,268,557
Total Capital Assets, Being Depreciated	<u>44,774,999</u>	<u>40,032</u>		<u>44,815,031</u>
Less accumulated depreciation for:				
Buildings and improvements	2,604,350	269,483		2,873,833
Property, plant, and equipment	11,949,215	1,011,343		12,960,558
Total Accumulated Depreciation	<u>14,553,565</u>	<u>1,280,826</u>		<u>15,834,391</u>
Total Capital Assets, Being Depreciated, Net	<u>30,221,434</u>	<u>(1,240,794)</u>		<u>28,980,640</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 33,849,408</u>	<u>\$ 9,302,848</u>	<u>\$ 7,983,136</u>	<u>\$ 35,169,120</u>

* Capital assets costing \$7,943,105 purchased by the Tustin Legacy Enterprise Fund were transferred to governmental activities.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

H. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes payable:					
Tax allocation bonds	\$ 14,030,000		\$ 1,000,000	\$ 13,030,000	\$ 1,055,000
Countrywide revenue bonds	330,000		330,000		
Note payable		\$ 25,000,000		25,000,000	4,046,000
Total Bonds and Notes Payable	14,360,000	25,000,000	1,330,000	38,030,000	5,101,000
Claims and judgments	432,173	155,271	123,518	463,926	463,926
Compensated absences	2,432,170	2,213,226	2,016,907	2,628,489	2,365,640
Total Governmental Activities Long-Term Liabilities	<u>\$ 17,224,343</u>	<u>\$ 27,368,497</u>	<u>\$ 3,470,425</u>	<u>\$ 41,122,415</u>	<u>\$ 7,930,566</u>
Business-Type Activities:					
Water Enterprise:					
Bond payable:					
2003 Refunding					
Water revenue bonds	\$ 13,595,000		\$ 180,000	\$ 13,415,000	\$ 335,000
Compensated absences	120,681	\$ 146,618	120,003	147,296	132,566
Deferred charges on refunding	(240,153)		(23,240)	(216,913)	
Total Business-Type Activities Long-Term Liabilities	<u>\$ 13,475,528</u>	<u>\$ 146,618</u>	<u>\$ 276,763</u>	<u>\$ 13,345,383</u>	<u>\$ 467,566</u>

Governmental Activities:

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.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

Serial bonds are payable in annual installments ranging from \$775,000 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.

\$13,030,000

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,055,000	\$ 594,358	\$ 1,649,358
2009	1,105,000	547,365	1,652,365
2010	1,150,000	497,180	1,647,180
2011	1,205,000	443,289	1,648,289
2012	1,255,000	385,466	1,640,466
2013-2017	<u>7,260,000</u>	<u>921,750</u>	<u>8,181,750</u>
Total	<u>\$ 13,030,000</u>	<u>\$ 3,389,408</u>	<u>\$ 16,419,408</u>

Note Payable:

On April 1, 2007, the Tustin Community Redevelopment Agency entered into two related Note Purchase Agreements in the amount of \$19,900,000 Series B (Tax-exempt) and \$5,100,000 Series A (Taxable) 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 with an 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 has been calculated based upon the maximum interest rate of 12% per the Note Agreement.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

The Notes are secured by a lien on the aggregate tax increment revenue generated in the Marine Base Project Area. In addition any proceeds from sale of land are pledged to the repayment of the Notes.

\$25,000,000

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 4,046,000	\$ 1,506,495	\$ 5,552,495
2009	5,992,000	2,127,904	8,119,904
2010	6,763,000	1,752,268	8,515,268
2011	<u>8,199,000</u>	<u>765,240</u>	<u>8,964,240</u>
Total	<u>\$ 25,000,000</u>	<u>\$ 6,151,907</u>	<u>\$ 31,151,907</u>

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 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.

\$13,415,000

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

The annual requirements to amortize the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 335,000	\$ 563,450	\$ 898,450
2009	520,000	550,385	1,070,385
2010	685,000	530,105	1,215,105
2011	710,000	502,705	1,212,705
2012	740,000	474,305	1,214,305
2013-2017	4,165,000	1,903,325	6,068,325
2018-2022	5,100,000	967,790	6,067,790
2023	1,160,000	53,940	1,213,940
	13,415,000	5,546,005	18,961,005
Less: deferred charges on refunding	(216,913)		(216,913)
Total	<u>\$ 13,198,087</u>	<u>\$ 5,546,005</u>	<u>\$ 18,744,092</u>

IV. OTHER INFORMATION

A. Pension Plan

Plan Description

The City of Tustin contributes to the California Public Employees Retirement System (PERS), an agent-multiple 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. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute the remaining amount necessary to fund the benefits for its members, using the actuarial losses recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

Annual Pension Cost

For 2007, the City's annual pension cost of \$4,735,983 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions 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 and 16 years for the public safety plan.

Three-Year Trend Information for PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$3,315,890	100%	0
6/30/06	4,137,888	100%	0
6/30/07	4,735,983	100%	0

Post-Employment Health Care Benefits

In addition to the pension benefits described above, the City provides certain health insurance benefits. In accordance with the plan, which was approved by the City Council, these benefits are available to all employees who are eligible for normal PERS retirement and who retire after January 1, 1990. The City pays the full amount of the insurance premiums or a "not-to-exceed" amount, whichever is less, based on the current Memorandum of Understanding. These premiums are recorded as current expenditures in the General Fund. The cost for 56 retirees was \$184,473 in fiscal year 2006-2007.

B. 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

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

coverage above \$2,000,000 per occurrence and \$42,000,000 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 \$42,000,000 annual aggregate in proportion to their annual premium. CIPA uses independent actuaries and underwriters to determine premiums and help set insurance limits and deductible levels.

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

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, 2007. At June 30, 2007, estimated claims payable of \$463,926 which includes a provision for incurred but not reported claims are reported as a long-term liability. Worker's compensation claims of \$1,421,448 (including incurred but not reported claims) are recorded in the General Fund.

Changes in the balances of claims liabilities for the years ended June 30, 2006 and 2007, including a provision for incurred but not reported claims, were as follows:

Year Ended June 30,	Claims Payable July 1, 2006	Claims and Changes in Estimates	Claims Payments	Claims Payable June 30, 2007
2006	\$ 2,090,696	\$ 59,135	\$ 517,878	\$ 1,631,953
2007	1,631,953	1,105,701	852,280	1,885,374

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

C. Deferred Compensation

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The City has two plans; one is available to all City employees and the other for certain named employees that permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

D. 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 of Tustin 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, 2007</u>
Assessment District 95-1	\$ 35,705,000	\$ 18,780,000
Assessment District 95-2, 1996	41,500,000	28,419,000
Assessment District 95-2, 1997	3,300,000	1,805,000
Assessment District 95-2, 1998	4,185,000	2,500,000
Assessment District 95-2, 1999	4,995,000	2,865,000
Assessment District 95-2, 2001	2,245,000	1,493,000
Assessment District 04-1, 2004	11,415,000	11,210,000
	<u>11,415,000</u>	<u>11,210,000</u>
Total	<u>\$ 103,345,000</u>	<u>\$ 67,072,000</u>

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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, 2007, the amount of the PFA Revenue Bonds, Series A, outstanding was \$18,780,000.

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, 2007, the amount of the PFA Revenue Bonds, Series B, outstanding was \$1,805,000.

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, 2007, the amount of the PFA Revenue Bonds, Series C, outstanding was \$2,500,000.

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, 2007, the amount of the PFA Revenue Bonds, Series D, outstanding was \$2,865,000.

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

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

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, 2007, the amount of the PFA Revenue Bonds, Series E, outstanding was \$1,493,000.

