
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

TUSTIN, CALIFORNIA



CITY OF TUSTIN, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE YEAR ENDED JUNE 30, 2018

Prepared By: Finance Department

CITY OF TUSTIN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018
Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Elected and Administrative Officials	i
Letter of Transmittal	iii
Organization Chart	xiii
GFOA Certificate of Achievement for Excellence in Financial Reporting	xiv
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Proprietary Fund:	
Statement of Net Position	30
Statement of Revenues, Expenses and Changes in Net Position	31
Statement of Cash Flows	32
Fiduciary Funds:	
Statement of Fiduciary Net Position	34
Statement of Changes in Fiduciary Net Position	35
Notes to Basic Financial Statements	37

CITY OF TUSTIN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018
Table of Contents

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION:	95
Safety Plan:	
Schedule of Proportionate Share of the Net Pension Liability	97
Schedule of Contributions	98
Miscellaneous Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	99
Schedule of Contributions	100
Other Post-Employment Benefit Plan (OPEB):	
Schedule of Changes in the Net OPEB Liability and Related Ratios	101
Schedule of Contributions - OPEB	102
Annual Money-Weighted Rate of Return on Investments	103
Budgetary Comparison Schedules:	
General Fund	104
Measure M Special Revenue Fund	105
Note to Required Supplementary Information	106
SUPPLEMENTARY INFORMATION:	107
Other Governmental Funds:	109
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	114
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Gas Tax Special Revenue Fund	116
Park Acquisition and Development Special Revenue Fund	117
Asset Forfeiture Special Revenue Fund	118
Air Quality Special Revenue Fund	119
Supplemental Law Enforcement Special Revenue Fund	120
Housing Authority Special Revenue Fund	121
Special Tax B Special Revenue Fund	122
Road Maintenance and Rehabilitation Fund	123
Voluntary Workforce Housing Incentive Special Revenue Fund	124
Agency Funds:	125
Combining Statement of Assets and Liabilities	126
Combining Statement of Changes in Assets and Liabilities	127

CITY OF TUSTIN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018
Table of Contents

	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED):	129
Description of Statistical Section Contents	131
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	132
Changes in Net Position - Expenses and Program Revenues - Last Ten Fiscal Years	134
Changes in Net Position - General Revenues - Last Ten Fiscal Years	136
Fund Balances of Governmental Funds - Last Ten Fiscal Years	138
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	140
Revenue Capacity:	
Assessed Value and Estimated Actual Values of Taxable Property - Last Ten Fiscal Years	142
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	144
Principal Property Taxpayers - Current Year and Ten Years Ago	146
Property Tax Levies and Collections - Last Ten Fiscal Years	147
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	148
Ratio of General Bonded Debt Outstanding - Last Ten Fiscal Years	150
Overlapping Debt Schedule	151
Legal Debt Margin Information - Last Ten Fiscal Years	152
Pledged-Revenue Coverage - Last Ten Fiscal Years	154
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Years	156
Principal Employers - Current Year and Ten Years Ago	157
Operating Information:	
Full-Time City Employees by Function - Last Ten Fiscal Years	158
Capital Asset Statistics by Function - Last Ten Fiscal Years	159
Water District Schedules for Revenue Capacity:	
Water Consumption by Customer Type - Last Ten Fiscal Years	160
Water Rates - Last Ten Fiscal Years	162
Water Customers - Current Year and Ten Years Ago	163

CITY OF TUSTIN

Elected and Administrative Officials



AL MURRAY
Mayor



Rebecca "Beckie" Gomez
Mayor Pro Tem



Dr. Allan Bernstein
Councilmember



Charles E. Puckett
Councilmember



Letitia Clark
Councilmember

AUDIT COMMISSION

Robert Ammann, Chair
Colin Deering, Chair Pro Tem
R. Lawrence Friend
Daniel Erickson
Craig Shimomura

CITY MANAGER/CITY TREASURER

Jeffrey C. Parker

ASSISTANT CITY MANAGER

Matthew S. West

David E. Kendig

City Attorney

Charles Celano

Chief of Police

John A. Buchanan

**Director, Economic Development/
Director, Finance**

Douglas S. Stack

Director, Public Works / City Engineer

Elizabeth A. Binsack

Director, Community Development

David Wilson

Director, Parks & Recreation Services

Derick Yasuda

Director, Human Resources

Erica N. Yasuda

City Clerk

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Finance Department



December 18, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the City of Tustin for the fiscal year ended June 30, 2018, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

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

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

The City of Tustin's financial statements for the year ended June 30, 2018, have been audited by White Nelson Diehl Evans LLP, an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Tustin's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

TUSTIN CITIZEN’S ACADEMY - CLASS OF 2018



PROFILE OF THE CITY OF TUSTIN

The City of Tustin is located in the central part of Orange County, about forty miles southeast of Los Angeles and eighty miles north of San Diego, at the intersection of the 5 and 55 Freeways. Tustin covers over eleven square miles and adjoins the cities of Orange, Santa Ana, and Irvine. The State of California Department of Finance has estimated the City’s January 1, 2018 population at 82,344, a negligible decrease from 2017. There were only two cities in Orange County showing minor decreases in population, with most cities and counties throughout the state experiencing increases in population. The County of Orange experienced a 0.7% increase in population. While Tustin is surrounded by much of the County’s main industrial employment, it is essentially a residential community.

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

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

Tustin is a full-service City. The services provided by the City include police, street and park maintenance, water, recreation, traffic/transportation, public improvements, economic development, planning, zoning, and general administrative services. The City contracts with the Orange County Fire Authority for fire suppression services. Also included in the City's overall operations are the Tustin Public Financing Authority and the City of Tustin Housing Authority (Housing Authority). The activities of both entities are included in these financial statements. Additional information for the Tustin Public Financing Authority and the Tustin Housing Authority is available in Note 1 of the Notes to Basic Financial Statements.

The key element of the City's financial management process is the development and approval of the biannual budget. The two-year budget for the City is part of our strategic plan to enhance financial sustainability. Council adopted this type of budget to improve our financial projections and to focus on programs essential to providing quality services to our community. This document is available on our City website at www.tustinca.org. 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 Council approves budgeted appropriations annually. The City Manager is authorized to transfer appropriations within the fund between the various programs and/or departments. Budgetary control is maintained by a real-time financial reporting system. Budget-to-actual comparisons are provided through display or reports and through budget controls set within the purchasing and accounts payable modules for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 104 as part of the required supplementary information, and for nonmajor governmental funds, this comparison is presented on pages 116-124 as part of the other supplementary information for the governmental funds. Successor Agency expenses are restricted by the State of California Department of Finance (DOF) to enforceable obligations. The enforceable obligations are approved annually by the DOF through the submission of a Recognized Obligation Payment Schedule. The Successor Agency is presented as a Private Purpose Trust Fund on pages 34-35.



Tustin Chili Cook-Off 2018

ECONOMIC OUTLOOK

The State of California has maintained a stable economy since the economic downturn. The statewide unemployment rate has dropped from 4.9% in October 2017 to 4.1% for October 2018, which is 0.4% higher than the United States unemployment rate of 3.7% for October 2018. The Orange County unemployment rate has decreased 0.8% from October 2017 to 2.9% for October 2018. The City's property tax revenue is the largest continuing revenue source for the General Fund. It is 42% of total General Fund revenues, excluding the significant one-time proceeds received in fiscal year 2018 related to land sales at Tustin Legacy. Property tax revenue for fiscal year 2018-19 reflects a 4% increase based on information from the City's property tax consultants and information from the County Assessor. This is a positive trend because property tax revenue was relatively flat several years ago. Property tax will be carefully monitored throughout the year. Sales tax revenue is the second largest General Fund revenue source (40% of total revenues). Annual sales tax revenue decreased from fiscal year 2016-2017 to fiscal year 2017-2018 to \$24.9 million. The projected sales tax revenue for fiscal year 2018-2019 is expected to increase slightly over fiscal year 2017-2018 by 1.1%. Staff is comfortable with the projected amounts for fiscal year 2018-19, but also mindful of the fact that sales tax trends must be carefully monitored throughout the year.

Development at Tustin Legacy, the City's newest community, continues to move forward. Staff is monitoring the costs of providing public services and maintaining facilities including streets, sidewalks, and parks; these items are largely funded by service taxes tied to Community Facility Districts (CFDs). A significant amount of development has occurred to date, including major regional and local infrastructure, residential neighborhoods, shopping centers, parks, and institutional uses. While there is still a significant amount of infrastructure to install and land to develop, some major projects are underway or nearing completion, including:

- Phase 1 of FLIGHT at Tustin Legacy, a 480,000-square-foot creative office campus being developed by Lincoln Property Company is nearing completion. FLIGHT features several amenities, including a market food hall with chef-driven food and beverage concepts, a 6,000-square-foot conference center for meetings and special events, and direct access to Tustin Legacy Park creating a dynamic indoor/outdoor environment. When all phases are complete, FLIGHT will be home to approximately 4,500 employees, which will have a multiplier effect that reaches beyond the boundaries of FLIGHT. Tustin Legacy Park, a City-owned park with trails and open space areas, will ultimately connect all of Tustin Legacy from the Metrolink Station to the corner of Red Hill Avenue and Barranca Avenue. FLIGHT will assist in benefiting the City in balancing job growth with housing needs.

The Village at Tustin Legacy, a 22-acre neighborhood commercial center developed by Regency Centers that is comprised of two major components:

- A retail center anchored by a Blue Ribbon Stater Bros., CVS, Bank of America, Chipotle, and Dunkin' Donuts. This portion is complete.
 - A medical plaza with a medical office building, medical services, and an acute care hospital/rehabilitation facility. All medical services buildings are complete and Hoag Memorial Hospital Presbyterian completed the 60,000 square foot medical office building in April 2018.
 - An acute care hospital/rehabilitation facility to be operated by HealthSouth will be under construction in late 2018.
- Levity at Tustin Legacy, a new neighborhood comprised of 218 single family homes on approximately 14 acres being developed by Lennar Homes of Southern California. The homes are designed in a contemporary architectural style with flat roofs, upper floor rooftop decks and balconies that will provide outdoor living opportunities with views of the local mountains and city lights. The strategic placement of windows is a distinctive feature of the homes and serves to provide great natural lighting and minimize the use of

stucco material. Levity features three unique product types: Fleet (townhomes), Velocity (flats), and Icon (single family detached). Sales of these new homes are anticipated to begin in Summer 2019.

Pacific Center East, an area near the intersection of Edinger Avenue and the 55 freeway, also contains City-owned assets that are under negotiation for eventual development. The area currently includes two hotels that generate a significant amount of Transient Occupancy Tax revenue.

- In February 2017 the City entered into an Exclusive Negotiation Agreement (ENA) with SchoolsFirst to negotiate the development of an approximate 180,000 square foot office building, a 5,000 square foot retail bank branch, and a 900+ space parking structure. The office building and bank branch, when combined with existing SchoolsFirst buildings, will be home to over 1,600 employees and serve as SchoolsFirst's corporate headquarters. A Disposition and Development Agreement (DDA) and Development Agreement (DA) are anticipated to be executed in early 2019, with construction commencing in mid to late 2019.
- The City continues to evaluate future plans for Pacific Center East to complement existing uses and help diversify City revenue sources.

The City also continues to evaluate Old Town Tustin to ensure it is a successful neighborhood within the City.

- The City recently adopted the Downtown Commercial Core Specific Plan (DCCSP) to preserve and enhance the area as a vital, pedestrian-friendly, and attractive commercial core in Tustin. The DCCSP also introduces the opportunity for mixed use residential development in select areas to bring more visitors to the area.
- Construction of 140 residential units known as Vintage is currently underway. Vintage, being constructed by Taylor Morrison, offers resort style amenities, including a community pool and ability to walk to the Old Town Tustin businesses. Models are set to open in late 2018.

The City Council continues to take a proactive approach for maintaining the City's healthy financial position by monitoring revenues and expenses. We anticipate that General Fund revenues will increase slightly over the next fiscal year by approximately 3% from fiscal year 2017-18, with nearly half of the increase associated with development plan check and building permits. Estimated expenditures for fiscal year 2018-19 are about 2.4% higher than the budget in fiscal year 2017-18. This requires managing expenditures to balance the budget and continue to

provide core City services. This increase in expenditures is due to higher salary and benefit costs, operational costs, and capital expenditures. A majority of the increase is associated with various professional and consulting services, including information technology, and personnel changes reflected in new three-year labor agreements (Memorandum of Understanding or MOU's) effective July 1, 2018. The City expects a \$1.2 million deficit for fiscal year 2018-19 to be funded with planned use of excess reserves, bringing the projected General Fund reserve percentage to 32%, which is well above the 20% City policy. Budgeted expenditures for fiscal year 2018-19 show an increase of about \$1.5 million over the fiscal year 2017-18. City Council will be reviewing the City's financial condition during the mid-year budget review in February 2019.

Major factors facing the sustainability of future budgets include our efforts to address the City's pensions and unfunded liabilities, obligations for funding the Tustin Unified School middle/high school project, funding for construction of temporary and future housing for the homeless, and continued construction costs for developing Tustin Legacy. City Staff has continued to work with Council and the City Manager to prioritize these significant projects and to seek new revenue sources for the future. Beginning in calendar year 2019, an increase in the Transient Occupancy Tax was approved by the voters, which should yield an estimated \$0.5 million increase in revenues for the coming year. In addition, City Staff continues to strive to achieve the best long-term development strategies, maximizing the City's long-term revenues.

The other major operating fund is the Water Enterprise Fund. Budgeted expenses in the Water Fund are expected to increase about 8.5% in fiscal year 2018-19, while projected revenues are about the same as prior year as residents and businesses continue to maintain conservation efforts. The final year of the water rate increase from the 2010 five-year program was fiscal year 2014-15. Due to the complications of the serious drought California is experiencing and in light of the recent court ruling regarding Proposition 218 and tiered rates, staff will analyze the need for another possible rate adjustment program and provide the information to City Council during fiscal year 2018-19.



Tustin's 90th Anniversary Celebration

ACCOMPLISHMENTS AND FUTURE PROJECTS

Major capital improvement projects completed during fiscal year 2018 include the following:

- Annual Major Building Maintenance (Accessibility Improvements, Replace HVAC Units, Repair Tile Roofs)
- Eastbound El Camino Real at Jamboree Road Improvement Project
- Transit Circulator Feasibility Study
- 17th Street Treatment Plant Membrane Replacement

The City's capital projects for fiscal year 2018-2019 are budgeted at \$99.4 million. The budget reflects a substantial increase in capital improvement projects funded by Tustin Legacy Backbone Infrastructure Funds and proceeds from sale of land at the Tustin Legacy. Other funding sources for the capital projects include former Redevelopment Agency Bond proceeds, Water Revenue Bond proceeds, water revenues, gas tax, Park Development Funds, Measure M2, Community Facility Bond proceeds, State Road Maintenance and Rehabilitation funds (RMRA), and Community Development Block Grants. Major capital projects for fiscal year 2018-2019 include:

- **Tustin Legacy Facilities**
 - Veterans Sports Park at Tustin Legacy
 - Victory Road Extension: Red Hill Avenue to Armstrong Avenue (formerly Bell Avenue)
 - Armstrong Avenue Extension: Warner Avenue to Barranca Parkway

- Peters Canyon Channel Improvements
- Moffett Drive Extension from Park Avenue to east of Peters Canyon Channel
- Red Hill Avenue Widening between Barranca Parkway and Warner Avenue
- Legacy Linear Park between Barranca Parkway and Armstrong Avenue
- Flight Way (formerly Aston) Extension between Barranca Parkway and Legacy Linear Park
- South Hangar Renovation – Phase I
- Moffett Drive Extension from Future Legacy Road Extension to Park Avenue
- Legacy Road (formerly Kensington Park Drive) Extension from Valencia Avenue to Future Moffett Drive Extension
- Park Avenue Widening between Tustin Ranch Road and Warner Avenue
- Tustin Ranch Road Pedestrian Bridge
- Neighborhood D South Planning
- **Public Facilities**
 - Median Landscape Rehabilitation
 - Street Light LED Conversion Project
 - Emergency Operations Center and City Maintenance Yard
 - Annual Major Building Maintenance
 - Community Center Auditorium Renovation
 - Senior Center Alternate Power Source
 - Civic Center Alternate Power Source
- **Water Projects**
 - Simon Ranch Reservoir, Booster Pump Station and Pipeline Replacement
 - Water Main Replacement – Simon Ranch Road to Racquet Hill via Tustin Hills Racquet Club Parking Lot
- **Transportation Facilities**
 - Annual Roadway and Public Infrastructure Maintenance Program (MOE)
 - Newport Avenue Rehabilitation between I-5 Freeway and Holt/Sycamore Avenues
 - Citywide Pedestrian Oriented Accessibility Improvement Program
 - Westbound El Camino Real at Tustin Ranch Road Improvement
- **Traffic Control Facilities**
 - Signal Equipment and Synchronization
 - Main Street Improvements
- **Park Facilities**
 - Annual Major Park Maintenance
 - Citrus Ranch Park Picnic Shelter
 - Columbus Tustin Park Field and Picnic Shelter Renovation
- **Flood Control Facilities**

- Citywide Installation of Catch Basin Best Management Practices (BMPs)

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, 2017. This was the thirty-first 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

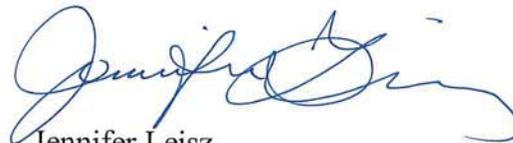
I wish to express my appreciation to the entire Finance Department staff for their contribution to the department during the year. Their efforts are reflected in this report and in other documents resulting from the annual audit process. Special thanks are due to Sean Tran, Deputy Director – Administrative Services; Glenda Babbitt, Management Analyst; Andrea Campbell, Senior Accountant; Sharon Ting, Accountant; and the finance staff. Their significance in preparing the final financial documents is reflected in the quality of this report.

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

Respectfully submitted,



John A. Buchanan
Finance Director

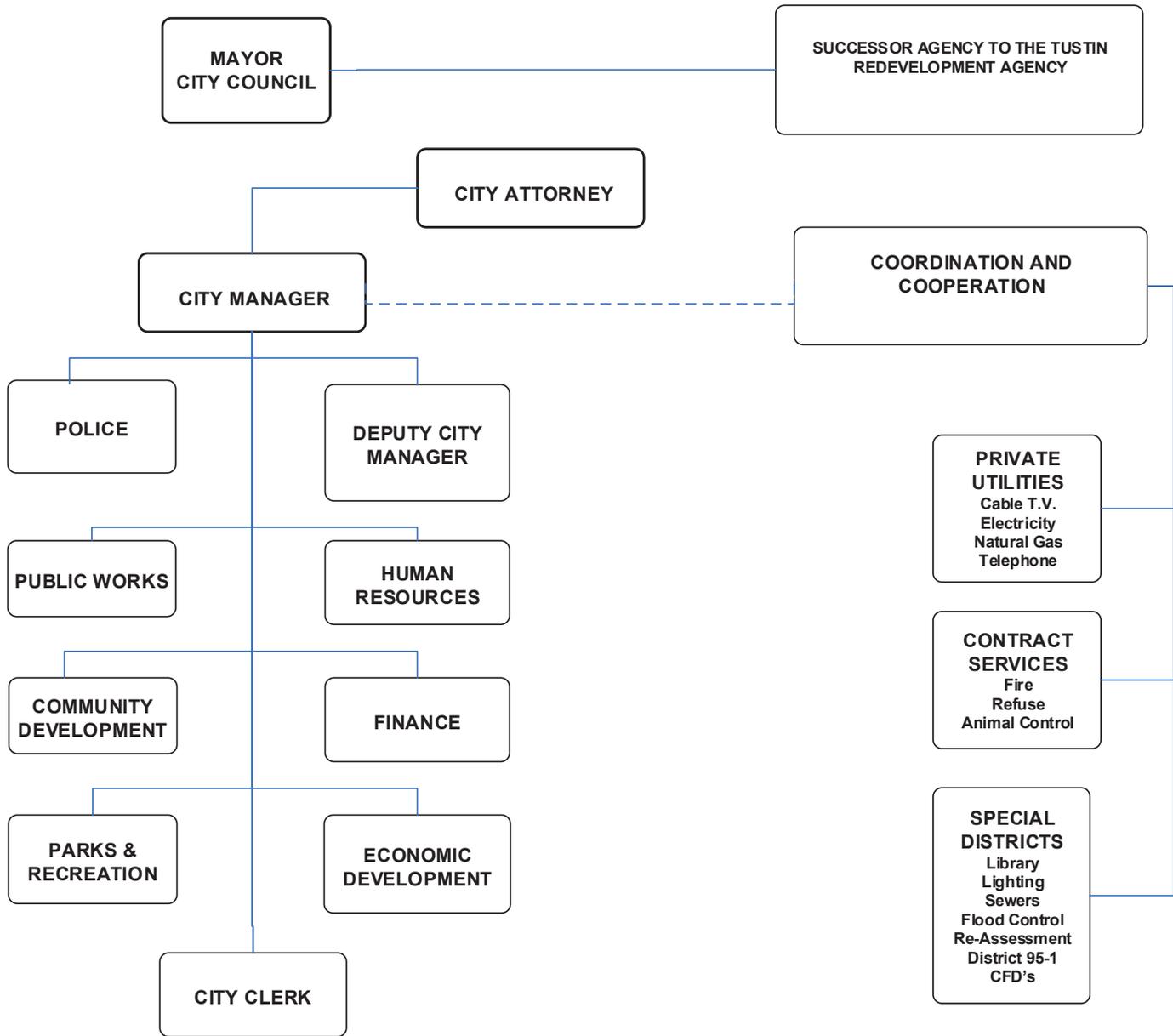


Jennifer Leisz
Deputy Director – Financial Services



**CITIZENS OF
TUSTIN**

LOCAL GOVERNMENT FY 2017-2018





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Tustin
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

Honorable City Council
of the City of Tustin
Tustin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Tustin (the City), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Tustin, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1d and 21 to the financial statements, the City adopted Governmental Accounting Standards Board's State No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", which required retrospective application resulting in a reduction of previously reported net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 18, 2018

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CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2018, by \$777 million (*net position*). Net position consists of \$522 million invested in capital assets, \$87.4 million in restricted net position and \$167.6 million in unrestricted net position.
- The government's total net position increased by \$6.8 million during the fiscal year ended June 30, 2018. The primary reason for the increase is the gain on sale of land held for resale of \$33.6 million, mostly due to \$32.7 million from the sale of approximately 14.5 acres (lot 19) to Lennar Homes for residential housing within the former Marine Corps Air Station known as the Legacy. The gain was offset by higher expenses for public works projects (\$12.8 million) and less revenue from capital grants and contributions (\$19.1 million) due to the receipt in the previous year of \$16.8 million in developer contributions from Project Fair Share Contributions in conjunction with the sale of land held for resale at the Legacy.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$304.5 million, an increase of \$11.3 million in comparison with the prior year. The increase in ending fund balances is primarily due to the gain on sale of land held for resale discussed above. Approximately \$82.9 million is nonspendable; \$87.6 million is restricted; and \$17.7 million is assigned.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Government-wide Financial Statements (Continued)

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

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

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

Fund Financial Statements

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

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

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

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Fund Financial Statements (Continued)

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

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

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

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

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

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

The second fiduciary fund is the other post-employment benefit (OPEB) trust fund which is used to account for the assets in the section 115 trust with the Public Agency Retirement Service (PARS) for pre-funding the City's OPEB. Council approved the establishment of the trust in April 2017, and the initial deposit to the trust was made in June 2018.

