



**CITY OF TURLOCK**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**



**City of Turlock**  
**For the year ended June 30, 2008**  
**Table of Contents**

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	<u>Page</u>
<b>Independent Auditors' Report</b>	
<b>Management's Discussion and Analysis.....</b>	<b>1</b>
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements .....</b>	<b>12</b>
✓ Statement of Net Assets	
✓ Statement of Activities and Changes in Net Assets	
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements.....</b>	<b>16</b>
✓ Balance Sheet	
✓ Reconciliation of the Governmental Funds Balance Sheet to the Governmental-Wide Statement of Net Assets	
✓ Statement of Revenue, Expenditures and Changes in Fund Balances	
✓ Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Governmental-Wide Statement of Activities and Changes in Net Assets	
<b>Proprietary Fund Financial Statements.....</b>	<b>23</b>
✓ Statement of Net Assets	
✓ Combining Statement of Revenues, Expenses and Changes in Net Assets	
✓ Statement of Cash Flows	
<b>Fiduciary Fund Financial Statements .....</b>	<b>28</b>
Statement of Fiduciary Net Assets	
<b>Notes to Basic Financial Statements.....</b>	<b>30</b>
<b>Required Supplementary Information .....</b>	<b>58</b>
<b>Supplemental Information</b>	
<b>Non-Major Governmental Funds.....</b>	<b>64</b>
✓ Combining Balance Sheet	
✓ Combining Statement of Revenues, Expenditures and Changes in Fund Balances	
<b>Non-Major Proprietary Funds.....</b>	<b>75</b>
<b>Internal Service Funds .....</b>	<b>80</b>
<b>Fiduciary Funds .....</b>	<b>84</b>

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Turlock, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

Subsequent to the basic financial statements date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

As described in Note 1 to the basic financial statements, the City adopted Statement of Governmental Accounting Standards Board No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues and No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

To the Honorable Mayor and Members of City Council  
of the City of Turlock  
Turlock, California  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Supplementary Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Capricci & Carson*

Oakland, California  
December 17, 2008

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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This narrative overview and analysis is provided by the management of the City of Turlock (City) for the fiscal year 2007-08 financial statements (with comparative information for 2006-07). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes thereto.

## FISCAL YEAR 2007-08 FINANCIAL HIGHLIGHTS

### *Government-Wide Highlights*

- The City's net assets (assets in excess of liabilities) at June 30, 2008, totaled \$452 million. Governmental activities accounted for \$286 million of these net assets, while \$166 million are in the business-type activities.
- Total City revenues, including program and general revenues, were \$105.7 million; while total expenses were \$70.6 million.
- Governmental program revenues were \$33 million compared to governmental program expenses of \$47 million.
- Program revenues from business-type activities were \$36 million, while expenses for business-type activities were \$24 million.

### *Fund Highlights*

- Net General Fund expenditures exceeded revenues by \$6.2 million as compared to the prior year when revenues exceeded expenditures by \$5.9 million. For financial reporting purposes, the "General Fund" includes not only the City's General Fund, but also the Arts Commission, Special Public Safety, Tourism (2 funds) and Parking Citations funds.
- General Fund fund balance of \$16.4 million at the June 30, 2008 compared to a projected \$23.9 million when the 2007-08 budget was originally adopted. The decrease in fund balance is primarily due to appropriations for one-time expenditures for public safety for vehicles and equipment as well as advancing funds for the design of a new public safety facility. The advance of approximately \$4.6 million is anticipated to be repaid when the long-term financing is for the project is completed. In addition, when the 2007-08 budget was prepared, the City was in contract negotiations with all of its employee bargaining units. The budget impact of these negotiations occurred after July 1, 2007.

Additional discussion regarding the financial results for fiscal year 2007-08 can be found in the "Financial Activities" section of this document.

## OVERVIEW OF THESE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are broken into the following four parts:

- 1) Management's Discussion and Analysis (this part),
- 2) The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the Notes to these financial statements, and
- 3) Required Supplemental Information.

## THE BASIC FINANCIAL STATEMENTS

### Government-wide Financial Statements

The Government-wide Financial Statements provide a longer-term, broader view of the City's activities as a whole. These Statements are more similar to private-sector financial statements than the fund financial statements. The Government-wide Financial Statements are comprised of the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*.

**City of Turlock**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2008**

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The *Statement of Net Assets* provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by the private sector. The difference between the City's assets and liabilities is reported as "net assets". Over time, this Statement may serve as an indicator of the City's general health and whether its overall financial position is improving or deteriorating.

*The Statement of Activities and Changes in Net Assets* provides information about all the City's revenues and all its expenses. This Statement is also prepared using the full accrual basis of accounting, with an emphasis on measuring net revenues or expenses for each of the City's programs.

All of the City's activities are grouped into either Governmental or Business-type activities as explained below. All the amounts in the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets* are separated into Governmental or Business-type Activities in order to provide a summary of these two activities of the City as a whole.

- **Governmental activities**—All of the City's basic services are considered to be governmental activities. These services include public safety (police and fire), parks and recreation, streets and highways, public improvements, community development and general administration. General City revenues such as taxes and program-specific revenues such as developer impact fees support and finance these services.

The City's governmental activities include the activities of a separate legal entity, the City of Turlock Redevelopment Agency, because the City is financially accountable for the Agency.

- **Business-type activities**—All the City's enterprise activities are reported here including water, sewer, airport, transit and building department operations. Unlike governmental services, these services are supported by charges paid by the users of these services.

As noted above, the Government-wide financial statements are prepared on the full accrual basis of accounting, which means they measure the flow of all economic resources of the City as a whole.

#### Fund Financial Statements

The Fund Financial Statements report the City's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called "major funds". Major funds account for the most significant financial activities of the City and are presented individually, while the activities of non-major funds are presented in summary with subordinate schedules presenting the detail for each of these other funds. The concept of major funds, and the determination of which funds are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Since the City's most significant fiscal activities may change from year to year, the funds designated as "major funds" may also change from year to year.

Fund Financial Statements include governmental, enterprise, internal service and fiduciary funds as follows:

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

The City of Turlock has twenty-nine governmental funds of which four are considered major funds for presentation purposes. Each major fund is presented separately in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. The

**City of Turlock**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2008**

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City's four major funds are – the General, Gas Tax/Street Improvement, Redevelopment and Facility Fee funds. The financial information for the remaining twenty-five non-major governmental funds is combined into a single, aggregated presentation. The basic governmental fund financial statements can be found starting on page 12 in this report.

Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis, as in the past, and include all their assets and liabilities, current and long-term. The City's Enterprise Funds account for the financial activity of the City's water, sewer, airport, transportation (fixed route and dial-a-ride) and building/safety services. The Internal Service funds account for the financial activity of the City's equipment pool, self-insurance, information systems, and engineering services activities. Because these activities primarily benefit the governmental rather than business-type functions, the resulting financial activities of the Internal Service funds have been included within the governmental activities in the governmental-wide financial statements. The Enterprise and Internal Service Fund Financial Statements can be found starting on page 23.

Fiduciary Fund Financial Statements are used to account for resources held for the benefit of parties outside the government. They are not included in the government-wide financial statements because their resources are not available to support the City's own programs.

Notes to the Financial Statements

The notes to the 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 can be found starting on page 30.

**City of Turlock**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2008**

**FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE**

Over time, net assets may serve as an indicator of a governmental entity's financial position. The following two tables focus on the net assets and changes in net assets of the City of Turlock's Governmental and Business-Type Activities as presented in the Government-wide *Statement of Net Assets* and *Statement of Activities and Changes in Net Assets*.

<b>SCHEDULE OF NET ASSETS</b>						
(in thousands of dollars)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>For the FYE June 30</b>		<b>For the FYE June 30</b>		<b>For the FYE June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Cash and investments	\$ 112,337	\$ 102,125	\$ 82,136	\$ 50,281	\$ 194,473	\$ 152,406
Other assets	25,443	24,538	3,318	3,632	28,761	28,170
Capital assets, net	194,518	183,152	185,562	170,251	380,080	353,403
<b>Total assets</b>	<b>332,298</b>	<b>309,815</b>	<b>271,016</b>	<b>224,164</b>	<b>603,314</b>	<b>533,979</b>
Long-term liabilities	35,696	36,477	97,222	67,310	132,918	103,787
Other liabilities	10,408	7,909	7,830	5,265	18,238	13,174
<b>Total liabilities</b>	<b>46,104</b>	<b>44,386</b>	<b>105,052</b>	<b>72,575</b>	<b>151,156</b>	<b>116,961</b>
Net assets:						
Invested in capital assets, net of debt	176,207	176,604	113,034	105,732	289,241	282,336
Restricted	84,742	57,637			84,742	57,637
Unrestricted	25,245	31,188	52,930	45,857	78,175	77,045
<b>Total net assets</b>	<b>\$ 286,194</b>	<b>\$ 265,429</b>	<b>\$ 165,964</b>	<b>\$ 151,589</b>	<b>\$ 452,158</b>	<b>\$ 417,018</b>

As noted above, the City's primary investment is in its *capital assets, net of related debt*. Capital assets, which account for approximately 64% of the City's total net assets, include all infrastructure such as the street/roadway system; sewer, water and storm drain collection systems as well as retention basins; the wastewater treatment plant and water wells and pump stations; streetlights and traffic signals; and parks. Capital assets also include all vehicles, equipment and buildings used by City employees in the course of their daily activities. By their very nature and use, capital assets are not available for future spending and are therefore not available assets to fund future activities.