In December 2004, the City of Tustin 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, 2007, the amount of the Special Tax Bonds, Series 2004 was \$11,210,000.

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.

F. 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.

AB265 requires redevelopment agencies to set aside 20 percent of their tax increment from project areas established before 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. On February 1, 1993, the Agency adopted a plan to eliminate the deficit in subsequent years.

G. City and Agency Reimbursement Agreement

On June 5, 2007, the City and Tustin Community Redevelopment Agency executed a Reimbursement Agreement for reimbursement to the City to assist the Agency in meeting obligations to provide affordable housing under the MCAS Redevelopment Plan and the MCAS Tustin Specific Plan. In order to assist the Agency in meeting its

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

affordable housing obligations the City has 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.

As of June 30, 2007 approximately five hundred sixty-five new units have been constructed in the MCAS Tustin Project Area, including one hundred eighteen affordable units, which reflect an average subsidy of \$351,000 per unit to secure the long-term affordability covenants. 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 difference between the fair market value of the dwelling unit at the time of purchase and the affordable housing purchase price of the units. The total promissory noted 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.

Reimbursements are to be paid 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.

This obligation is expected to increase in future years. 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.

H. Subsequent Event

In September 2007, the City of Tustin 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. The first principal payment will be due September 1, 2009.

CITY OF TUSTIN
Notes to Financial Statements (Continued)
June 30, 2007

In September 2007, the City of Tustin 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. The first principal payment will be due September 1, 2009.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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CITY OF TUSTIN
Schedule of Funding Progress for PERS
June 30, 2007

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll [(B-A)/C]
<u>Miscellaneous Employees:</u>						
6/30/04	\$ 38,934,283	\$ 39,798,073	\$ 863,790	97.8%	\$ 9,892,201	8.7%
6/30/05	42,602,695	44,735,009	2,132,314	95.2%	10,305,463	20.7%
6/30/06	42,425,949	49,202,712	6,776,763	86.2%	11,624,485	58.3%

CITY OF TUSTIN
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 32,941,483	\$ 32,941,483	\$ 33,775,420	\$ 833,937
Licenses and permits	2,036,849	2,036,849	2,095,154	58,305
Fines and forfeitures	740,000	740,000	783,390	43,390
Use of money and property	150,000	150,000	689,483	539,483
Intergovernmental revenue	4,771,767	4,771,767	6,191,407	1,419,640
Charges for services	1,482,460	1,482,460	2,043,251	560,791
Rental income	186,056	186,056	188,768	2,712
Other revenues	2,783,955	2,783,955	3,126,358	342,403
Total Revenues	45,092,570	45,092,570	48,893,231	3,800,661
Expenditures:				
Current:				
General government	7,054,896	7,129,696	5,771,424	1,358,272
Public safety	25,342,965	25,342,965	24,450,803	892,162
Public works	9,396,348	9,451,348	9,651,745	(200,397)
Community services	3,037,316	3,037,316	3,023,648	13,668
Capital outlay	1,621,890	1,938,362	2,646,479	(708,117)
Total Expenditures	46,453,415	46,899,687	45,544,099	1,355,588
Excess of Revenues Over (Under) Expenditures	(1,360,845)	(1,807,117)	3,349,132	5,156,249
Other Financing Sources (Uses):				
Transfers out		(7,000,000)	(7,000,000)	
Sale of property	45,000	45,000	110,118	65,118
Total Other Financing Sources (Uses)	45,000	(6,955,000)	(6,889,882)	65,118
Net Change in Fund Balance	(1,315,845)	(8,762,117)	(3,540,750)	5,221,367
Fund Balance - Beginning	24,243,478	24,243,478	24,243,478	
Fund Balance - Ending	\$ 22,927,633	\$ 15,481,361	\$ 20,702,728	\$ 5,221,367

See Accompanying Note to Required Supplementary Information.

CITY OF TUSTIN
 Budgetary Comparison Schedule
 Measure M Special Revenue Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 51,500	\$ 51,500	\$ 111,277	\$ 59,777
Intergovernmental revenue	8,463,643	8,463,643	9,599,730	1,136,087
Total Revenues	8,515,143	8,515,143	9,711,007	1,195,864
Expenditures:				
Capital outlay	9,988,287	9,988,287	8,645,126	1,343,161
Excess of Revenues Over (Under) Expenditures	(1,473,144)	(1,473,144)	1,065,881	2,539,025
Net Change in Fund Balance	(1,473,144)	(1,473,144)	1,065,881	2,539,025
Fund Balance - Beginning	(2,823,745)	(2,823,745)	(2,823,745)	
Fund Balance - Ending	<u>\$ (4,296,889)</u>	<u>\$ (4,296,889)</u>	<u>\$ (1,757,864)</u>	<u>\$ 2,539,025</u>

See Accompanying Note to Required Supplementary Information.

CITY OF TUSTIN
Note to Required Supplementary Information
June 30, 2007

I. Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgets.

- a. 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.
- b. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year.

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 financial statements are the final adjusted amounts.

- c. 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.
- d. 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.

SUPPLEMENTARY INFORMATION

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NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

Supplemental Law Enforcement - This law was established under Government Code Section 30061 enacted by AB3229, Chapter 134, of the 1996 Statutes and is appropriation from the State Budget for the "Citizen Option for Public Safety Program." These funds 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.

NONMAJOR DEBT SERVICE FUNDS

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

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.

NONMAJOR CAPITAL PROJECTS FUNDS

Other Capital Projects - This fund accounts for all 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 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.

Construction 04-01 - This fund accounts for construction and improvements to the Tustin Legacy area.

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CITY OF TUSTIN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds		
<u>Assets</u>	Gas Tax	Park Acquisition and Development	Asset Forfeiture
Cash and investments	\$ 1,745,763	\$ 11,659,741	\$ 54,803
Cash and investments with fiscal agents			
Taxes receivable			
Interest receivable	14,307	91,566	444
Accounts receivable	37,748		
Loans receivable			
Due from other governments	122,331		32,455
Land held for resale			
Total Assets	\$ 1,920,149	\$ 11,751,307	\$ 87,702
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,495,952	\$ 23,770	
Due to other funds			
Deferred revenue			
Total Liabilities	1,495,952	23,770	
Fund balances:			
Reserved for:			
Debt service			
Land held for resale			
Low income housing			
Unreserved reported in:			
Special revenue funds	424,197	11,727,537	\$ 87,702
Capital projects funds			
Total Fund Balances	424,197	11,727,537	87,702
Total Liabilities and Fund Balances	\$ 1,920,149	\$ 11,751,307	\$ 87,702

Special Revenue Funds		Debt Service Funds	
Air Quality	Supplemental Law Enforcement	South Central Project Area	Town Center Project Area
\$ 101,684	\$ 44,504	\$ 15,975,062	\$ 6,482,632
			1,677,517
681	416	118,624	43,121
22,000		164,432	61,996
<u>\$ 124,365</u>	<u>\$ 44,920</u>	<u>\$ 16,258,118</u>	<u>\$ 8,265,266</u>
\$ 2,878	\$ 8,140		
			\$ 8,159
<u>2,878</u>	<u>8,140</u>		<u>8,159</u>
		\$ 16,258,118	8,257,107
121,487	36,780		
<u>121,487</u>	<u>36,780</u>	<u>16,258,118</u>	<u>8,257,107</u>
<u>\$ 124,365</u>	<u>\$ 44,920</u>	<u>\$ 16,258,118</u>	<u>\$ 8,265,266</u>

(Continued)