The third fiduciary fund is an agency fund which is used to account for the assets of Community Facility Districts 04-1, 06-1, 07-1, 13-1, and 2014-1. The fiduciary funds financial statements can be found immediately following the proprietary fund financial statements.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Notes to the Basic Financial Statements

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

Other Information

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

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

Government-wide Financial Analysis

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

The largest portion of the City's net position (68 percent) reflects its investment in capital assets (e.g., land, buildings, and improvements other than buildings, equipment, infrastructure, and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Government-wide Financial Analysis (Continued)

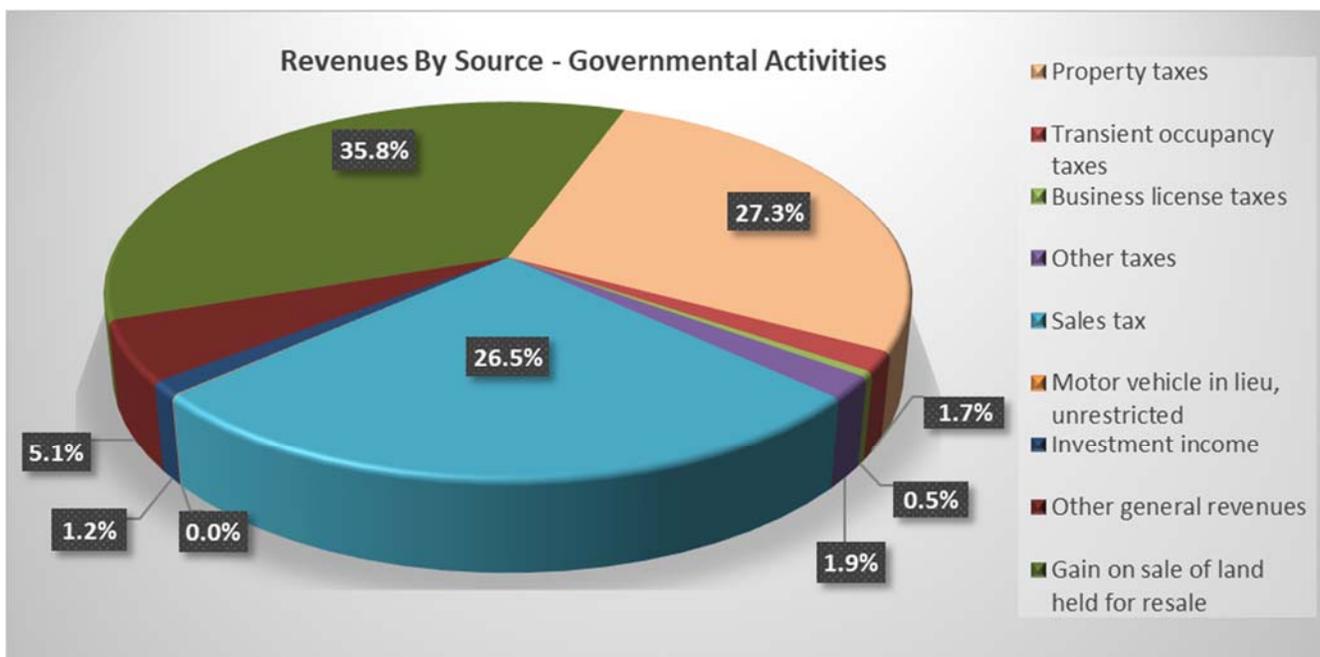
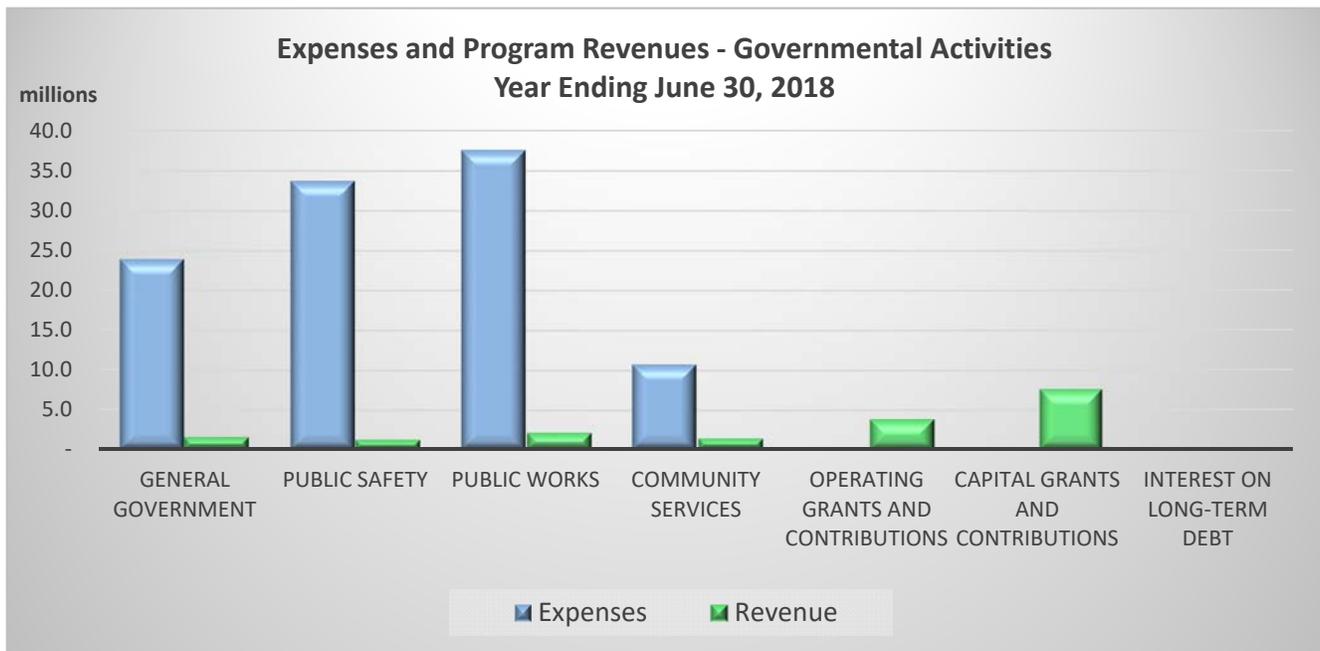
City of Tustin
Summary of Net Position
As of June 30, 2018
(in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2017-2018
	Activities		Activities		Total		
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	
Assets:							
Current and other assets	\$323.9	\$322.0	\$34.7	\$35.8	\$358.6	\$357.8	
Capital assets	<u>490.6</u>	<u>499.5</u>	<u>48.7</u>	<u>47.9</u>	<u>539.3</u>	<u>547.4</u>	
Total Assets	<u>814.5</u>	<u>821.5</u>	<u>83.4</u>	<u>83.7</u>	<u>897.9</u>	<u>905.2</u>	0.8%
Deferred Outflows of Resources	<u>13.3</u>	<u>17.4</u>	<u>4.3</u>	<u>4.3</u>	<u>17.6</u>	<u>21.7</u>	
Liabilities:							
Current liabilities	16.2	16.8	3.5	3.3	19.7	20.1	
Non-Current liabilities	<u>72.3</u>	<u>82.4</u>	<u>45.7</u>	<u>45.3</u>	<u>118.0</u>	<u>127.7</u>	
Total Liabilities	<u>88.5</u>	<u>99.2</u>	<u>49.2</u>	<u>48.6</u>	<u>137.7</u>	<u>147.8</u>	7.3%
Deferred Inflows of Resources	<u>2.3</u>	<u>2.0</u>	<u>0.1</u>	<u>0.1</u>	<u>2.4</u>	<u>2.1</u>	
Net Position:							
Net investment in capital assets	490.6	499.2	23.3	22.8	513.9	522.0	
Restricted	102.0	87.4	-	-	102.0	87.4	
Unrestricted	<u>144.4</u>	<u>151.1</u>	<u>15.1</u>	<u>16.5</u>	<u>159.5</u>	<u>167.6</u>	
Total Net Position	<u>\$737.0</u>	<u>\$737.7</u>	<u>\$38.4</u>	<u>\$39.3</u>	<u>\$775.4</u>	<u>\$777.0</u>	0.2%

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Government-wide Financial Analysis (Continued)

Governmental activities. Net position of the City's governmental activities increased 0.1% to \$737.7 million, of which \$499.2 million is invested in capital assets such as equipment, buildings, and infrastructure. Of the remaining total, \$87.4 million is restricted to specifically stipulated spending agreements originated by law, contract, or other agreements with external parties. The remaining \$151.1 million is subject to designation for specific purposes as approved by the City Council, and may be used to meet the City's ongoing obligations.



CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Government-wide Financial Analysis (Continued)

City of Tustin
Summary of Changes in Net Position
For the Year Ended June 30, 2018
(in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2017-2018
	Activities	Activities	Activities	Activities	2017	2018	
	2017	2018	2017	2018	2017	2018	
Revenues:							
Program revenues:							
Charges for services	\$6.2	\$6.5	\$17.1	\$18.2	\$23.3	\$24.7	
Operating grants & contributions	2.7	3.9	-	-	2.7	3.9	
Capital grants and contributions	26.6	7.6	-	-	26.6	7.6	
General revenues:							
Taxes	28.4	29.6	-	-	28.4	29.6	
Intergovernmental revenue	25.1	24.9	-	-	25.1	24.9	
Motor vehicle taxes	-	-	-	-	-	-	
Earnings on investments	0.6	1.1	0.1	0.2	0.7	1.3	
Miscellaneous	4.6	4.8	0.2	0.2	4.8	5.0	
Gain on sale of assets	24.2	33.6	-	-	24.2	33.6	
Profit Participation	<u>31.3</u>	=	=	=	<u>31.3</u>	=	
Total Revenues	<u>149.7</u>	<u>112.0</u>	<u>17.4</u>	<u>18.6</u>	<u>167.1</u>	<u>130.6</u>	(21.8%)
Expenses:							
General government	24.5	23.9	-	-	24.5	23.9	
Public safety	34.6	33.8	-	-	34.6	33.8	
Public works	24.8	37.6	-	-	24.8	37.6	
Community services	19.5	10.8	-	-	19.5	10.8	
Water	=	=	<u>16.7</u>	<u>17.7</u>	<u>16.7</u>	<u>17.7</u>	
Total Expenses	<u>103.4</u>	<u>106.1</u>	<u>16.7</u>	<u>17.7</u>	<u>120.1</u>	<u>123.8</u>	3.1%
Change in net position before special item	46.3	5.9	0.7	0.9	47.0	6.8	
Special Item:							
Reduction in debt to Successor Agency	<u>5.0</u>	=	=	=	<u>5.0</u>	=	
Change in net position	51.3	5.9	0.7	0.9	52.0	6.8	
Net Position – Beginning	<u>685.7</u>	<u>737.0</u>	<u>37.7</u>	<u>38.4</u>	<u>723.4</u>	<u>775.4</u>	
Restatement for Prior Period Adjustment	=	<u>(5.2)</u>	=	=	=	<u>(5.2)</u>	
Net Position - Ending	<u>\$737.0</u>	<u>\$737.7</u>	<u>\$38.4</u>	<u>\$39.3</u>	<u>\$775.4</u>	<u>\$777.0</u>	0.2%

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Government-wide Financial Analysis (Continued)

In governmental activities, the increase in net position of \$5.9 million is primarily due to the following reasons:

- Deferred outflows related to pension plans increased \$4.1 million mostly due to changes in actuarial assumptions effecting the calculation of the pension liability.
- Total governmental assets increased \$7 million, mostly due to ongoing construction in progress for the Sports Park and Linear Park at the Legacy development, Median Landscape Rehabilitation, Streetlight LED Conversion, and various road widening and extension projects at the Legacy development.
- Deferred inflows of resources decreased \$0.3 million mostly due to changes in actuarial assumptions, as mentioned previously.
- Governmental liabilities increased \$10.7 million mostly due to the long-term liabilities for pension and OPEB (Other Post Employment Benefits). Pension and OPEB liabilities increased about \$13.7 million due to the interest on the total pension liability. In addition, the implementation of the new GASB pronouncement no. 75, resulted in changes to the actuarial calculation required for financial reporting. This change resulted in a \$5.2 million increase in the OPEB liability. The increases in pension and OPEB liabilities was offset by a reduction of \$3.2 million Due to the Successor Agency, due to the final payoff of the note due to the DOF. Short-term liabilities account for about \$0.6 million of the increase due to higher developer deposits and accounts payable resulting from increased construction costs.

Overall, governmental revenues decreased \$37.7 million from prior year. The primary reason for the decrease was significant revenue (\$31.3 million) recognized in fiscal year 2017 for profit participation from CalAtlantic Homes for residential housing sales in the Greenwood development at Tustin Legacy. Also contributing to the decrease in revenue was a decrease in Capital grants and contributions of \$19 million from fiscal year 2017 primarily due to the receipt in the prior year of \$16.8 million in developer contributions received in conjunction with the sale of land to Regency Center. These decreases were offset by an increase in the gain on sale of assets of \$9.4 million, mostly due to the gain on sale of parcels at the Legacy development discussed above.

Charges for services for governmental activities increased \$0.3 million during fiscal year 2018 with minor increases in the Public Works and Community Services categories and a small decrease in General Government. Taxes increased \$1.2 million, with continued increases in property and special services taxes.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Government-wide Financial Analysis (Continued)

Intergovernmental revenue (sales tax revenue) decreased \$0.2 million, a slight decrease. Retail and auto sales continued to lead other market sectors, representing over half of the sales taxes received during the year. Auto sales are tapering off due to reduced pent up demand which fueled higher auto sales in the previous year. General consumer goods sales are strong but increasing at a moderate pace. The higher price of fuel in conjunction with lowered demands are flattening the amount of sales tax from fuel sales.

Earnings on investments increased \$0.5 million from fiscal year 2017 due a \$2.2 million increase in interest earnings, which was offset by a \$1.7 million decline in market value. The increase in interest earnings during fiscal year 2018 was caused by higher average cash balances and the increase in the weighted average maturity. The average cash balance for fiscal year 2017-18 was \$218 million with an average weighted portfolio yield of 1.62% and average weighted days to maturity of 680 days. The average cash balance for fiscal year 2016-17 was \$185 million, with an average weighted portfolio yield of 1.07% and average weighted days to maturity of 471 days. The increase in the weighted average maturity was primarily caused by a change in the funding strategy for the Tustin Unified School District (TUSD) building project, which was initially projected to be near term outflows of \$40 million. The present plan is to fund the building over a longer timeframe at designated milestones. This has freed up some liquidity and enabled investing in longer-term corporate bonds, negotiable certificates of deposit, and federal agencies with corresponding higher yields. The average weighted portfolio yield increased 0.55% due to the continued rising interest rate environment and the transfer of a majority of the deposits in the lower earning Orange County Investment Pool (OCIP) and the Local Agency Investment Fund (LAIF) into the higher earning California Asset Management Program (CAMP).

Overall Governmental expenses increased \$2.7 million from the prior year. Public Works expenses increased \$12.8 million from prior year due to construction costs, primarily for OCFCDD (Orange County Flood Control District) channel improvements, wet and dry utilities, and maintenance for parks, streets and sidewalks.

General Government expenses decreased \$0.6 million from fiscal year 2017 mostly due to declines in professional and consulting expenses related to activity at Tustin Legacy for a new environmental insurance policy (\$1.6 million); commissions paid at settlement for the sale of 39 acres to Flight Venture LCC (\$1.2 million); and required Maintenance of Effort (MOE) per the adopted budget in FY 2017 (\$1.4 million). These significant decreases were offset by increases in costs for PARS trust funding for Other Post Employment Benefits (OPEB) totaling \$1 million and higher claims paid for general liability and worker's compensation claims during fiscal year 2018 (\$1.5 million). Reimbursement was received in the amount of \$1.4 million from the California Insurance Pool Authority (CIPA) for one large liability claim. Also offsetting the decreases from the prior year, were increases in pension expenses totaling \$2.1 million during 2018, and higher salaries for general government compensation (\$0.2 million).

Public Safety expenses decreased \$0.8 million from prior year mostly due to large declines in liability claims as compared to the previous fiscal year (\$1.9 million). This large decline was offset by increased costs for higher pension costs of \$0.6 million, increased costs for contract fire services with Orange County Fire Authority (\$0.4 million) and other smaller increases related to compensation and overtime.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Government-wide Financial Analysis (Continued)

Community Services expenses decreased \$8.7 million from prior year mostly due to a \$15 million advance paid in fiscal year 2017 to Tustin Unified School District (TUSD) for the planning and design of the 6-12 School Project per the School Facilities Implementation, Funding, and Mitigation Agreement. Per the terms of the agreement, the City funded an additional \$5.4 million during fiscal year 2018, offsetting the decrease. There was also an increase due to a change in the accounting for major special events (Chili Cook-Off and Tiller Days), resulting in expenses totaling \$0.4 million which were previously offset against related donations on the balance sheet. There were other smaller increases in compensation offsetting the large decrease from the prior year.

The prior year net position has been restated due to the implementation of GASB 75, resulting in a \$5.2 million decrease in net position in fiscal year 2017. Additional information about the restatement can be found on in Note 21 of the notes to the basic financial statements section of this report.

Business-Type activities net position increased \$0.9 million from prior year. Charges for services increased \$1.1 million from fiscal year 2017 due to increased water consumption caused by the easing of drought restrictions and less voluntary water saving over the past year. Water operation costs increased \$1 million primarily due to higher costs from the Orange County Water District for water basin replenishment. The increase in this cost is correlated to the increase in consumption.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$304.5 million, an increase of \$11.3 million in comparison with the prior year. The increase is primarily due to the gain on sale of land held for resale totaling \$33 million from the sale of land at the Legacy development. In addition, the City received \$7.2 million for the final profit participation payment from Cal Atlantic due to the sale of homes in the Greenwood development at the Legacy. Approximately \$82.9 million (27.2%) of the City's governmental fund balance constitutes nonspendable fund balance. Of the nonspendable amount, \$82.4 million is Land Held for Resale. The remainder of the fund balance consists of \$87.6 million in restricted funds, \$17.7 million assigned to capital projects, and \$116.3 million in unassigned funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$116.3 million, while total fund balance was \$240.5 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 137% of the total General Fund expenditures.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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, 2018
(in millions of dollars)

	<u>2017</u>	<u>2018</u>	<u>Total % Change 2017-2018</u>
Revenues:			
Taxes	\$50.0	\$25.8	
Charges for services	2.0	2.0	
Intergovernmental	1.6	28.5	
Fines and forfeitures	1.0	1.0	
Licenses and permits	0.9	0.9	
Other	3.0	3.9	
Developer Contribution	16.8	1.3	
Profit participation	23.5	7.2	
Gain on sale of land held for resale	<u>23.8</u>	<u>33.0</u>	
Total Revenues	<u>122.6</u>	<u>103.6</u>	(15.5%)
Expenditures:			
General government	23.0	20.3	
Public safety	30.6	32.2	
Public works	7.0	7.6	
Community services	18.4	9.3	
Capital Outlay	9.0	12.2	
Debt service	<u>4.1</u>	<u>3.3</u>	
Total Expenses	<u>92.2</u>	<u>84.9</u>	(7.9%)
Excess of Revenues Over (Under) Expenditures	30.4	18.7	
Other Financing Sources (Uses):			
Net transfers	4.1	-	
Capital lease issued	<u>0.4</u>	-	
Net Change in Fund Balance	<u>34.9</u>	<u>18.7</u>	(46.4%)

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Financial Analysis of the Government's Funds (Continued)

Transactions impacting revenues in the General Fund were as follows:

- Taxes decreased \$24.2 million primarily due to the reclassification of sales taxes from the taxes category to intergovernmental revenue. The reclassification was made because sales taxes are levied by the State and shared with the City and are properly reported as intergovernmental revenues. The City received \$24.6 million in sales taxes for fiscal year 2018.
- Property tax revenue totaled about \$25.6 million reflecting an increase of approximately \$1.2 million primarily due to an increase of about \$0.5 million in property tax in lieu of VLF. The City received \$7.6 million in property tax in lieu of VLF for fiscal year 2018. The Property Tax in lieu of VLF is determined by the growth in gross assessed valuation. The City has seen a growth in its property tax in lieu of VLF revenues due in part to the development of the former Marine Corp Air Station, known as Tustin Legacy. The remainder of the increase of about \$0.7 million is due to the increase in property values.
- Sales tax revenue decreased slightly (\$0.2 million), mostly due to decreased sales by new car dealers when compared to prior year highs. The current economic outlook is conservatively optimistic and mindful of the impact of recent technological changes and trends in car sales.
- Intergovernmental revenue increased \$26.9 million from fiscal year 2017 primarily due to the reclassification of sales taxes to this category, discussed previously. Other increases include \$1.5 million in insurance reimbursements from the California Insurance Pool Authority (CIPA), reimbursement of \$0.2 million in administrative costs from the Department of Finance for services for the Successor Agency for the former Tustin Redevelopment Agency, and \$0.3 in funding due to an adjustment to recognize deposits for TSIP Area A-B as revenue.
- Other Revenue increased \$0.9 million from prior year primarily due to a change in the accounting for major special events (Chili Cook-Off and Tiller Days), resulting in revenues totaling \$0.8 million which were previously recorded as donations on the balance sheet.
- The decrease in Profit Participation of \$16.3 million is due to the sale of homes in the Greenwood development at the Legacy which generated \$23.5 million in profit participation in fiscal year 2017. In fiscal year 2018, the City received the final \$7.2 million for profit participation from Cal Atlantic.
- The decrease in Developer Contribution of \$15.5 million was due to prior year Project Fair Share Contributions in conjunction with the sale of land held for resale at the Legacy of \$10.3 million from Regency Center and \$6.5 million from Flight Venture LLC.
- Gain on sale of land held for resale totaled \$33 million from the sale of land at the Legacy development, an increase of \$9.2 million compared with previous year's gain on sale of land held for resale.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Financial Analysis of the Government's Funds (Continued)

Changes in General Fund expenditures from previous fiscal year, by function, occurred as follows during the year ended June 30, 2018:

- General Government expenditures decreased \$2.7 million from prior year mostly due to mostly due to declines in expenses related to activity at Tustin Legacy for a new environmental insurance policy (\$1.6 million); commissions paid at settlement for the sale of 39 acres to Flight Venture LCC (\$1.2 million); and required Maintenance of Effort (MOE) per the adopted budget in FY 2017 (\$1.4 million). These significant decreases were offset by increases in costs for higher claims paid as discussed previously.
- Public safety expenditures increased \$1.6 million from prior year primarily due to increased costs for higher pension costs of \$0.6 million, increased costs for contract fire services with Orange County Fire Authority (\$0.4 million) and other smaller increases related to compensation and overtime.
- Public Works expenditures increased \$0.6 million due to costs incurred for plan check and building and safety inspection services (\$0.4 million) and consulting services for assistance with new solid waste request for proposal (RFP) and contract execution (\$0.2 million).
- Community Services expenditures decreased \$9.1 million mostly due to a \$15 million advance paid in fiscal year 2017 to Tustin Unified School District (TUSD) for the planning and design of the 6-12 School Project per the School Facilities Implementation, Funding, and Mitigation Agreement. Per the terms of the agreement, the City funded an additional \$5.4 million during fiscal year 2018, offsetting the decrease. There was also an increase due to a change in the accounting for major special events (Chili Cook-Off and Tiller Days), resulting in expenses totaling \$0.4 million which were previously offset against related donations on the balance sheet. There were other smaller increases in compensation offsetting the large decrease from the prior year.
- Capital Outlay increased \$3.2 million primarily due to the purchase of street lights from Southern California Edison (SCE) for about \$1.8 million which will result in significant long-term savings for the City and vehicle purchases totaling about \$1.5 million including a 185 foot boom lift for \$0.4 million to facilitate restoration work at the hanger, street sweeper for \$0.3 million, and 21 other trucks / police cars.
- Debt service declined \$0.8 million due to final payment made in December 2017 of \$3.2 million to the Department of Finance (DOF) per the settlement agreement related to the dissolution of the Tustin Redevelopment Agency. The payment made in the prior year was \$4.1 million.
- Net Transfers decreased \$4.1 million from prior year mostly due to the following transfers out in fiscal year 2018: \$1.9 million to cover negative cash in CFD's 06-1, 07-1, and 2014-1 (reimbursement from the trustee was received subsequent to year-end); \$1.7 million to the Capital Fund for LED conversion; \$0.8 million to the Capital Fund for Main Street Improvements.

The Measure M Special Revenue Fund's decrease in excess of revenues over expenditures of \$0.9 million is primarily due to higher costs in fiscal year 2018 for the Red Hill widening project between Barranca and Warner Streets, and between Warner and Valencia Streets, and Red Hill Median Improvements.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

General Fund Budgetary Highlights

Differences between the General Fund actual revenues and amended budgeted revenues were \$11.6 million primarily due to unbudgeted profit participation and higher gain on the sale of land at the Legacy development during fiscal year 2018. The amended budgeted expenditures were \$145.9 million, an increase in appropriations of \$13.6 million from the original budgeted expenditures of \$132.3 million. The increase in appropriations was largely due to funding for the following projects: Tustin Library Restoration Project (\$1.1 million), City Net Services (\$0.1 million), HVAC Improvements to the Police Department Property Room (\$0.2 million), Legacy Avenue Extension (\$0.1 million), Park Avenue Improvements (\$0.1 million), Amalfi Bi-Directional Amplifier (\$0.3 million), 115 Trust for Pension / OPEB liabilities (\$6.6 million), and Liability Claim (\$1.4 million).

Actual General Fund expenditures were less than the amended budgeted amount of \$145.9 million by \$60.9 million due to appropriations for capital projects spanning multiple years, such as Moffett Drive Extensions (various segments), Red Hill widening, library restoration, and Legacy Road extension.

Financial Analysis of the Proprietary Funds

The City has one proprietary fund which is the Water Enterprise Fund. Total revenues for the Water Fund exceeded total expenses by \$0.9 million, resulting in an increase in net position during fiscal year 2018, from \$38.4 million as of June 30, 2017, to \$39.3 million as of June 30, 2018.

Operating revenues increased slightly from \$17.1 million in fiscal year 2017 to \$18.2 million in 2018, due to increased water consumption resulting from the easing of water conservation efforts. Related operating costs increased \$1 million from prior fiscal year, due to higher costs from the Orange County Water District for water basin replenishment due to the increase in consumption.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

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, 2018 amounts to \$547.3 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, 2018
(in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2017-2018
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	
Land	\$86.2	\$83.1	\$1.2	\$1.2	\$87.4	\$84.3	
Right of way	43.8	43.8	-	-	43.8	43.8	
Construction in progress	40.8	56.7	9.7	2.8	50.5	59.5	
Buildings and improvements	77.0	76.5	4.1	3.9	81.1	80.4	
Machinery and equipment	6.6	6.7	-	-	6.6	6.7	
Infrastructure	236.1	232.7	-	-	236.1	232.7	
Property, plant and equipment	=	=	<u>33.8</u>	<u>40</u>	<u>33.8</u>	<u>40</u>	
Total Capital Assets, Net	<u>\$490.5</u>	<u>\$499.5</u>	<u>\$48.8</u>	<u>\$47.9</u>	<u>\$539.3</u>	<u>\$547.4</u>	1.48%

Overall, capital asset additions of \$49 million in fiscal year 2018 were offset by depreciation expense of \$14 million and retirements of \$27 million for a net increase in capital assets of \$8 million. In October 2017, the city conveyed approximately 40 acres of land for a proposed school site to the Tustin Unified School District (\$4.2 million). The city's property adjacent to the site at the Legacy was graded in the same year (\$1.1 million). The two events resulted in a net decrease of \$3.1 million in land. In fiscal year 2018, construction in progress increased about \$32 million due to continued construction of the following major projects: Sports Park and Linear Park at the Legacy development, Median Landscape Rehabilitation, Streetlight LED Conversion, and various road widening and extension projects at the Legacy development. In addition, three major construction projects were completed in fiscal year 2018: Detention Basin Landscaping Irrigation and Water Quality installed at the corner of Red Hill Ave and Barranca Parkway (an addition of \$2 million for building and improvements), Victory Road Extension project (an addition of \$4.6 million for infrastructure), and Drill and Install the Newport Ave/Edinger Ave Well (an addition of \$7.5 million for property, plant and equipment). Machinery and equipment additions totaled \$1.8 million, which include the purchase of 20 vehicles (\$1.1 million) and various special equipment (\$0.7 million).

Additional information on the City's capital assets can be found in Note 7 of the notes to the basic financial statements section of this report.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Long-term Debt

At the end of the current fiscal year, the City had total outstanding long-term liabilities of \$128.7 million. Of this amount, \$41.6 million are secured solely by specified revenue sources such as property tax increment and water service charges.