Approximately \$85 million or 19% of the City's non-capital net assets are subject to external restrictions as to their use. The remaining \$78 million is unrestricted and available to meet the City's on-going obligations to its citizens and creditors. Of this amount, \$25 million related to governmental activities and \$53 million to business-type activities.

The City's net assets increased by \$35 million during the 2007-08 fiscal year. The following table provides additional detail for this increase.

**City of Turlock**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2008**

**SUMMARY OF CHANGES IN NET ASSETS**

(in thousands of dollars)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>For the FYE June 30</b>		<b>For the FYE June 30</b>		<b>For the FYE June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Program Revenues:						
Charges for services	\$ 10,521	\$ 11,374	\$ 32,705	\$ 30,910	\$ 43,226	\$ 42,284
Operating grants and contributions	4,557	7,371			4,557	7,371
Capital grants and contributions	17,956	12,251	3,194	2,821	21,150	15,072
<b>Total Program Revenues</b>	<b>33,034</b>	<b>30,996</b>	<b>35,899</b>	<b>33,731</b>	<b>68,933</b>	<b>64,727</b>
General Revenues						
Property taxes	4,730	4,722			4,730	4,722
Sales taxes	10,430	11,148			10,430	11,148
Motor vehicle in lieu fees	5,696	5,313			5,696	5,313
Other taxes	10,304	9,978			10,304	9,978
Interest and investment earnings	2,882	2,577	1,920	1,736	4,802	4,313
Gain (loss) on disposal of capital assets	(42)		843		801	-
<b>Total General Revenues</b>	<b>34,000</b>	<b>33,738</b>	<b>2,763</b>	<b>1,736</b>	<b>36,763</b>	<b>35,474</b>
<b>Total Overall Revenues</b>	<b>67,034</b>	<b>64,734</b>	<b>38,662</b>	<b>35,467</b>	<b>105,696</b>	<b>100,201</b>
Expenses						
General government	3,504	3,144			3,504	3,144
Public safety	23,929	18,957			23,929	18,957
Public ways/facilities/transportation	9,664	8,861			9,664	8,861
Culture and recreation	4,407	4,260			4,407	4,260
Community development	3,494	3,798			3,494	3,798
Interest on long-term debt	1,587	1,577			1,587	1,577
Water			5,118	4,529	5,118	4,529
Sewer			15,841	14,912	15,841	14,912
Airport			115	1	115	1
Transportation			1,226	1,301	1,226	1,301
Building & Safety			1,671	1,558	1,671	1,558
<b>Total Expenses</b>	<b>46,585</b>	<b>40,597</b>	<b>23,971</b>	<b>22,301</b>	<b>70,556</b>	<b>62,898</b>
Increase (Decrease) in Net						
Assets before Transfers	20,449	24,137	14,691	13,166	35,140	37,303
Transfers	316	178	(316)	(178)	-	-
<b>Change in Net Assets</b>	<b>20,765</b>	<b>24,315</b>	<b>14,375</b>	<b>12,988</b>	<b>35,140</b>	<b>37,303</b>
Net Assets, beginning of year	265,429	241,114	151,589	138,601	417,018	379,715
<b>Net Assets, end of year</b>	<b>\$ 286,194</b>	<b>\$ 265,429</b>	<b>\$ 165,964</b>	<b>\$ 151,589</b>	<b>\$ 452,158</b>	<b>\$ 417,018</b>

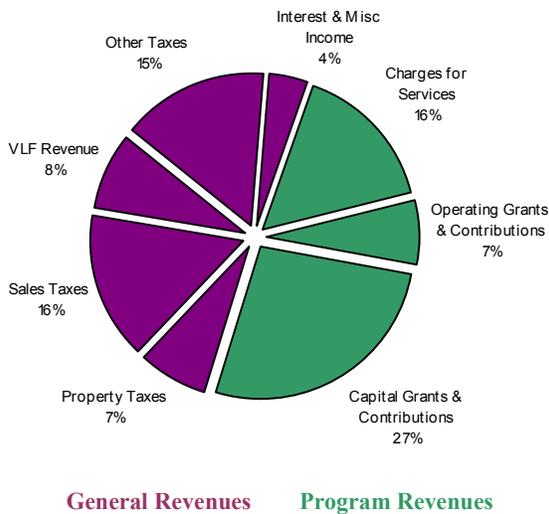
**City of Turlock  
Management’s Discussion and Analysis (continued)  
For the Year Ended June 30, 2008**

As the above table shows, \$68.9 million of the City’s \$105.7 million in total revenues comes from program revenue sources. GASB 34 defines program revenues as those derived directly from the program itself (user fees) or from parties outside the reporting government’s taxpayers or citizenry. Program revenues reduce the need for the cost of the function to be financed by general government revenues. The largest portion of the City’s program revenues is “Charges for Services” which include user fees from the City’s water and sewer operations, building permit-related fees, developer impact fees and special assessments.

Expenses are presented on a functional basis and represent only current year expenses. As such, they do not include capital outlay expenditures. In accordance with GASB 34, capital outlay expenditures are included in “capital assets” on the City’s *Statement of Net Assets*.

Citywide expenses, which totaled \$70.6 million, consisted of \$46.6 million for governmental activities and \$24.0 million for business-type activities. Of the \$46.6 million in governmental activity expenses, \$23.9 million or 51.4% relate to the provision of public safety (police and fire) services. The next largest component was \$9.7 million or 20.7% for public ways/facilities/transportation. This would include expenditures incurred to maintain the City’s street system as well as City buildings.

**Governmental Activities**



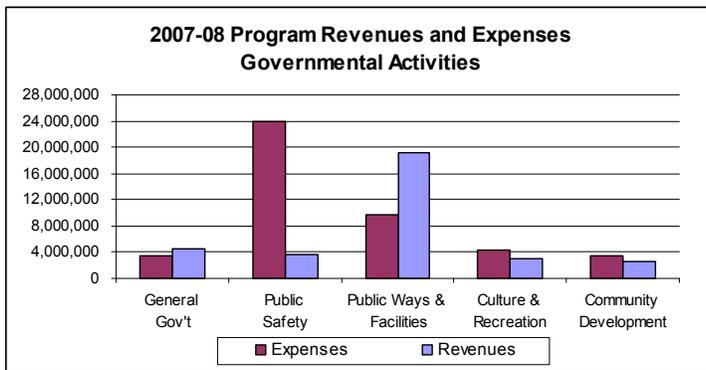
Governmental activity revenues totaling \$67 million are comprised of various non-dedicated tax revenues as well as revenues received for specific purposes. Specific purpose or “program” revenues are categorized as follows:

- Charges for Services – Revenues for specialized City services which are typically not demanded by the general population – totaled \$10,520,627 representing an 7.5% decrease over the prior year. Included in this revenue category are the special assessment revenues charged by the City’s Lighting and Landscape maintenance districts. As the City adds districts, the revenue grows. This revenue category also includes repayments from first-time homebuyer loan recipients and reimbursements from the State for costs incurred due to State mandates. Both revenue sources declined during 2007-08.
- Operating Grants & Contributions – Revenues received from other governmental agencies which are primarily used for operational needs – totaled \$4,557,171 representing a 38% reduction over the prior year. Lower Local Transportation Fund (LTF) and federal CDBG and HOME (HUD) grant revenues accounted for the majority of this decrease. In 2005-06 the Stanislaus Council of Governments (StanCOG) received more sales tax revenue for street maintenance purposes than it had previously estimated (allocated). These additional amounts were allocated to local jurisdictions in 2006-07. There was not a similar allocation in 2007-08. Usage of CDBG and HOME grant revenues was down in 2007-08 due to the receipt of proceeds resulting from the sale of property held by the City’s Housing Services division. HUD regulations require that non-HUD funds (i.e. sales proceeds) be used for program expenditures prior to drawing on HUD grants.
- Capital Grants & Contributions – These are typically development impact related revenues which are collected to finance the cost of new infrastructure – totaled \$17,596,762 representing a 44% increase

**City of Turlock  
Management’s Discussion and Analysis (continued)  
For the Year Ended June 30, 2008**

over the prior year. The City’s Westside Industrial Specific Plan and Northeast Turlock Master Plan areas realized increased revenues over the prior year. In addition, the City received approximately \$1.1 million in Proposition 1B funds to be used for street/road improvements.

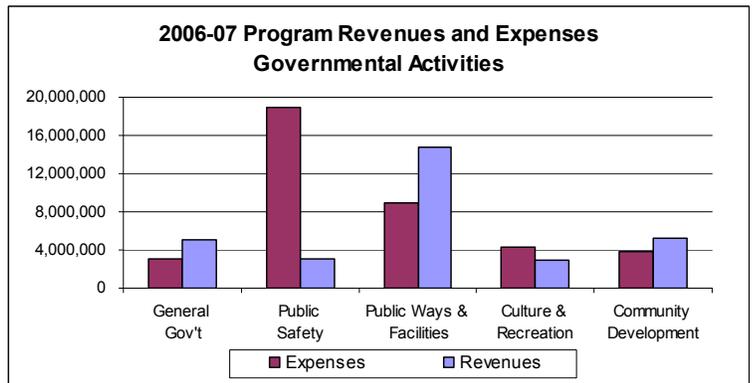
General revenues are all other revenues not classified as program revenues and are generally received for unrestricted uses. General revenues include property taxes, sales tax, motor vehicle in-lieu fees, franchise fees, business license fees, transient occupancy taxes and investment earnings. The City’s governmental activity general revenues totaled \$34 million for fiscal 2007-08, representing only a minor increase over the prior year. Changes within this category include decreased sales tax receipts (-6.4%) and increased motor vehicle in lieu, other taxes and investment earning (5.7%). General governmental activity revenues are primarily used to finance governmental activities such as public safety, park maintenance, culture and recreation programs and general government administration.