CITY OF TUSTIN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2007

	Capital Projects Funds		
	Other Capital Projects	Construction 95-1	Town Center Project Area
<u>Assets</u>			
Cash and investments	\$ 7,203,303	\$ 323,386	
Cash and investments with fiscal agents		3,816,307	
Taxes receivable			
Interest receivable	57,747		
Accounts receivable	63,777		\$ 1,065
Loans receivable			
Due from other governments			
Land held for resale			
Total Assets	\$ 7,324,827	\$ 4,139,693	\$ 1,065
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,276,286		\$ 2,267
Due to other funds			1,086
Deferred revenue			
Total Liabilities	1,276,286		3,353
Fund balances:			
Reserved for:			
Debt service			
Land held for resale			
Low income housing			
Unreserved reported in:			
Special revenue funds			
Capital projects funds	6,048,541	\$ 4,139,693	(2,288)
Total Fund Balances	6,048,541	4,139,693	(2,288)
Total Liabilities and Fund Balances	\$ 7,324,827	\$ 4,139,693	\$ 1,065

Capital Projects Funds			
Low Income Housing	Marine Base Low Income Housing	Construction 04-01	Total Nonmajor Funds
\$ 13,743,609	\$ 3,462,497		\$ 60,796,984
			5,493,824
90,615	26,558		161,745
71,252	16,809		508,762
1,142,081			212,651
			1,142,081
705,000			154,786
			705,000
<u>\$ 15,752,557</u>	<u>\$ 3,505,864</u>	<u>\$ -</u>	<u>\$ 69,175,833</u>
\$ 790	\$ 252,885	\$ 216,395	\$ 3,279,363
2,172		686,305	689,563
1,142,081			1,150,240
<u>1,145,043</u>	<u>252,885</u>	<u>902,700</u>	<u>5,119,166</u>
705,000			24,515,225
13,902,514	3,252,979		705,000
			17,155,493
			12,397,703
		(902,700)	9,283,246
<u>14,607,514</u>	<u>3,252,979</u>	<u>(902,700)</u>	<u>64,056,667</u>
<u>\$ 15,752,557</u>	<u>\$ 3,505,864</u>	<u>\$ -</u>	<u>\$ 69,175,833</u>

CITY OF TUSTIN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds		
	Gas Tax	Park Acquisition and Development	Asset Forfeiture
Revenues:			
Taxes			
Use of money and property	\$ 115,556	\$ 549,903	\$ 2,619
Intergovernmental revenue	1,817,690		54,469
Rental income			
Other revenue		10,418	
Total Revenues	<u>1,933,246</u>	<u>560,321</u>	<u>57,088</u>
Expenditures:			
Current:			
General government			80,800
Capital outlay	3,276,882	138,787	
Debt service:			
Principal		138,600	
Interest and fiscal charges		3,673	
Total Expenditures	<u>3,276,882</u>	<u>281,060</u>	<u>80,800</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,343,636)</u>	<u>279,261</u>	<u>(23,712)</u>
Other Financing Sources (Uses):			
Transfers in		2,000,000	
Transfers out			
Sale of property			
Total Other Financing Sources (Uses)		<u>2,000,000</u>	
Net Change in Fund Balance	(1,343,636)	2,279,261	(23,712)
Fund Balances (Deficits) - Beginning	<u>1,767,833</u>	<u>9,448,276</u>	<u>111,414</u>
Fund Balances (Deficits) - Ending	<u>\$ 424,197</u>	<u>\$ 11,727,537</u>	<u>\$ 87,702</u>

Special Revenue Funds		Debt Service Funds	
Air Quality	Supplemental Law Enforcement	South Central Project Area	Town Center Project Area
\$ 91,019	\$ 3,829 305,384	\$ 3,057,831 1,010,717	\$ 3,165,387 428,946
91,019	309,213	4,068,548	3,594,333
38,241	250,801	634,397	245,619
		153,613	1,000,000 645,340
38,241	250,801	788,010	1,890,959
52,778	58,412	3,280,538	1,703,374
		(3,514,862)	(280,832)
		(3,514,862)	(280,832)
52,778	58,412	(234,324)	1,422,542
68,709	(21,632)	16,492,442	6,834,565
\$ 121,487	\$ 36,780	\$ 16,258,118	\$ 8,257,107

(Continued)

CITY OF TUSTIN
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2007

	Capital Projects Funds		
	Other Capital Projects	Construction 95-1	Town Center Project Area
Revenues:			
Taxes			
Use of money and property	\$ 323,706	\$ 29,549	
Intergovernmental revenue	1,648,177		
Rental income			\$ 8,036
Other revenue			
Total Revenues	<u>1,971,883</u>	<u>29,549</u>	<u>8,036</u>
Expenditures:			
Current:			
General government		345	201,020
Capital outlay	7,120,503		90,136
Debt service:			
Principal	191,400		
Interest and fiscal charges	5,121		
Total Expenditures	<u>7,317,024</u>	<u>345</u>	<u>291,156</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,345,141)</u>	<u>29,204</u>	<u>(283,120)</u>
Other Financing Sources (Uses):			
Transfers in	5,000,000		280,832
Transfers out			
Sale of property			
Total Other Financing Sources (Uses)	<u>5,000,000</u>		<u>280,832</u>
Net Change in Fund Balance	(345,141)	29,204	(2,288)
Fund Balances (Deficits) - Beginning	<u>6,393,682</u>	<u>4,110,489</u>	
Fund Balances (Deficits) - Ending	<u><u>\$ 6,048,541</u></u>	<u><u>\$ 4,139,693</u></u>	<u><u>\$ (2,288)</u></u>

Capital Projects Funds

Low Income Housing	Marine Base Low Income Housing	Construction 04-01	Total Nonmajor Funds
\$ 1,555,805	\$ 1,690,627		\$ 9,469,650
590,068	151,121		2,777,068
63,099			4,345,685
23,594			71,135
2,232,566	1,841,748		34,012
438,959	87,659		1,688,799
			10,915,350
38,375			1,330,000
477,334	87,659		846,122
1,755,232	1,754,089		14,780,271
1,566,500			1,917,279
1,566,500			7,280,832
			(3,795,694)
			1,566,500
3,321,732	1,754,089		5,051,638
11,285,782	1,498,890	\$ (902,700)	6,968,917
\$ 14,607,514	\$ 3,252,979	\$ (902,700)	57,087,750
			\$ 64,056,667

CITY OF TUSTIN
 Budgetary Comparison Schedule
 Gas Tax Special Revenue Fund
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Use of money and property	\$ 75,000	\$ 75,000	\$ 115,556	\$ 40,556
Intergovernmental revenue	<u>1,705,348</u>	<u>1,841,136</u>	<u>1,817,690</u>	<u>(23,446)</u>
Total Revenues	1,780,348	1,916,136	1,933,246	17,110
Expenditures:				
Capital outlay	<u>3,609,720</u>	<u>4,445,447</u>	<u>3,276,882</u>	<u>1,168,565</u>
Net Change in Fund Balance	(1,829,372)	(2,529,311)	(1,343,636)	1,185,675
Fund Balance - Beginning	<u>1,767,833</u>	<u>1,767,833</u>	<u>1,767,833</u>	
Fund Balance - Ending	<u><u>\$ (61,539)</u></u>	<u><u>\$ (761,478)</u></u>	<u><u>\$ 424,197</u></u>	<u><u>\$ 1,185,675</u></u>