City of Tustin
Summary of Changes in Long-Term Liabilities
For the Year Ended June 30, 2018
(in millions of dollars)

	Governmental		Business-Type		Total		Total % Change 2017-2018
	Activities		Activities		2017 2018		
	2017	2018	2017	2018	2017	2018	
Bonds payable	\$-	\$-	\$42.5	\$41.6	\$42.5	\$41.6	
Due to Successor Agency to the Tustin Community Redevelopment Agency	3.2	-	-	-	3.2	-	
Claims and judgments	5.5	5.1	-	-	5.5	5.1	
Postemployment benefits obligation	8.7	13.9	-	-	8.7	13.9	
Termination benefits	-	-	-	-	-	-	
Compensated absences	3.1	3.3	0.2	0.2	3.3	3.5	
Lease Payable	0.4	0.3	-	-	0.4	0.3	
Pension liabilities	<u>51.4</u>	<u>59.8</u>	<u>3.0</u>	<u>3.5</u>	<u>54.4</u>	<u>63.3</u>	
Total Outstanding Debt	<u>\$72.3</u>	<u>\$82.4</u>	<u>\$45.7</u>	<u>\$45.3</u>	<u>\$118.0</u>	<u>\$127.7</u>	8.3%

Overall, long-term debt increased \$9.7 million from the prior year balances mostly due to the increases in both post employment benefit obligations of \$5.2 million and pension liabilities of \$8.9 million. The City's Net Position as of July 1, 2017, was restated due to implementation of GASB Statement 75 to record the postemployment benefits obligation. As a result of GASB 75, the postemployment benefits obligation increased by \$5.2 million. The increase in pension liabilities was comprised of increases for both the Safety (police) Plans and the Miscellaneous (all other) plans of \$5.0 million and \$4.0 million respectively. The increases were mostly due to the interest on the total pension liability which accrues at the rate determined by CalPERS of 7.15%. These increases were offset by a decrease of \$3.2 million in Due to Successor Agency to the Tustin Community Redevelopment Agency for the final payment of \$3.2 million made in December 2017. The bonds payable for the Water Enterprise carried underlying debt ratings of "AA" from Standard & Poor's, with no change from the previous year.

Additional information on the City's long-term debt can be found in Note 8, Note 10 and Note 11 of the notes to the basic financial statements section of this report starting.

CITY OF TUSTIN
Management's Discussion and Analysis (Unaudited)
June 30, 2018

Next Year's Budget and Rates

The City Council adopted the fiscal year 2018-2019 Budget with total appropriations of \$218.7 million which includes \$99.4 million of capital outlay. The General Fund fiscal year 2018-2019 estimated revenues are \$63.2 million and budgeted appropriations are \$64.3 million resulting in an estimated operating deficit of \$1.1 million. The operating deficit will be covered by planned use of excess General Fund reserves. The appropriations are \$4.3 million higher than the prior year's appropriation due to increased salary and benefit costs, operational costs, and capital expenditures. An increase of \$1.7 million is associated with various professional and consulting services, including information technology. Overall, the appropriations are consistent with fiscal year 2018. There were no fee increases as part of the preparation and adoption of the fiscal year 2018-19 budget.

Requests for Information

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

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CITY OF TUSTIN

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-type Activity	Total
ASSETS:			
Cash and investments	\$ 161,551,502	\$ 19,739,231	\$ 181,290,733
Receivables:			
Accounts	9,514,443	2,843,553	12,357,996
Interest	513,379	70,140	583,519
Loans	863,496	-	863,496
Allowance for uncollectibles	(529,358)	-	(529,358)
Internal balances	-	-	-
Prepaid items and deposits	627,404	46,866	674,270
Land held for resale	82,357,532	-	82,357,532
Restricted assets:			
Cash and investments with fiscal agents	61,525,146	13,129,092	74,654,238
Cash and investments held by trust	5,578,912	-	5,578,912
Capital assets:			
Not being depreciated	183,545,413	3,978,963	187,524,376
Being depreciated, net	315,916,222	43,885,311	359,801,533
TOTAL ASSETS	821,464,091	83,693,156	905,157,247
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	-	3,301,388	3,301,388
Deferred amounts on pension plans	17,425,571	988,889	18,414,460
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,425,571	4,290,277	21,715,848
LIABILITIES:			
Accounts payable and accrued liabilities	9,515,934	2,506,371	12,022,305
Interest payable	-	375,774	375,774
Deposits payable	7,156,079	483,915	7,639,994
Unearned revenue	116,045	-	116,045
Noncurrent liabilities:			
Due within one year	8,143,323	1,089,395	9,232,718
Due in more than one year	530,982	40,684,257	41,215,239
Due in more than one year - OPEB liability	13,892,607	-	13,892,607
Due in more than one year - pension liability	59,866,293	3,504,665	63,370,958
TOTAL LIABILITIES	99,221,263	48,644,377	147,865,640
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts on OPEB plan	2,626	-	2,626
Deferred amounts on pension plans	1,960,935	79,549	2,040,484
TOTAL DEFERRED INFLOWS OF RESOURCES	1,963,561	79,549	2,043,110
NET POSITION:			
Net investment in capital assets	499,190,473	22,753,763	521,944,236
Restricted for:			
Community services	2,877,164	-	2,877,164
Public safety	719,164	-	719,164
Public works	78,219,948	-	78,219,948
Pension	5,578,912	-	5,578,912
Unrestricted	151,119,177	16,505,744	167,624,921
TOTAL NET POSITION	\$ 737,704,838	\$ 39,259,507	\$ 776,964,345

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 23,949,544	\$ 1,630,903	\$ 27,889	\$ -
Public safety	33,713,796	1,283,672	337,692	-
Public works	37,599,662	2,167,726	2,295,368	7,248,026
Community services	10,795,733	1,434,988	1,202,598	393,484
Interest on long-term liabilities	12,043	-	-	-
Total governmental activities	106,070,778	6,517,289	3,863,547	7,641,510
Business-type activity:				
Water	17,680,886	18,229,013	-	-
Total	\$ 123,751,664	\$ 24,746,302	\$ 3,863,547	\$ 7,641,510

General revenues:

Taxes:

Property

Franchise

Transient occupancy

Business license

Intergovernmental revenue - sales tax shared state revenues

Motor vehicle taxes shared state revenues

Earnings on investments

Gain on sale of land held for resale

Miscellaneous

Total general revenues

Change in net position

NET POSITION AT BEGINNING OF YEAR,
AS RESTATED

NET POSITION AT END OF YEAR

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activity	Total
\$ (22,290,752)	\$ -	\$ (22,290,752)
(32,092,432)	-	(32,092,432)
(25,888,542)	-	(25,888,542)
(7,764,663)	-	(7,764,663)
(12,043)	-	(12,043)
(88,048,432)	-	(88,048,432)
-	548,127	548,127
(88,048,432)	548,127	(87,500,305)
25,636,673	-	25,636,673
1,781,175	-	1,781,175
1,575,830	-	1,575,830
431,457	-	431,457
24,925,934	-	24,925,934
43,359	-	43,359
1,109,193	150,371	1,259,564
33,636,759	-	33,636,759
4,838,383	178,880	5,017,263
93,978,763	329,251	94,308,014
5,930,331	877,378	6,807,709
731,774,507	38,382,129	770,156,636
\$ 737,704,838	\$ 39,259,507	\$ 776,964,345

CITY OF TUSTIN
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 121,946,069	\$ 6,058,789	\$ 33,546,644	\$ 161,551,502
Restricted cash and investments	36,097,407	195,690	25,232,049	61,525,146
Restricted cash and investments held by trust	5,578,912	-	-	5,578,912
Receivables:				
Accounts	5,758,293	670,287	3,085,863	9,514,443
Interest	355,926	13,767	143,686	513,379
Loans	479,700	-	383,796	863,496
Allowance for uncollectibles	(495,562)	-	(33,796)	(529,358)
Prepaid items and deposits	627,404	-	-	627,404
Land held for resale	82,240,813	-	116,719	82,357,532
TOTAL ASSETS	\$ 252,588,962	\$ 6,938,533	\$ 62,474,961	\$ 322,002,456
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 5,518,516	\$ 1,418,098	\$ 2,579,320	\$ 9,515,934
Deposits payable	6,412,273	-	743,806	7,156,079
Unearned revenue	-	116,045	-	116,045
TOTAL LIABILITIES	11,930,789	1,534,143	3,323,126	16,788,058
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	187,620	25,558	488,277	701,455
FUND BALANCES:				
Nonspendable	82,868,217	-	-	82,868,217
Restricted	41,269,878	5,378,832	40,944,164	87,592,874
Assigned	-	-	17,719,394	17,719,394
Unassigned	116,332,458	-	-	116,332,458
TOTAL FUND BALANCES	240,470,553	5,378,832	58,663,558	304,512,943
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 252,588,962	\$ 6,938,533	\$ 62,474,961	\$ 322,002,456

See accompanying notes to basic financial statements.

CITY OF TUSTIN

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

June 30, 2018

Fund balances - total governmental funds		\$ 304,512,943
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets net of depreciation have not been included as financial resources in governmental funds.		499,461,635
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position. Balances at June 30, 2018 are:		
Claims and judgments payable	\$ (5,085,858)	
Compensated absences payable	(3,317,285)	
Capital lease payable	<u>(271,162)</u>	
Total long-term liabilities		(8,674,305)
Pension related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred outflows of resources	17,425,571	
Deferred inflows of resources	(1,960,935)	
Pension liability	<u>(59,866,293)</u>	
		(44,401,657)
OPEB related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities:		
Deferred inflows of resources	(2,626)	
Post employment benefits liability	<u>(13,892,607)</u>	
		(13,895,233)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds balance sheet.		<u>701,455</u>
Net position of governmental activities		<u><u>\$ 737,704,838</u></u>

CITY OF TUSTIN

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

For the year ended June 30, 2018

	General	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 25,770,970	\$ -	\$ -	\$ 25,770,970
Licenses and permits	905,086	-	-	905,086
Fines and forfeitures	996,912	-	-	996,912
Investment income	583,675	67,431	469,170	1,120,276
Intergovernmental revenue	28,463,529	7,232,280	6,426,032	42,121,841
Charges for services	2,029,405	-	147,940	2,177,345
Rental income	1,479,441	-	194,627	1,674,068
Other revenue	1,820,857	1,200	7,026,721	8,848,778
Developer contribution	1,341,143	-	-	1,341,143
Profit participation	7,179,553	-	-	7,179,553
Gain on sale of land held for resale	33,033,193	-	603,566	33,636,759
TOTAL REVENUES	103,603,764	7,300,911	14,868,056	125,772,731
EXPENDITURES:				
Current:				
General government	20,265,803	5,663	988,340	21,259,806
Public safety	32,222,859	-	112,545	32,335,404
Public works	7,610,935	-	184,914	7,795,849
Community services	9,330,758	-	416,804	9,747,562
Capital outlay	12,212,282	6,903,666	20,966,492	40,082,440
Debt service:				
Principal retirement	3,271,503	-	-	3,271,503
Interest expense	12,043	-	-	12,043
TOTAL EXPENDITURES	84,926,183	6,909,329	22,669,095	114,504,607
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,677,581	391,582	(7,801,039)	11,268,124
OTHER FINANCING SOURCES (USES):				
Transfers in	4,468,662	-	4,439,943	8,908,605
Transfers out	(4,439,943)	(293,886)	(4,174,776)	(8,908,605)
TOTAL OTHER FINANCING SOURCES (USES)	28,719	(293,886)	265,167	-
NET CHANGE IN FUND BALANCES	18,706,300	97,696	(7,535,872)	11,268,124
FUND BALANCES - BEGINNING OF YEAR	221,764,253	5,281,136	66,199,430	293,244,819
FUND BALANCES - END OF YEAR	\$ 240,470,553	\$ 5,378,832	\$ 58,663,558	\$ 304,512,943

See accompanying notes to basic financial statements.

CITY OF TUSTIN

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

For the year ended June 30, 2018

Net change in fund balances - total governmental funds \$ 11,268,124

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

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

Capital outlay	\$ 21,015,345	
Disposition of capital assets	(7,020)	
Depreciation expense	<u>(12,121,337)</u>	8,886,988

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

Principal payment	3,271,503	
Claims and judgments payable	437,493	
Compensated absences payable	<u>(200,460)</u>	3,508,536

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources (4,070,709)

OPEB expense reported in the governmental funds includes the actuarially determined contributions. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources 109,014

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

Net change in unavailable revenue		<u>(13,771,622)</u>
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Change in net position of governmental activities \$ 5,930,331

CITY OF TUSTIN
STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2018

	Business-type Activity
	Water Enterprise Fund
ASSETS:	
CURRENT ASSETS:	
Cash and investments	\$ 19,739,231
Accounts receivable	2,843,553
Interest receivable	70,140
Prepaid items	46,866
Restricted cash and investments	13,129,092
TOTAL CURRENT ASSETS	35,828,882
NONCURRENT ASSETS:	
Capital assets:	
Not being depreciated	3,978,963
Being depreciated, net	43,885,311
TOTAL NONCURRENT ASSETS	47,864,274
TOTAL ASSETS	83,693,156
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	3,301,388
Deferred amounts on pension plans	988,889
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,290,277
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	2,506,371
Deposits payable	483,915
Compensated absences payable	209,395
Interest payable	375,774
Bonds payable	880,000
TOTAL CURRENT LIABILITIES	4,455,455
LONG-TERM LIABILITIES:	
Compensated absences payable	23,266
Bonds payable	40,660,991
Net pension liability	3,504,665
TOTAL LONG-TERM LIABILITIES	44,188,922
TOTAL LIABILITIES	48,644,377
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts on pension plans	79,549
NET POSITION:	
Net investment in capital assets	22,753,763
Unrestricted	16,505,744
TOTAL NET POSITION	\$ 39,259,507

See accompanying notes to basic financial statements.

CITY OF TUSTIN

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

For the year ended June 30, 2018

	Business-type Activity
	<u>Water</u>
	Enterprise Fund
	<u>Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 18,229,013
OPERATING EXPENSES:	
Personnel services	3,781,121
Purchased water	7,019,757
Maintenance and operation	3,514,949
Depreciation and amortization	<u>1,980,617</u>
TOTAL OPERATING EXPENSES	<u>16,296,444</u>
OPERATING INCOME	<u>1,932,569</u>
NONOPERATING REVENUES (EXPENSES):	
Investment income	150,371
Other income	178,880
Interest expense and other fiscal charges	<u>(1,384,442)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,055,191)</u>
CHANGE IN NET POSITION	877,378
NET POSITION AT BEGINNING OF YEAR	<u>38,382,129</u>
NET POSITION AT END OF YEAR	<u>\$ 39,259,507</u>

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the year ended June 30, 2018

	Business-type Activity
	<u>Water</u>
	Enterprise
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 18,432,117
Payments to suppliers	(9,305,910)
Payments to other funds for services	(1,200,000)
Payments to employees	<u>(3,439,059)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,487,148</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(733,198)
Principal paid on bonds	(845,000)
Interest paid	<u>(1,695,335)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,273,533)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>125,940</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>125,940</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,339,555
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>31,528,768</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 32,868,323</u>
CASH AND CASH EQUIVALENTS:	
Cash and investments - current assets	\$ 19,739,231
Cash and investments - restricted assets	<u>13,129,092</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 32,868,323</u>

See accompanying notes to basic financial statements.

CITY OF TUSTIN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 (CONTINUED)

For the year ended June 30, 2018

	Business-type Activity
	<u>Water</u>
	Enterprise
	<u>Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,932,569
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,980,617
Other nonoperating income	178,880
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	125,092
(Increase) decrease in prepaid items	(4,609)
(Increase) decrease in deferred outflows of resources	(162,091)
Increase (decrease) in accounts payable and accrued liabilities	26,327
Increase (decrease) in deposits payable	(100,867)
Increase (decrease) in compensated absences	8,920
Increase (decrease) in net pension liability	525,940
Increase (decrease) in deferred inflows of resources	(23,630)
	<u>4,487,148</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,487,148</u>

CITY OF TUSTIN

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Other Post-Employment Benefit (OPEB) Trust Fund	Agency Funds
ASSETS:			
Cash and investments	\$ 3,074,195	\$ -	\$ -
Cash and investments held by trust	-	1,000,160	-
Restricted cash and investments	1,156		11,785,523
Receivables:			
Taxes	-	-	31,267
Prepaid items and deposits	5,514	-	2,140
TOTAL ASSETS	3,080,865	1,000,160	\$ 11,818,930
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charge on refunding	6,875,420	-	-
LIABILITIES:			
Accounts payable	4,507	-	\$ -
Interest payable	703,542	-	-
Due to bondholders	-	-	11,818,930
Long-term liabilities:			
Due within one year	1,830,000	-	-
Due in more than one year	58,155,032	-	-
TOTAL LIABILITIES	60,693,081	-	\$ 11,818,930
NET POSITION:			
Held in trust	\$ (50,736,796)	\$ 1,000,160	

CITY OF TUSTIN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2018

	Successor Agency to the Tustin Community Redevelopment Agency Private Purpose Trust Fund	Other Post-Employment Benefit (OPEB) Trust Fund
	<u>Trust Fund</u>	<u>Trust Fund</u>
ADDITIONS:		
Tax revenue	\$ 4,503,505	\$ -
Contribution from the City of Tustin	83,167	-
Investment income	1,520	160
Employer contributions	-	1,000,000
	<u>4,588,192</u>	<u>1,000,160</u>
TOTAL ADDITIONS	<u>4,588,192</u>	<u>1,000,160</u>
DEDUCTIONS:		
Community services	255,452	-
Interest	2,152,015	-
	<u>2,407,467</u>	<u>-</u>
TOTAL DEDUCTIONS	<u>2,407,467</u>	<u>-</u>
CHANGE IN NET POSITION	2,180,725	1,000,160
NET POSITION - BEGINNING OF YEAR	<u>(52,917,521)</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ (50,736,796)</u>	<u>\$ 1,000,160</u>

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. The Financial Reporting Entity

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

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

Blended Component Units

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

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

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Government-wide and Fund Financial Statements

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets, current liabilities, and deferred inflows of resources 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.

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.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City's fiduciary funds consist of a private purpose trust and the other post-employment benefit (OPEB) trust, which are reported using the economic resources measurement focus, and the agency funds which have no measurement focus, but utilize the accrual basis for reporting its assets and liabilities.

All governmental activities, business-type activity and fund financial statements of the City follow Governmental Accounting Standards Board (GASB) pronouncements.

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

Fund Classifications

The funds designated as major funds are determined by a mathematical calculation. 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 and maintenance projects.

The City reports the following major proprietary fund:

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

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

Governmental Funds

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

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Funds

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

Other Post-Employment Benefit Trust Fund is used to account for the activities of the City's trust for the OPEB plan.

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

d. New Accounting Pronouncements

Current Year Standards

In fiscal year 2017-2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for postemployment benefits other than pension. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this statement decreased the net position at July 1, 2017 of the governmental activities by \$5,270,924.

GASB 82 - *Pension Issues*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, and did not impact the City.

GASB 85 - *Omnibus 2017*, effective for periods beginning after June 15, 2017, and did not impact the City

GASB 86 - *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017, and did not impact the City.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. New Accounting Pronouncements (Continued)

Pending Accounting Standards

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

- GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018.
- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.

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

Cash, Cash Equivalents and Investments

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

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred charge on refunding, net of accumulated amortization, reported in the government-wide statement of net position, the proprietary fund and fiduciary funds financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

- Deferred outflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. These amounts are amortized over five years.
- Deferred outflow related to pensions resulting from changes of assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflow from unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow related to pensions for differences between expected and actual experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows/Inflows of Resources (Continued)

- Deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflow related to OPEB plan resulting from the difference between projected and actual earnings on investments of the OPEB plan fiduciary net position. These amounts are amortized over five years.

Land Held for Resale

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

Property Taxes

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

Property Tax Calendar

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

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

Interest and penalties are assessed after the collection date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences

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

Pensions

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

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

- f. Use of Estimates

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$181,290,733	\$ 3,074,195	\$184,364,928
Restricted assets:			
Cash and investments	74,654,238	11,786,679	86,440,917
Cash and investments held by trust	5,578,912	1,000,160	6,579,072
Total cash and investments	<u>\$261,523,883</u>	<u>\$ 15,861,034</u>	<u>\$277,384,917</u>

Cash and investments as of June 30, 2018, consist of the following:

Cash on hand	\$ 11,000
Deposits with financial institutions	2,498,572
Investments	<u>274,875,345</u>
Total cash and investments	<u>\$277,384,917</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

N/A - Not Applicable

*Average weighted maturity shall not exceed ninety (90) days if commercial paper exceeds ten (10) percent of total portfolio assets.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

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

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Remaining Maturity					Total
	1 Year or Less	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	
U.S. Treasury Notes	\$ 6,991,220	\$ -	\$ -	\$ -	\$ -	\$ 6,991,220
U.S. Government Sponsored						
Agency Securities:						
Federal National Mortgage						
Association (FNMA)	-	6,894,288	3,782,467	-	1,949,386	12,626,141
Federal Home Loan Bank (FHLB)	1,996,172	-	968,036	8,251,605	1,468,506	12,684,319
Federal Home Loan Mortgage						
Corporation (FHLMC)	990,087	-	3,487,858	13,678,462	4,853,141	23,009,548
Federal Farm Credit Bank (FFCB)	-	1,957,926	9,324,015	4,843,345	-	16,125,286
Local Agency Investment Pool (LAIF)	2,585,689	-	-	-	-	2,585,689
California Asset Management Program (CAMP)	86,043,667	-	-	-	-	86,043,667
Orange County Investment Pool	1,059,714	-	-	-	-	1,059,714
Negotiable Certificates of Deposit	3,704,168	13,950,779	11,174,636	7,391,013	1,930,368	38,150,964
Medium-term Notes	3,980,041	-	8,851,907	7,777,155	3,342,780	23,951,883
Municipal Bonds	-	3,305,789	2,290,610	2,688,903	-	8,285,302
Held by Fiscal Agents:						
Money Market Mutual Funds	36,782,540	-	-	-	-	36,782,540
Held by Pension Trust:						
Money Market Mutual Funds	173,139	-	-	-	-	173,139
Mutual Funds - Equity	2,834,420	-	-	-	-	2,834,420
Mutual Funds - Fixed Income	2,571,353	-	-	-	-	2,571,353
Held by OPEB Trust:						
Money Market Mutual Funds	31,438	-	-	-	-	31,438
Mutual Funds - Equity	507,736	-	-	-	-	507,736
Mutual Funds - Fixed Income	460,986	-	-	-	-	460,986
Total	\$ 150,712,370	\$ 26,108,782	\$ 39,879,529	\$ 44,630,483	\$ 13,544,181	\$ 274,875,345

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

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

Investment Type	Total as of June 30, 2018	Minimum Legal Rating	Exempt from Disclosure	AAA	AA+	AA	Other	Not Rated
U.S. Treasury Notes	\$ 6,991,220	N/A	\$ 6,991,220	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Sponsored Agency Securities:								
FNMA	12,626,141	N/A	-	-	10,676,755	-	1,949,386	-
FHLB	12,684,319	N/A	-	-	12,684,319	-	-	-
FHLMC	23,009,548	N/A	-	-	23,009,548	-	-	-
FFCB	16,125,286	N/A	-	-	16,125,286	-	-	-
LAIF	2,585,689	N/A	-	-	-	-	-	2,585,689
CAMP	86,043,667	N/A	-	-	-	-	86,043,667	-
Orange County Investment Pool	1,059,714	N/A	-	-	-	-	-	1,059,714
Negotiable Certificates of Deposit	38,150,964	N/A	-	-	-	-	-	38,150,964
Medium-term Notes	23,951,883	A	-	3,974,746	3,907,250	2,950,021	13,119,866	-
Municipal Bonds	8,285,302	A	-	-	1,443,978	-	6,841,324	-
Held by Fiscal Agents:								
Money Market Mutual Funds	36,782,540	A	-	36,782,540	-	-	-	-
Held by Pension Trust:								
Money Market Mutual Funds	173,139	N/A	-	-	-	-	173,139	-
Mutual Funds - Equity	2,834,420	N/A	-	-	-	-	-	2,834,420
Mutual Funds - Fixed Income	2,571,353		-	-	-	-	-	2,571,353
Held by OPEB Trust:								
Money Market Mutual Funds	31,438	N/A	-	-	-	-	31,438	-
Mutual Funds - Equity	507,736	N/A	-	-	-	-	-	507,736
Mutual Funds - Fixed Income	460,986		-	-	-	-	-	460,986
Total	<u>\$ 274,875,345</u>		<u>\$ 6,991,220</u>	<u>\$ 40,757,286</u>	<u>\$ 67,847,136</u>	<u>\$ 2,950,021</u>	<u>\$ 108,158,820</u>	<u>\$ 48,170,862</u>

N/A - Not Applicable

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

Medium-term Notes		Municipal Bonds		CAMP	
AA-	\$ 6,303,044	AA-	\$ 5,912,590	AAAm	<u>\$ 86,043,667</u>
A+	1,915,256	A	928,734		
A-	4,901,566		<u>\$ 6,841,324</u>		
	<u>\$ 13,119,866</u>				
U.S. Government Sponsored Agency Securities		Held by Pension Trust		Held by OPEB Trust	
Aaa*	<u>\$ 1,949,386</u>	AAAm	<u>\$ 173,139</u>	AAAm	<u>\$ 31,438</u>

*Moody's rating as the note is not rated by Standard & Poor's

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
Federal National Mortgage Association	United States Government Sponsored Agency Securities	\$ 12,626,141
Federal Home Loan Bank	United States Government Sponsored Agency Securities	\$ 12,684,319
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 23,009,548
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	\$ 16,125,286

Custodial Credit Risk

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

The California Government Code requires that a financial institution 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, 2018, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

As of June 30, 2018, the City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Carrying Value</u>
U.S. Treasury Notes	\$ 6,991,220
U.S. Government Sponsored Agency Securities	64,445,294
Medium-Term Notes	23,951,883
Municipal Bonds	8,285,302
Negotiable Certificates of Deposit	38,150,964

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 California Asset Management Program (CAMP)

The City is a voluntary participant in the California Asset Management Program (CAMP) that is regulated by the California Government Code. 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 CAMP for the entire CAMP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by CAMP, which are recorded on an amortized cost basis.

Investment in County Investment Pool

The Orange County Investment Pool Fund (OCIP) is a pooled investment fund program governed by the Orange County Board of Supervisors, and is administered by the Orange County Treasurer and Tax Collector. Investments in OCIP are highly liquid as deposits and withdrawal can be made at any time without penalty. The City's fair value of its share in the pool is the same value of the pool shares, which amounted to \$1,059,714. Information on OCIP's use of derivative securities in its investment portfolio and OCIP's and the City's exposure to credit, market, or legal risk is not available.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Investments in Pension Trust

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City’s pension plans. The Pension Trust’s specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City as detailed below.

Investments OPEB Trust

The City established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the City’s OPEB plan. The OPEB Trust’s specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the City.