The tables to the left and below graphically depict the typical relationship between program revenues and expenses for Governmental Activities for the past two years. In total, 2007-08 expenses for Governmental Activities exceeded revenues by \$13.6 million whereas in 2006-07 expenses exceeded revenues by \$9.6 million. The majority of the increase in expenditures between 2006-07 and 2007-08 comes in the public safety and public facilities-infrastructure sectors. In 2007-08, the City

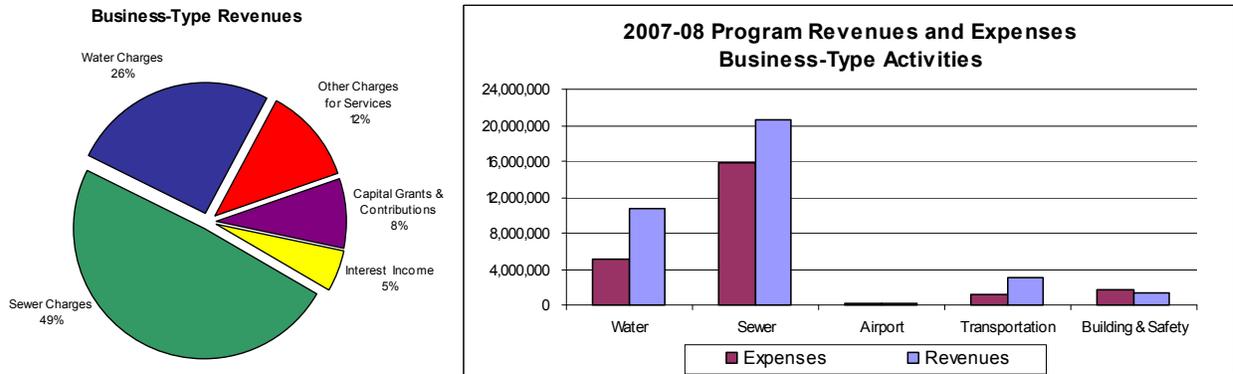
Council implemented the first year of a 3-year strategic plan designed to increase police services which included the addition of 10 new positions within the police department. The City Council also approved the addition of three new positions within the fire department.

In the program areas where revenues exceeded expenses, revenues include those collected for future capital expenses. In addition, revenues received to fund the City’s low-income housing loan programs will not have a corresponding expense (the cash outlay for the loan is reflected as a receivable in the financial statements).



**City of Turlock  
Management’s Discussion and Analysis (continued)  
For the Year Ended June 30, 2008**

**Business-Type Activities**



Revenues for business-type activities totaled \$38.7 million and related expenses totaled \$24.0 million of which \$15.8 million or 66% related to the maintenance and operations of the City’s wastewater treatment plant and the City’s storm drain collection system. Potable water maintenance and operations accounted for \$5.1 million or 21% of business-type activities expenses.

**THE CITY’S FUND FINANCIAL STATEMENTS**

*Governmental Funds*

As noted earlier, the focus of the City’s governmental funds (General, Special Revenue and Capital Projects) is to provide information related to resource (mainly cash) near-term inflows, outflows and spendable balances. This focus does not include capital assets and long-term debt. For each fund, the “unreserved fund balance” may serve as a useful measure of the fund’s net spendable resources for the upcoming year.

At June 30, 2008, the City’s governmental funds reported combined fund balances of \$95.5 million, which is an increase of \$5.3 million when compared with the prior year. This compares with a \$10.5 million increase (net of the effects of the 2006 bond issuance) in 2006-07. The General Fund’s fund balance is \$16.4 million. At June 30, 2008. Governmental fund revenues were \$68.3 million this year, of which General Fund revenues totaled \$30.7 million or 45%. Governmental fund expenditures totaled \$63.3 million and the General fund represented 50.6% of the total or \$32 million.

The following provides additional information for selected governmental funds.

**General Fund** – As previously mentioned, for financial reporting purposes, the “General Fund” includes not only the City’s General Fund, but also the Arts Commission, Special Public Safety, Tourism (2 funds) and Parking Citations funds. At June 30, 2008, the General Fund had a fund balance of \$16.4 million of which \$11.2 million was unreserved and undesignated. As noted in footnote 1(K), for financial statement purposes, amounts can only be reserved or restricted if the reservation or restriction is to satisfy a legal covenant or obligation. General Fund expenditures and transfers out exceeded revenues and transfers in by \$6.2 million during the 2007-08 fiscal year as compared to \$5.9 million in revenue over expenditures in the 2006-07 fiscal year. Included in total general fund expenditures is a \$4.6 million transfer to the Capital Facilities Fee fund to provide temporary funding for the design work related to a new public safety facility. It is anticipated that these monies will be repaid to the General Fund when the construction financing for the new facility is completed in 2-3 years.

**City of Turlock  
Management's Discussion and Analysis (continued)  
For the Year Ended June 30, 2008**

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Total revenues for 2007-08 came in approximately \$740,000 lower than projected. Property tax revenues came in approximately \$120,000 lower than budgeted while sales tax revenues came in almost \$1.2 million lower than projected. The decrease in property tax revenue reflects the slowing housing market as revenues associated with the change of ownership (property transfer taxes and supplemental assessments) declined below both 2007-08 estimates and 2006-07 actuals. The decrease in sales tax revenue reflected the state of the economy in the Turlock area and the Central Valley as a whole. Fines and forfeitures revenue increased due to expanded traffic enforcement and parking details. Investment income was approximately \$446,000 higher reflecting higher rates of return for most of 2007-08.

Final expenditures were \$2 million more than originally budgeted, but \$1.6 million less than the adjusted budget. During 2007-08, various budget amendments were approved by the City Council to fund additional public safety activities as well as increased costs associated with settling contracts with the City's bargaining units. The savings realized between actual expenditures and the final amended budget are primarily from budgeted positions which were unfilled for all or a portion of the year.

**Gas Tax/Street Improvement Fund** – This fund accounts for the Gas Tax, Local Transportation Fund (LTF) and Federal/State grant monies the City receives for street maintenance and repair. Gas Tax revenues are received monthly throughout the year and support a majority of the City's street maintenance efforts. The City receives its LTF funds from the County's regional transportation planning agency after the dollars allocated for transit purposes have been satisfied. In addition to being used for street maintenance purposes, the City also leverages LTF funds to obtain federal and state grants for street and road improvement projects. Federal and state grant monies allocated for street/road improvement projects are received on a reimbursement basis, typically at the end of a project.

The fund balance for the Gas Tax/Street Improvement Fund increased by \$165,000 to a balance of \$2.1 million at June 30, 2008. Just over \$1 million of the fund balance is made up of Proposition 1B money that the City received in the Spring of 2008 and will be expended over the next 2-3 years on road improvement projects. As with the Proposition 42 monies that the City has received in prior years, Prop 1B monies will be used as local matches for federal grant-funded projects or in areas of the City which don't have assessment districts to fund road improvements.

**Redevelopment Fund** – This fund accounts for activities funded by 80% of the tax increment the Agency receives as well as projects funded with bond proceeds. During 2007-08 the Agency targeted most of its efforts in spending the proceeds of the Tax Allocation Revenue Bonds which were issued in August 2006. Assistance provided funding (in conjunction with Capital Facility Fees) for the construction of a replacement Fire Station #1 (the old station had out lived its useful life) as well as other infrastructure projects in town including Westside Industrial Specific Plan area water and sewer lines, improvements at Columbia Park, and assistance with the design process for rebuilding the Carnegie Arts facility. The Agency also purchased property which is anticipated to be used for a new public safety facility from the City's Housing Services division. This property, located in the downtown area, had originally been acquired as part of a planned multi-use development in conjunction with the County. Changing demands deemed this project not viable resulting in the Agency buying the property from the Housing division.

**Facility Fees** – The City charges a Capital Facilities Fee (CFF) to new development to fund Citywide improvements for roadways, general government capital facilities, police service facilities and equipment, and fire service facilities and equipment. The program specifically identifies new capital improvement projects which are development driven and development's proportionate cost of the project. Major projects this year were the completion of construction of Fire Station #1 and interchange improvements at Tuolumne Road and Golden State Boulevard.