CITY OF TUSTIN
 Budgetary Comparison Schedule
 Park Acquisition and Development Special Revenue Fund
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Use of money and property	\$ 125,000	\$ 125,000	\$ 549,903	\$ 424,903
Other revenue	15,000	15,000	10,418	(4,582)
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>560,321</u>	<u>420,321</u>
Expenditures:				
Capital outlay	6,189,000	6,224,000	138,787	6,085,213
Debt service:				
Principal	132,300	132,300	138,600	(6,300)
Interest and fiscal charges	10,819	10,819	3,673	7,146
Total Expenditures	<u>6,332,119</u>	<u>6,367,119</u>	<u>281,060</u>	<u>6,086,059</u>
Excess of Revenues Over (Under) Expenditures	(6,192,119)	(6,227,119)	279,261	6,506,380
Other Financing Sources:				
Transfers in		2,000,000	2,000,000	
Net Change in Fund Balance	(6,192,119)	(4,227,119)	2,279,261	6,506,380
Fund Balance - Beginning	<u>9,448,276</u>	<u>9,448,276</u>	<u>9,448,276</u>	
Fund Balance - Ending	<u><u>\$ 3,256,157</u></u>	<u><u>\$ 5,221,157</u></u>	<u><u>\$ 11,727,537</u></u>	<u><u>\$ 6,506,380</u></u>

CITY OF TUSTIN
 Budgetary Comparison Schedule
 Asset Forfeiture Special Revenue Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,500	\$ 2,500	\$ 2,619	\$ 119
Intergovernmental revenue	50,000	50,000	54,469	4,469
Total Revenues	<u>52,500</u>	<u>52,500</u>	<u>57,088</u>	<u>4,588</u>
Expenditures:				
General government	<u>25,000</u>	<u>25,000</u>	<u>80,800</u>	<u>(55,800)</u>
Net Change in Fund Balance	27,500	27,500	(23,712)	(51,212)
Fund Balance - Beginning	<u>111,414</u>	<u>111,414</u>	<u>111,414</u>	
Fund Balance - Ending	<u><u>\$ 138,914</u></u>	<u><u>\$ 138,914</u></u>	<u><u>\$ 87,702</u></u>	<u><u>\$ (51,212)</u></u>

CITY OF TUSTIN
 Budgetary Comparison Schedule
 Air Quality Special Revenue Fund
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue	\$ 85,500	\$ 85,500	\$ 91,019	\$ 5,519
Expenditures:				
Capital outlay	<u>85,500</u>	<u>85,500</u>	<u>38,241</u>	<u>47,259</u>
Net Change in Fund Balance			52,778	52,778
Fund Balance - Beginning	<u>68,709</u>	<u>68,709</u>	<u>68,709</u>	
Fund Balance - Ending	<u><u>\$ 68,709</u></u>	<u><u>\$ 68,709</u></u>	<u><u>\$ 121,487</u></u>	<u><u>\$ 52,778</u></u>

CITY OF TUSTIN
 Budgetary Comparison Schedule
 Supplemental Law Enforcement Special Revenue Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 1,500	\$ 1,500	\$ 3,829	\$ 2,329
Intergovernmental revenue	120,000	120,000	305,384	185,384
Total Revenues	121,500	121,500	309,213	187,713
Expenditures:				
Capital outlay	122,766	122,766	250,801	(128,035)
Net Change in Fund Balance	(1,266)	(1,266)	58,412	59,678
Fund Balance - Beginning	(21,632)	(21,632)	(21,632)	
Fund Balance - Ending	\$ (22,898)	\$ (22,898)	\$ 36,780	\$ 59,678

AGENCY FUNDS

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.

Assessment District 04-01 - This fund records the deposit of monies held to pay the debt service requirements of the assessment district.

CITY OF TUSTIN
Statement of Net Assets
All Agency Funds
June 30, 2007

	Assessment District 95-1	Assessment District 95-2	Assessment District 04-01	Total
<u>Assets</u>				
Cash and investments				
Cash and investments with fiscal agents	\$ 11,579,364	\$ 2,674,685	\$ 3,430,665	\$ 17,684,714
Taxes receivable	55,637	28,905		84,542
Interest receivable	806,335	34,211	39,685	880,231
	<u>806,335</u>	<u>34,211</u>	<u>39,685</u>	<u>880,231</u>
Total Assets	<u>\$ 12,441,336</u>	<u>\$ 2,737,801</u>	<u>\$ 3,470,350</u>	<u>\$ 18,649,487</u>
<u>Liabilities</u>				
Liabilities:				
Due to bondholders	<u>\$ 12,441,336</u>	<u>\$ 2,737,801</u>	<u>\$ 3,470,350</u>	<u>\$ 18,649,487</u>
Total Liabilities	<u>\$ 12,441,336</u>	<u>\$ 2,737,801</u>	<u>\$ 3,470,350</u>	<u>\$ 18,649,487</u>

CITY OF TUSTIN
Statement of Changes in Agency Funds
For the Year Ended June 30, 2007

<u>Assessment District 95-1</u>	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Assets:				
Cash and investments	\$ 267		\$ 267	
Cash and investments with fiscal agents	11,872,138	\$ 7,473,549	7,766,323	\$ 11,579,364
Taxes receivable	65,651	55,637	65,651	55,637
Interest receivable	841,109	806,335	841,109	806,335
Total Assets	\$ 12,779,165	\$ 8,335,521	\$ 8,673,350	\$ 12,441,336
Liabilities:				
Due to bondholders	\$ 12,779,165	\$ 8,335,521	\$ 8,673,350	\$ 12,441,336
 <u>Assessment District 95-2</u>				
Assets:				
Cash and investments with fiscal agents	\$ 2,772,428	\$ 2,756,213	\$ 2,853,956	\$ 2,674,685
Taxes receivable	33,416	28,905	33,416	28,905
Interest receivable	12,098	34,211	12,098	34,211
Total Assets	\$ 2,817,942	\$ 2,819,329	\$ 2,899,470	\$ 2,737,801
Liabilities:				
Due to bondholders	\$ 2,817,942	\$ 2,819,329	\$ 2,899,470	\$ 2,737,801
 <u>Assessment District 04-01</u>				
Assets:				
Cash and investments with fiscal agents	\$ 3,167,330	\$ 1,478,260	\$ 1,214,925	\$ 3,430,665
Interest receivable	106,027	39,685	106,027	39,685
Total Assets	\$ 3,273,357	\$ 1,517,945	\$ 1,320,952	\$ 3,470,350
Liabilities:				
Due to bondholders	\$ 3,273,357	\$ 1,517,945	\$ 1,320,952	\$ 3,470,350

(Continued)

CITY OF TUSTIN
Statement of Changes in Agency Funds (Continued)
For the Year Ended June 30, 2007

<u>Total - All Agency Funds</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Assets:				
Cash and investments	\$ 267		\$ 267	
Cash and investments with fiscal agents	17,811,896	\$ 11,708,022	11,835,204	\$ 17,684,714
Taxes receivable	99,067	84,542	99,067	84,542
Interest receivable	959,234	880,231	959,234	880,231
 Total Assets	 <u>\$ 18,870,464</u>	 <u>\$ 12,672,795</u>	 <u>\$ 12,893,772</u>	 <u>\$ 18,649,487</u>
Liabilities:				
Due to bondholders	<u>\$ 18,870,464</u>	<u>\$ 12,672,795</u>	<u>\$ 12,893,772</u>	<u>\$ 18,649,487</u>

STATISTICAL SECTION

CITY OF TUSTIN
Comprehensive Annual Financial Report
Year Ended June 30, 2007

STATISTICAL SECTION

This part of the City of Tustin comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	90
Revenue Capacity <i>These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax.</i>	95
Debt Capacity <i>These schedules contain present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	100
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	108
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	112

Source: 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 Three Fiscal Years
 (Accrual basis of Accounting)