Those guidelines are as follows:

Risk Tolerance	Moderate
Risk Management	The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.
Investment Objective	To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.
Strategic Ranges	0% - 20% Cash 40% - 60% Fixed Income 40% - 60% Equity

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2018:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Notes	\$ -	\$ 6,991,220	\$ -	\$ 6,991,220
U.S. Government Sponsored				
Agency Securities:				
FNMA	-	12,626,141	-	12,626,141
FHLB	-	12,684,319	-	12,684,319
FHLMC	-	23,009,548	-	23,009,548
FFCB	-	16,125,286	-	16,125,286
Negotiable Certificates of Deposit	-	38,150,964	-	38,150,964
Medium-term Notes	-	23,951,883	-	23,951,883
Municipal Bonds	-	8,285,302	-	8,285,302
Held by Pension Trust:				
Mutual Funds - Equity	2,834,420	-	-	2,834,420
Mutual Funds - Fixed Income	2,571,353	-	-	2,571,353
Held by OPEB Trust:				
Mutual Funds - Equity	507,736	-	-	507,736
Mutual Funds - Fixed Income	460,986	-	-	460,986
Total Leveled Investments	<u>\$ 6,374,495</u>	<u>\$ 141,824,663</u>	<u>\$ -</u>	<u>148,199,158</u>
LAIF*				2,585,689
CAMP*				86,043,667
Orange County Investment Pool*				1,059,714
Held by Fiscal Agents:				
Money Market Mutual Funds*				36,782,540
Held by Pension Trust:				
Money Market Mutual Funds*				173,139
Held by OPEB Trust:				
Money Market Mutual Funds*				31,438
Total Investment Portfolio				<u>\$ 274,875,345</u>

* Not subject to fair value measurement hierarchy.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 3 - LOANS RECEIVABLE

Multi-Family Development Loan: A bridge loan was provided to a senior apartment developer to assist in the development of 53 affordable rental units. The total outstanding balance as of June 30, 2018, was \$350,000.

Home Improvement Loans: Home improvement loans were provided to low and moderate income households (rental and ownership). These deferred loans are due upon sale, refinance, or when the rental units are no longer available as affordable units. Term is 30 years. The total outstanding balance as of June 30, 2018, was \$33,795. An allowance of \$33,795 has been recorded to reflect the amount of the loans not expected to be collectible.

Orange County Rescue Mission: On February 10, 2015, the City entered into an agreement with the Orange County Rescue Mission (OCRM), whereby the City agreed to convey two residential buildings to the OCRM to be used for housing for homeless veterans. In exchange, the OCRM executed a promissory note to the City in the amount of \$533,000. The note is payable after 30 years with 3% interest. For every year that the OCRM uses the property for homeless veterans housing, the promissory note and any accrued interest will be forgiven by 1/30th. Should the OCRM successfully utilize the properties for homeless veterans housing for all 30 years in which the note is in effect, as stipulated in the deed of trust, it will owe no money to the City. The total outstanding balance at June 30, 2018 including accrued interest of \$15,862 was \$495,563. An allowance of \$459,563 has been recorded to reflect the amount of the note not expected to be collectible.

NOTE 4 - INTERFUND TRANSFERS

The composition of interfund transfers for the year ended June 30, 2018, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Measure M Special Revenue Fund	\$ 293,886
	Other Governmental Funds	4,174,776
Other Governmental Funds	General Fund	4,439,943
		<u>\$ 8,908,605</u>

The transfers during the fiscal year ended June 30, 2018, were for the following purposes:

A transfer from the Measure M Special Revenue Fund totaling \$293,886 to the General Fund to pay for services provided for Measure M.

A transfer from the other governmental funds totaling \$539,264 to the General Fund to pay for services provided for AD 95-1 Construction.

A transfer from the other governmental funds totaling \$61,799 to the General Fund was made to repay amounts transferred to cover negative cash in prior years.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 4 - INTERFUND TRANSFERS (CONTINUED)

A transfer from other governmental funds totaling \$3,573,713 to the General Fund to pay for public safety services provided for the Special Tax B area.

The General Fund transferred \$1,939,493 to the other governmental funds to eliminate negative cash until reimbursement is received from the fiscal agent.

The General Fund transferred \$2,500,000 to the other governmental funds to pay for capital projects per the adopted budget for fiscal year 2017-18.

NOTE 5 - LAND HELD FOR RESALE

Land held for resale as of June 30, 2018, consisted of the following:

Pacific Park*	\$ 30,787,557
Tustin Legacy	51,453,256
370 Flyers Lane	<u>116,719</u>
Total Land Held for Resale	<u>\$ 82,357,532</u>

*Pacific Park includes several parcels bordered by Del Amo, Valencia, Edinger and Newport Avenue.

During fiscal year 2017-18, the City sold land held for resale for the Tustin Legacy (see Note 6) for a gain of \$32,664,261 and donated other land held for resale for a loss of \$131,818. In addition, additional property held for resale by the Housing Authority was sold for a gain of \$603,566.

NOTE 6 - LAND TRANSFER FROM THE UNITED STATES GOVERNMENT

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

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 6 - LAND TRANSFER FROM THE UNITED STATES GOVERNMENT (CONTINUED)

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

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

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

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

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

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

In fiscal year 2015-16, the City reclassified 310 acres of the land held for resale related to the land transfer from the United States Government to land to be used for government purposes. The reclassification was for land to be given to another governmental agency and to be used for parks and roads. In addition, the Valencia Parcels (about 5 acres) were reclassified due to a change in the intended use of the property. These parcels were retained by the City and will be used to create the new veteran's sports park. As a result, land held for resale was reduced by \$34,026,499 in the General Fund and is reported as land in the government-wide statement of net position.

In July 2016, the City sold 20.96 acres of the land to a developer for \$8,300,000 resulting in a gain on land held for resale of \$6,267,009.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 6 - LAND TRANSFER FROM THE UNITED STATES GOVERNMENT (CONTINUED)

In June 2017, the City sold 17.54 acres of land to a developer for \$18,292,602 resulting in a gain on land held for resale of \$17,621,229.

In June 2018, the City sold 14.48 acres of land to a developer for \$34,202,712 resulting in a gain on land held for resale of \$32,664,261.

The recorded value of the remaining parcels as of June 30, 2018, was \$51,453,256. 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.

NOTE 7 - CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets for the year ended June 30, 2018, is as follows:

	Balance at July 1, 2017	Additions	Deletions/ Transfers	Balance at June 30, 2018
Capital assets, not depreciated:				
Land	\$ 86,241,894	\$ 1,063,639	\$ (4,250,746)	\$ 83,054,787
Right of way	43,758,156	-	-	43,758,156
Construction in progress	40,831,005	22,453,395	(6,551,930)	56,732,470
Total capital assets, not depreciated	<u>170,831,055</u>	<u>23,517,034</u>	<u>(10,802,676)</u>	<u>183,545,413</u>
Capital assets, being depreciated:				
Buildings	74,466,210	-	-	74,466,210
Improvements other than buildings	28,609,604	1,974,708	-	30,584,312
Machinery and equipment	18,300,168	1,749,057	(589,005)	19,460,220
Infrastructure	354,396,049	4,577,222	-	358,973,271
Total capital assets, being depreciated	<u>475,772,031</u>	<u>8,300,987</u>	<u>(589,005)</u>	<u>483,484,013</u>
Less accumulated depreciation for:				
Buildings	(18,512,348)	(1,528,458)	-	(20,040,806)
Improvements other than buildings	(7,542,765)	(1,040,405)	-	(8,583,170)
Machinery and equipment	(11,689,636)	(1,605,083)	581,985	(12,712,734)
Infrastructure	(118,283,690)	(7,947,391)	-	(126,231,081)
Total accumulated depreciation	<u>(156,028,439)</u>	<u>(12,121,337)</u>	<u>581,985</u>	<u>(167,567,791)</u>
Total capital assets, being depreciated, net	<u>319,743,592</u>	<u>(3,820,350)</u>	<u>(7,020)</u>	<u>315,916,222</u>
Total governmental activities capital assets, net	<u>\$ 490,574,647</u>	<u>\$ 19,696,684</u>	<u>\$ (10,809,696)</u>	<u>\$ 499,461,635</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 7 - CAPITAL ASSETS (CONTINUED)

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

General government	\$ 287,426
Public safety	652,324
Public works	10,426,474
Community services	755,113
	<u>\$ 12,121,337</u>

A summary of changes in the Business-type Activity capital assets for the year ended June 30, 2018, is as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2018</u>
Capital assets, not depreciated:				
Land	\$ 1,177,216	\$ -	\$ -	\$ 1,177,216
Construction in progress	<u>9,656,077</u>	<u>678,504</u>	<u>(7,532,834)</u>	<u>2,801,747</u>
Total capital assets, not depreciated	<u>10,833,293</u>	<u>678,504</u>	<u>(7,532,834)</u>	<u>3,978,963</u>
Capital assets, being depreciated:				
Buildings and improvements	9,500,377	-	-	9,500,377
Property, plant and equipment	<u>58,085,554</u>	<u>7,751,917</u>	<u>(10,608)</u>	<u>65,826,863</u>
Total capital assets, being depreciated	<u>67,585,931</u>	<u>7,751,917</u>	<u>(10,608)</u>	<u>75,327,240</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,407,991)	(209,209)	-	(5,617,200)
Property, plant and equipment	<u>(24,248,938)</u>	<u>(1,586,399)</u>	<u>10,608</u>	<u>(25,824,729)</u>
Total accumulated depreciation	<u>(29,656,929)</u>	<u>(1,795,608)</u>	<u>10,608</u>	<u>(31,441,929)</u>
Total capital assets, being depreciated, net	<u>37,929,002</u>	<u>5,956,309</u>	<u>-</u>	<u>43,885,311</u>
Total business-type activity capital assets, net	<u>\$ 48,762,295</u>	<u>\$ 6,634,813</u>	<u>\$ (7,532,834)</u>	<u>\$ 47,864,274</u>

During the fiscal year ended June 30, 2018, the City capitalized interest of \$164,388.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Due to Successor Agency to the Tustin Community Redevelopment Agency (Note 9)	\$ 3,202,341	\$ -	\$ (3,202,341)	\$ -	\$ -
Claims and judgments (Note 13)	5,523,351	3,934,156	(4,371,649)	5,085,858	5,085,858
Lease payable	340,324	-	(69,162)	271,162	71,908
Compensated absences	3,116,825	2,873,051	(2,672,591)	3,317,285	2,985,557
Total governmental activities long-term liabilities	<u>\$ 12,182,841</u>	<u>\$ 6,807,207</u>	<u>\$ (10,315,743)</u>	<u>\$ 8,674,305</u>	<u>\$ 8,143,323</u>
Business-type Activity:					
2012 Refunding					
Water Revenue Bonds	\$ 5,250,000	\$ -	\$ (795,000)	\$ 4,455,000	\$ 830,000
Bond premium	470,101	-	(81,757)	388,344	-
2013 Water Revenue bonds	13,910,000	-	(50,000)	13,860,000	50,000
Bond premium	103,530	-	(3,944)	99,586	-
2016 Refunding					
Water Revenue Bonds	21,515,000	-	-	21,515,000	-
Bond premium	1,275,666	-	(52,605)	1,223,061	-
Compensated absences	223,741	231,781	(222,861)	232,661	209,395
Total business-type activity long-term liabilities	<u>\$ 42,748,038</u>	<u>\$ 231,781</u>	<u>\$ (1,206,167)</u>	<u>\$ 41,773,652</u>	<u>\$ 1,089,395</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities

Lease Payable

The City entered into a lease to finance equipment with a present value of \$368,356, using an interest rate of 3.9%. The lease term is for a period of 60 months with monthly payments of \$6,767. Total payments made during the year amount to \$81,207 which included interest payments of \$12,045 and principal payments of \$69,162. At June 30, 2018, the outstanding principal amount was \$271,162.

The following is a schedule, by year, of future minimum lease payments and the present value of the net minimum lease payment for the capital lease as of June 30, 2018.

Year Ending June 30,	Minimum Lease Payments
2019	\$ 81,207
2020	81,207
2021	81,207
2022	47,370
Subtotals	\$ 290,991
Less: amounts representing interest	(19,829)
Present value of net minimum lease payments	<u>\$ 271,162</u>

The assets acquired through the capital lease are as follows:

Equipment	\$ 368,356
Less: accumulated depreciation	(110,507)
	<u>\$ 257,849</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity

2012 Refunding Water Revenue Bonds

On March 27, 2012, the City issued \$8,910,000, 2012 Refunding Water Revenue Bonds. The Bonds were issued to provide funds to defease the 2003 Refunding Water Revenue Bonds and prepay certain outstanding notes payable incurred to finance improvements to the Water Enterprise. The 2003 Refunding Water Revenue Bonds were redeemed in full on April 1, 2013.

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

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$594,664. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2023. The remaining balance at June 30, 2018, is \$256,788.

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2018, total interest and principal remaining on the bonds is \$4,983,175. During the fiscal year, the total interest expense incurred was \$197,275, principal payments were \$795,000, and net revenues were \$4,023,354.

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 830,000	\$ 165,475	\$ 995,475
2020	860,000	138,500	998,500
2021	885,000	110,600	995,600
2022	920,000	75,200	995,200
2023	960,000	38,400	998,400
Subtotals	\$ 4,455,000	\$ 528,175	\$ 4,983,175
Add: Premium	388,344	-	388,344
Totals	<u>\$ 4,843,344</u>	<u>\$ 528,175</u>	<u>\$ 5,371,519</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

2013 Water Revenue Bonds

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

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2018, total interest and principal remaining on the bonds is \$26,285,692. During the fiscal year, the total interest expense incurred was \$651,320, principal payments were \$50,000, and net revenues were \$4,023,354.

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 50,000	\$ 650,320	\$ 700,320
2020	50,000	648,320	698,320
2021	55,000	646,320	701,320
2022	55,000	643,570	698,570
2023	55,000	640,820	695,820
2024 - 2028	1,740,000	3,055,640	4,795,640
2029 - 2033	2,150,000	2,664,157	4,814,157
2034 - 2038	2,665,000	2,142,700	4,807,700
2039 - 2043	7,040,000	1,333,845	8,373,845
Subtotals	\$ 13,860,000	\$ 12,425,692	\$ 26,285,692
Add: Premium	99,586	-	99,586
Totals	<u>\$ 13,959,586</u>	<u>\$ 12,425,692</u>	<u>\$ 26,385,278</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

2016 Water Refunding Revenue Bonds

On September 28, 2016, the City issued \$21,515,000, 2016 Water Refunding Revenue Bonds. The Bonds were issued to provide funds to defease the 2011 Water Revenue Bonds and pay the costs of issuing the bonds. The 2016 Water Refunding Revenue Bonds proceeds were invested in an escrow fund with a trustee to pay interest and principal on the 2011 Water Revenue Bonds until April 1, 2021 and to redeem all 2011 Bonds in full on April 1, 2021. As of June 30, 2018, the defeased 2011 Bonds have a remaining outstanding balance of \$20,760,000.

The Bonds are payable in annual installments ranging from \$905,000 to \$1,540,000 until maturity on April 1, 2041. Interest is payable semiannually on April 1 and October 1, with rates ranging from 2.0% to 4.0% per annum.

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,273,764. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2041. The remaining balance at June 30, 2018, is \$3,044,600.

The City has pledged net revenues received from the operation of Water Enterprise to repay the outstanding debt service. The net revenues are the amount of the gross revenues received less the amount of maintenance and operation costs, which include management, personnel, services, equipment, repair and other necessary costs of maintaining and operating the Water Enterprise. The City has covenanted to fix, prescribe, revise and collect rates, fees and charges for the services and facility furnished by the Water Enterprise during each fiscal year which are sufficient to yield net revenues, at least equal to 120% of the annual debt service on the bonds. At June 30, 2018, total interest and principal remaining on the bonds is \$32,079,163. During the fiscal year, the total interest expense incurred was \$687,300, no principal payment due, and net revenues were \$4,023,354.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activity (Continued)

2016 Water Refunding Revenue Bonds (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ 687,300	\$ 687,300
2020	-	687,300	687,300
2021	-	687,300	687,300
2022	-	687,300	687,300
2023	-	687,300	687,300
2024 - 2028	4,770,000	3,193,850	7,963,850
2029 - 2033	5,575,000	2,378,126	7,953,126
2034 - 2038	6,670,000	1,283,287	7,953,287
2039 - 2042	4,500,000	272,400	4,772,400
Subtotals	\$ 21,515,000	\$ 10,564,163	\$ 32,079,163
Add: Premium	1,223,061	-	1,223,061
Totals	<u>\$ 22,738,061</u>	<u>\$ 10,564,163</u>	<u>\$ 33,302,224</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

***NOTE 9 - DUE TO SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY
REDEVELOPMENT AGENCY***

On December 31, 2008, the City entered into a promissory note with the former Redevelopment Agency in the amount of \$18,881,750. The City promised to pay the former Redevelopment Agency on December 1, 2013, the principal amount of \$18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the former Redevelopment Agency was dissolved and the promissory note was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate to be used as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and also agreed to five installment payments with the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency was \$21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling \$5,000,000 was made within the required time period. As of June 30, 2016, the outstanding balance was \$12,303,512. The agreement was amended on July 12, 2016. In the amended agreement the amount due of \$12,303,512 was reduced by \$5,000,000 to \$7,303,512 with \$4,101,171 due December 31, 2016 and \$3,202,341 due December 31, 2017. The note was paid off in December 2017.

NOTE 10 - PENSION PLANS

a. General Information about the Pension Plans

Plan Descriptions

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

a. General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability retirement benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or their beneficiaries. Benefits are based on three factors: service credit (up to one year of service per fiscal year), benefit factor (based on plan and age at retirement), and final compensation (highest pensionable compensation for a consecutive 12 or 36 month period, depending on plan). Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. Members of all but one plan available to employees are eligible to retire upon reaching age 50 and attaining 5 years of service credit. PEPRM Miscellaneous members (membership date on or after January 1, 2013) are eligible to retire upon reaching age 52 and attaining 5 years of service. All members are eligible for non-duty disability retirement benefits after 5 years of service. Safety members are eligible for industrial disability retirement benefits, regardless of age or years of service, if they are determined to be industrially disabled within the meaning of the retirement law. The survivors of members are eligible for the Basic Death Benefit, the 1957 Survivor Benefit, and/or the 1959 Survivor Benefit. The survivors of Safety members who die prior to retirement are also eligible for the Pre-Retirement Option 2W Death Benefit and, if the member is actively employed and dies in the course of duty, the Special Death Benefit. Each plan provides retirees with a cost-of-living adjustment of up to 2% per year.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Hire date			
Benefit formula	2%@55	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50+	50+	52+
Monthly benefits, as a % of eligible compensation	2%	2%	2%
Required employee contribution rates	7%	7%	5.75%
Required employer contribution rates			
Normal cost rate	7.327%	7.327%	5.703%
Payment of unfunded liability	\$ 1,135,489	\$ -	\$ -

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

a. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety		
	Prior to January 1, 2012	January 1, 2012 to December 31, 2012	On or After January 1, 2013
Hire date			
Benefit formula	3%@50	2%@50	2.7%@57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50+	50+	50+
Monthly benefits, as a % of eligible compensation	3%	2%	2.7%
Required employee contribution rates	9%	9%	11.5%
Required employer contribution rates:			
Normal cost rate	19.723%	14.971%	11.990%
Payment of unfunded liability	\$ 1,454,675	\$ -	\$ 709

Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms for the Miscellaneous Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	234
Inactive employees entitled to but not yet receiving benefits	294
Active employees	189
Total	<u>717</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions. The liability for governmental activities is primarily liquidated from the general fund and the liability for business-type activities is liquidated from the water enterprise fund.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

b. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Projected Salary Increase	(1)	(1)
Mortality Rate Table	(2)	(2)
Post Retirement Benefit Income	(3)	(3)

(1) Varies by entry age and service.

(2) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

NOTE 10 - PENSION PLANS (CONTINUED)

b. Net Pension Liability (Continued)

Change of Assumptions

In fiscal year 2017-2018, the financial reporting discount rate was reduced from 7.65% to 7.15%. Deferred outflows of resources and deferred inflows of resources for changes of assumptions represent the unamortized portion of this assumption change and the unamortized portion of the changes of assumptions related to prior measurement periods.

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for each Plan and reflects the long-term expected rate of return for the each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

b. Net Pension Liability (Continued)

Discount Rate (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	80.00%	2.27%
Inflation Sensitive	6.00%	60.00%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-90.00%
Total	100.00%		

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

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

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

c. Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2016 (Measurement Date)	<u>\$101,683,617</u>	<u>\$ 78,770,341</u>	<u>\$ 22,913,276</u>
Changes in the Year:			
Service cost	2,211,312	-	2,211,312
Interest on the total pension liability	7,614,130	-	7,614,130
Differences between actual and expected experience	(737,480)	-	(737,480)
Changes in assumptions	6,589,964	-	6,589,964
Contribution - employer	-	1,881,701	(1,881,701)
Contribution - employee	-	1,037,304	(1,037,304)
Net investment income	-	8,829,526	(8,829,526)
Administrative expenses	-	(116,299)	116,299
Benefit payments, including refunds of employee contributions	(4,300,829)	(4,300,829)	-
Net Changes	<u>11,377,097</u>	<u>7,331,403</u>	<u>4,045,694</u>
Balance at June 30, 2017 (Measurement Date)	<u>\$113,060,714</u>	<u>\$ 86,101,744</u>	<u>\$ 26,958,970</u>

As of June 30, 2018, the City reported net pension liabilities for its proportionate share of the net pension liability for the Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	<u>\$ 36,411,988</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

c. Changes in the Net Pension Liability (Continued)

The City's proportionate share of the net pension liability for each Plan as of measurement dates ended June 30, 2016 and 2017 was as follows:

	<u>Safety</u>
Proportion - June 30, 2016	0.60679%
Proportion - June 30, 2017	0.60938%
Change - Increase (Decrease)	0.00259%

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

The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan of 7.15%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 43,071,109	\$ 55,778,451
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 26,958,970	\$ 36,411,988
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 13,742,995	\$ 20,580,872

Pension Plan Fiduciary Net Position

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2018, the City recognized pension expense of \$4,866,287 and \$4,998,691 for the Miscellaneous and Safety Plans, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,249,217	\$ -
Differences between actual and expected experience	-	(611,915)
Change in assumptions	4,236,405	-
Net differences between projected and actual earnings on plan investments	1,121,218	-
Total	<u>\$ 7,606,840</u>	<u>\$ (611,915)</u>

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,204,833	\$ -
Differences between actual and expected experience	404,223	(105,392)
Change in assumptions	5,862,255	(449,768)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	58,108	(873,409)
Net differences between projected and actual earnings on plan investments	1,278,201	-
Total	<u>\$ 10,807,620</u>	<u>\$ (1,428,569)</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 10 - PENSION PLANS (CONTINUED)

d. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$2,249,217 and \$3,204,833 reported in the Miscellaneous and Safety Plans, respectively, as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Miscellaneous	Safety
2019	\$ 1,922,820	\$ 1,319,339
2020	2,999,517	3,432,913
2021	477,248	2,169,886
2022	(653,877)	(747,920)
2023	-	-
Thereafter	-	-

e. Payable to the Pension Plans

At June 30, 2018, the City had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS

a. General Information about the OPEB Plan

Plan Description

The City has an agent multiple employer defined benefit post-employment health care plan that provides for medical insurance benefits to eligible employees at retirement through the California Public Employees Medical and Hospital Care Act (PEMHCA). In fiscal year 2017-18, the City established an OPEB trust. The assets shall be held in trust for the exclusive purpose of providing post-employment health care benefits to the eligible employees of the employer. The City makes discretionary contributions to the PARS OPEB trust and pays benefits directly to the insurance provider and retirees. The PARS OPEB trust issues a publicly available financial report for the fiduciary net position that is available upon request. The PARS OPEB trust is reported as a fiduciary fund. The plan itself does not issue a separate financial report.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

a. General Information about the OPEB Plan (Continued)

Plan Description (Continued)

Employees hired prior to July 1, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with five years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. Employees hired after June 30, 2011 are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled), with ten years of service and are eligible for a PERS pension and are enrolled in a PERS retiree health plan. Dependents are eligible to enroll, and in the event of a retiree’s death, benefits may continue to surviving beneficiaries in certain circumstances.

Employees Covered

Inactive employees, spouses, or beneficiaries currently receiving benefit payments	105
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>281</u>
Total Plan Participants	<u><u>386</u></u>

Accounting for the Plan

The OPEB trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

Contributions

The contribution requirements of plan members and the City are established and may be amended by City Council. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings. The annual contribution is based on the actuarially determined contributions. For fiscal year ending June 30, 2018, the City contributed \$1,000,000 to the PARS OPEB trust, made payments of \$448,853 to insurance providers and retirees, and the estimated implied subsidy was \$237,319, resulting in total contributions of \$1,686,172. The liability for governmental activities is primarily liquidated from the general fund.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

b. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Level Percentage of Salary
Actuarial Assumptions:	
Discount Rate	6.0%
Expected long term investment rate of return	6.0%
Inflation	2.75%
Salary Increase	2.875% for base salary. Additional merit-based increases based on CalPERS merit salary
Healthcare Cost Trend Rates	7.00% in the first year, trending down to 3.84% over 58 years
Mortality	Derived from CalPERS pension plan updated to reflect most recent experience study

The actuarial assumptions used in the June 30, 2017 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

b. Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation for PARS Balanced Fund	Long-Term Expected Real Rate of Return
PARS OPEB Trust		
Global Equity	50.00%	8.05%
Fixed Income	45.00%	4.42%
Cash	5.00%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change of Discount Rate

The discount rate utilized in the June 30, 2015 valuation, which was based on the requirements of GASB 45, was 4.00% as compared to the June 30, 2017 valuation, which was based on the requirements of GASB 75, discount rate of 6.00%. The discount rate was changed due to expected levels of investment returns.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

c. Changes in the net OPEB liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (Measurement Date)	\$ 14,004,247	\$ -	\$ 14,004,247
Changes in the Year:			
Service cost	714,949	-	714,949
Interest on the total OPEB liability	862,866	-	862,866
Contribution - employer	-	1,686,172	(1,686,172)
Net investment income	-	3,283	(3,283)
Benefit payments	(686,172)	(686,172)	-
Net Changes	<u>891,643</u>	<u>1,003,283</u>	<u>(111,640)</u>
 Balance at June 30, 2018 (Measurement Date)	 <u>\$ 14,895,890</u>	 <u>\$ 1,003,283</u>	 <u>\$ 13,892,607</u>

Change of Assumptions

The assumptions used in the June 30, 2015 actuarial valuation was based on requirements of GASB 45 and included a 4.00% investment rate of return, annual inflation rate of 3%, annual payroll increase of 3.25% and an annual healthcare cost trend rate at 7.0% in 2017 decreasing by .5% to 5.0% in 2021. See Note 11b for the assumptions used in the June 30, 2017 actuarial valuations, which is based on the requirements of GASB 75.