**City of Turlock  
Management's Discussion and Analysis (continued)  
For the Year Ended June 30, 2008**

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*Proprietary Funds*

The City's proprietary funds provide the same information found in the government-wide financial statements for business-type activities only in a little more detail. The net assets for the City's proprietary funds increased \$14 million during fiscal year 2007-08, which compares to a \$13 million increase for fiscal year 2006-07. Overall operating revenues rose 5.8%. Total revenues for the City's water operations rose 9.6% while revenue for the sewer operations decreased just over 1%. Water revenues increased primarily due to a 12% increase in monthly user rates effective July 1, 2007. This is the 4<sup>th</sup> of a 5-year rate plan the City implemented in anticipation of a bond issuance to fund system improvements. Water Revenue Bonds with a par of \$32,365,000 were issued in May 2008. The proceeds of the issuance will provide funding for the installation of remotely read water meters at all City water user locations as well as for various infrastructure improvements such as two water storage towers, a new well and improvements to an existing well, and various water-line improvements. The installation of water meters is a requirement of State law which requires water usage charges to be billed on a metered basis by 2010.

Operating expenditures for the water and sewer operations rose between 8% - 9% during 2007-08. Personnel expenditures, costs of supplies to operate the respective systems, and the system repairs accounted for the majority of the cost increases between the two years. It should be noted that new development pays – via development impact fees - for the construction of infrastructure in the newly developing areas of town. The monthly user fees pay for the on-going delivery of water and sewer services as well as for the cost of replacing infrastructure either due to age or increasing regulatory requirements.

**CAPITAL ASSETS**

At June 30, 2008, the City had \$380.1 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities. This investment includes land and improvements, buildings, machinery, equipment, vehicles, infrastructure and construction in progress. Infrastructure assets include items which are not moveable and are normally of use only to the City such as streets/roads, bridges, sidewalks, street lighting and traffic signals, parks, drainage systems, sewer collection and treatment systems and water distribution systems. Net additions to the City's capital asset investment (including construction in progress) during fiscal year 2007-08 were over \$35 million. The majority of these additions related to infrastructure – streets/roads, water, sewer and storm drain pipes, and park - improvements. Additional information regarding the City's capital assets can be found in Note 5 on page 46 of this report.

**DEBT ADMINISTRATION**

At June 30, 2008, the City had \$134.3 million in debt outstanding as compared to \$104.4 million for the prior year. As noted above (see Proprietary Funds), the Turlock Public Financing Authority issued \$32,365,000 in Water Revenue Bonds in May 2008, the proceeds of which were used to finance various infrastructure projects supporting the City's potable water operations. The City's total debt service requirements for the 2008-09 are approximately \$9.8 million with the bulk of the requirements coming from semi-annual payments for the 1999 and 2003A Sewer Revenue (\$1.5 million and \$3.2 million, respectively), the 2008 Water Bonds (\$2.3 million) and the 2006 Tax Allocation Revenue Bonds (\$1.5 million).

The City has no general revenue bonds outstanding. Of the total \$9.8 million in debt service requirements for 2008-09, approximately 27.4% or \$2.7 million is related to governmental activities and none is currently repaid with General Fund dollars.

Additional information regarding each of the City's debt issues as well as debt service requirements is discussed in greater detail in Note 6 to the financial statements starting on page 48.

**City of Turlock  
Management's Discussion and Analysis (continued)  
For the Year Ended June 30, 2008**

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**ECONOMIC FACTORS and NEXT YEAR'S BUDGET AND RATES**

Key assumptions in the revenue forecast for the 2008-09 fiscal year are:

1. Based on the 2007-08 revenue projections available at the time the 2008-09 budget was prepared, current secured property tax revenue is projected to slightly decrease due to the current housing market. During the 2008-09 budget process, the Stanislaus County Assessor's Office informed City Staff that they would be adjusting Proposition 13 assessed values downward for properties changing ownership in the past 5-7 years. Using this information and projecting minimal Proposition 13 growth for those properties which did not change ownership within the past 5-7 years as well as the addition of new units, Staff projected current secured property tax revenues to decrease approximately 4% or \$150,000.
2. When the 2008-09 budget was prepared, sales tax revenues for 2007-08 was projected to be \$12.3 million. Based on this projection, 2008-09 projections for sales tax revenues totaled \$12 million. Actual revenue for the 2007-08 fiscal year totaled \$10.4 million, a \$717,000 decrease from 2006-07 levels. Turlock is experiencing the same consumer spending pullbacks as is the entire State of California. Record high fuel prices for a majority of 2008 combined with the depressed housing market is showing up in the lack of consumer spending. Staff is currently projecting 2008-09 revenues to be the same as 2007-08 revenues.
3. Motor vehicle in lieu (VLF) revenue is projected to increase by approximately 1% over 2007-08 actuals. This revenue source comes to the City in two revenue streams. The amount representing the statutory 0.65% paid by the tax payer is remitted to the City from the State monthly based on actual receipts. The remaining difference (2% previously allocated to local agencies less 0.65% currently paid by the taxpayer) is remitted to local agencies via the County twice a year. Beginning in 2006-07 the growth in VLF revenue remitted by the County was based on growth in assessed property values within Turlock (rather than the growth in vehicles registered in Turlock as was the previous methodology). Staff is projecting no growth in VLF revenues for 2008-09.
4. The City Council adopted the second phase of a three-phase Strategic Plan for the Police Department in the 2008-09 budget. The second phase included the addition of ten new positions within the Police Department (on top of ten additional positions added in 2006-07). In addition, six new firefighter positions were added to the Fire Department budget. The personnel, equipment and vehicle costs of these additions is approximately \$1.9 million, 77% of which is borne by the General Fund.

During 2008-09, the monthly rate paid by citizens for water service is scheduled to increase by 5%. The water rate increase is the 5<sup>th</sup> year of a 5-year plan established to fund needed improvements to the City's aging water system infrastructure. In addition, the City will complete the installation of water meters for all Turlock water system users. It is anticipated that early in 2008-09 the City will acquire a new software package that will allow all users to be billed for water usage on a metered basis. This system will be operational by 2010 as required by State law. It is unknown at this time what effect this change in billing will have on monthly user revenues in the Water Enterprise Fund.

**REQUESTS FOR INFORMATION**

This Basic Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the City's Finance Department, at 156 South Broadway, Suite 110, Turlock, CA 95380.

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## **BASIC FINANCIAL STATEMENTS**

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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The *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets* (which were new under Government Accounting Standards Board (GASB) Statement No. 34), summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses; which means they include all the City's assets and liabilities, as well as all its revenues and expenses. This is known as the full accrual basis of accounting under which all of the City's transactions are taken into account, regardless of whether or when cash changes hands.

The *Statement of Net Assets* reports the difference between the City's total assets and the City's total liabilities. Capital assets are included as part of total assets and long-term debt is included as part of total liabilities. The *Statement of Net Assets* presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The financial information presented on the *Statement of Net Assets* is separated between the City's Governmental Activities in one column and the City's Business-Type Activities in another column. These two columns are combined into a "Total" column which presents the City's entire financial position.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue and Capital Projects funds. Since the City's Internal Service Funds provide service to the activities of these funds, the Internal Service fund activities are consolidated with Governmental Activities. As part of the consolidation process, inter-fund transactions and balances are eliminated. The City's Business-Type Activities include all its Enterprise Fund activities.

The *Statement of Activities and Changes in Net Assets* reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund Financial Statements, which reflect only current assets, current liabilities and available revenues and measurable expenditures.

The format of the *Statement of Activities and Changes in Net Assets* differs considerably from those used in the past. It presents the City's expenses first, listed by function or program for governmental activities, followed by expenses by function/program for its business-type activities. Program revenues – that is revenues which are generated directly by these programs – are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the *Statement of Net Assets*.

Both these Statements include the financial activities of the City, the Turlock Redevelopment Agency and the Turlock Public Financing Authority. The Agency and Authority, which are separate legal entities, are accounted for as blended component units of the City because they are controlled by the City Council and the City is financially accountable for the activities of each entity.

**City of Turlock**  
**Statement of Net Assets**  
**June 30, 2008**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 98,890,432	\$ 54,752,325	\$ 153,642,757
Cash and investments with fiscal agent	13,446,430	27,383,796	40,830,226
Accounts receivable	4,993,013	2,093,071	7,086,084
Interest receivable	673,405	489,656	1,163,061
Due from developers	20,041	157,663	177,704
Total current assets	<u>118,023,321</u>	<u>84,876,511</u>	<u>202,899,832</u>
Noncurrent assets:			
Loans receivable	19,105,919		19,105,919
Internal balances	-	-	-
Deferred charges	650,959	577,284	1,228,243
Capital assets:			
Non-depreciable	25,068,304	19,444,125	44,512,429
Depreciable, net	169,449,748	166,117,642	335,567,390
Total capital assets	<u>194,518,052</u>	<u>185,561,767</u>	<u>380,079,819</u>
Total noncurrent assets	<u>214,274,930</u>	<u>186,139,051</u>	<u>400,413,981</u>
<b>Total Assets</b>	<u>332,298,251</u>	<u>271,015,562</u>	<u>603,313,813</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	4,678,941	3,011,170	7,690,111
Payroll payable	1,989,340	196,382	2,185,722
Interest payable	517,981	1,152,063	1,670,044
Unearned revenue	192,250	609,668	801,918
Deposits payable	1,382,511	315,779	1,698,290
Compensated absences, due within one year	500,965	129,639	630,604
Long-term debt, due within one year	1,145,854	2,414,866	3,560,720
Total current liabilities	<u>10,407,842</u>	<u>7,829,567</u>	<u>18,237,409</u>
Noncurrent liabilities:			
Claims liability	2,764,380		2,764,380
Compensated absences, due in more than one year	2,003,866	518,556	2,522,422
Long-term debt, due in more than one year	30,927,489	96,703,638	127,631,127
Total noncurrent liabilities	<u>35,695,735</u>	<u>97,222,194</u>	<u>132,917,929</u>
<b>Total Liabilities</b>	<u>46,103,577</u>	<u>105,051,761</u>	<u>151,155,338</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	176,207,449	113,033,675	289,241,124
Restricted for:			
Capital projects	40,249,178		40,249,178
Special projects and programs	44,493,337		44,493,337
Total restricted	<u>84,742,515</u>	-	<u>84,742,515</u>
Unrestricted	25,244,710	52,930,126	78,174,836
<b>Total Net Assets</b>	<u>\$ 286,194,674</u>	<u>\$ 165,963,801</u>	<u>\$ 452,158,475</u>

See accompanying Notes to Basic Financial Statements.