	Fiscal Year		
	2005	2006	2007
Governmental Activities:			
Invested in capital assets, net of related debt	\$ 238,482,797	\$ 261,132,785	\$ 285,331,502
Restricted	53,511,631	55,021,376	94,111,615
Unrestricted	8,287,989	14,993,866	(19,936,964)
Total Governmental Activities Net Assets	<u>300,282,417</u>	<u>331,148,027</u>	<u>359,506,153</u>
Business-type Activities:			
Invested in capital assets, net of related debt	22,198,864	20,494,561	22,150,723
Restricted			
Unrestricted	207,310,935	206,342,244	199,289,608
Total Business-type Activities Net Assets	<u>229,509,799</u>	<u>226,836,805</u>	<u>221,440,331</u>
Primary Government:			
Invested in capital assets, net of related debt	260,681,661	281,627,346	307,482,225
Restricted	53,511,631	55,021,376	94,111,615
Unrestricted	215,598,924	221,336,110	179,352,644
Total Primary Government Net Assets	<u>\$ 529,792,216</u>	<u>\$ 557,984,832</u>	<u>\$ 580,946,484</u>

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

CITY OF TUSTIN
Changes in Net Assets
Last Three Fiscal Years
(Accrual basis of Accounting)

	Fiscal Year		
	2005	2006	2007
Expenses:			
Governmental activities:			
General government	\$ 9,151,650	\$ 10,269,053	\$ 7,926,778
Public safety	21,748,046	23,255,837	25,269,653
Public works	14,169,030	14,354,535	19,091,399
Community services	3,255,036	3,425,790	3,444,799
Interest on long-term debt	874,939	1,003,920	1,618,814
Total Governmental Activities Expenses	<u>49,198,701</u>	<u>52,309,135</u>	<u>57,351,443</u>
Business-type activities:			
Water	9,324,853	9,365,401	11,879,958
Tustin Legacy	1,788,633	1,355,822	1,518,560
Total Business-type Activities Expenses	<u>11,113,486</u>	<u>10,721,223</u>	<u>13,398,518</u>
Total Primary Government Expenses	<u>60,312,187</u>	<u>63,030,358</u>	<u>70,749,961</u>
Program Revenues:			
Government activities:			
Charges for services:			
General government	1,928,287	2,388,279	2,540,796
Public safety	1,180,959	1,364,877	1,476,811
Public works	1,631,277	3,230,212	2,987,687
Community services	941,297	876,199	916,075
Operating grants and contributions	2,377,440	3,655,881	3,677,905
Capital grants and contributions	4,484,592	19,470,274	9,652,907
Total Governmental Activities			
Program Revenues	12,543,852	30,985,722	21,252,181
Business-type activities:			
Charges for services:			
Water	8,478,119	8,858,151	10,418,522
Tustin Legacy	1,328,686	3,660,334	409,693
Operating grants and contributions			
Capital grants and contributions	805,777		
Total Business-type Activities			
Program Revenues	<u>10,612,582</u>	<u>12,518,485</u>	<u>10,828,215</u>
Net Revenues (Expenses):			
Government activities:	(36,654,849)	(21,323,413)	(36,099,262)
Business-type activities:	(500,904)	1,797,262	(2,570,303)
Total Net Revenues (Expenses)	<u>\$ (37,155,753)</u>	<u>\$ (19,526,151)</u>	<u>\$ (38,669,565)</u>

(Continued)

CITY OF TUSTIN
Changes in Net Assets (Continued)
Last Three Fiscal Years
(Accrual basis of Accounting)

	Fiscal Year		
	2005	2006	2007
General Revenues and Other Changes in Net Assets:			
Governmental activities:			
Taxes:			
Sales tax	\$ 18,351,207	\$ 18,912,722	\$ 19,317,135
Property taxes	19,338,392	21,242,797	28,617,969
Transient occupancy taxes	139,879	155,199	161,105
Other taxes	1,320,209	1,409,696	1,534,720
Motor vehicle in lieu, unrestricted	455,244	433,795	443,222
Investment income	1,743,613	3,202,914	4,842,033
Other general revenues	9,102,519	1,323,230	1,598,099
Gain (loss) on disposal of capital assets	(216,936)	(422,555)	
Transfers	1,233,209	5,931,225	7,943,105
Total Governmental Activities	<u>51,467,336</u>	<u>52,189,023</u>	<u>64,457,388</u>
Business-type activities:			
Investment income	319,019	1,411,899	1,567,316
Gain (loss) on disposal of capital assets	8,358,415		3,519,618
Miscellaneous	190,937	49,070	
Transfers	(1,233,209)	(5,931,225)	(7,943,105)
Total Business-type Activities	<u>7,635,162</u>	<u>(4,470,256)</u>	<u>(2,856,171)</u>
Total Primary Government	<u>59,102,498</u>	<u>47,718,767</u>	<u>61,601,217</u>
Changes in Net Assets:			
Governmental activities:	14,812,487	30,865,610	28,358,126
Business-type activities:	7,134,258	(2,672,994)	(5,426,474)
Total Primary Government	<u>\$ 21,946,745</u>	<u>\$ 28,192,616</u>	<u>\$ 22,931,652</u>

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

CITY OF TUSTIN
Fund Balances of Governmental Funds
Last Three Fiscal Years
(Modified accrual basis of Accounting)

	Fiscal Year		
	2005	2006	2007
General Fund:			
Reserved	\$ 276,989	\$ 118,510	\$ 248,372
Unreserved	19,931,022	24,124,968	20,454,356
Total General Fund	<u>\$ 20,208,011</u>	<u>\$ 24,243,478</u>	<u>\$ 20,702,728</u>
All other Governmental Funds:			
Reserved	\$ 32,804,461	\$ 34,612,789	\$ 75,768,999
Unreserved, reported in:			
Special Revenue Funds	7,592,615	8,550,855	10,639,839
Debt Services Funds	1,936,057	2,510,686	
Capital Projects Funds	17,029,831	11,145,244	5,344,010
Total All other Governmental Funds	<u>\$ 59,362,964</u>	<u>\$ 56,819,574</u>	<u>\$ 91,752,848</u>

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

Source: City of Tustin, Finance Department

CITY OF TUSTIN
 Changes of Fund Balances of Governmental Funds
 Last Three Fiscal Years
 (Modified accrual basis of Accounting)

	Fiscal Year		
	2005	2006	2007
Revenues:			
Taxes	\$ 39,290,491	\$ 40,542,668	\$ 48,306,569
Licenses and permits	1,008,965	2,153,355	2,095,154
Fines and forfeitures	895,816	784,966	783,390
Use of money and property	1,662,329	2,849,921	4,228,582
Intergovernmental revenues	7,613,141	15,338,254	20,136,822
Charges for services	1,530,537	2,107,336	2,043,251
Rental income	208,222	304,733	349,450
Other revenue	12,827,879	8,260,032	3,160,370
Total Revenues	<u>65,037,380</u>	<u>72,341,265</u>	<u>81,103,588</u>
Expenditures:			
Current:			
General government	8,429,464	10,134,368	7,806,916
Public safety	21,075,766	22,697,122	24,450,803
Public works	7,475,332	7,691,894	9,651,745
Community services	2,834,472	3,026,890	3,023,648
Capital outlay	13,509,215	27,057,889	28,503,673
Debt Service:			
Principal retirement	1,220,000	1,275,000	1,330,000
Interest and fiscal charges	884,533	1,023,622	1,620,897
Total Expenditures	<u>55,428,782</u>	<u>72,906,785</u>	<u>76,387,682</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,608,598</u>	<u>(565,520)</u>	<u>4,715,906</u>
Other Financing Sources (Uses):			
Proceeds from debt issuance			25,000,000
Transfers in	5,203,652	7,190,511	10,795,694
Transfers out	(3,970,443)	(5,270,356)	(10,795,694)
Sale of property	65,431	137,442	1,676,618
Total Other Financing Sources	<u>1,298,640</u>	<u>2,057,597</u>	<u>26,676,618</u>
Net Change in Fund Balances	<u>\$ 10,907,238</u>	<u>\$ 1,492,077</u>	<u>\$ 31,392,524</u>
Debt Service as a Percentage of Noncapital Expenditures	5.29%	5.28%	6.57%