Change of Benefit Terms

There was no change of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

c. Changes in the net OPEB liability (Continued)

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.0%) or 1-percentage point higher (7.00%) than the current discount rate:

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Net OPEB Liability	\$ 15,697,546	\$ 13,892,607	\$ 12,401,645

Sensitivity of the Net OPEB Liability to Changes in the Health-Care Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6.0% decreasing to 2.84%) or 1-percentage point higher (8.0% decreasing to 4.84%) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 2.84%)	Current Healthcare Cost Trend Rates (7.0% decreasing to 3.84%)	1% Increase (8.0% decreasing to 4.84%)
Net OPEB Liability	\$ 12,532,372	\$ 13,892,607	\$ 15,624,010

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,577,158. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings	\$ -	\$ 2,626

The net difference between projected and actual earnings on plan investments is amortized over a five-year period.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

d. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (657)
2020	(657)
2021	(657)
2022	(655)
2023	-
Thereafter	-

e. Payable to the OPEB Plan

At June 30, 2018, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

NOTE 12 - IRS SECTION 457 DEFERRED COMPENSATION PLAN

In accordance with federal law, all part-time employees must be enrolled in Social Security or another “qualified” retirement plan. Since the City does not participate in Social Security, part-time employees are enrolled in the City’s IRS Section 457 deferred compensation plan. Nationwide Retirement Solutions, Inc. acts as the third party administrative services provider for the defined contribution plan. Employees are required to contribute 5.5% of salary to the deferred compensation plan every pay period. The City contributes an additional 2% of salary, for a total contribution of 7.5%. Council established the plan by resolution in fiscal year 2011-2012, and has the authority to amend contribution requirements. Contributions to the participants account must equal at least 7.5% of the participant’s compensation, or such other minimum amount as required for the plan to be considered a retirement system under applicable government code and legal requirements. Total contributions to the plan during fiscal year 2018 were \$72,268.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 13 - SELF-INSURANCE PROGRAM/RISK POOL

The City uses a combination of insured and self-insured programs to finance its property and casualty risk. The City is self-insured for worker’s compensation, automotive, and general liability risks. Excess liability coverage for the City’s self-insurance retention of \$250,000 per occurrence is provided through a risk sharing pool, the California Insurance Pool Authority (CIPA). The CIPA provides excess liability coverage above \$3,000,000 per occurrence and \$50,000,000 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 \$50,000,000 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, 2018. At June 30, 2018, estimated claims payable of \$5,085,858, which includes a provision for incurred but not reported claims and loss adjustment expenses, are reported as a long-term liability.

Changes in the balances of claims liabilities for the years ended June 30, 2018 and 2017, including a provision for incurred but not reported claims and loss adjustment expenses, were as follows:

June 30,	Beginning Balance	Additions	Deletions	Ending Balance
2017	\$ 4,785,201	\$ 5,013,246	\$ (4,275,096)	\$ 5,523,351
2018	5,523,351	3,934,156	(4,371,649)	5,085,858

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 14 - SPECIAL ASSESSMENT DISTRICTS' BONDS

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

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

District Bonds	Amount of Issue	Outstanding June 30, 2018
Community Facilities District 04-1, 2013	\$ 9,350,000	\$ 8,140,000
Community Facilities District 06-1, 2015A	49,740,000	47,220,000
Community Facilities District 06-1, 2015B	2,735,000	2,575,000
Community Facilities District 07-1, 2015A	13,155,000	13,155,000
Community Facilities District 07-1, 2015B	1,500,000	815,000
Community Facilities District 2014-01, 2015A	27,665,000	27,250,000
	<u>\$ 104,145,000</u>	<u>\$ 99,155,000</u>

In May 2013, the City issued \$9,350,000 of Special Tax Refunding Bonds, Series 2013 to, to refund in full and defease the City of Tustin Community Facilities District No. 04-1 Special Tax Bonds, Series 2004. The 2004 series were originally issued to facilitate the new infrastructure construction on the former MCAS being converted into various public, housing, commercial and educational uses. The proceeds of the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities necessary for the development of the Tustin Legacy District, fund the reserve account, pay capitalized interest on bonds through September 1, 2032, and pay costs of issuing the Series 2013 Bonds. Serial current interest bonds will mature from September 1, 2032 to September 1, 2032. Term current interest bonds will mature on September 1, 2014, with mandatory sinking payments from September 1, 2030 through September 1, 2032. Interest maturity rates of the current interest bonds range from 2.00% at September 1, 2014 to 5.00% at September 1, 2028 - and current term interest bonds are 5.375% and 5.50% on their respective maturity dates. At June 30, 2018, the outstanding amount of the Special Tax Refunding Bonds, Series 2013 was \$8,140,000.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 14 - SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED)

In November 2015, the City issued \$27,665,000 Community Facilities District No. 2014-01 Special Tax Bonds, Series 2015A (CFD 2014-01 2015A Special Tax Bonds). The CFD 2014-01 2015A Special Tax Bonds were issued to finance certain infrastructure improvements and school facilities, fund a reserve account, and pay for costs of issuance and administrative costs. Serial current interest bonds will mature from September 1, 2016 to September 1, 2035 with interest rates ranging from 2.0% to 5.0%. Term current interest bonds will mature on September 1, 2040 and September 1, 2045, with mandatory sinking payments from September 1, 2036 through September 1, 2045 with interest rates of 5.0%. At June 30, 2018, the outstanding amount of the CFD 2014-01 2015A Special Tax Bonds was \$27,250,000.

In December 2015, the City issued \$13,155,000 Community Facilities District No. 07-1 Special Tax Refunding Bonds, Series 2015A (CFD 07-1 2015A Refunding Bonds). The CFD 07-1 2015A Refunding Bonds were issued to refund in full and defease the CFD 07-1 Series 2007 Bonds. Serial bonds will mature from September 1, 2021 to September 1, 2025 with interest rates ranging from 2.5% to 3.125%. Term current interest bonds will mature on September 1, 2030 and September 1, 2037, with mandatory sinking payments from September 1, 2030 through September 1, 2037 with interest rates of 5.00%. The City's refunding of the CFD 07-1 Series 2007 Bonds resulted in a decrease of its total debt service payments by \$2,152,849 and an economic gain (difference between the present values of the old and new debt) of \$1,423,246. At June 30, 2018, the outstanding amount of the CFD 07-1 2015A Refunding Bonds was \$13,155,000.

In December 2015, the City issued \$1,500,000 Community Facilities District No. 07-1 Special Tax Bonds, Series 2015B (CFD 07-1 Special Tax 2015B Bonds). The CFD 07-1 Special Tax 2015B Bonds were issued to finance public improvements, fund a reserve account and pay for costs of issuance. Serial bonds will mature from September 1, 2016 to September 1, 2020 with interest rates ranging from 2.00% to 2.25%. At June 30, 2018, the outstanding amount of the CFD 07-1 Special Tax 2015B Bonds was \$815,000.

In November 2015, the City issued \$49,740,000 Community Facilities District No. 06-1 Special Tax Refunding Bonds, Series 2015A (CFD 06-01 2015A Refunding Bonds). The CFD 06-01 2015A Refunding Bonds were issued to refund in full and defease the CFD No 06-1 Series 2007A Bonds and Special Tax Bonds 2010. Serial current bonds will mature from September 1, 2016 to September 1, 2035 with interest rates ranging from 2.0% to 5.0%. Term current interest bonds will mature on September 1, 2037 with an interest rate of 5.00%, September 1, 2037 with an interest rate of 3.75% and September 1, 2039 with an interest rate of 4.0% with mandatory sinking fund payments due September 1, 2036 through September 1, 2039. The City's refunding of the CFD No. 06-1 Series 2007A Bonds and Special Tax Bonds 2010 resulted in a decrease of its total debt service payments by \$15,726,836 and an economic gain (difference between the present values of the old and new debt) of \$7,020,039. At June 30, 2018, the outstanding amount of the CFD 06-01 2015A Refunding Bonds was \$47,220,000.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 14 - SPECIAL ASSESSMENT DISTRICTS' BONDS (CONTINUED)

In November 2015, the City issued \$2,735,000 Community Facilities District No. 06-1 Special Tax Bonds, Series 2015B (CFD 06-1 Special Tax 2015B Bonds). The CFD 06-1 Special Tax 2015B Bonds were issued to finance public improvements, fund a reserve account and pay for costs of issuance. Serial current bonds will mature from September 1, 2016 to September 1, 2033 with interest rates ranging from 2.0% to 3.75%. Term current interest bonds will mature on September 1, 2035 with an interest rate of 3.75%, and September 1, 2037 with an interest rate of 3.75% with mandatory sinking fund payments due September 1, 2035 through September 1, 2037. At June 30, 2018, the outstanding amount of the CFD 06-1 Special Tax 2015B Bonds was \$2,575,000.

NOTE 15 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

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

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

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 15 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED)

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

	General Fund	Measure M Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 627,404	\$ -	\$ -	\$ 627,404
Land held for resale	82,240,813	-	-	82,240,813
Restricted for:				
Capital projects (1)	35,690,966	5,378,832	37,150,150	78,219,948
Public safety program	-	-	719,164	719,164
Housing projects	-	-	2,877,164	2,877,164
Pension	5,578,912	-	-	5,578,912
Assigned to:				
Capital projects (2)	-	-	17,917,080	17,917,080
Unassigned	116,332,458	-	-	116,332,458
Total fund balances	<u>\$ 240,470,553</u>	<u>\$ 5,378,832</u>	<u>\$ 58,663,558</u>	<u>\$ 304,512,943</u>

- (1) The General Fund balance restricted for capital projects (\$35,690,966) is comprised of funds legally restricted for backbone infrastructure at the Tustin Legacy development. A majority of the fund balance restricted for capital projects in the Measure M Special Revenue Fund (\$5,378,832) and other governmental funds (\$12,693,885) includes state gas taxes restricted for allowable street-related purposes and developer fees to improve City parks. The other governmental funds (CFD Construction Capital Project) fund balance restricted for capital projects (\$24,456,265) is comprised of bond proceeds restricted for uses specified in the bond indenture.
- (2) The other governmental funds (MCAS 2010 Capital Projects) fund balance assigned to capital projects (\$12,192,022) is for financing development activities within or for the benefit of the MCAS-Tustin redevelopment project area as indicated by the 2010 MCAS Bond indenture. The other governmental funds balance assigned to capital projects (\$5,725,058) is to be used for specific projects indicated in the adopted budget.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 16 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Excess of Expenditures over Appropriations

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other Governmental Funds:			
Asset Forfeiture Special Revenue Fund	\$ -	\$ 57,317	\$ (57,317)
Supplemental Law Enforcement Special Revenue Fund	-	127,408	(127,408)

NOTE 17 - JOINT POWERS AUTHORITY

Orange County Fire Authority

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

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

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

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 18 - SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES

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

Due from the City of Tustin

On December 31, 2008, the City entered into a promissory note with the former Redevelopment Agency in the amount of \$18,881,750. The City promised to pay the former Redevelopment Agency on December 1, 2013, the principal amount of \$18,881,750 with interest accrued thereon from December 30, 2008 to the maturity date at the rate of 4.25% per annum, compounded semiannually on June 1 and December 1 in each year, commencing June 1, 2009. Effective February 1, 2012, the former Redevelopment Agency was dissolved and the promissory note was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. The City has negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate at the time the City entered into the promissory note with the former Redevelopment Agency which was 2.54% and also agreed to five installment payments with the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount payable to the Successor Agency to the Tustin Community Redevelopment Agency was \$21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling \$5,000,000 was made within the required time period. As of June 30, 2016, the outstanding balance was \$12,303,512. The agreement was amended on July 12, 2016. In the amended agreement the amount due of \$12,303,512 was reduced by \$5,000,000 to \$7,303,512 with \$4,101,171 due December 31, 2016 and \$3,202,341 due December 31, 2017. The note was paid off in December 2017.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 18 - SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED)

Long-Term Liabilities

A summary of long-term liabilities activity for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Tax allocation bonds	\$ 55,940,000	\$ -	\$ (2,025,000)	\$ 53,915,000	\$ 1,830,000
Unamortized premium	6,331,109	-	(261,077)	6,070,032	-
Note payable to County Auditor Controller	3,202,341	-	(3,202,341)	-	-
Total long-term liabilities	<u>\$ 65,473,450</u>	<u>\$ -</u>	<u>\$ (5,488,418)</u>	<u>\$ 59,985,032</u>	<u>\$ 1,830,000</u>

Tax Allocation Bonds Payable

2016 Tax Allocation Refunding Bonds

On September 29, 2016, the Successor Agency to the Tustin Community Redevelopment Agency issued \$55,940,000 Refunding Tax Allocation Bonds, Series 2016 (2016 Bonds) for the purpose of refunding in advance the 2010 Housing Bonds and the MCAS 2010 Redevelopment Bonds and pay for a surety bond insurance policy and costs of issuance of the bonds. The 2016 Bonds proceeds were invested in escrow funds (2010 Housing Escrow Fund and 2010 Redevelopment Escrow Fund) with a trustee which together will pay interest and principal on the 2010 Housing Bonds up to and including September 1, 2020 and to redeem the then outstanding 2010 Housing Bonds in full on September 1, 2020; and pay interest and principal on the MCAS 2010 Redevelopment Bonds up to and including September 1, 2018 and to redeem the then outstanding MCAS 2010 Redevelopment Bonds in full on September 1, 2018. As of June 30, 2018 the amount of defeased 2010 Housing Bonds outstanding was \$20,410,000 and the amount of the defeased MCAS 2010 Redevelopment Bonds outstanding was \$39,255,000.

The 2016 Bonds are payable in annual installments ranging from \$2,025,000 to \$2,925,000 commencing on September 1, 2017. Interest is payable semiannually on March 1 and September 1, with rates ranging from 4.0% to 5.25% per annum. The bonds maturing on or after September 1, 2027, are subject to optional redemption prior to maturity, as a whole or in part, from any available source of funds, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium

The defeasance resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,392,925. The difference reported in the accompanying statements as a deferred outflow of resources, is being charged to interest expense through 2040. The remaining balance at June 30, 2018, is \$6,875,420.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

**NOTE 18 - SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT
AGENCY DISCLOSURES (CONTINUED)**

Long-Term Liabilities (Continued)

Tax Allocation Bonds Payable (Continued)

2016 Tax Allocation Refunding Bonds (Continued)

At June 30, 2018, the 2016 Tax Allocation Refunding Bonds outstanding balance was \$53,915,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,830,000	\$ 2,083,175	\$ 3,913,175
2020	1,895,000	2,017,825	3,912,825
2021	1,965,000	1,940,625	3,905,625
2022	2,050,000	1,860,325	3,910,325
2023	2,130,000	1,776,725	3,906,725
2024 - 2028	12,070,000	7,395,225	19,465,225
2029 - 2033	11,050,000	4,596,913	15,646,913
2034 - 2038	12,885,000	2,314,725	15,199,725
2039 - 2041	8,040,000	344,550	8,384,550
Totals	<u>\$ 53,915,000</u>	<u>\$ 24,330,088</u>	<u>\$ 78,245,088</u>

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 18 - SUCCESSOR AGENCY TO THE TUSTIN COMMUNITY REDEVELOPMENT AGENCY DISCLOSURES (CONTINUED)

Long-Term Liabilities (Continued)

Note Payable to County Auditor Controller

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency remitted \$14,317,623 to the County Auditor-Controller (CAC) on December 18, 2012 for the low and moderate income housing funds due diligence review. The amount due to the CAC for the Other Funds due diligence review is \$28,295,637, of which \$6,418,355 was remitted by the Successor Agency on May 10, 2013. The City negotiated with the State Department of Finance (DOF) to allow for the Local Agency Investment Fund (LAIF) interest rate as the effective interest and to pay the debt off over four to five years. The DOF agreed to allow the LAIF interest rate of 2.54% which was in effect at the time the City entered into the promissory note with the former Redevelopment Agency and has agreed to installment payments over four years after the first payment due within seven days of the City accepting DOF's offer. With the effective flat interest rate of 2.54% compounded annually the total amount receivable from the City and payable to CAC as of June 30, 2014 was \$21,404,683. The City signed the settlement agreement on December 9, 2014, and the first installment payment totaling \$5,000,000 was made within the required time period. As of June 30, 2016, the outstanding balance was \$12,303,512. The agreement was amended on July 12, 2016. In the amended agreement the amount due of \$12,303,512 was reduced by \$5,000,000 to \$7,303,512 with \$4,101,171 due December 31, 2016 and \$3,202,341 due December 31, 2017. The note was paid off in December 2017

NOTE 19 - SCHOOL FACILITIES IMPLEMENTATION COMMITMENT

In August 2015, the City entered into a school facilities implementation, funding and migration agreement, and related site conveyance agreement with the Tustin Unified School District (TUSD) as well as a joint community facilities agreement with TUSD and Standard Pacific that provides a framework for development of grades 6-12 schools on the 40-acre designated site, along with the opening of Heritage Elementary School as a magnet elementary site in the fall of 2016. The estimated cost to complete the project is \$75,117,850. In order to facilitate the implementation plan, the City will advance funds to the project development with three different approaches. First, the City advanced \$4 million in October 2015. Second, the City will deposit an additional \$15 million in the project development account which occurred on August 1, 2016. Third, the City will have the option to advance additional funds for the entire project or just certain projects. The City also issued 2014-1 Community Facilities District Special Tax Bonds, Series 2015A, totaling \$27,665,000. Of the \$27,665,000, \$7,892,722 are available to be spent on school facilities.

In October 2017, the City conveyed approximately 40 acres of the former Marine Corps Air Station Tustin (MCAS Tustin) to the Tustin Unified School District for the establishment of the grades 6-12 schools facility project in accordance with the site conveyance agreement.

CITY OF TUSTIN
Notes to Basic Financial Statements
June 30, 2018

NOTE 20 - 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.

NOTE 21 - RESTATEMENT OF NET POSITION

Restatement of the government-wide financial statements' net position as of July 1, 2017 are as follows:

	<u>Governmental Activities</u>
Net Position at July 1, 2017, as originally reported	\$ 737,045,431
Implementation of GASB Statement 75 to record the net OPEB liability at the beginning of the year	<u>(5,270,924)</u>
Net position at July 1, 2017, as restated	<u>\$ 731,774,507</u>

NOTE 22 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated other events and transactions for potential recognition or disclosure through December 18, 2018, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TUSTIN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	0.36716%	0.36319%	0.35401%	0.41499%
Plan's proportionate share of the net pension liability	\$ 36,411,988	\$ 31,427,228	\$ 24,298,906	\$ 25,822,675
Plan's covered payroll	\$ 10,443,467	\$ 10,013,168	\$ 9,495,434	\$ 9,640,345
Plan's proportionate share of the net pension liability as a percentage of covered payroll	348.66%	313.86%	255.90%	267.86%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	73.31%	74.06%	78.40%	79.82%
Plan's proportionate share of aggregate employer contributions	\$ 3,520,089	\$ 3,193,318	\$ 3,182,851	\$ 2,544,912

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
SAFETY PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 3,204,833	\$ 3,002,977	\$ 2,708,192	\$ 3,045,919
Contributions in relation to the actuarially determined contributions	<u>(3,204,833)</u>	<u>(3,002,977)</u>	<u>(2,708,192)</u>	<u>(7,049,591)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,003,672)</u>
Covered payroll	\$ 9,967,145	\$ 10,443,467	\$ 10,013,668	\$ 9,495,434
Contributions as a percentage of covered payroll	32.15%	28.75%	27.04%	74.24%

Notes to Schedule:

Valuation Date	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years 3%@50, 2%@50 and 2.7%@57**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

** - The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

CITY OF TUSTIN

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

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Pension Liability:				
Service cost	\$ 2,211,312	\$ 1,840,275	\$ 1,779,008	\$ 1,747,494
Interest on total pension liability	7,614,130	7,306,376	6,982,672	6,613,765
Differences between expected and actual experience	(737,480)	(531,595)	452,122	-
Changes in assumptions	6,589,964	-	(1,770,351)	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(4,300,829)</u>	<u>(4,102,189)</u>	<u>(3,956,389)</u>	<u>(3,974,724)</u>
Net Change in Total Pension Liability	11,377,097	4,512,867	3,487,062	4,386,535
Total Pension Liability - Beginning of Year	<u>101,683,617</u>	<u>97,170,750</u>	<u>93,683,688</u>	<u>89,297,153</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 113,060,714</u></u>	<u><u>\$ 101,683,617</u></u>	<u><u>\$ 97,170,750</u></u>	<u><u>\$ 93,683,688</u></u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 1,881,701	\$ 1,850,072	\$ 1,503,081	\$ 1,379,562
Contributions - employee	1,037,304	998,937	905,331	962,617
Net investment income	8,829,526	372,172	1,753,374	11,900,167
Benefit payments	(4,300,829)	(4,102,189)	(3,956,389)	(3,974,724)
Plan to plan resource movement	-	-	(114)	-
Administrative expense	<u>(116,299)</u>	<u>(48,573)</u>	<u>(89,714)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	7,331,403	(929,581)	115,569	10,267,622
Plan Fiduciary Net Position - Beginning of Year	<u>78,770,341</u>	<u>79,699,922</u>	<u>79,584,353</u>	<u>69,316,731</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 86,101,744</u></u>	<u><u>\$ 78,770,341</u></u>	<u><u>\$ 79,699,922</u></u>	<u><u>\$ 79,584,353</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 26,958,970</u></u>	<u><u>\$ 22,913,276</u></u>	<u><u>\$ 17,470,828</u></u>	<u><u>\$ 14,099,335</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.16%	77.47%	82.02%	84.95%
Covered payroll	\$ 14,684,868	\$ 13,828,003	\$ 12,847,036	\$ 12,270,014
Net pension liability as percentage of covered payroll	183.58%	165.70%	135.99%	114.91%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS
MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 2,249,217	\$ 1,881,701	\$ 1,850,100	\$ 1,503,081
Contributions in relation to the actuarially determined contributions	<u>(2,249,217)</u>	<u>(1,881,701)</u>	<u>(1,850,100)</u>	<u>(1,503,081)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,403,283	\$ 14,684,868	\$ 13,828,003	\$ 12,847,036
Contributions as a percentage of covered payroll	14.60%	12.81%	13.38%	11.70%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013
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Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years 2%@55 and 2%@60, 52 years 2%@62**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

** - The valuation for June 30, 2012, 2013, and 2014 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014, and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017, and 2018 respectively).

CITY OF TUSTIN

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal year end	<u>6/30/2018</u>
Measurement date	<u>6/30/2018</u>
Total OPEB Liability:	
Service cost	\$ 714,949
Interest on total OPEB liability	862,866
Benefit payments	<u>(686,172)</u>
Net Change in Total OPEB Liability	891,643
Total OPEB Liability - Beginning of Year	<u>14,004,247</u>
Total OPEB Liability - End of Year (a)	<u>14,895,890</u>
Plan Fiduciary Net Position:	
Contributions - employer	1,686,172
Net investment income	3,283
Benefit payments	<u>(686,172)</u>
Net Change in Plan Fiduciary Net Position	1,003,283
Plan Fiduciary Net Position - Beginning of Year	<u>-</u>
Plan Fiduciary Net Position - End of Year (b)	<u>1,003,283</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 13,892,607</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.74%
Covered - employee payroll	\$ 24,156,049
Net OPEB liability as percentage of covered - employee payroll	57.51%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions.

* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

CITY OF TUSTIN

SCHEDULE OF CONTRIBUTIONS - OPEB

Last Ten Fiscal Years*

	<u>6/30/2018</u>
Actuarially determined contribution	\$ 1,729,589
Contributions in relation to the actuarially determined contributions	<u>(1,686,172)</u>
Contribution deficiency (excess)	<u>\$ 43,417</u>
Covered - employee payroll	\$ 24,156,049
Contributions as a percentage of covered - employee payroll	6.98%

Notes to Schedule:

Valuation Date 6/30/2017

Methods and Assumptions Used to Determine Contribution Rates:

Single and agent employers	Entry age normal
Amortization method	Level percent of pay, closed 20 year period
Inflation	2.75%
Assumed payroll growth	2.875%
Healthcare trend rates	7.00%, trending down to 3.84%
Rate of return on assets	6.00%
Mortality rate	CalPERS OPEB assumption model, revised December 20, 2017.
Retirement rates	CalPERS OPEB assumption model, revised December 20, 2017.

* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

CITY OF TUSTIN

OTHER POST-EMPLOYMENT BENEFIT PLAN
ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

For the year ended June 30, 2018

Retiree Health Plan

<u>Fiscal Year Ended</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense (1)</u>
6/30/2018	N/A*

(1) Ten years of historical information is required by the Governmental Accounting Standards Board Statement No. 74. Fiscal year ended June 30, 2018 was the first year of implementation; therefore, only one year is presented.

* Initial deposit to the OPEB trust was made on June 26, 2018.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 27,366,359	\$ 27,366,359	\$ 25,770,970	\$ (1,595,389)
Licenses and permits	737,165	737,165	905,086	167,921
Fines and forfeitures	876,000	876,000	996,912	120,912
Investment income	221,000	221,000	583,675	362,675
Intergovernmental	28,820,196	28,820,196	28,463,529	(356,667)
Charges for services	2,734,977	2,734,977	2,029,405	(705,572)
Rental income	1,241,133	1,241,133	1,479,441	238,308
Other revenue	1,535,500	1,535,500	1,820,857	285,357
Developer contribution	-	-	1,341,143	1,341,143
Profit participation	-	-	7,179,553	7,179,553
Gain on land held for resale	28,499,300	28,499,300	33,033,193	4,533,893
TOTAL REVENUES	92,031,630	92,031,630	103,603,764	11,572,134
EXPENDITURES:				
Current:				
General government	20,182,037	29,538,425	20,265,803	9,272,622
Public safety	34,130,140	35,358,301	32,222,859	3,135,442
Public works	7,804,300	8,523,209	7,610,935	912,274
Community services	4,278,293	4,373,887	9,330,758	(4,956,871)
Capital outlay	65,863,873	68,073,505	12,212,282	55,861,223
Debt service:				
Principal retirement	-	-	3,271,503	(3,271,503)
Interest expense	-	-	12,043	(12,043)
TOTAL EXPENDITURES	132,258,643	145,867,327	84,926,183	60,941,144
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(40,227,013)	(53,835,697)	18,677,581	72,513,278
OTHER FINANCING SOURCES (USES):				
Transfers in	2,092,700	2,092,700	4,468,662	2,375,962
Transfers out	(2,500,000)	(2,500,000)	(4,439,943)	(1,939,943)
TOTAL OTHER FINANCING SOURCES (USES)	(407,300)	(407,300)	28,719	436,019
NET CHANGE IN FUND BALANCE	(40,634,313)	(54,242,997)	18,706,300	72,949,297
FUND BALANCE - BEGINNING OF YEAR	221,764,253	221,764,253	221,764,253	-
FUND BALANCE - END OF YEAR	\$ 181,129,940	\$ 167,521,256	\$ 240,470,553	\$ 72,949,297

See accompanying note to required supplementary information.