**City of Turlock**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 3,503,727	\$ 3,317,116	\$ 89,124	\$ 1,077,652
Public safety	23,928,647	1,580,202	898,392	1,284,337
Public ways and facilities/transportation	9,664,415	3,034,924	1,624,964	14,492,678
Culture and recreation	4,407,569	1,514,817	434,599	1,024,744
Community development	3,493,756	1,073,568	1,510,092	77,351
Interest on long-term debt	1,586,877			
<b>Total governmental activities</b>	<b>46,584,991</b>	<b>10,520,627</b>	<b>4,557,171</b>	<b>17,956,762</b>
<b>Business-type activities:</b>				
Water	5,118,093	9,675,570		1,063,571
Sewer	15,841,060	18,511,357		2,130,043
Airport	114,902	137,996		
Transportation	1,225,587	3,067,060		
Building & Safety	1,670,976	1,312,867		
<b>Total business-type activities</b>	<b>23,970,618</b>	<b>32,704,850</b>	<b>-</b>	<b>3,193,614</b>
<b>Total primary government</b>	<b>\$ 70,555,609</b>	<b>\$ 43,225,477</b>	<b>\$ 4,557,171</b>	<b>\$ 21,150,376</b>

**General revenues and transfers:**

Taxes:  
Property  
Sales  
Motor vehicles tax  
Other  
Total

Interest and investment earnings  
Gain (loss) on disposal of capital assets  
Transfers

**Total general revenues and transfers**

**Changes in net assets**

**Net Assets:**

Beginning of year

End of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue  
and Changes in Net Assets

Total	Governmental Activities	Business-type Activities	Total
\$ 4,483,892	\$ 980,165	\$	\$ 980,165
3,762,931	(20,165,716)		(20,165,716)
19,152,566	9,488,151		9,488,151
2,974,160	(1,433,409)		(1,433,409)
2,661,011	(832,745)		(832,745)
-	(1,586,877)		(1,586,877)
33,034,560	(13,550,431)	-	(13,550,431)
10,739,141		5,621,048	5,621,048
20,641,400		4,800,340	4,800,340
137,996		23,094	23,094
3,067,060		1,841,473	1,841,473
1,312,867		(358,109)	(358,109)
35,898,464	-	11,927,846	11,927,846
\$ 68,933,024	(13,550,431)	11,927,846	(1,622,585)
	4,729,728		4,729,728
	10,430,385		10,430,385
	5,696,310		5,696,310
	10,303,806		10,303,806
	31,160,229	-	31,160,229
	2,881,965	1,919,968	4,801,933
	(42,150)	843,371	801,221
	316,298	(316,298)	-
	34,316,342	2,447,041	36,763,383
	20,765,911	14,374,887	35,140,798
	265,428,763	151,588,914	417,017,677
\$ 286,194,674	\$ 165,963,801	\$	\$ 452,158,475

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## FUND FINANCIAL STATEMENTS

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GASB 34 revised the format of the Fund Financial Statements so that only individual *major funds* are presented, while *non-major funds* are combined and presented in a single column. Major funds are generally defined as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

### GOVERNMENTAL FUNDS

The funds described below were determined to be Major Governmental Funds by the City for fiscal year 2007-08. Individual non-major funds may be found in the Supplemental section. This section also contains a reconciliation between the Fund Balance and the Net Assets for Governmental Funds as well as a reconciliation between the Changes in Fund Balance and Changes in Net Assets for Governmental Funds.

#### GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds. Expenditure activities within the General Fund include public safety (police and fire), park maintenance, general City administration (includes City Clerk, payroll/personnel, accounts receivable, accounts payable, accounting), planning and the City attorney. For financial reporting purposes, the General Fund for the City of Turlock also includes the Arts Commission, Special Public Safety, Tourism (2 funds) and Parking Citations funds.

#### GAS TAX/STREET IMPROVEMENT

The Gas Tax/Street Improvement fund accounts for the City's Gas Tax (Highway User's Tax) and Local Transportation Fund revenues as well as federal/state/local grants received for street improvement purposes. These revenue sources are used in the maintenance of the City's street/road system including street sweeping, pothole repairs, street light/traffic signal lighting and maintenance, and various street reconstruction projects which are the result of wear and tear. Expenditures in this fund do not include street construction projects which are due to development.

#### REDEVELOPMENT

This Redevelopment Agency fund accounts for 80% of the tax increment generated within the Agency boundaries (see Housing Set-Aside in major funds for the remaining 20%). This fund accounts for the repayment of Agency debt, the tax sharing obligations with various taxing agencies within the Agency boundaries, and the expenditure of funds to eliminate blight and encourage economic development consistent with the Agency's implementation plan.

#### FACILITY FEES

The Facility Fees fund accounts for the revenue and related expenditures as outlined in the City's Capital Facilities Fee Improvement program. These fees, which are charged to new development, are designed to finance the roadway, police, fire and general government infrastructure, facilities and equipment needs throughout town which are the result of development within town.

**City of Turlock**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	Major Governmental Funds				Nonmajor Governmental Funds
	General	Gas Tax/ Street Improvement	Redevelopment	Facility Fees	
<b>ASSETS</b>					
Cash and investments	\$ 17,244,791	\$ 2,275,511	12,065,707	\$ 22,174,512	\$ 30,019,819
Cash and investments with fiscal agent			\$ 13,446,430		-
Accounts receivable	2,839,039	\$ 553,072	517,130		964,786
Interest receivable	228,310		99,513	119,476	143,818
Due from other funds	896,193				
Due from developers	20,041				
Loans receivable			60,075		19,045,844
Other Assets	5,482				14,720
<b>Total assets</b>	<b>\$ 21,233,856</b>	<b>\$ 2,828,583</b>	<b>\$ 26,188,855</b>	<b>\$ 22,293,988</b>	<b>\$ 50,188,987</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,266,655	\$ 659,961	\$ 10,028	\$ 535,179	\$ 301,692
Payroll payable	1,828,391	29,158	3,572		40,551
Due to other funds					896,193
Deferred revenue	164,250		24,281		19,073,844
Deposits payable	568,510		807,134		-
<b>Total liabilities</b>	<b>4,827,806</b>	<b>689,119</b>	<b>845,015</b>	<b>535,179</b>	<b>20,312,280</b>
<b>Fund Balances:</b>					
Reserved:					
For loans receivable/due from developers	20,041		35,794		-
Unreserved - designated:					
General Fund	5,225,623				
Special Revenue Funds		63,048			27,643
Capital Project Funds			2,243		-
Unreserved - undesignated:					
General Fund	11,160,386				
Special Revenue Funds		2,076,416			23,256,105
Capital Project Funds			25,305,803	21,758,809	6,592,959
<b>Total fund balance</b>	<b>16,406,050</b>	<b>2,139,464</b>	<b>25,343,840</b>	<b>21,758,809</b>	<b>29,876,707</b>
<b>Total liabilities and fund balance</b>	<b>\$ 21,233,856</b>	<b>\$ 2,828,583</b>	<b>\$ 26,188,855</b>	<b>\$ 22,293,988</b>	<b>\$ 50,188,987</b>

See accompanying Notes to Basic Financial Statements.

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Total

\$ 83,780,340  
13,446,430  
4,874,027  
591,117  
896,193  
20,041  
19,105,919  
20,202  

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\$ 122,734,269

\$ 3,773,515  
1,901,672  
896,193  
19,262,375  

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1,375,644  

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27,209,399

55,835

5,225,623  
90,691  
2,243

11,160,386  
25,332,521  

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53,657,571

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95,524,870

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\$ 122,734,269

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**City of Turlock**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2008**

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**Total Fund Balances - Total Governmental Funds** \$ 95,524,870

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in Governmental Funds Balance Sheet.

Non-depreciable	\$ 25,067,793	
Depreciable	214,199,119	
Less accumulated depreciation	<u>(47,549,614)</u>	191,717,298

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

Compensated absences	\$ (2,218,516)	
Capital lease obligations	(1,938,176)	
Loans payable	(191,969)	
Bonds payable	(29,126,310)	
Unamortized cost of issuance included in deferred charges	<u>630,757</u>	(32,844,214)

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

(505,280)

Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the Governmental Funds Balance Sheet

19,070,125

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds that are reported with governmental activities.