Source: City of Tustin, Finance Department

CITY OF TUSTIN
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (In thousands of dollars)

Fiscal Year Ended June 30	City		Taxable Assessed Value	Redevelopment Agency		Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured		Secured	Unsecured		
1998	\$ 3,017,259	\$ 317,972	\$ 3,335,231	\$ 467,824	\$ 71,058	\$ 538,882	*
1999	3,246,774	423,440	3,670,214	493,096	67,328	560,424	0.214%
2000	3,639,037	400,433	4,039,470	523,852	64,973	588,825	0.215%
2001	4,071,186	420,731	4,491,917	564,660	66,749	631,409	0.213%
2002	4,360,086	385,783	4,745,869	598,180	99,367	697,547	0.217%
2003	4,637,831	301,761	4,939,592	621,304	67,143	688,447	0.228%
2004	4,969,203	314,645	5,283,848	659,266	61,810	721,076	0.263%
2005	5,306,887	308,339	5,615,226	927,400	68,767	996,167	0.293%
2006	5,753,518	285,670	6,039,188	1,039,506	71,738	1,111,244	0.293%
2007	6,397,216	301,747	6,698,963	1,496,217	84,203	1,580,420	0.293%

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. At that point, the new assessed value is set at the purchase price of the property. 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.

* Information for these years is not readily available.

CITY OF TUSTIN
Direct and Overlapping Property Tax Rates
Last Five Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Basic Rate</u>					
City of Tustin	\$0.1260	\$0.1260	\$0.1260	\$0.1260	\$0.1260
Tustin Unified School District	0.4400	0.4400	0.4400	0.4400	0.4400
South Orange County Community College District	0.0910	0.0910	0.0910	0.0910	0.0910
County of Orange	0.0600	0.0600	0.0600	0.0600	0.0600
Orange County Flood Control District	0.0200	0.0200	0.0200	0.0200	0.0200
Orange County Library District	0.0160	0.0160	0.0160	0.0160	0.0160
Orange County Department of Education	0.0160	0.0160	0.0160	0.0160	0.0160
Various Special Districts	<u>0.2310</u>	<u>0.2310</u>	<u>0.2310</u>	<u>0.2310</u>	<u>0.2310</u>
 Total Basic Rate	 <u>1.0000</u>	 <u>1.0000</u>	 <u>1.0000</u>	 <u>1.0000</u>	 <u>1.0000</u>
 <u>Over Lapping Rates</u>					
Tustin Unified School Dist. Bonds	0.0306	0.0554	0.0311	0.0311	0.0311
Metropolitan Water District Bonds	0.0061	0.0058	0.0052	0.0052	0.0052
Rancho Santiago Community College District Bonds	0.0178	0.0273	0.0169	0.0169	0.0169
Irvine Ranch Water District Bonds	0.0000	0.0000	0.0100	0.0100	0.0100
Santa Ana Unified School Dist. Bonds	<u>0.0387</u>	<u>0.0496</u>	<u>0.0435</u>	<u>0.0435</u>	<u>0.0435</u>
 Total Overlapping Rates	 <u>0.0932</u>	 <u>0.1381</u>	 <u>0.1067</u>	 <u>0.1067</u>	 <u>0.1067</u>
 Total Basic and Overlapping Rates	 <u><u>\$ 1.0932</u></u>	 <u><u>\$ 1.1381</u></u>	 <u><u>\$ 1.1067</u></u>	 <u><u>\$ 1.1067</u></u>	 <u><u>\$ 1.1067</u></u>

Source: Orange County Assessor's Office

CITY OF TUSTIN
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2007		1998	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
The Irvine Company	\$ 304,846,938	3.68%	\$ 251,464,850	7.54%
Moffett Meadows Partners	162,298,577	2.42%		
Steelcase Inc			73,510,716	2.20%
Bascom East Tustin Ave	72,695,986	1.09%		
Pan Pacific Retail	48,632,284	0.73%		
Borchard Redhill	37,869,120	0.57%		
Bedrosian Tustin LLC	28,925,934	0.43%		
Cadigan Communities LP	28,314,626	0.42%		
Catellus Developemant Company	26,505,777	0.40%	49,612,942	1.49%
Richoh Development	26,433,262	0.39%	28,400,628	0.85%
14851 Yorba Street LLC	23,640,438	0.35%		
BB K NNC Valencia Gardens	23,624,750	0.35%		
Sanyo Foods	22,193,072	0.33%	35,940,292	1.08%
Tustin Plaza Center LP	21,367,112	0.32%		
Chemical Co CA	20,824,199	0.31%		
JS Northpointe LP	20,375,639	0.30%		
HB Tustin Franklin LLC	19,276,146	0.29%		
BRCP Stonewood Tustin LLC	18,815,000	0.28%		
Baycrest Associates			28,331,282	0.86%
Gateway Business Park, LLC				
Patrick F. Cadigan Trust			19,184,225	0.58%
Stacy Lynn Bartlett Trust			18,992,839	0.57%
Trinity Christian Center			18,154,793	0.54%
AUD Corp			17,620,420	0.53%
Sanderson J. Ray			15,837,182	0.47%
	<u>\$ 906,638,860</u>	<u>12.67%</u>	<u>\$ 557,050,169</u>	<u>16.71%</u>

The amounts shown include assessed value data for both the City and the Redevelopment Agency.

CITY OF TUSTIN
Property Tax Levies and Collections
Last Six 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
2002	\$ 18,228,493	\$ 17,791,491	97.60%	\$ 48,667	\$ 17,840,158	97.87%
2003	18,477,871	15,028,651	81.33%	32,064	15,060,715	81.51%
2004	19,645,498	19,141,337	97.43%	27,851	19,169,188	97.58%
2005	24,115,738	24,549,799	101.80%	42,299	24,592,098	101.98%
2006	25,622,503	25,886,883	101.03%	65,536	25,952,419	101.29%
2007	43,332,964	42,592,205	98.29%	321,095	42,913,300	99.03%

Note:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

Information prior to 2002 is not readily available for this schedule.

Source: County of Orange Auditor Controller's Office.

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CITY OF TUSTIN
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Total Governmental Activities
	General Obligation Bonds	Tax Allocation Bonds (1)	Lease Revenue Bonds (2)	Notes Payable (3)	
1998		\$ 18,025,000	\$ 2,480,000		\$ 20,505,000
1999		2,030,000	2,250,000		4,280,000
2000		19,270,000	2,010,000		21,280,000
2001		18,475,000	1,760,000		20,235,000
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

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

Source: City of Tustin, Finance Department

Business-type Activities

<u>Water Revenue Bonds (4)</u>	<u>Certificates of Participation</u>	<u>Notes Payable</u>	<u>Total Business-type Activities</u>	<u>Total Primary Government</u>	<u>Debt Per Capita</u>
	\$ 9,875,000	\$ 6,956,753 (5)	\$ 16,831,753	\$ 37,336,753	562
	9,475,000	6,409,558	15,884,558	20,164,558	302
	9,050,000	5,840,476	14,890,476	36,170,476	529
	8,600,000	5,248,472	13,848,472	34,083,472	493
	8,100,000	4,632,456	12,732,456	31,882,456	462
	7,575,000	3,991,272	11,566,272	29,596,272	424
\$ 13,668,367			13,668,367	30,523,367	434
13,461,607			13,461,607	29,096,607	411
13,331,607			13,331,607	27,691,607	386
13,415,000			13,415,000	51,435,000	709