CITY OF TUSTIN

BUDGETARY COMPARISON SCHEDULE

MEASURE M SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 25,000	\$ 25,000	\$ 67,431	\$ 42,431
Intergovernmental revenue	4,081,300	4,081,300	7,232,280	3,150,980
Other revenue	-	-	1,200	1,200
TOTAL REVENUES	<u>4,106,300</u>	<u>4,106,300</u>	<u>7,300,911</u>	<u>3,194,611</u>
EXPENDITURES:				
Current:				
General government	-	-	5,663	(5,663)
Capital outlay	13,579,294	13,584,906	6,903,666	6,681,240
TOTAL EXPENDITURES	<u>13,579,294</u>	<u>13,584,906</u>	<u>6,909,329</u>	<u>6,675,577</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,472,994)	(9,478,606)	391,582	9,870,188
OTHER FINANCING USES:				
Transfers out	<u>(39,000)</u>	<u>(39,000)</u>	<u>(293,886)</u>	<u>(254,886)</u>
NET CHANGE IN FUND BALANCE	(9,511,994)	(9,517,606)	97,696	9,615,302
FUND BALANCE - BEGINNING OF YEAR	<u>5,281,136</u>	<u>5,281,136</u>	<u>5,281,136</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ (4,230,858)</u></u>	<u><u>\$ (4,236,470)</u></u>	<u><u>\$ 5,378,832</u></u>	<u><u>\$ 9,615,302</u></u>

CITY OF TUSTIN
Note to Required Supplementary Information
June 30, 2018

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgets.

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

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

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

SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

Road Maintenance and Rehabilitation - This fund is used to account for revenues and expenditures apportioned under the Road Repair and Accountability Act of 2017 (SB1) for road maintenance and rehabilitation

Voluntary Workforce Housing Incentive - This fund is used to account for in-lieu fees collected and the associated expenditures that support development of City affordable housing programs and projects under the City of Tustin Ordinance 1491.

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CAPITAL PROJECTS FUNDS

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

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

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

MCAS 2010 - This fund is used to account for capital project costs at the Marine Corps Air Station.

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

CITY OF TUSTIN

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2018

	Special Revenue Funds					
	Gas Tax	Park Acquisition and Development	Asset Forfeiture	Air Quality	Supplemental Law Enforcement	Housing Authority
ASSETS						
Cash and investments	\$ 5,564,687	\$ 5,041,917	\$ 138,799	\$ 283,869	\$ 99,742	\$ 2,632,372
Restricted cash and investments	-	-	-	-	-	-
Receivables:						
Accounts	133,234	-	-	27,119	-	-
Interest	12,645	11,457	315	645	227	78,997
Loans	-	-	-	-	-	383,796
Allowance for uncollectibles	-	-	-	-	-	(33,796)
Advance to other funds	-	-	-	-	-	-
Prepaid items and deposits	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	116,719
TOTAL ASSETS	\$ 5,710,566	\$ 5,053,374	\$ 139,114	\$ 311,633	\$ 99,969	\$ 3,178,088
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable and accrued liabilities	\$ 308,498	\$ 69,593	\$ 10	\$ 19	\$ 18,148	\$ 19,631
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
TOTAL LIABILITIES	308,498	69,593	10	19	18,148	19,631
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue	-	-	-	-	-	422,695
FUND BALANCES:						
Nonspendable	-	-	-	-	-	-
Restricted	5,402,068	4,983,781	139,104	311,614	81,821	2,735,762
Assigned	-	-	-	-	-	-
TOTAL FUND BALANCES	5,402,068	4,983,781	139,104	311,614	81,821	2,735,762
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,710,566	\$ 5,053,374	\$ 139,114	\$ 311,633	\$ 99,969	\$ 3,178,088

Special Revenue Funds (Continued)			Capital Projects Funds				Total Other Governmental Funds
Special Tax B	Road Maintenance and Rehabilitation	Voluntary Workforce Housing Incentive	Construction 95-1	Other Capital Projects	MCAS 2010	CFD Construction	
\$ -	\$ 308,077	\$ 141,402	\$ 1,996,422	\$ 4,912,309	\$ 12,427,048	\$ -	\$ 33,546,644
-	-	-	-	34,896	162,790	25,034,363	25,232,049
15,576	174,586	-	-	2,735,348	-	-	3,085,863
-	-	-	-	11,162	28,238	-	143,686
-	-	-	-	-	-	-	383,796
-	-	-	-	-	-	-	(33,796)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	116,719
<u>\$ 15,576</u>	<u>\$ 482,663</u>	<u>\$ 141,402</u>	<u>\$ 1,996,422</u>	<u>\$ 7,693,715</u>	<u>\$ 12,618,076</u>	<u>\$ 25,034,363</u>	<u>\$ 62,474,961</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,159,269	\$ 426,054	\$ 578,098	\$ 2,579,320
-	-	-	-	743,806	-	-	743,806
-	-	-	-	-	-	-	-
-	-	-	-	1,903,075	426,054	578,098	3,323,126
-	-	-	-	65,582	-	-	488,277
-	-	-	-	-	-	-	-
15,576	482,663	141,402	1,996,422	34,896	162,790	24,456,265	40,944,164
-	-	-	-	5,690,162	12,029,232	-	17,719,394
<u>15,576</u>	<u>482,663</u>	<u>141,402</u>	<u>1,996,422</u>	<u>5,725,058</u>	<u>12,192,022</u>	<u>24,456,265</u>	<u>58,663,558</u>
<u>\$ 15,576</u>	<u>\$ 482,663</u>	<u>\$ 141,402</u>	<u>\$ 1,996,422</u>	<u>\$ 7,693,715</u>	<u>\$ 12,618,076</u>	<u>\$ 25,034,363</u>	<u>\$ 62,474,961</u>

CITY OF TUSTIN

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

For the year ended June 30, 2018

	Special Revenue Funds					
	Gas Tax	Park Acquisition and Development	Asset Forfeiture	Air Quality	Supplemental Law Enforcement	Housing Authority
REVENUES:						
Investment income	\$ 24,659	\$ 58,735	\$ 365	\$ 476	\$ 1,051	\$ 8,720
Intergovernmental revenue	1,737,490	270,347	71,048	105,657	176,242	-
Charges for services	-	6,538	-	-	-	-
Rental income	-	194,627	-	-	-	-
Other revenue	-	-	-	-	-	28,498
Gain on sale of land held for resale	-	-	-	-	-	603,566
TOTAL REVENUES	1,762,149	530,247	71,413	106,133	177,293	640,784
EXPENDITURES:						
Current:						
General government	826,613	43,986	57,317	160	-	-
Public safety	-	-	-	-	112,545	-
Public works	-	-	-	-	-	-
Community services	-	-	-	-	-	416,804
Capital outlay	701,088	3,866,979	-	-	127,408	-
TOTAL EXPENDITURES	1,527,701	3,910,965	57,317	160	239,953	416,804
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	234,448	(3,380,718)	14,096	105,973	(62,660)	223,980
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	234,448	(3,380,718)	14,096	105,973	(62,660)	223,980
FUND BALANCES - BEGINNING OF YEAR	5,167,620	8,364,499	125,008	205,641	144,481	2,511,782
FUND BALANCES - END OF YEAR	\$ 5,402,068	\$ 4,983,781	\$ 139,104	\$ 311,614	\$ 81,821	\$ 2,735,762

Special Revenue Funds (Continued)			Capital Projects Funds				Total Other Governmental Funds
Special Tax B	Road Maintenance and Rehabilitation	Voluntary Workforce Housing Incentive	Construction 95-1	Other Capital Projects	MCAS 2010	CFD Construction	
\$ -	\$ -	\$ -	\$ -	\$ (5,309)	\$ 96,066	\$ 284,407	\$ 469,170
3,582,585	482,663	-	-	-	-	-	6,426,032
-	-	141,402	-	-	-	-	147,940
-	-	-	-	-	-	-	194,627
-	-	-	514	6,994,339	1,939	1,431	7,026,721
-	-	-	-	-	-	-	603,566
<u>3,582,585</u>	<u>482,663</u>	<u>141,402</u>	<u>514</u>	<u>6,989,030</u>	<u>98,005</u>	<u>285,838</u>	<u>14,868,056</u>
-	-	-	-	1,903	-	58,361	988,340
-	-	-	-	-	-	-	112,545
-	-	-	-	-	184,914	-	184,914
-	-	-	-	-	-	-	416,804
-	-	-	-	8,116,725	3,775,349	4,378,943	20,966,492
-	-	-	-	8,118,628	3,960,263	4,437,304	22,669,095
<u>3,582,585</u>	<u>482,663</u>	<u>141,402</u>	<u>514</u>	<u>(1,129,598)</u>	<u>(3,862,258)</u>	<u>(4,151,466)</u>	<u>(7,801,039)</u>
-	-	-	-	2,500,000	-	1,939,943	4,439,943
(3,573,713)	-	-	(539,264)	-	-	(61,799)	(4,174,776)
<u>(3,573,713)</u>	<u>-</u>	<u>-</u>	<u>(539,264)</u>	<u>2,500,000</u>	<u>-</u>	<u>1,878,144</u>	<u>265,167</u>
8,872	482,663	141,402	(538,750)	1,370,402	(3,862,258)	(2,273,322)	(7,535,872)
<u>6,704</u>	<u>-</u>	<u>-</u>	<u>2,535,172</u>	<u>4,354,656</u>	<u>16,054,280</u>	<u>26,729,587</u>	<u>66,199,430</u>
<u>\$ 15,576</u>	<u>\$ 482,663</u>	<u>\$ 141,402</u>	<u>\$ 1,996,422</u>	<u>\$ 5,725,058</u>	<u>\$ 12,192,022</u>	<u>\$ 24,456,265</u>	<u>\$ 58,663,558</u>

CITY OF TUSTIN

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

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 15,000	\$ 15,000	\$ 24,659	\$ 9,659
Intergovernmental revenue	2,212,800	2,212,800	1,737,490	(475,310)
Other revenue	94,600	94,600	-	(94,600)
TOTAL REVENUES	<u>2,322,400</u>	<u>2,322,400</u>	<u>1,762,149</u>	<u>(560,251)</u>
EXPENDITURES:				
Current:				
General government	1,001,780	1,012,067	826,613	185,454
Capital outlay	2,485,724	2,505,724	701,088	1,804,636
TOTAL EXPENDITURES	<u>3,487,504</u>	<u>3,517,791</u>	<u>1,527,701</u>	<u>1,990,090</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,165,104)	(1,195,391)	234,448	1,429,839
FUND BALANCE - BEGINNING OF YEAR	<u>5,167,620</u>	<u>5,167,620</u>	<u>5,167,620</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,002,516</u>	<u>\$ 3,972,229</u>	<u>\$ 5,402,068</u>	<u>\$ 1,429,839</u>

CITY OF TUSTIN

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

PARK ACQUISITION AND DEVELOPMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 58,735	\$ 8,735
Intergovernmental revenue	-	-	270,347	270,347
Charges for services	28,000	28,000	6,538	(21,462)
Rental income	207,400	207,400	194,627	(12,773)
	<u>285,400</u>	<u>285,400</u>	<u>530,247</u>	<u>244,847</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
General government	3,500	3,500	43,986	(40,486)
Capital outlay	6,203,209	6,455,712	3,866,979	2,588,733
	<u>6,206,709</u>	<u>6,459,212</u>	<u>3,910,965</u>	<u>2,548,247</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,921,309)	(6,173,812)	(3,380,718)	2,793,094
FUND BALANCE - BEGINNING OF YEAR	<u>8,364,499</u>	<u>8,364,499</u>	<u>8,364,499</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,443,190</u>	<u>\$ 2,190,687</u>	<u>\$ 4,983,781</u>	<u>\$ 2,793,094</u>

CITY OF TUSTIN

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

ASSET FORFEITURE SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 100	\$ 100	\$ 365	\$ 265
Intergovernmental revenue	100,000	100,000	71,048	(28,952)
TOTAL REVENUES	100,100	100,100	71,413	(28,687)
EXPENDITURES:				
Current:				
General government	-	-	57,317	(57,317)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100,100	100,100	14,096	(86,004)
FUND BALANCE - BEGINNING OF YEAR	125,008	125,008	125,008	-
FUND BALANCE - END OF YEAR	\$ 225,108	\$ 225,108	\$ 139,104	\$ (86,004)

CITY OF TUSTIN

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

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 1,000	\$ 1,000	\$ 476	\$ (524)
Intergovernmental revenue	95,900	95,900	105,657	9,757
TOTAL REVENUES	96,900	96,900	106,133	9,233
EXPENDITURES:				
Current:				
General government	200	200	160	40
Capital outlay	100,000	100,000	-	100,000
TOTAL EXPENDITURES	100,200	100,200	160	100,040
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,300)	(3,300)	105,973	109,273
FUND BALANCE - BEGINNING OF YEAR	205,641	205,641	205,641	-
FUND BALANCE - END OF YEAR	\$ 202,341	\$ 202,341	\$ 311,614	\$ 109,273

CITY OF TUSTIN

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

SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 1,051	\$ 1,051
Intergovernmental revenue	151,000	151,000	176,242	25,242
TOTAL REVENUES	151,000	151,000	177,293	26,293
EXPENDITURES:				
Current:				
Public safety	115,100	115,100	112,545	2,555
Capital outlay	-	-	127,408	(127,408)
TOTAL EXPENDITURES	115,100	115,100	239,953	(124,853)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	35,900	35,900	(62,660)	(98,560)
FUND BALANCE - BEGINNING OF YEAR	144,481	144,481	144,481	-
FUND BALANCE - END OF YEAR	\$ 180,381	\$ 180,381	\$ 81,821	\$ (98,560)

CITY OF TUSTIN

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

HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ -	\$ -	\$ 8,720	\$ 8,720
Other revenue	1,400	1,400	28,498	27,098
Gain on sale of land held for resale	-	-	603,566	603,566
	<u>1,400</u>	<u>1,400</u>	<u>640,784</u>	<u>639,384</u>
TOTAL REVENUES	1,400	1,400	640,784	639,384
EXPENDITURES:				
Current:				
Community services	<u>454,745</u>	<u>477,645</u>	<u>416,804</u>	<u>60,841</u>
TOTAL EXPENDITURES	<u>454,745</u>	<u>477,645</u>	<u>416,804</u>	<u>60,841</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(453,345)	(476,245)	223,980	700,225
FUND BALANCE - BEGINNING OF YEAR	<u>2,511,782</u>	<u>2,511,782</u>	<u>2,511,782</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,058,437</u>	<u>\$ 2,035,537</u>	<u>\$ 2,735,762</u>	<u>\$ 700,225</u>

CITY OF TUSTIN

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

SPECIAL TAX B SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 3,558,000	\$ 3,558,000	\$ 3,582,585	\$ 24,585
OTHER FINANCING USES:				
Transfers out	<u>(3,558,000)</u>	<u>(3,558,000)</u>	<u>(3,573,713)</u>	<u>(15,713)</u>
NET CHANGE IN FUND BALANCE	-	-	8,872	8,872
FUND BALANCE - BEGINNING OF YEAR	<u>6,704</u>	<u>6,704</u>	<u>6,704</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,704</u>	<u>\$ 6,704</u>	<u>\$ 15,576</u>	<u>\$ 8,872</u>

CITY OF TUSTIN

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

ROAD MAINTENANCE AND REHABILITATION SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ 482,663	\$ 482,663
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,663</u>	<u>\$ 482,663</u>

CITY OF TUSTIN

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

VOLUNTARY WORKFORCE HOUSING INCENTIVE SPECIAL REVENUE FUND

For the year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 141,402	\$ 141,402
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,402</u>	<u>\$ 141,402</u>

CITY OF TUSTIN

Agency Funds

June 30, 2018

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

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

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

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

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

Community Facilities District 2014-1 - This fund records the deposit of monies held to pay the debt service requirements of the community facilities district.

CITY OF TUSTIN

COMBINING STATEMENT OF ASSETS AND LIABILITIES
ALL AGENCY FUNDS

June 30, 2018

	Community Facilities District 04-01	Community Facilities District 06-01	Community Facilities District 07-01	Community Facilities District 13-01	Community Facilities District 2014-1	Total
ASSETS						
Restricted cash and investments	\$ 1,080,375	\$ 5,746,497	\$ 1,666,713	\$ -	\$ 3,291,938	\$ 11,785,523
Taxes receivable	8,097	12,286	-	-	10,884	31,267
Prepaid items	-	-	2,140	-	-	2,140
TOTAL ASSETS	\$ 1,088,472	\$ 5,758,783	\$ 1,668,853	\$ -	\$ 3,302,822	\$ 11,818,930
LIABILITIES						
Due to bondholders	\$ 1,088,472	\$ 5,758,783	\$ 1,668,853	\$ -	\$ 3,302,822	\$ 11,818,930
TOTAL LIABILITIES	\$ 1,088,472	\$ 5,758,783	\$ 1,668,853	\$ -	\$ 3,302,822	\$ 11,818,930

CITY OF TUSTIN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS

For the year ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
COMMUNITY FACILITIES DISTRICT 04-01				
ASSETS:				
Cash and investments	\$ -	\$ 726,906	\$ 726,906	\$ -
Restricted cash and investments	1,066,627	701,226	687,478	1,080,375
Taxes receivable	10,128	8,097	10,128	8,097
TOTAL ASSETS	\$ 1,076,755	\$ 1,436,229	\$ 1,424,512	\$ 1,088,472
LIABILITIES:				
Accounts payable	\$ -	\$ 695,256	\$ 695,256	\$ -
Due to bondholders	1,076,755	729,101	717,384	1,088,472
TOTAL LIABILITIES	\$ 1,076,755	\$ 1,424,357	\$ 1,412,640	\$ 1,088,472
COMMUNITY FACILITIES DISTRICT 06-01				
ASSETS:				
Cash and investments	\$ -	\$ 3,381,195	\$ 3,381,195	\$ -
Restricted cash and investments	5,563,584	3,350,722	3,167,809	5,746,497
Taxes receivable	31,966	12,286	31,966	12,286
TOTAL ASSETS	\$ 5,595,550	\$ 6,744,203	\$ 6,580,970	\$ 5,758,783
LIABILITIES:				
Accounts payable	\$ -	\$ 3,297,226	\$ 3,297,226	\$ -
Due to bondholders	5,595,550	3,415,011	3,251,778	5,758,783
TOTAL LIABILITIES	\$ 5,595,550	\$ 6,712,237	\$ 6,549,004	\$ 5,758,783
COMMUNITY FACILITIES DISTRICT 07-01				
ASSETS:				
Cash and investments	\$ -	\$ 1,006,616	\$ 1,006,616	\$ -
Restricted cash and investments	1,609,311	940,291	882,889	1,666,713
Prepaid items	-	2,140	-	2,140
TOTAL ASSETS	\$ 1,609,311	\$ 1,949,047	\$ 1,889,505	\$ 1,668,853
LIABILITIES:				
Accounts payable	\$ 976	\$ 944,284	\$ 945,260	\$ -
Due to bondholders	1,608,335	989,649	929,131	1,668,853
TOTAL LIABILITIES	\$ 1,609,311	\$ 1,933,933	\$ 1,874,391	\$ 1,668,853

(Continued)

CITY OF TUSTIN

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

For the year ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
COMMUNITY FACILITIES DISTRICT 13-01				
ASSETS:				
Cash and investments	\$ -	\$ 288,184	\$ 288,184	\$ -
TOTAL ASSETS	\$ -	\$ 288,184	\$ 288,184	\$ -
LIABILITIES:				
Accounts payable	\$ 980	\$ 2,625	\$ 3,605	\$ -
Due to bondholders	(980)	288,184	287,204	-
TOTAL LIABILITIES	\$ -	\$ 290,809	\$ 290,809	\$ -
COMMUNITY FACILITIES DISTRICT 2014-01				
ASSETS:				
Cash and investments	\$ -	\$ 1,554,178	\$ 1,554,178	\$ -
Restricted cash and investments	3,182,214	1,526,489	1,416,765	3,291,938
Taxes receivable	20,407	10,884	20,407	10,884
TOTAL ASSETS	\$ 3,202,621	\$ 3,091,551	\$ 2,991,350	\$ 3,302,822
LIABILITIES:				
Accounts payable	\$ -	\$ 1,496,324	\$ 1,496,324	\$ -
Due to bondholders	3,202,621	1,576,195	1,475,994	3,302,822
TOTAL LIABILITIES	\$ 3,202,621	\$ 3,072,519	\$ 2,972,318	\$ 3,302,822
TOTAL ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ -	\$ 6,957,079	\$ 6,957,079	\$ -
Restricted cash and investments	11,421,736	6,518,728	6,154,941	11,785,523
Taxes receivable	62,501	31,267	62,501	31,267
Prepaid items	-	2,140	-	2,140
TOTAL ASSETS	\$ 11,484,237	\$ 13,509,214	\$ 13,174,521	\$ 11,818,930
LIABILITIES:				
Accounts payable	\$ 1,956	\$ 6,435,715	\$ 6,437,671	\$ -
Due to bondholders	11,482,281	6,998,140	6,661,491	11,818,930
TOTAL LIABILITIES	\$ 11,484,237	\$ 13,433,855	\$ 13,099,162	\$ 11,818,930

STATISTICAL SECTION

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CITY OF TUSTIN
Description of Statistical Contents
June 30, 2018

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	132
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	142
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	148
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	156
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	158

Sources:

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

CITY OF TUSTIN

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

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

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 431,761,288	\$ 461,673,323	\$ 456,649,085	\$ 483,229,135	\$ 490,574,647	\$ 499,190,473
54,367,385	36,693,458	72,929,522	95,241,025	102,027,853	87,395,188
177,532,888	93,877,440	140,727,040	107,224,779	144,442,931	151,119,177
<u>\$ 663,661,561</u>	<u>\$ 592,244,221</u>	<u>\$ 670,305,647</u>	<u>\$ 685,694,939</u>	<u>\$ 737,045,431</u>	<u>\$ 737,704,838</u>
\$ 24,171,745	\$ 23,657,878	\$ 24,270,718	\$ 25,443,651	\$ 23,252,432	\$ 22,753,763
-	-	-	-	-	-
7,094,771	8,326,340	11,845,734	12,227,557	15,129,697	16,505,744
<u>\$ 31,266,516</u>	<u>\$ 31,984,218</u>	<u>\$ 36,116,452</u>	<u>\$ 37,671,208</u>	<u>\$ 38,382,129</u>	<u>\$ 39,259,507</u>
\$ 455,933,033	\$ 485,331,201	\$ 480,919,803	\$ 508,672,786	\$ 513,827,079	\$ 521,944,236
54,367,385	36,693,458	72,929,522	95,241,025	102,027,853	87,395,188
184,627,659	102,203,780	152,572,774	119,452,336	159,572,628	167,624,921
<u>\$ 694,928,077</u>	<u>\$ 624,228,439</u>	<u>\$ 706,422,099</u>	<u>\$ 723,366,147</u>	<u>\$ 775,427,560</u>	<u>\$ 776,964,345</u>

CITY OF TUSTIN

CHANGES IN NET POSITION
EXPENSES AND PROGRAM REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

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

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 18,705,913	\$ 14,825,780	\$ 17,121,057	\$ 20,023,280	\$ 24,504,764	\$ 23,949,544
30,702,298	28,440,799	29,886,284	27,779,830	34,611,078	33,713,796
15,087,234	49,538,371	34,435,214	47,326,664	24,822,480	37,599,662
3,201,865	3,498,460	3,699,059	7,869,124	19,524,660	10,795,733
967,115	-	-	-	5,802	12,043
<u>68,664,425</u>	<u>96,303,410</u>	<u>85,141,614</u>	<u>102,998,898</u>	<u>103,468,784</u>	<u>106,070,778</u>
13,574,149	16,100,137	15,982,078	15,586,463	16,654,429	17,680,886
-	-	-	-	-	-
<u>13,574,149</u>	<u>16,100,137</u>	<u>15,982,078</u>	<u>15,586,463</u>	<u>16,654,429</u>	<u>17,680,886</u>
763,101	249,237	252,074	2,072,540	1,979,211	1,630,903
917,947	920,112	1,071,099	1,195,350	1,255,299	1,283,672
1,248,595	1,710,813	1,564,314	3,538,906	1,861,045	2,167,726
926,432	967,134	892,102	953,149	1,101,294	1,434,988
4,513,158	3,325,304	3,546,823	2,722,978	2,742,140	3,863,547
20,998,311	12,222,106	20,244,479	48,711,583	26,535,693	7,641,510
<u>29,367,544</u>	<u>19,394,706</u>	<u>27,570,891</u>	<u>59,194,506</u>	<u>35,474,682</u>	<u>18,022,346</u>
16,688,773	18,682,821	19,375,359	16,511,795	17,100,836	18,229,013
-	-	-	-	-	-
<u>16,688,773</u>	<u>18,682,821</u>	<u>19,375,359</u>	<u>16,511,795</u>	<u>17,100,836</u>	<u>18,229,013</u>
\$ (39,296,881)	\$ (76,908,704)	\$ (57,570,723)	\$ (43,804,392)	\$ (67,994,102)	\$ (88,048,432)
3,114,624	2,582,684	3,393,281	925,332	446,407	548,127
<u>\$ (36,182,257)</u>	<u>\$ (74,326,020)</u>	<u>\$ (54,177,442)</u>	<u>\$ (42,879,060)</u>	<u>\$ (67,547,695)</u>	<u>\$ (87,500,305)</u>

CITY OF TUSTIN

CHANGES IN NET POSITION
GENERAL REVENUES

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property taxes	\$ 34,022,959	\$ 28,347,659	\$ 30,205,879	\$ 23,270,718
Transient occupancy taxes	154,379	141,335	142,915	137,131
Business license taxes	356,565	337,867	358,526	44,800
Other taxes	1,689,573	1,720,505	1,648,319	1,621,521
Sales tax	19,858,142	15,917,332	18,597,453	19,931,865
Motor vehicle in lieu, unrestricted	252,666	6,122,789	6,189,249	5,833,094
Investment income	4,863,469	4,086,852	2,358,847	958,169
Other general revenues	2,314,540	1,520,662	1,700,323	14,444,183
Gain on sale of land held for resale	-	-	-	-
Profit participation	-	-	-	-
Transfers	103,805,196	-	-	-
Contribution from successor agency	-	-	-	-
Extraordinary and special items	-	-	-	(27,314,435)
Total governmental activities	<u>167,317,489</u>	<u>58,195,001</u>	<u>61,201,511</u>	<u>38,927,046</u>
Business-type activities:				
Investment income	164,764	86,654	158,242	156,855
Miscellaneous	82,810	25,340	19,064	59,222
Transfers	(103,805,196)	-	-	-
Total business-type activities	<u>(103,557,622)</u>	<u>111,994</u>	<u>177,306</u>	<u>216,077</u>
Total primary government	<u>\$ 63,759,867</u>	<u>\$ 58,306,995</u>	<u>\$ 61,378,817</u>	<u>\$ 39,143,123</u>
Changes in net position:				
Governmental activities	\$ 129,132,761	\$ 2,451,146	\$ 570,849	\$ (4,250,717)
Business-type activities	(106,081,780)	(1,231,681)	21,385	1,860,697
Total primary government	<u>\$ 23,050,981</u>	<u>\$ 1,219,465</u>	<u>\$ 592,234</u>	<u>\$ (2,390,020)</u>