13,231,875

**Net Assets of Governmental Activities** \$ 286,194,674

**City of Turlock**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2008**

	Major Governmental Funds				Nonmajor Governmental Funds
	General	Gas Tax/ Street Improvement	Redevelopment	Facility Fees	
<b>REVENUES:</b>					
Taxes and assessments	\$ 16,605,680		\$ 5,944,102		\$ 4,048,242
Licenses and permits	1,190,984			\$ 4,765,940	5,505,296
Fines, forfeitures, and penalties	324,061				
Use of money and property	1,218,953	\$ 52,070	1,061,564	604,766	778,377
Intergovernmental	6,381,537	3,806,152			2,767,135
Charges for current services	3,271,401				552,914
Developer contributions		5,035,853			
Other	1,702,092	229,588		15,800	2,429,509
<b>Total revenues</b>	<b>30,694,708</b>	<b>9,123,663</b>	<b>7,005,666</b>	<b>5,386,506</b>	<b>16,081,473</b>
<b>EXPENDITURES:</b>					
Current:					
General government	3,200,074			76,440	108,664
Public safety	23,071,939			3,907	251,193
Public ways and facilities/ transportation	364,281	2,184,499		263,715	2,845,425
Culture and recreation	2,867,087				1,183,341
Community development	1,035,447		1,561,578		5,148,915
Capital outlay	1,355,064	7,302,725	740,119	3,963,572	3,201,476
Debt service:					
Principal	115,195	78,986	435,000	338,291	63,953
Interest and fiscal charges	27,007	13,067	1,408,174	69,899	35,093
<b>Total expenditures</b>	<b>32,036,094</b>	<b>9,579,277</b>	<b>4,144,871</b>	<b>4,715,824</b>	<b>12,838,060</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,341,386)</b>	<b>(455,614)</b>	<b>2,860,795</b>	<b>670,682</b>	<b>3,243,413</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	880,736	637,687		6,640,112	2,168,610
Transfers out	(5,763,382)	(16,929)	(2,786,133)	(336,534)	(1,031,183)
<b>Total other financing sources (uses)</b>	<b>(4,882,646)</b>	<b>620,758</b>	<b>(2,786,133)</b>	<b>6,303,578</b>	<b>1,137,427</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(6,224,032)</b>	<b>165,144</b>	<b>74,662</b>	<b>6,974,260</b>	<b>4,380,840</b>
<b>FUND BALANCES:</b>					
Beginning of year	22,630,082	1,974,320	25,269,178	14,784,549	25,495,867
End of year	\$ 16,406,050	\$ 2,139,464	\$ 25,343,840	\$ 21,758,809	\$ 29,876,707

See accompanying Notes to Basic Financial Statements.

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Total

\$ 26,598,024  
11,462,220  
324,061  
3,715,730  
12,954,824  
3,824,315  
5,035,853  
4,376,989  
68,292,016

3,385,178  
23,327,039

5,657,920  
4,050,428  
7,745,940  
16,562,956

1,031,425  
1,553,240

63,314,126

4,977,890

10,327,145  
(9,934,161)

392,984

5,370,874

90,153,996

\$ 95,524,870

# City of Turlock

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures Changes in Fund Balance to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 5,370,874</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	16,562,956
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds.	(5,062,421)
Net effect of the disposal of various capital assets resulting in a decrease in net assets.	(76,095)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.	
Principal payments on long-term debt	<u>1,031,425</u> 1,031,425
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, interest expense is not reported as an expenditure in governmental funds. In addition, governmental funds report the effect of debt issuance costs when the debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the Statement of Activities.	6,088
Changes in the accrual of compensated absences are reported in the Government-Wide Statement of Net Activities and Changes in Net Assets, but they do not require the use of (or provide) current financial resources. Therefore, changes compensated absences are not reported as expenditures (or revenues) in governmental funds.	(408,500)
Governmental funds report expenditures pertaining to the establishment of certain deferred revenue related to long-term loans made. These deferred credits are not reported on the Statement of Net Assets and, therefore, the corresponding expense is not reported on the Statement of Activities.	2,644,728
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds is reported with governmental activities. These expenditures are reported as Loans Receivable and Deferred Revenue on the fund financial statements.	<u>696,856</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>20,765,911</u></b>

See accompanying Notes to Basic Financial Statements.

## **PROPRIETARY FUNDS**

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Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. As noted with governmental funds, major fund reporting is also used for Proprietary Funds. The following briefly describes the City's major proprietary funds.

### **WATER**

The Water Fund accounts for the revenues collected and expenses incurred in providing potable water to residents throughout the City. All activities necessary to provide this service, including administration, operations/maintenance, capital improvements, billing/collections and any financing costs are accounted for in this fund.

### **SEWER**

The Sewer Fund accounts for the revenues collected and expenses incurred in conjunction with the operation and maintenance of the City's sewer and storm drainage systems throughout the City. All activities necessary to provide this service, including administration, operations/maintenance, capital improvements, billing/collections and any financing costs are accounted for in this fund.

**City of Turlock**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
	Water	Sewer			
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 21,873,049	\$ 29,541,239	\$ 3,338,037	\$ 54,752,325	\$ 15,110,092
Cash and investments with fiscal agent	22,606,216	4,777,580		27,383,796	
Accounts receivable	384,107	1,026,309	682,655	2,093,071	118,986
Interest receivable	222,312	252,900	14,444	489,656	82,288
Due from developers		157,663		157,663	
<b>Total current assets</b>	<b>45,085,684</b>	<b>35,755,691</b>	<b>4,035,136</b>	<b>84,876,511</b>	<b>15,311,366</b>
Capital assets					
Non-depreciable	11,801,779	6,230,154	1,412,192	19,444,125	
Depreciable, net of depreciation	25,404,886	136,812,626	3,900,130	166,117,642	2,800,754
<b>Total capital assets</b>	<b>37,206,665</b>	<b>143,042,780</b>	<b>5,312,322</b>	<b>185,561,767</b>	<b>2,800,754</b>
Other assets	176,893	400,391		577,284	
<b>Total assets</b>	<b>82,469,242</b>	<b>179,198,862</b>	<b>9,347,458</b>	<b>271,015,562</b>	<b>18,112,120</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	1,769,470	930,720	310,980	3,011,170	905,426
Payroll payable	45,089	118,177	33,116	196,382	87,668
Interest payable	194,433	957,630		1,152,063	12,701
Compensated absences - due within one year	31,221	81,178	17,240	129,639	57,262
Capital lease obligations - due within one year	37,433	237,433		274,866	74,865
Bonds payable - due within one year	610,000	1,530,000		2,140,000	
Claims liability - due within one year					2,764,380
Deferred revenue			609,668	609,668	-
Deposits payable	315,779			315,779	6,867
<b>Total current liabilities</b>	<b>3,003,425</b>	<b>3,855,138</b>	<b>971,004</b>	<b>7,829,567</b>	<b>3,909,169</b>
Long-term liabilities:					
Compensated absences - due in more than one year	124,883	324,710	68,963	518,556	229,053
Capital lease obligation-due in more than one year	371,011	571,011		942,022	742,023
Loans and Bonds payable, net of discounts - due in more than one year	31,613,428	64,148,188		95,761,616	
<b>Total long-term liabilities</b>	<b>32,109,322</b>	<b>65,043,909</b>	<b>68,963</b>	<b>97,222,194</b>	<b>971,076</b>
<b>Total liabilities</b>	<b>35,112,747</b>	<b>68,899,047</b>	<b>1,039,967</b>	<b>105,051,761</b>	<b>4,880,245</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	27,039,437	80,681,916	5,312,322	113,033,675	1,983,866
Unrestricted	20,317,058	29,617,899	2,995,169	52,930,126	11,248,009
<b>Total net assets</b>	<b>\$ 47,356,495</b>	<b>\$ 110,299,815</b>	<b>\$ 8,307,491</b>	<b>\$ 165,963,801</b>	<b>\$ 13,231,875</b>

**City of Turlock**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2008**

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
	Water	Sewer			
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 9,562,458	\$ 18,474,210	\$ 1,495,198	\$ 29,531,866	\$ 12,612,202
Intergovernmental			3,022,725	3,022,725	-
Connection fees	103,755	9,048		112,803	
Other income	9,357	28,099		37,456	601,831
<b>Total operating revenues</b>	<b>9,675,570</b>	<b>18,511,357</b>	<b>4,517,923</b>	<b>32,704,850</b>	<b>13,214,033</b>
<b>OPERATING EXPENSES:</b>					
Salaries	1,403,675	2,768,986	797,803	4,970,464	2,194,308
Benefits and insurance	764,447	1,582,961	436,653	2,784,061	8,400,479
Contractual	419,478	1,382,240	1,312,004	3,113,722	703,924
Supplies and maintenance	470,212	1,373,587	191,151	2,034,950	915,027
Utilities	847,070	1,190,883	18,451	2,056,404	77,768
Fleet expense	81,663	300,447	8,727	390,837	126,345
Depreciation and amortization	876,499	3,845,214	211,607	4,933,320	373,992
Other expenses	47,104	95,097	21,808	164,009	80,106
<b>Total operating expenses</b>	<b>4,910,148</b>	<b>12,539,415</b>	<b>2,998,204</b>	<b>20,447,767</b>	<b>12,871,949</b>
<b>OPERATING INCOME (LOSS)</b>	<b>4,765,422</b>	<b>5,971,942</b>	<b>1,519,719</b>	<b>12,257,083</b>	<b>342,084</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	645,060	1,194,457	80,451	1,919,968	458,308
Capital contributions	1,063,571	2,130,043		3,193,614	-
Gain (loss) on disposal of capital assets		848,915	(8,753)	840,162	12,875
Interest expense	(207,945)	(3,311,697)		(3,519,642)	(39,725)
<b>Total non-operating revenues (expenses)</b>	<b>1,500,686</b>	<b>861,718</b>	<b>71,698</b>	<b>2,434,102</b>	<b>431,458</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFER</b>	<b>6,266,108</b>	<b>6,833,660</b>	<b>1,591,417</b>	<b>14,691,185</b>	<b>773,542</b>
Transfers in	19,600	19,600	-	39,200	89,571
Transfers out	(218,339)	(77,057)	(60,102)	(355,498)	(166,257)
<b>Total transfers</b>	<b>(198,739)</b>	<b>(57,457)</b>	<b>(60,102)</b>	<b>(316,298)</b>	<b>(76,686)</b>
<b>Net income (loss)</b>	<b>6,067,369</b>	<b>6,776,203</b>	<b>1,531,315</b>	<b>14,374,887</b>	<b>696,856</b>
<b>NET ASSETS:</b>					
Beginning of year	41,289,126	103,523,612	6,776,176	151,588,914	12,535,019
End of year	\$ 47,356,495	\$ 110,299,815	\$ 8,307,491	\$ 165,963,801	\$ 13,231,875