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		
1998		\$ 18,025,000	\$ 18,025,000	0.46%	271
1999		20,030,000	20,030,000	0.47%	300
2000		19,270,000	19,270,000	0.41%	282
2001		18,475,000	18,475,000	0.36%	267
2002		17,650,000	17,650,000	0.32%	256
2003		16,800,000	16,800,000	0.29%	241
2004		15,910,000	15,910,000	0.26%	226
2005		14,990,000	14,990,000	0.23%	212
2006		14,030,000	14,030,000	0.20%	195
2007		13,020,000	13,020,000	0.15%	179

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, 2007

2006-07 Assessed Valuation:	\$ 8,170,654,641
Redevelopment Incremental Value:	<u>1,406,711,301</u>
Adjusted Assessed Value	\$ 9,577,365,942

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2007</u>	(1) <u>% Applicable</u>	City's Share of <u>Debt @ 6/30/07</u>
Orange County Teeter Obligations	\$ 123,725,000	1.986%	\$ 2,457,179
Metropolitan Water District	359,115,000	0.416	1,493,918
Rancho Santiago Community College District	324,638,495	0.016	51,942
Irvine Unified School District Community Facilities District No. 86-1	86,475,000	0.216	187,369
Tustin Unified School District Facilities Improvement District No. 2002-1	24,081,293	41.521	9,998,794
Tustin Unified School District Community Facilities District No. 88-1	58,620,000	100	58,620,000
City of Tustin Community Facilities District No. 04-1	11,210,000	100	11,210,000
Irvine Ranch Water District Improvement Districts	111,311,750	33.3	37,066,564
City of Tustin 1915 Act Bonds	55,862,000	100	<u>55,862,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>176,947,766</u>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Orange County General Fund Obligations	597,550,000	1.986%	11,867,343
Orange County Pension Obligations	99,716,298	1.986	1,785,277
Orange County Board of Education Certificates of Participation	19,820,000	1.986	391,639
Orange County Transit Authority	1,235,000	1.986	24,527
Municipal Water District of Orange County Water Facilities Corporation	20,800,000	2.372	493,376
South Orange County Community College District Certificates of Participation	36,910,000	4.647	1,715,208
Orange Unified School District Certificates of Participation	51,480,000	32 0.032	16,474
Tustin Unified School District Certificates of Participation	6,460,000	43.129	2,786,133
City of Tustin General Fund Obligations		100	
Irvine Ranch Water District Certificates of Participation	41,600,000	7.888	3,281,408
Orange County Fire Authority	13,570,000	3.892	528,144
Orange County Sanitation District Certificates of Participation	117,705,000	2.835	<u>3,336,937</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT:			26,226,466
Less: Orange County Transit Authority (80% self supporting)			19,622
MWDOC Water Facilities Corporation (100% self supporting)			<u>493,376</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT:			<u>25,713,468</u>
 GROSS COMBINED TOTAL DEBT		(2)	<u>203,174,232</u>
NET COMBINED TOTAL DEBT			<u><u>\$ 202,661,234</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 2005-06 Assessed Valuations:

Total Overlapping Tax and Assessment Debt 2.38%

Ratios to Adjusted Assessed Valuations:

Combined Direct Debt (\$316,098) 0.01%
Gross Combined Total Debt 3.22%
Net Combined Total Debt 3.20%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year			
	1998	1999	2000	2001
Assessed Valuation	\$3,335,231,000	\$3,670,214,000	\$4,039,470,000	\$4,491,917,000
Conversion Percentage	25%	25%	25%	25%
Adjusted Assessed Valuation	833,807,750	917,553,500	1,009,867,500	1,122,979,250
Debt Limit Percentage	15%	15%	15%	15%
Debt Limit	125,071,163	137,633,025	151,480,125	168,446,888
Total Net Debt Applicable to Limit General Obligation Bonds	<hr/>	<hr/>	<hr/>	<hr/>
Legal Debt Margin	<u>\$ 125,071,163</u>	<u>\$ 137,633,025</u>	<u>\$ 151,480,125</u>	<u>\$ 168,446,888</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%

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

Fiscal Year

2002	2003	2004	2005	2006	2007
4,745,869,000	4,939,592,000	5,283,848,000	5,615,226,000	6,039,188,000	6,698,963,000
25%	25%	25%	25%	25%	25%
1,186,467,250	1,234,898,000	1,320,962,000	1,403,806,500	1,509,797,000	1,674,740,750
15%	15%	15%	15%	15%	15%
177,970,088	185,234,700	198,144,300	210,570,975	226,469,550	251,211,113
<u>177,970,088</u>	<u>185,234,700</u>	<u>198,144,300</u>	<u>210,570,975</u>	<u>226,469,550</u>	<u>251,211,113</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF TUSTIN
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30	Refunding Water Revenue Bonds		
	Water Revenue	Less Operating Expenses	Net Available Revenue
1998	\$ 9,295,380	\$ 5,328,018	\$ 3,967,362
1999	9,923,454	5,493,255	4,430,199
2000	10,004,595	5,960,562	4,044,033
2001	10,197,034	6,027,207	4,169,827
2002	9,789,933	7,256,563	2,533,370
2003	9,124,414	7,361,971	1,762,443
2004	9,189,579	7,489,644	1,699,935
2005	8,321,177	8,740,809	(419,632)
2006	8,815,245	8,789,025	26,220
2007	10,404,011	9,986,251	417,760

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

Source: City of Tustin, Finance Department

Refunding Water Revenue Bonds			Tax Allocation Bonds			
Debt Service		Coverage	Tax Allocation	Debt Service		Coverage
Principal	Interest			Principal	Interest	
\$ 375,000	\$ 595,250	4.09	\$ 1,762,735	\$ 450,000	\$ 1,265,855	1.03
400,000	564,500	4.59	1,868,895	475,000	1,234,505	1.09
425,000	531,700	4.23	2,016,510	760,000	894,293	1.33
450,000	496,850	4.40	2,193,408	795,000	864,929	1.32
500,000	459,950	2.63	2,359,830	825,000	833,537	1.42
525,000	421,200	2.68	2,295,614	850,000	800,450	1.39
550,000	393,900	1.80	2,362,640	890,000	765,205	1.43
230,000	583,920	0.00	2,401,247	920,000	727,640	1.46
130,000	575,410	0.04	2,952,481	960,000	687,680	1.79
180,000	570,470	0.00	3,956,734	1,000,000	642,040	1.93

CITY OF TUSTIN
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	City of Tustin Population (1)	County of Orange Personal Income In Millions (2)	County of Orange Per Capita Personal Income (2)	County of Orange Unemployment Rate (3)
1997	65,287	77,499	30,870	3.30%
1998	66,420	83,635	32,663	2.90%
1999	66,840	90,580	34,194	2.70%
2000	68,316	96,288	37,103	3.50%
2001	69,199	106,004	37,645	4.00%
2002	69,078	109,010	37,981	5.00%
2003	69,745	111,205	39,268	4.80%
2004	70,339	116,238	35,105	4.30%
2005	71,767	121,469	36,952	3.80%
2006	72,542	133,032	44,453	3.40%

- Sources:
- (1) State Department of Finance
 - (2) State Department of Economic Development
(Data shown is for the Orange County)
 - (3) State Department of Employment Development Dept.
(Data shown is for the Orange County)