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 14,526,101	\$ 13,661,771	\$ 14,552,535	\$ 16,451,763	\$ 24,437,717	\$ 25,636,673
137,064	616,897	1,090,675	1,554,754	1,609,318	1,575,830
377,498	393,241	419,148	406,891	420,684	431,457
1,655,388	1,663,215	1,763,878	1,839,963	1,931,185	1,781,175
21,575,405	22,288,032	22,269,896	24,513,610	25,133,146	24,925,934
5,951,653	6,150,893	6,380,698	6,778,329	37,056	43,359
243,921	628,180	1,052,276	2,430,087	611,964	1,109,193
7,231,648	4,040,996	7,829,149	2,671,845	4,594,651	4,838,383
43,335,089	-	48,136,121	-	24,241,261	33,636,759
-	-	-	-	31,327,612	-
-	-	-	-	-	-
-	-	32,137,773	-	-	-
-	1,412,257	-	2,546,442	5,000,000	-
<u>95,033,767</u>	<u>50,855,482</u>	<u>135,632,149</u>	<u>59,193,684</u>	<u>119,344,594</u>	<u>93,978,763</u>
39,700	144,381	249,863	480,050	108,669	150,371
271,858	408,749	489,090	149,374	155,845	178,880
-	-	-	-	-	-
<u>311,558</u>	<u>553,130</u>	<u>738,953</u>	<u>629,424</u>	<u>264,514</u>	<u>329,251</u>
<u>\$ 95,345,325</u>	<u>\$ 51,408,612</u>	<u>\$ 136,371,102</u>	<u>\$ 59,823,108</u>	<u>\$ 119,609,108</u>	<u>\$ 94,308,014</u>
\$ 55,736,886	\$ (26,053,222)	\$ 78,061,426	\$ 15,389,292	\$ 51,350,492	\$ 5,930,331
3,426,182	3,135,814	4,132,234	1,554,756	710,921	877,378
<u>\$ 59,163,068</u>	<u>\$ (22,917,408)</u>	<u>\$ 82,193,660</u>	<u>\$ 16,944,048</u>	<u>\$ 52,061,413</u>	<u>\$ 6,807,709</u>

CITY OF TUSTIN

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Fund Balance prior to GASB 54				
General fund:				
Reserved	\$ 120,632,293	\$ 144,139,167	\$ -	\$ -
Unreserved	1,971,846	5,870,992	-	-
Total general fund	<u>\$ 122,604,139</u>	<u>\$ 150,010,159</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Reserved	\$ 49,777,973	\$ 66,609,267	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	16,437,130	14,277,683	-	-
Debt service funds	-	(6,774,245)	-	-
Capital projects funds	90,474,987	75,663,086	-	-
Total all other governmental funds	<u>\$ 156,690,090</u>	<u>\$ 149,775,791</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance subsequent to GASB 54				
General fund:				
Nonspendable	\$ -	\$ 144,139,167	\$ 144,186,955	\$ 144,604,847
Restricted	-	-	-	-
Committed	-	47,608	-	-
Assigned	-	5,823,384	-	-
Unassigned	-	-	7,443,165	4,077,344
Total general fund	<u>\$ -</u>	<u>\$ 150,010,159</u>	<u>\$ 151,630,120</u>	<u>\$ 148,682,191</u>
All other governmental funds:				
Nonspendable	\$ -	\$ 34,800,738	\$ 22,352,713	\$ 1,710,292
Restricted	-	111,455,097	130,673,281	38,274,666
Committed	-	344,708	-	-
Assigned	-	11,670,324	18,603,317	16,239,322
Unassigned	-	(8,495,076)	(10,989,463)	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ 149,775,791</u>	<u>\$ 160,639,848</u>	<u>\$ 56,224,280</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 128,988,209	\$ 129,049,954	\$ 122,458,642	\$ 88,579,214 ⁵	\$ 84,344,748	\$ 82,868,217
19,615,343	1,352,309	16,650,332	18,657,461	34,901,943	41,269,878
-	-	-	-	-	-
44,368,566 ²	18,781,826	84,278,138 ³	79,667,061	102,517,562	116,332,458
<u>\$ 192,972,118</u>	<u>\$ 149,184,089</u>	<u>\$ 223,387,112</u>	<u>\$ 186,903,736</u>	<u>\$ 221,764,253</u>	<u>\$ 240,470,553</u>
\$ 1,287,607	\$ -	\$ -	\$ 1,922	\$ 1,922	\$ -
¹ 33,885,757	29,820,853	24,048,818	54,438,343	51,069,708	46,322,996
-	-	-	-	-	-
16,880,590	5,493,536	37,350,531 ⁴	26,871,816	20,408,936	17,719,394
-	-	-	-	-	-
<u>\$ 52,053,954</u>	<u>\$ 35,314,389</u>	<u>\$ 61,399,349</u>	<u>\$ 81,312,081</u>	<u>\$ 71,480,566</u>	<u>\$ 64,042,390</u>

¹ Decrease of \$92.4 million due to dissolution of the Tustin Community Redevelopment Agency (TCRA) on February 1, 2012. The assets and liabilities of the TCRA were transferred to the Successor Agency for the TCRA private purpose trust fund.

² Increase of \$40.3 million due to the gain on sale of land in the former Marine Corp Air Station referred to as the Legacy and land held for resale along the 55 freeway and Edinger Avenue.

³ Increase of \$65.5 million due to the gain on sale of land held for resale of \$48.1 million for the development of residential housing and special item totaling \$21.4 million due to reclassification of promissory note to long-term debt.

⁴ Increase of \$31.9 million due to the transfer of bond proceeds from the Successor Agency to the TCRA to the MCAS 2010 Capital Project Fund.

⁵ Decrease of \$33.9 million due to the reclassification of \$34 million of land held for resale to land reported as capital assets which is not reflected in the governmental funds statements.

CITY OF TUSTIN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Revenues:				
Taxes	\$ 36,339,860	\$ 36,662,197	\$ 38,726,558	\$ 30,975,441
Licenses and permits	1,692,955	3,538,198	716,144	443,928
Fines and forfeitures	832,188	890,770	893,642	875,068
Investment income	4,429,915	3,198,484	1,632,215	472,725
Intergovernmental revenues	34,484,805	21,295,762	23,970,358	26,345,002
Charges for services	4,497,309	2,708,705	5,020,485	2,813,752
Rental income	771,807	869,645	358,030	480,255
Developer contributions	-	4,051,180	1,593,475	-
Profit participation	-	-	-	-
Gain on sale of land held for resale	-	-	-	-
Contribution from Successor Agency	-	-	-	-
Other revenues	1,188,200	1,028,432	2,425,052	14,075,025
Total revenues	84,237,039	74,243,373	75,335,959	76,481,196
Expenditures:				
Current:				
General government	6,728,236	7,197,709	7,505,928	11,656,331
Public safety	27,759,939	26,359,435	27,508,514	28,714,347
Public works	11,311,291	10,133,685	9,110,621	6,954,384
Community services	5,005,986	12,251,479	12,740,969	6,506,381
Capital outlay	24,772,717	13,125,983	9,979,670	25,816,530
Debt service:				
Principal retirement	11,143,000	7,913,000	10,659,000	2,590,000
Interest and fiscal charges	3,570,834	4,603,661	4,131,435	3,264,323
Bond issue costs	-	-	429,731	-
Total expenditures	90,292,003	81,584,952	82,065,868	85,502,296
Excess (deficiency) of revenues over (under) expenditures	(6,054,964)	(7,341,579)	(6,729,909)	(9,021,100)
Other financing sources (uses):				
Transfers in	142,866,218	37,207,661	2,645,014	3,020,291
Transfers out	(41,295,836)	(37,207,661)	(2,645,014)	(3,020,291)
Proceeds from debt issuance	-	26,274,205	43,281,289	-
Contribution to developer	-	-	-	-
Sale of property	40,201	7,421	18,138	43,745
Capital lease issued	-	-	-	-
Total other financing sources (uses)	101,610,583	26,281,626	43,299,427	43,745
Extraordinary gain (loss)	-	-	-	(98,386,142)
Special item	-	-	-	-
Net change in fund balances	\$ 95,555,619	\$ 18,940,047	\$ 36,569,518	\$(107,363,497)
Debt service as a percentage of noncapital expenditures	21.32%	17.69%	20.00%	9.00%

Fiscal Year

2013	2014	2015	2016	2017	2018
\$ 22,703,619	\$ 22,808,488	\$ 21,426,308	\$ 23,525,899	\$ 24,825,401	\$ 25,770,970
577,044	1,284,232	885,043	1,334,311	853,990	905,086
678,428	631,340	752,597	982,123	953,665	996,912
173,890	621,786	1,041,661	2,422,072	608,888	1,120,276
43,126,447	29,741,754	37,302,283	42,838,003	35,382,444	42,121,841
2,685,080	1,787,268	1,870,401	2,357,268	1,999,860	2,177,345
550,003	751,724	1,113,340	1,308,852	1,542,281	1,674,068
-	-	16,934,704	26,357,490	16,804,964	1,341,143
-	-	-	-	23,495,709	7,179,553
43,340,797	-	48,136,121	-	24,241,261	33,636,759
-	-	32,137,773	-	-	-
9,773,813	6,110,735	6,302,392	4,714,101	5,849,937	8,848,778
<u>123,609,121</u>	<u>63,737,327</u>	<u>167,902,623</u>	<u>105,840,119</u>	<u>136,558,400</u>	<u>125,772,731</u>
17,357,805	14,205,424	17,568,297	20,372,454	24,052,915	21,259,806
27,944,039	28,170,314	33,062,929	27,897,182	30,733,524	32,335,404
5,980,807	5,797,705	6,417,257	7,182,380	7,591,876	7,795,849
2,752,523	3,081,299	3,170,747	7,308,498	18,727,257	9,747,562
28,487,231	74,422,436	23,800,093	22,498,621	26,657,177	40,082,440
-	-	5,000,000	4,101,171	4,129,203	3,271,503
967,115	-	-	-	5,802	12,043
-	-	-	-	-	-
<u>83,489,520</u>	<u>125,677,178</u>	<u>89,019,323</u>	<u>89,360,306</u>	<u>111,897,754</u>	<u>114,504,607</u>
<u>40,119,601</u>	<u>(61,939,851)</u>	<u>78,883,300</u>	<u>16,479,813</u>	<u>24,660,646</u>	<u>11,268,124</u>
6,122,454	2,084,612	5,266,102	5,453,988	4,242,209	8,908,605
(6,122,454)	(2,084,612)	(5,266,102)	(5,453,988)	(4,242,209)	(8,908,605)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	368,356	-
-	-	-	-	<u>368,356</u>	<u>-</u>
-	1,412,257	-	976,042	-	-
-	-	21,404,683	(34,026,499)	-	-
<u>\$ 40,119,601</u>	<u>\$ (60,527,594)</u>	<u>\$ 100,287,983</u>	<u>\$ (16,570,644)</u>	<u>\$ 25,029,002</u>	<u>\$ 11,268,124</u>

1.73%

0.00%

6.03%

5.28%

4.48%

3.51%

CITY OF TUSTIN

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

Last Ten Fiscal Years

Fiscal Year Ended June 30	City		Taxable Assessed Value
	Secured	Unsecured	
2009	\$ 7,019,706	\$ 341,056	\$ 7,360,762
2010	6,874,131	323,694	7,197,825
2011	6,791,003	318,875	7,109,878
2012	6,865,333	294,518	7,159,851
2013	6,975,148	295,303	7,270,451
2014	7,151,192	267,629	7,418,821
2015	7,503,074	287,558	7,790,632
2016	7,924,736	293,492	8,218,228
2017	8,254,232	312,525	8,566,757
2018	8,684,095	311,475	8,995,570

Notes:

Exemptions are netted directly against individual categories.

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

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

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

Redevelopment Agency (A)				
Secured	Unsecured	Taxable Assessed Value (A)	Total Direct Tax Rate (B)	
\$ 2,432,407	\$ 165,392	\$ 2,597,799	0.326%	
2,175,049	128,194	2,303,243	0.308%	
2,180,029	129,387	2,309,416	0.310%	
2,085,982	133,065	2,219,047	0.303%	
2,107,792	123,929	2,231,721	0.302%	
2,192,026	121,534	2,313,560	0.116%	
2,362,339	139,834	2,502,173	0.116%	
2,643,865	141,934	2,785,799	0.116%	
2,872,602	138,433	3,011,035	0.116%	
3,260,212	143,833	3,404,045	0.116%	

CITY OF TUSTIN

DIRECT AND OVERLAPPING PROPERTY TAX RATES

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

	Fiscal Year			
	2009	2010	2011	2012
Direct Rate:				
City of Tustin	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272
Tustin Unified School District	0.4397	0.4397	0.4397	0.4397
South Orange County Community College District	0.0886	0.0886	0.0886	0.0886
County of Orange	0.0617	0.0617	0.0617	0.0617
Orange County Flood Control District	0.0198	0.0198	0.0198	0.0198
Orange County Library District	0.0167	0.0167	0.0167	0.0167
Orange County Department of Education	0.0161	0.0161	0.0161	0.0161
Various Special Districts	0.2302	0.2302	0.2302	0.2302
Total Direct Rate	1.0000	1.0000	1.0000	1.0000
Overlapping Rates:				
Tustin Unified School District Bonds	0.0310	0.0380	0.0596	0.0559
Metropolitan Water District Bonds	0.0043	0.0043	0.0037	0.0037
Rancho Santiago Community College District Bonds	0.0225	0.0274	0.0314	0.0315
Irvine Ranch Water District Bonds	0.2143	0.2242	0.2242	0.2155
Santa Ana Unified School District Bonds	0.0321	0.0739	0.0717	0.0715
Total Overlapping Rates	0.3042	0.3678	0.3906	0.3781
Total Direct and Overlapping Rates	\$ 1.3042	\$ 1.3678	\$ 1.3906	\$ 1.3781

Source: Hdl, Coren & Cone

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272	\$ 0.1272
0.4397	0.4397	0.4397	0.4397	0.4397	0.4397
0.0886	0.0886	0.0886	0.0886	0.0886	0.0886
0.0617	0.0617	0.0617	0.0617	0.0617	0.0617
0.0198	0.0198	0.0198	0.0198	0.0198	0.0198
0.0167	0.0167	0.0167	0.0167	0.0167	0.0167
0.0161	0.0161	0.0161	0.0161	0.0161	0.0161
0.2302	0.2302	0.2302	0.2302	0.2302	0.2302
<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>	<u>1.0000</u>
0.0672	0.0891	0.0696	0.0775	0.0700	0.0687
0.0035	0.0035	0.0035	0.0035	0.0035	0.0035
0.0324	0.0333	0.0508	0.0504	0.0495	0.0509
0.2155	0.2155	0.0960	0.0960	0.1270	0.1270
0.0775	0.0736	0.0687	0.0660	0.0638	0.0633
<u>0.3961</u>	<u>0.4150</u>	<u>0.2886</u>	<u>0.2934</u>	<u>0.3138</u>	<u>0.3134</u>
<u>\$ 1.3961</u>	<u>\$ 1.4150</u>	<u>\$ 1.2886</u>	<u>\$ 1.2934</u>	<u>\$ 1.3138</u>	<u>\$ 1.3133</u>

CITY OF TUSTIN

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Ten Years Ago

Taxpayer	2018		2009	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Irvine Company LLC	\$ 246,147,458	1.98%		
Vestar Kimco Tustin LP	174,600,631	1.41%	\$ 169,487,193	1.71%
Raintree Tustin LLC	164,180,935	1.32%		
Legacy Villas LLC	124,408,573	1.00%		
Tustin Parc LP	61,606,674	0.50%		
PK II Larwin Square SC LP	57,845,032	0.47%	68,155,667	0.69%
Apple Ten Hospitality Ownership Inc	56,364,369	0.45%		
Borchard Redhill SKB-Tustin LLC	52,706,141	0.42%	53,542,078	0.54%
Richoh Development	50,190,214	0.40%		
Costco Wholesale Corporation	49,793,049	0.40%	45,821,179	0.46%
Tustin Legacy Community Partners LLC			343,117,800	3.45%
Irvine Apartment Communities LP			296,169,557	2.98%
Creekside Meadows Development LLC			127,812,202	1.29%
Tustin Heights SC LP			72,919,613	0.73%
American Fund US Investments			56,753,820	0.57%
CP II Park Place LLC			43,898,760	0.44%
	<u>\$ 1,037,843,076</u>	<u>8.35%</u>	<u>\$ 1,277,677,869</u>	<u>12.86%</u>

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

Sources: Hdl, Coren & Cone

CITY OF TUSTIN

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

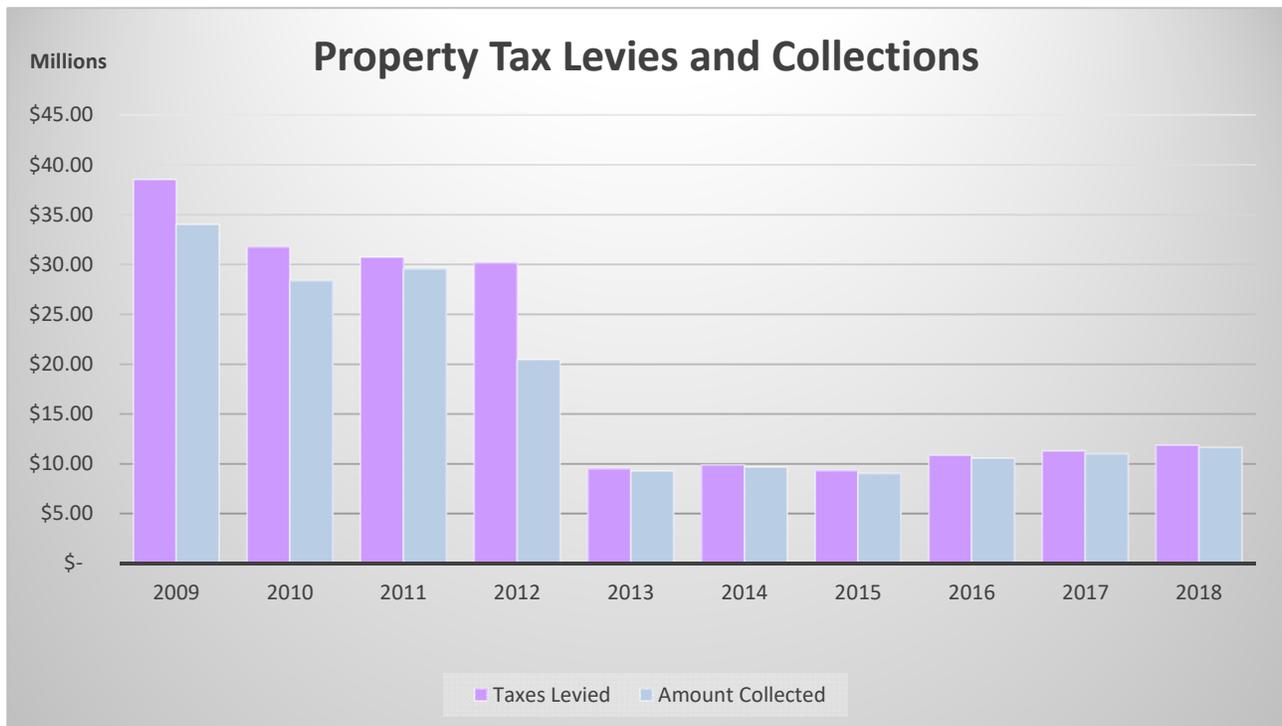
Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2009	\$ 38,515,110	\$ 34,022,959	88.34%	\$ 1,417,067	\$ 35,440,026	92.02%
2010	31,739,378	28,347,659	89.31%	917,222	29,264,881	92.20%
2011	30,713,746	29,541,000	96.18%	610,052	30,151,052	98.17%
2012	30,163,205	20,433,400	67.74%	147,389	20,580,789	68.23%
2013	9,492,638	9,257,817	97.53%	121,715	9,379,532	98.81%
2014	9,862,476	9,655,778	97.90%	121,400	9,777,178	99.14%
2015	9,287,149	9,007,785	96.99%	163,497	9,171,282	98.75%
2016	10,847,984	10,541,516	97.17%	233,935	10,775,451	99.33%
2017	11,278,643	10,996,314	97.50%	207,332	11,203,646	99.34%
2018	11,844,150	11,615,833	98.07%	174,112	11,789,945	99.54%

Notes:

The amounts presented for fiscal years 2009 through 2012 include City property taxes and former Redevelopment Agency tax increment.

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

Source: County of Orange Auditor Controller's Office



CITY OF TUSTIN

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities						Total Governmental Activities
	Tax Allocation Bonds (1)	Tax Allocation Bonds (5)	Tax Allocation Bonds (6)	Notes Payable (2)	Notes Payable (3)	Lease Payable (11)	
2009	\$ 10,870,000	\$ -	\$ -	\$ 14,962,000	\$ 19,284,170		\$ 45,116,170
2010	9,720,000	26,170,000	-	8,199,000	20,112,456		64,201,456
2011	8,515,000	24,915,000	44,170,000	-	20,976,317		98,576,317
2012	-	-	-	-	21,877,282		21,877,282
2013	-	-	-	-	22,816,940		22,816,940
2014	-	-	-	-	21,404,683		21,404,683
2015	-	-	-	-	16,404,683		16,404,683
2016	-	-	-	-	12,303,512		12,303,512
2017	-	-	-	-	3,202,341	340,324	3,542,665
2018	-	-	-	-	-	271,162	271,162

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

- (1) On July 1, 1998 The City issued \$20.8 million of Tax Allocation Refunding Bonds to retire Series 1987 Refunding Bonds. On February 1, 2012, the remaining liability of \$7,260,000 was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 for more information.
- (2) 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.
- (3) In December of 2008 the City executed a note payable to the Tustin Redevelopment Agency in the amount of \$18,881,750 to increase its deposit of probable compensation per court order pending litigation. As of February 1, 2012, this note became payable to the Successor Agency to the Tustin Community Redevelopment Agency. See Note 18 for more information.
- (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. These bonds were defeased in March 2012.
- (5) In March 2010 the Tustin Redevelopment Agency issued \$26,170,000 Tax Allocation Housing Bonds, Series 2010 to refinance low and moderate income housing activities throughout the geographic boundaries in the City. On February 1, 2012, the remaining liability of \$24,220,000 was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 for more information.

Business-type Activity						Percentage		
Water Revenue Bonds (4)	Water Revenue Bonds (7)	Water Revenue Bonds (8)	Water Revenue Bonds (9)	Water Revenue Bonds (10)	Total Business-type Activity	Total Primary Government	of Personal Income	Debt Per Capita
\$ 12,560,000	\$ -	\$ -	\$ -	\$ -	\$ 12,560,000	\$ 57,676,170	2.35%	\$ 783
11,875,000	-	-	-	-	11,875,000	76,076,456	3.16%	1,018
11,165,000	20,760,000	-	-	-	31,925,000	130,501,317	5.52%	1,722
-	20,760,000	8,910,000	-	-	29,670,000	51,547,282	2.12%	673
-	21,044,310	8,997,129	-	-	30,041,439	52,858,379	2.16%	678
-	21,034,111	8,205,372	14,160,362	-	43,399,845	64,804,528	2.73%	827
-	21,023,911	7,398,615	14,111,418	-	42,533,944	58,938,627	2.44%	752
-	21,013,711	6,571,858	14,062,474	-	41,648,043	53,951,555	2.21%	656
-	-	5,720,101	14,013,530	22,790,666	42,524,297	46,066,962	1.82%	559
-	-	4,843,344	13,959,586	22,738,061	41,540,991	41,812,153	1.63%	508

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

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

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

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

(10) In September 2016 the City issued \$21.515 million of Refunding Water Bonds to defease the outstanding 2011 Water Revenue Bonds.

(11) In February 2017 the City entered into a lease to finance equipment with a present value of \$368,356.