See accompanying Notes to Basic Financial Statements.

**City of Turlock**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2008**

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total	Governmental
	Water	Sewer			Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 9,674,606	\$ 18,819,687	\$ 4,911,077	\$ 33,405,370	\$ 12,895,503
Cash paid to suppliers	(842,511)	(3,975,797)	(1,859,090)	(6,677,398)	(1,330,931)
Cash paid to employees	(2,145,215)	(4,277,724)	(807,412)	(7,230,351)	(10,517,578)
Other	(37,747)	(66,998)		(104,745)	492,155
<b>Net cash provided (used) by operating activities</b>	<b>6,649,133</b>	<b>10,499,168</b>	<b>2,244,575</b>	<b>19,392,876</b>	<b>1,539,149</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in	19,600	19,600		39,200	89,571
Transfers out	(218,339)	(77,057)	(60,102)	(355,498)	(166,257)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(198,739)</b>	<b>(57,457)</b>	<b>(60,102)</b>	<b>(316,298)</b>	<b>(76,686)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of capital assets	(10,458,641)	(5,360,438)	(1,204,037)	(17,023,116)	(344,361)
Proceeds from disposal of capital assets		848,915	2,986	851,901	41,366
Other assets	(142,363)			(142,363)	
Principal payments on long-term debt	(35,737)	(1,715,737)		(1,751,474)	(71,474)
Proceeds from issuance of long-term debt	32,365,000			32,365,000	
Cost of Issuance	(177,881)			(177,881)	
Interest paid	(20,418)	(3,317,052)		(3,337,470)	(40,836)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>21,529,960</b>	<b>(9,544,312)</b>	<b>(1,201,051)</b>	<b>10,784,597</b>	<b>(415,305)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	586,529	1,317,009	90,291	1,993,829	518,854
<b>Net cash provided (used) by investing activities</b>	<b>586,529</b>	<b>1,317,009</b>	<b>90,291</b>	<b>1,993,829</b>	<b>518,854</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>28,566,883</b>	<b>2,214,408</b>	<b>1,073,713</b>	<b>31,855,004</b>	<b>1,566,012</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	15,912,382	32,104,411	2,264,324	50,281,117	13,544,080
End of year	\$ 44,479,265	\$ 34,318,819	\$ 3,338,037	\$ 82,136,121	\$ 15,110,092

See accompanying Notes to Basic Financial Statements.

**City of Turlock**  
**Statement of Cash Flows**  
**Proprietary Funds, Continued**  
**For the year ended June 30, 2008**

	Major Enterprise Funds		Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
	Water	Sewer			
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 4,765,422	\$ 5,971,942	\$ 1,519,719	\$ 12,257,083	\$ 342,084
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	876,499	3,845,214	211,607	4,933,320	373,992
Changes in operating assets and liabilities:					
Accounts receivable	(5,991)	336,429	71,363	401,801	283,301
Accounts payable	975,912	271,360	94,037	1,341,309	492,133
Payroll payable	5,683	19,539	7,011	32,233	15,796
Compensated absences	17,224	54,684	19,047	90,955	61,413
Deferred revenue			321,791	321,791	
Deposits payable	14,384			14,384	(29,570)
	<u>\$ 6,649,133</u>	<u>\$ 10,499,168</u>	<u>\$ 2,244,575</u>	<u>\$ 19,392,876</u>	<u>\$ 1,539,149</u>

**RECONCILIATION OF CASH AND CASH  
EQUIVALENTS TO BALANCE SHEET:**

Cash and investments	\$ 21,873,049	\$ 29,541,239	\$ 3,338,037	\$ 54,752,325	\$ 15,110,092
Cash and investments with fiscal agent	22,606,216	4,777,580		27,383,796	-
<b>Total cash and cash equivalents</b>	<u>\$ 44,479,265</u>	<u>\$ 34,318,819</u>	<u>\$ 3,338,037</u>	<u>\$ 82,136,121</u>	<u>\$ 15,110,092</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH  
CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital assets contributed by developers	\$ 1,063,571	\$ 2,130,043		\$ 3,193,614	
<b>Total noncash capital and related financing activities</b>	<u>\$ 1,063,571</u>	<u>\$ 2,130,043</u>	<u>\$ -</u>	<u>\$ 3,193,614</u>	<u>\$ -</u>

## FIDUCIARY FUNDS

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### AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the Government-wide Financial Statements, but are presented in a separate Fiduciary Fund Financial Statement. For the City of Turlock, the following agent activities are accounted for within the Agency Funds:

- ✓ Retiree Health Insurance Set-Asides
- ✓ Turlock Community Facilities District (CFD) #1 – Mello Roos Assessment District
- ✓ Turlock Downtown Property and Business Improvement District (PBID) #2

Additional information related to the above Agency Funds can be found in the “Supplemental Information” section of this report.

**City of Turlock**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

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	Agency Funds
<b>ASSETS</b>	
Cash and investments	\$ 2,324,773
Cash and investments with fiscal agent	421,921
Accounts and interest receivable	17,054
<b>Total assets</b>	<b>\$ 2,763,748</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 49,319
Due to others	2,714,429
<b>Total liabilities</b>	<b>\$ 2,763,748</b>

**City of Turlock**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Turlock, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

***A. Reporting Entity***

The City was incorporated in 1908. The City operates under a Council-Manager form of government and provides the following services: police and fire, streets and highways, sanitation, water, sewer, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial reporting entity as defined by the GASB consists of the primary government – the City, organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City Council acts as the governing body and is financially accountable for the following organizations:

- Redevelopment Agency of the City of Turlock
- Turlock Public Financing Authority

The Redevelopment Agency of the City of Turlock (Agency) was established by the City in October 1977, pursuant to the State of California Health and Safety Code, Section 33000, entitled Community Redevelopment Law. The purpose is to encourage new investment and reinvestment within legally designated redevelopment areas in partnership with property owners.

The Turlock Public Financing Authority (Authority) was established on December 15, 1998, pursuant to Article 1, Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California. The City of Turlock authorized the formation of a Joint Powers Authority with the Agency. The Authority provides pooled debt financing for the City and the Agency.

These organizations are considered component units of the City and are included within the financial statements of the City using the blended method. The component units, as well as the City, maintain a June 30 fiscal year. Financial statements for the City, as well as its component units, can be obtained from the City's Finance Department.

***B. Basis of Accounting and Measurement Focus***

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

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

*Governmental-Wide Financial Statements*

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These Statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

*Governmental Fund Financial Statements*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

*Governmental Fund Financial Statements, Continued*

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, taxpayer-assessed tax revenues (transient occupancy taxes, franchise taxes, etc.) and earnings on investments. Due to State legislative changes in the methodology for remitting sales taxes and motor vehicle in-lieu fees to local agencies, beginning with fiscal year 2004-05 the accrual period for these revenue sources is 7-12 months. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

*Proprietary Fund Financial Statements*

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

*Fiduciary Fund Financial Statements*

Fiduciary fund financial statements include a Statement of Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for using the accrual basis of accounting.

***C. Use of Restricted and Unrestricted Net Assets***

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***D. Cash, Cash Equivalents, and Investments***

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements of Deposits and Investment Risks were made in the following areas:

- ✓ Interest Rate Risk
- ✓ Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

***E. Receivables***

All receivables are shown net of an allowance for doubtful accounts. Service charge revenues (water, sewer and refuse collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed monthly. Amounts unbilled at June 30 are not considered material and are not recognized as revenue.