CITY OF TUSTIN
Principal Employers
Current Year and Seven Years Ago

Employer	2007		2000	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Steelcase Inc	0	0.0000%	1,100	2.9374%
Ricoh Electronics	1038	2.6399%	1,038	2.7718%
Silicon Systems, Inc	0	0.0000%	400	1.0681%
Texas Instruments	560	1.4242%	0	0.0000%
Mac Pherson Enterprises	540	1.3733%	360	0.9613%
MAI Systems Corporation	0	0.0000%	363	0.9693%
Cherokee International	330	0.8393%	300	0.8011%
Dynachem Electronic Materials	0	0.0000%	350	0.9346%
Toshiba American Medical Systems	300	0.7630%	300	0.8011%
L. H. Resarch	0	0.0000%	300	0.8011%
Revere Transducers	200	0.5086%	0	0.0000%
Tustin Hospital	200	0.5086%	240	0.6409%
Elite Security Services	0	0.0000%	200	0.5341%
Eldorado Bank	0	0.0000%	200	0.5341%
Fireman's Fund Insurance	190	0.4832%	190	0.5074%
KTBN Channel 40 Trinity Broadcasting	180	0.4578%	179	0.4780%
Safeguard Business Systems	175	0.4451%	175	0.4673%

Source: Tustin Chamber of Commerce

CITY OF TUSTIN
 Full-time City Employees
 by Function
 Last Ten Fiscal Years

Function	Full Time Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	22	23	24	29	32	32	32	31	31	31
Community Development	25	25	25	24	24	21	21	22	24	28
Public Works	42	45	45	47	48	47	47	48	48	50
Police	127	133	134	136	139	141	141	141	141	145
Parks and Recreation	15	16	16	16	16	20	20	18	17	17
Redevelopment Agency	2	2	2	3	3	5	5	2	3	5
Water	22	22	22	20	21	22	22	22	22	20
Total	<u>255</u>	<u>266</u>	<u>268</u>	<u>275</u>	<u>283</u>	<u>288</u>	<u>288</u>	<u>284</u>	<u>286</u>	<u>296</u>

The City Contracts with the OC Fire Authority for fire services

Source: City of Tustin Finance Department

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CITY OF TUSTIN
 Capital Asset Statistics
 by Function
 Last Ten Fiscal Years

Function	Fiscal Year					
	1998	1999	2000	2001	2002	2003
Public Safety:						
Police Stations	1	1	1	1	1	1
Fire Stations (1)	2	2	2	2	2	2
Public Works:						
Street miles	99.1	101.8	101.8	101.8	101.8	101.8
Street Lights	2,855	2,855	2,855	2,855	2,855	2,855
Traffic Signals	92	93	93	96	97	97
Storm Drain miles	23.7	23.7	23.7	23.7	23.7	23.7
Street Trees	16,647	16,697	16,638	16,755	16,559	16,689
Parks and Recreation:						
Parks/Acres	12/81.5	12/81.5	12/81.5	12/81.5	12/81.5	12/81.5
Community Centers	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1
Water:						
Metered Services	13,500	13,500	13,500	13,500	13,500	13,500
Average daily consumption ccf	12,500	12,500	12,500	12,500	12,500	12,500
Reservoirs	6	6	6	6	6	6
Wells	12	12	12	12	12	12
Water Main miles	173	173	173	173	173	173
Fire Hydrants	2200	2200	2200	2200	2200	2200

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

Source: City of Tustin, Finance Department

Fiscal Year			
2004	2005	2006	2007
1	1	1	1
2	2	2	2
101.8	101.8	101.8	101.8
2,855	2,855	2,855	2,855
97	97	97	97
23.7	23.7	23.7	23.7
16,667	16,744	16,638	16,638
12/81.5	12/81.5	12/81.5	12/81.5
1	1	1	1
1	1	1	1
13,500	13,500	13,900	14,080
12,500	12,500	12,514	17,205
6	6	6	6
12	12	12	12
173	173	173	173
2200	2200	2200	2,200

CITY OF TUSTIN
Water Consumption by Customer Type
Last Seven Fiscal Years

Type of Customer	Fiscal Year			
	2001	2002	2003	2004
Residential	1,991,281	2,120,237	2,259,295	2,522,125
Apartments/Multiple Units	766,778	882,313	958,049	1,042,914
Commercial	218,444	258,389	270,860	288,347
Fire Services	3,635	144	557	598
Irrigation	100,890	112,440	118,393	129,127
Government	92,471	125,416	133,120	180,387
Restaurants	40,604	45,098	48,046	59,591
Hospitals	15,879	17,614	15,756	18,333
Non-Profit	32,977	33,389	33,287	35,386
Industrial	116,497	123,544	64,675	57,214
Hotels/Motels	8,954	11,288	10,705	9,806
All Others	43,016	65,213	80,312	96,678
	<u>3,431,426</u>	<u>3,795,085</u>	<u>3,993,055</u>	<u>4,440,506</u>

Measured in hundred cubic feet.

Fiscal Year		
2005	2006	2007
2,539,105	2,847,140	3,319,069
1,101,639	1,218,770	1,312,731
285,628	331,990	360,170
1,100	306	11,453
132,442	137,651	171,200
170,830	179,426	265,158
61,706	71,356	67,378
13,732	14,690	14,243
37,906	43,427	48,320
60,262	77,425	71,065
8,502	10,878	13,367
112,043	103,570	100,604
<u>4,524,895</u>	<u>5,036,629</u>	<u>5,754,758</u>

CITY OF TUSTIN
Water Rates
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Bi-Monthly Fixed Charge	Consumption Charges			
		Up to 1,200 C F	From 1,201 to 4,999 C F	5,000 to 6999 C F	All Over 7,000 C F
1998	\$16.00	\$0.35	\$1.12	\$1.20	\$1.32
1999	16.00	0.35	1.12	1.20	1.32
2000	16.00	0.35	1.12	1.20	1.32
2001	16.00	0.35	1.12	1.20	1.32
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	1.5
2007	20.24	0.44	1.42	1.52	1.67

Note:

The bi-monthly fixed rate shown is based on the standard 3/4" residential meter. 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.

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

CITY OF TUSTIN
Water Customers
Current Year and Six Years Ago

Water Customer	2007		2001	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Tustin Unified School District	\$ 283,081	2.75%	\$ 214,528	3.52%
City of Tustin	99,990	0.97%	51,706	0.85%
SP/P Creekside Venture, LLC	73,526	0.71%		
HSA LP	63,242	0.61%	51,655	0.85%
AT&T Services, Inc	52,837	0.51%		
Tustin Acres Community Association	43,641	0.42%	30,846	0.51%
Greenwood & McKenzie	36,361	0.35%	27,811	0.46%
Schroeder Property Management	32,726	0.32%	32,948	0.54%
15701 Tustin Village Way Partnership	32,310	0.31%		
CALTRANS Dist 12	32,140	0.31%		
CMC Association Management	29,531	0.29%	26,974	0.44%
Westchester Park LP	29,407	0.29%	22,864	0.38%
Arnel Management	29,362	0.29%	22,184	0.36%
Tustin Village Community Association	26,689	0.26%	19,834	0.33%
Saddleback Mobilodge	26,157	0.25%		
Alders Apartments	25,538	0.25%	17,091	0.28%
Briarwood Investment Co LT	25,378	0.25%	21,578	0.35%
Regency West	24,881	0.24%	17,562	0.29%
Sycamore Gardens Assoc	22,368	0.22%	46,640	0.72%
V Kay-NNC (New Valencia Gardens)	21,069	0.20%	32,238	0.53%
Pacific Point Apts	20,122	0.20%	14,752	0.24%
Steelcase		0.00%	85,132	1.40%
Pacific Bell		0.00%	37,580	0.62%
Total Water Sales	\$ 1,030,356	10.01%	\$ 773,923	12.67%

Source: City of Tustin, Finance Department