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		
2009	\$ -	\$ 10,870,000	\$ 10,870,000	0.11%	\$ 148
2010	-	35,890,000	35,890,000	0.38%	480
2011	-	77,600,000	77,600,000	0.82%	1,024
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-

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

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

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

CITY OF TUSTIN

OVERLAPPING DEBT SCHEDULE

June 30, 2018

2017-18 Assessed Valuation	\$ 12,399,614,364
Redevelopment Incremental Valuation	<u>(3,233,345,633)</u>
Adjusted Assessed Value	<u>\$ 9,166,268,731</u>

	Total Debt 6/30/18	(1) % Applicable	City's Share of Debt at 6/30/18
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	\$ 60,600,000	0.452%	\$ 273,912
Rancho Santiago Community College District	246,734,249	0.111	273,875
Rancho Santiago Community College District School Facilities Improvement District No.	121,395,000	0.184	223,367
Irvine Unified School District School Facilities Improvement District No. 1	95,000,000	2.98	2,831,000
Santa Ana Unified School District	247,026,073	0.228	563,219
Tustin Unified School District School Facilities Improvement District No. 2002-1	45,094,043	46.614	21,020,137
Tustin Unified School District School Facilities Improvement District No. 2008-1	86,860,000	44.908	39,007,089
Tustin Unified School District School Facilities Improvement District No. 2012-1	45,410,000	46	20,686,526
Tustin Unified School District Community Facilities District No. 88-1	28,315,000	100	28,315,000
Tustin Unified School District Community Facilities District No. 06-1	14,685,000	100	14,685,000
City of Tustin Community Facilities Districts	99,155,000	100	99,155,000
Irvine Unified School District Community Facilities District No. 86-1	41,500,000	0.201	83,415
Irvine Ranch Water District Improvement Districts	491,840,120	4.890-86.540	58,811,634
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 285,929,174
OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Orange County General Fund Obligations	210,347,000	2.224%	4,678,117
Orange County Pension Obligations	383,564,389	2.224	8,530,472
Orange County Board of Education Certificates of Participation	13,990,000	2.224	311,138
Orange Unified School District Certificates of Participation	21,958,225	0.030	6,587
Orange Unified School District Benefit Obligations	78,765,000	0.030	23,630
Santa Ana Unified School District Certificates of Participation	69,817,854	0.228	159,185
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT			\$ 13,709,129
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies)	\$ 138,650,000	0.001-100.00%	\$ 53,916,035
DIRECT DEBT (CAPITAL LEASE)			271,162
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 353,825,500

Overlapping debt excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

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

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

Ratios to 2017-18 Assessed Valuations:

Total Overlapping Tax and Assessment Debt	2.31%
Total Direct Debt	0.00%
Combined Total Debt	0.00%

Ratios to Redevelopment Incremental Valuations (\$3,233,345,633):

Total Overlapping Tax Increment Debt	1.67%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

CITY OF TUSTIN

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year			
	2009	2010	2011	2012
Assessed valuation	\$ 7,360,762,000	\$ 7,197,825,000	\$ 7,109,878,000	\$ 7,159,851,000
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,840,190,500	1,799,456,250	1,777,469,500	1,789,962,750
Debt limit percentage	15%	15%	15%	15%
Debt limit	276,028,575	269,918,438	266,620,425	268,494,413
Total net debt applicable to limitation	-	-	-	-
Legal debt margin	<u>\$ 276,028,575</u>	<u>\$ 269,918,438</u>	<u>\$ 266,620,425</u>	<u>\$ 268,494,413</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

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

Sources: County Tax Assessor's Office
City Finance Department

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 7,270,451,000	\$ 7,418,821,000	\$ 7,790,632,000	\$ 8,218,228,000	\$ 8,566,757,000	\$ 8,995,570,000
25%	25%	25%	25%	25%	25%
1,817,612,750	1,854,705,250	1,947,658,000	2,054,557,000	2,141,689,250	2,248,892,500
15%	15%	15%	15%	15%	15%
272,641,913	278,205,788	292,148,700	308,183,550	321,253,388	337,333,875
-	-	-	-	-	-
<u>\$ 272,641,913</u>	<u>\$ 278,205,788</u>	<u>\$ 292,148,700</u>	<u>\$ 308,183,550</u>	<u>\$ 321,253,388</u>	<u>\$ 337,333,875</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF TUSTIN

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Water Revenue	Less Operating Expenses	Net Available Revenue	Water Revenue Bonds		
				Debt Service		Coverage
				Principal	Interest	
2009	\$ 11,510,315	\$ 10,573,932	\$ 936,383	\$ 520,000	\$ 550,385	0.87
2010	12,829,902	9,928,608	2,901,294	685,000	530,105	2.39
2011	12,422,746	10,566,435	1,856,311	710,000	502,705	1.53
2012	15,112,161	10,683,621	4,428,540	740,000	1,432,659	2.04
2013	16,688,773	11,462,258	5,226,515	710,000	957,111	3.14
2014	18,955,616	13,198,598	5,757,018	710,000	1,622,859	2.47
2015	19,375,359	12,511,648	6,863,711	770,000	1,973,820	2.50
2016	16,511,795	12,013,376	4,498,419	790,000	1,951,170	1.64
2017	17,100,836	13,032,698	4,068,138	815,000	1,753,485	1.58
2018	18,299,013	14,315,827	3,983,186	845,000	1,535,895	1.67

Notes:

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

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

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

On February 1, 2012, the remaining balance of the Tax Allocation Bonds was transferred to the Successor Agency to the Tustin Community Redevelopment Agency. See Notes 18 for more information,

Tax Allocation Bonds

Tax Allocation	Debt Service		Coverage
	Principal	Interest	
\$ 4,460,947	\$ 1,105,000	\$ 547,365	2.70
3,831,975	1,150,000	497,180	2.33
17,928,849	2,460,000	2,204,419	3.84
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

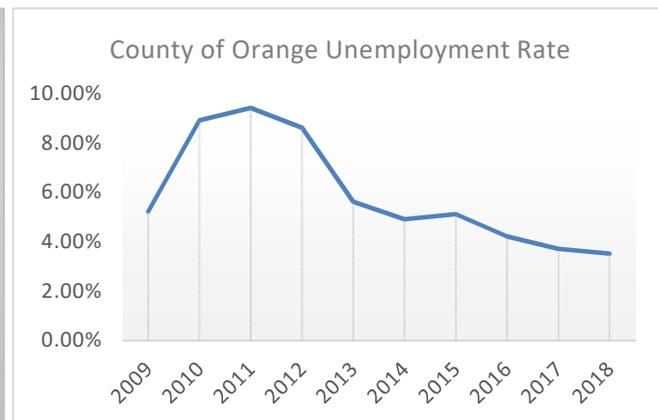
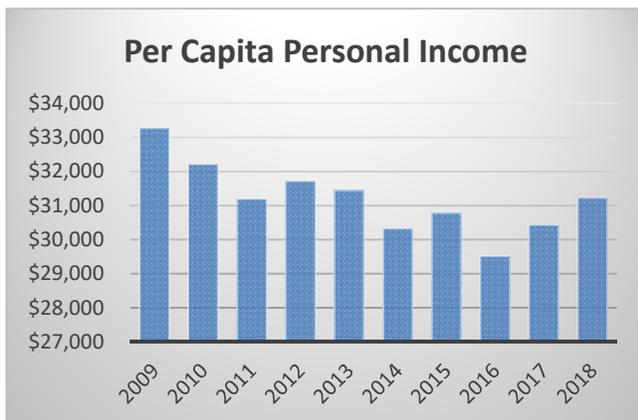
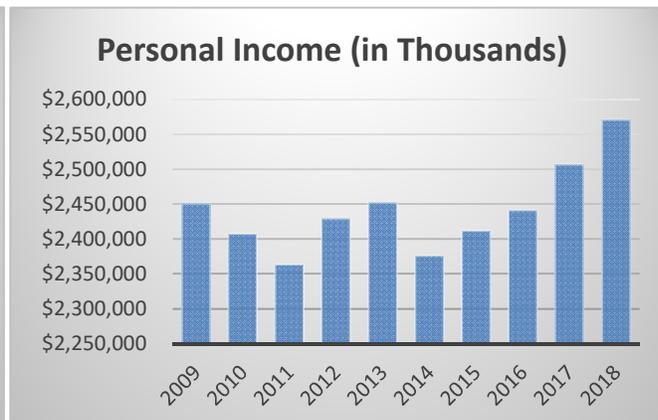
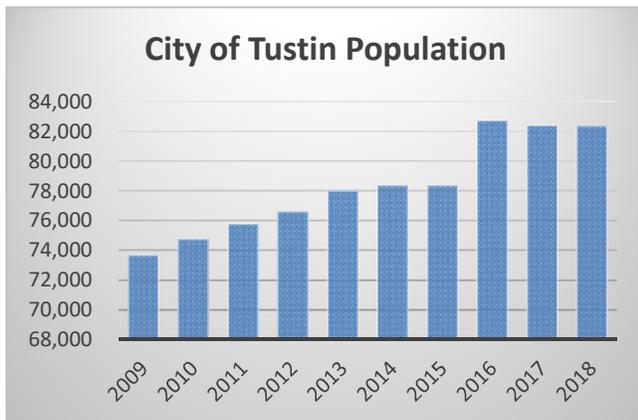
CITY OF TUSTIN

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	City of Tustin Population	Personal Income (in Thousands)	Per Capita Personal Income	County of Orange Unemployment Rate
2009	73,670	\$ 2,450,480	\$ 33,263	5.20%
2010	74,736	2,407,036	32,207	8.90%
2011	75,773	2,363,057	31,186	9.40%
2012	76,597	2,429,318	31,716	8.60%
2013	77,983	2,451,708	31,439	5.60%
2014	78,360	2,375,640	30,317	4.90%
2015	78,347	2,411,442	30,779	5.10%
2016	82,717	2,441,169	29,512	4.20%
2017	82,372	2,506,380	30,427	3.70%
2018	82,344	2,570,460	31,216	3.50%

Source: HdL Coren & Cone, LLC



CITY OF TUSTIN

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

Employer	2018		2009	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Tustin Unified School District	2,365	5.53%		
Schools First Federal Credit Union	937	2.19%	251	0.65%
Youngs Market Company LLC	578	1.35%	291	0.75%
New American Funding	555	1.30%		
City of Tustin	405	0.95%		
Costco Wholesale Corporation	350	0.82%		
Canon Medical	300	0.70%		
Logomark Inc	300	0.70%		
Ricoh Electronics Inc	256	0.60%	300	0.78%
Kaiser Foundation Hospitals	250	0.58%		
AT&T			1300	3.37%
Rockwell Collins			700	1.81%
Cherokee International Corp			332	0.86%
Balboa Water Group, Inc.			300	0.78%
Microvention, Inc.			300	0.78%
Tustin Hospital Medical Center			300	0.78%
Tustin Ranch Golf Club			200	0.52%
Woodbridge Glass, Inc.			205	0.53%

Sources: State of California Employment Development Department
 City of Tustin
 US Census Bureau

CITY OF TUSTIN

FULL-TIME CITY EMPLOYEES
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	27	27	25	29	26	35	33	38	35	39
Community Development	28	24	17	17	15	15	16	19	19	19
Public Works	50	53	52	51	40	47	48	45	48	47
Police	147	147	140	139	131	140	141	141	137	142
Parks and Recreation	16	15	14	15	13	13	14	14	17	17
RDA/Successor Agency	6	6	6	5	3	-	-	-	-	-
Water	23	22	23	25	17	17	18	19	18	18
Total	<u>297</u>	<u>294</u>	<u>277</u>	<u>281</u>	<u>245</u>	<u>267</u>	<u>270</u>	<u>276</u>	<u>274</u>	<u>282</u>

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

Source: City of Tustin Human Resource Department

CITY OF TUSTIN
CAPITAL ASSET STATISTICS
BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations (1)	2	2	2	2	2	2	2	2	2	2
Public Works										
Street (miles)	127.2	127.2	127.2	127.2	127.2	129.1	129.1	130.1	130.7	131.3
Street Lights	3,544	3,544	3,544	3,544	3,544	3,640	3,640	3,680	3,700	3,700
Traffic Signals	113	116	117	118	118	121	121	125	126	128
Storm Drain (miles)	49.2	49.2	49.2	49.2	49.2	51.2	51.4	51.8	52.9	53.9
Street Trees	15,853	15,853	15,837	15,786	16,097	16,073	15,815	15,706	15,542	15,574
Parks and Recreation										
Parks	12	13	13	13	13	13	13	14	14	14
Parks (acres)	81.5	98.5	98.5	98.5	98.5	98.5	98.5	116.0	116.0	116.0
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1	1	1
Water										
Metered Services	14,118	14,118	14,139	14,139	14,172	14,181	14,148	14,099	14,109	14,104
Average daily consumption	14,460	14,460	12,899	13,491	13,601	13,975	13,975	9,975	10,601	11,770
Reservoirs	6	6	6	6	6	6	6	6	6	6
Wells	13	13	13	13	13	13	13	13	14	14
Water Main (miles)	173	173	173	173	173	173	173	173	172	172
Fire Hydrants	2,201	2,201	2,201	2,201	2,201	1,914	1,945	1,945	1,945	1,945

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

Source: City of Tustin Finance Department

CITY OF TUSTIN

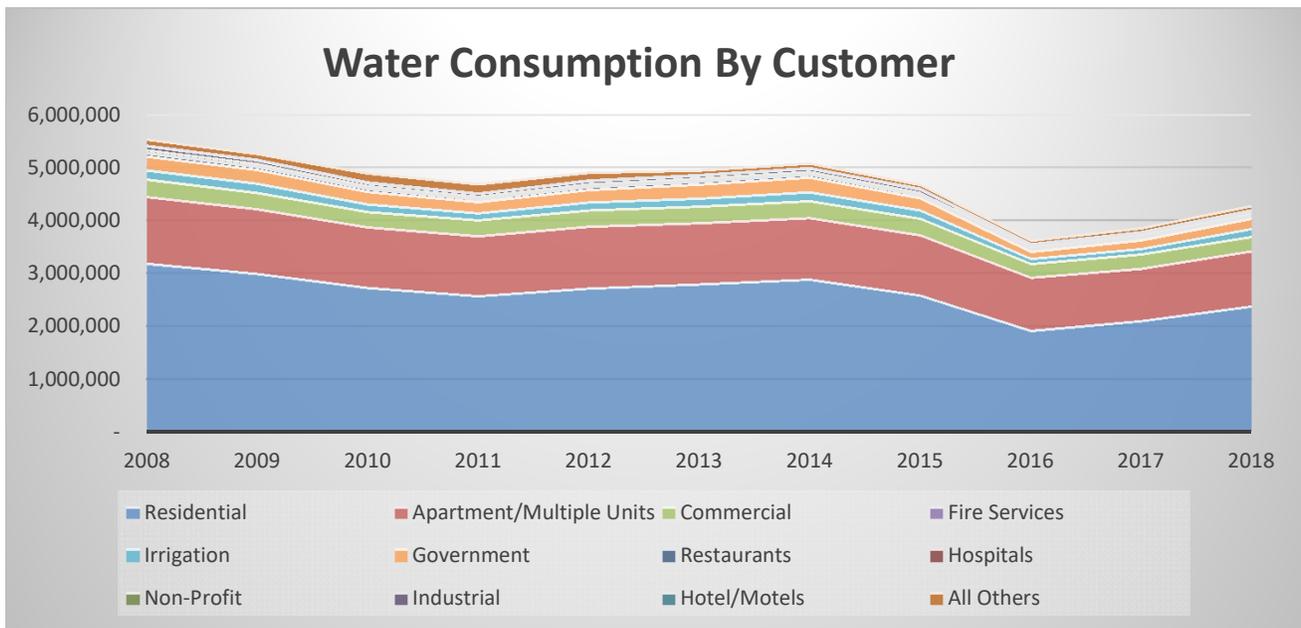
WATER CONSUMPTION BY CUSTOMER TYPE

Last Ten Fiscal Years

Type of Customer	Fiscal Year			
	2009	2010	2011	2012
Residential	3,012,575	2,749,415	2,592,741	2,733,482
Apartment/Multiple Units	1,226,181	1,142,749	1,133,899	1,172,823
Commercial	305,601	287,951	296,001	305,638
Fire Services	184	217	275	1,242
Irrigation	171,382	145,287	134,408	149,957
Government	264,425	238,914	212,561	236,658
Restaurants	54,916	52,761	48,873	53,183
Hospitals	11,222	9,636	11,587	12,204
Non-Profit	45,387	43,985	41,291	44,488
Industrial	67,985	56,360	51,760	58,298
Hotel/Motels	12,890	13,562	8,332	8,514
All Others	105,221	171,781	176,248	147,552
	<u>5,277,969</u>	<u>4,912,618</u>	<u>4,707,976</u>	<u>4,924,039</u>

Measured in hundred cubic feet.

Source: City of Tustin Finance Department



Fiscal Year

2013	2014	2015	2016	2017	2018
2,815,322	2,905,069	2,603,538	1,934,761	2,119,716	2,398,744
1,158,480	1,163,159	1,139,321	1,003,808	987,688	1,039,878
308,376	321,125	310,585	259,459	271,649	274,943
818	577	837	646	504	589
151,965	167,346	155,766	96,082	105,750	146,941
268,581	276,292	229,262	134,446	162,843	195,695
53,461	52,520	51,658	45,069	44,947	45,086
12,442	7,634	10,018	11,166	11,276	10,536
44,476	45,920	41,601	22,989	26,751	34,539
57,462	60,438	59,292	40,407	45,071	45,062
10,417	12,866	21,379	23,387	25,185	28,908
82,716	87,785	71,324	68,830	70,721	75,208
<u>4,964,516</u>	<u>5,100,731</u>	<u>4,694,581</u>	<u>3,641,050</u>	<u>3,872,101</u>	<u>4,296,129</u>

CITY OF TUSTIN

WATER RATES

Last Ten Fiscal Years

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges			
		Up to 12 HCF	From 13 to 40 HCF	From 41 to 60 HCF	All Over 60 HCF
2009	\$ 22.26	\$ 0.49	\$ 1.56	\$ 1.67	\$ 1.84
2010	22.26	0.49	1.56	1.67	1.84

Fiscal Year	Bi-Monthly Fixed Charge	Consumption Charges						
		Up to 10 HCF	From 11 to 20 HCF	From 21 to 30 HCF	From 31 to 40 HCF	From 41 to 50 HCF	From 51 to 60 HCF	All Over 61 HCF
2011	\$ 34.49	\$ 0.58	\$ 1.02	\$ 1.33	\$ 1.65	\$ 1.97	\$ 2.29	\$ 2.62
2012	36.94	0.70	1.22	1.60	1.99	2.37	2.76	3.17
2013	40.63	0.73	1.29	1.69	2.10	2.56	2.97	3.40
2014	43.59	0.79	1.38	1.81	2.25	2.79	3.24	3.70
2015 (1)	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2016	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2017	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2018	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05

Fiscal Year	Bi-Monthly Fixed Charge	Emergency Drought Stage 2 - Consumption Charges						
		Up to 8 HCF	From 9 to 16 HCF	From 17 to 24 HCF	From 25 to 32 HCF	From 33 to 40 HCF	From 41 to 48 HCF	All Over 49 HCF
2015 (1)	\$ 46.85	\$ 0.84	\$ 1.48	\$ 1.94	\$ 2.41	\$ 3.05	\$ 3.53	\$ 4.05
2016	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2017	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05
2018	46.85	0.84	1.48	1.94	2.41	3.05	3.53	4.05

Notes:

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

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

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

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

Source: City of Tustin Finance Department

CITY OF TUSTIN

WATER CUSTOMERS

Current Year and Ten Years Ago

Water Customer	2018		2009	
	Water Charges	Percent of Total Water Revenues	Water Charges	Percent of Total Water Revenues
Tustin Unified School District	\$ 627,777	3.44%	\$ 492,401	4.47%
City of Tustin	138,874	0.76%	135,365	1.23%
Ricoh Electronics, Inc.	57,528	0.32%		
Key Inn	54,087	0.30%		
Schroeder Property Management	50,506	0.28%	66,053	0.60%
Tustin Plaza Center, LP	49,011	0.27%		
Residence Inn Tustin	43,635	0.24%		
CalTrans - District 12	42,176	0.23%	56,521	0.51%
Westchester Park LP	39,759	0.22%	39,431	0.36%
Tustin Acres Community Association	39,403	0.22%	136,062	1.24%
AT& T Services, Inc.	38,634	0.21%		
CA 4-14 FUND, LLC	35,865	0.20%		
Fairfield Inn & Suites Tustin	34,884	0.19%		
School's First Credit Union	29,414	0.16%		
Sierra Corporate Management	28,882	0.16%	135,135	1.23%
15701 TV Way Partnership	28,276	0.16%		
Alta Newport Hospitals Inc	27,923	0.15%		
Ems Development Co	25,986	0.14%		
Briarwood Investment Co. Ltd.	24,403	0.13%	35,290	0.32%
HSA LP	23,755	0.13%	87,814	0.80%
71286 JMJ LLC	19,548	0.11%		
Tustin Village Community Association	18,856	0.10%	35,008	0.32%
CMC Association Management	15,770	0.09%	40,556	0.37%
Saddleback Mobilodge	14,752	0.08%	35,961	0.33%
Alders Apartment Company	14,299	0.08%	31,658	0.29%
Bascom East Tustin Ave Apt LLC			110,099	1.00%
SP/P Creekside Venture, LLC			84,222	0.76%
Lester L Frame			67,568	0.61%
AIMCO-LP, INC.			48,928	0.44%
Greenwood and McKenzie			47,606	0.43%
V KAY - NNC Valencia Gardens			45,527	0.41%
Sycamore Creek Apartments			41,731	0.38%
Carmel Partners, MS#3			39,418	0.36%
Villa Valencia MHP			37,028	0.34%
Arnel Management			36,802	0.33%
Regency West			32,805	0.30%
Waterstone Gardens Investments LP			31,021	0.28%
Total Water Sales	\$ 1,524,002	8.36%	\$ 1,950,010	17.70%

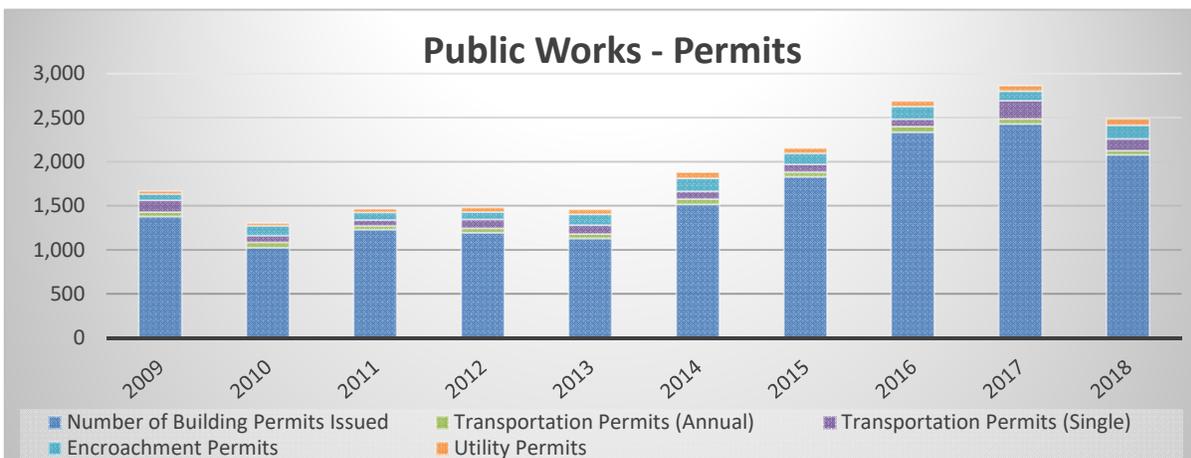
Source: City of Tustin Finance Department

CITY OF TUSTIN

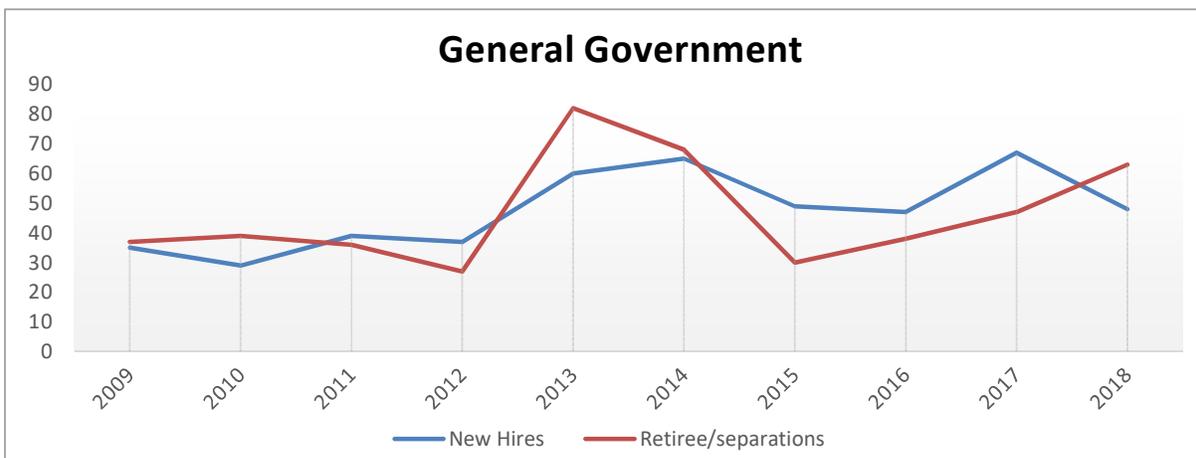
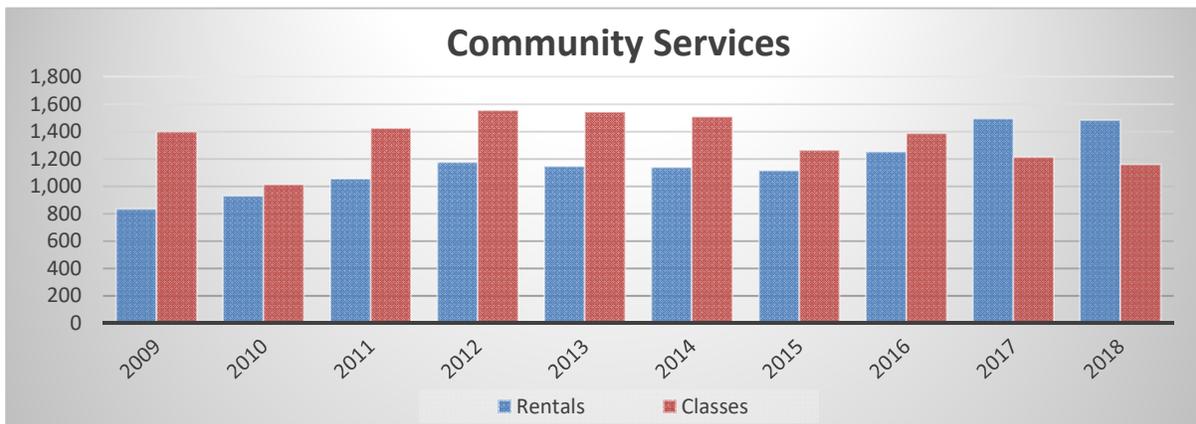
OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011	2012	2013
Public Safety					
Moving Citations	7,363	7,439	6,954	5,161	3,748
Parking Violations	6,501	9,242	9,594	8,323	7,754
Arrests	2,411	2,419	2,288	2,177	2,420
Calls for Service	29,387	28,534	26,819	27,774	27,954
Public Works					
Number of Building Permits Issued	1,380	1,023	1,230	1,193	1,130
Number of Building Inspections Completed	26,962	15,999	10,656	8,019	5,934
Transportation Permits					
Annual	50	61	45	50	50
Single	131	76	62	104	99
Encroachment Permits	72	113	88	83	123
Utility Permits	35	31	40	48	55
Curb Miles Swept	20,223	20,666	20,608	20,872	20,003
Community Services					
Rentals	835	929	1,055	1,176	1,147
Classes	1,400	1,013	1,424	1,555	1,544
General Government					
New Hires	35	29	39	37	60
Retiree/separations	37	39	36	27	82



Fiscal Year				
2014	2015	2016	2017	2018
3,499	5,444	6,982	5,590	4,762
7,136	11,994	13,855	14,514	16,836
2,139	2,155	2,494	2,343	2,302
29,527	33,114	36,618	35,172	36,571
1,517	1,828	2,334	2,430	2,078
5,655	6,344	11,947	11,768	9,816
59	55	66	56	46
89	88	82	208	137
148	124	147	107	155
66	60	59	62	71
21,118	20,773	22,087	20,589	20,270
1,138	1,117	1,253	1,494	1,483
1,508	1,265	1,389	1,213	1,160
65	49	47	67	48
68	30	38	47	63



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