***F. Interfund Balances/Internal Balances***

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund balance reservation or by deferred revenue in the applicable governmental funds to indicate that they are not expendable available financial resources. Any unpaid interest due to lack of funds in the borrowing fund increases the principal owed and is reported in the lending fund as deferred revenue.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***G. Capital Assets***

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. City policy has set the capitalization thresholds for reporting capital assets at the following:

General capital assets	\$ 5,000
Infrastructure capital assets	\$ 5,000

Depreciation has been provided on a straight-line basis over the following useful lives:

	<u>Years</u>
Land improvements and infrastructure	25-60
Buildings	30-50
Furniture and equipment	5-15
Vehicles	5-10

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure into the current basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, parklands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during the construction of capital assets, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. Original costs were developed based on historical acquisition/construction records. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, was computed on a straight line, unrecovered cost method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

***H. Compensated Absences***

**Government-Wide Financial Statements**

For governmental and business-type activities, compensated absences are recorded as earned (vested) and the related expenses and liabilities are reported in the government-wide financial statements.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***H. Compensated Absences (continued)***

*Fund Financial Statements*

In governmental funds, compensated absences are recorded as expenditures in the year paid as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial funds. In proprietary funds, compensated absences are expensed to the various funds as earned (vested) and each proprietary fund's share of the unpaid liability is recorded as a liability of the fund.

The City accrues vacation and sick time payable based on negotiated Memoranda of Understanding (MOU) with the City's various bargaining units. The MOU's indicate the methodology for accruing time and the maximum accrual limits.

***I. Deferred Revenue***

In the Government-Wide Financial Statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred revenues in the Government-Wide Financial Statements are prepaid charges for services.

In the Fund Financial Statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, long-term assessments, and loans receivable.

***J. Long-Term Liabilities***

*Government-Wide Financial Statements*

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as other assets and amortized on a straight-line basis over the life of the related bonds.

*Fund Financial Statements*

The Governmental Fund Financial Statements do not include long-term debt, as this liability is not payable in the current period. In addition, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, as a revenue or expenditure of the current period rather than amortizing them over the life of the bonds. The face amount of debt issued and any premiums received are reported as other financing sources, while discounts and issuance costs are reported as other financing uses.

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***K. Net Assets and Fund Equity***

*Government-Wide Financial Statements*

*Invested in Capital Assets, Net of Related Debt* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Assets* – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Assets* – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

*Fund Financial Statements*

*Fund Equity* – Reservations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

***L. Property Tax Revenue***

All property taxes are collected and allocated by the County of Stanislaus to the various taxing entities. Secured property taxes are determined annually as of January 1, and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively.

In November 1993, the City adopted the “Teeter Plan” method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the City based on assessments, not on collections, according to the following schedule: 55% in December, 40% in April, and 5% at the end of the fiscal year. Under this plan a need for an allowance for uncollectible taxes is eliminated.

Property tax is recognized when it is available and measurable. The City considers property tax as available if it is received within 60 days after the fiscal year end. Unsecured property taxes are due on July 1, and become delinquent if not paid by August 31.

***M. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***N. Implementation of New GASB Pronouncements***

In 2007-08 the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

*GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and intra-Entity Transfers of Assets and Future Revenues* – This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. In addition, this Statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues.

*GASB Statement No. 50, Pension Disclosures – An amendment of GASB Statements No. 25 and 27* – This Statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

**2. CASH AND INVESTMENTS**

The City maintains an internal cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled and are reported as cash and investments with fiscal agents.

Investment income earned on pooled cash and investments (including realized and unrealized gains and losses) is allocated quarterly to the various funds based on average quarterly cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

***A. Authorized Investments***

The City's Investment Policy is adopted annually by the City Council in accordance with California Government Code (Code) Section 53601 and has as its objectives the following (in order of priority):

- ✓ **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City of Turlock shall be undertaken in a manner that seeks to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
- ✓ **Liquidity:** The City of Turlock's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
- ✓ **Return on Investment:** The City of Turlock's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**2. CASH AND INVESTMENTS, Continued**

**A. Authorized Investments, Continued**

Under provisions of the City's Investment Policy, the City may invest in the following types of investments:

- ✓ U.S. Treasury notes, bonds, and/or bills;
- ✓ U.S. Government Federal Agency Securities;
- ✓ Certificate of Deposits;
- ✓ Bankers Acceptances, investment in any one commercial bank is limited to no more than 30% of the total investment in BA's and the maximum maturity for any security at acquisition is 180 days;
- ✓ Commercial Paper, investment in any single issuer is limited to no more than 10% of total investment in Commercial Paper and the maximum maturity for any security at acquisition is 270 days;
- ✓ State of California Local Agency Investment Fund (LAIF);
- ✓ Money Market and Mutual Funds; and
- ✓ Corporate Notes, AAA rated.

Unless otherwise noted, the above investments are authorized within the limitations delineated in Code Sections 53600 et seq. A five-year maximum maturity (at acquisition) for each investment is allowed unless a longer term approved in advance by the City Council.

**B. Cash Deposits**

At June 30, 2008 the carrying amount of the City's time and demand deposits was \$52,891,160. The difference between the bank balance of \$52,456,421 and the carrying amount resulted from outstanding checks and deposits in transit. Of the time deposits and demand deposits, \$100,000 was covered by federal depository insurance with the balance being collateralized with securities held by the counter party or its agent in accordance with Section 53652 of the Code. The Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's total deposits, or by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits.

**C. Risk Disclosures**

The following is a summary of the pooled cash and investments and investment with fiscal agent at June 30, 2008:

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	Grand Total
	Governmental Activities	Business-Type Activities	Total		
Cash and investments	\$ 98,890,432	\$ 54,752,325	\$ 153,642,757	\$ 2,324,773	\$ 155,967,530
Cash and investments with fiscal agent	13,446,430	27,383,796	40,830,226	421,921	41,252,147
<b>Total cash and investments</b>	<b>\$ 112,336,862</b>	<b>\$ 82,136,121</b>	<b>\$ 194,472,983</b>	<b>\$ 2,746,694</b>	<b>\$ 197,219,677</b>

Cash and investments held with fiscal agent are restricted for payment of principal and interest for the City's various bond issues (see footnote # 6) or for construction costs financed by the City's 2003 Sewer Revenue Bond, the Redevelopment Agency's 2006 Tax Allocation Revenue Bonds, and the City's 2008 Water Revenue Bond.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**2. CASH AND INVESTMENTS, Continued**

***C. Risk Disclosures, Continued***

As of June 30, 2008, the City's cash and investments matured as follows:

	Fair Value	Due on Demand	Maturities (in years)			
			1 year or less	1-2 years	2-3 years	4-5 years
Cash on hand and demand deposits	\$ 52,891,160	\$ 52,891,160				
<u>Investments</u>						
U.S. Federal Agency Securities	\$ 25,561,732		\$ 11,559,852	\$ 2,004,380	\$ 8,023,120	\$ 3,974,380
Certificates of Deposit	27,949,636		26,870,431	1,079,205		
LAIF	49,565,002		49,565,002			
Total Investments	\$ 103,076,370	\$ -	\$ 87,995,285	\$ 3,083,585	\$ 8,023,120	\$ 3,974,380
Total cash and investments	\$ 155,967,530	\$ 52,891,160	\$ 87,995,285	\$ 3,083,585	\$ 8,023,120	\$ 3,974,380
Investment maturities as a percent of total fair value			85.37%	2.99%	7.78%	3.86%

***Interest Rate Risk*** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. Maturities as a percentage of the total fair value of the investment portfolio are noted in the table above. The average life of the portfolio is 185 days.

***Credit Risk*** - It is the City's policy that federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments.

At June 30, 2008 the City's credit risks, expressed on a percentage basis were as follows:

	S&P Credit Rating	% of Investments
US Governments Agencies	AAA	24.80%
CA Local Agency Investment Fund	not rated	48.09%
Certificates of deposit	not rated	27.11%
Total		100.00%

***Custodial Credit Risk*** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and Certificates of Deposit, are held by a third-party custodian (Wells Fargo Bank). Wells Fargo Bank is a registered member of the Federal Reserve Bank. The securities held by Wells Fargo are in street name and a customer number is assigned to the City identifying ownership.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**2. CASH AND INVESTMENTS, Continued**

***C. Risk Disclosures, Continued***

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year. The change in value of the City's investments from June 30, 2007 to June 30, 2008 amounted to an unrealized gain of \$129,000.

***D. External Investment Pool***

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. The City values its investment in LAIF at amortized cost, which approximates the fair market value.

The City's investment with LAIF at June 30, 2008 includes a portion of pool funds invested in structured notes and asset-backed securities. These investments may include the following:

*Structured Notes* are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System.

*Asset-Backed Securities*, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest payments from a pool of mortgages (e.g., CMOs) or credit card receivables.

As of June 30, 2008, the City had \$49,565,002 invested in LAIF, which had invested 14.72% of the pool's funds in structured notes and asset-backed securities. LAIF's fair value factor of 0.999950219 was used to calculate the fair value of investments in LAIF as of June 30, 2008.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**3. RECEIVABLES AND DEFERRED REVENUE**

***A. Government Wide Financial Statements***

At June 30, 2008, the City had the following amounts due from developers and loans receivable. These amounts are further described below the table.

	Governmental Activities	Business-Type Activities	Total
Due from developers	\$ 20,041	\$ 157,663	\$ 177,704
Loans receivable	19,105,919		19,105,919
<b>Total</b>	<b>\$ 19,125,960</b>	<b>\$ 157,663</b>	<b>\$ 19,283,623</b>

*Due from Developers*

These amounts represent funds expended by the City in the preparation of the master plan and related planning documents required for the development of the City's Northwest Specific Triangle Plan Area and its Northeast Master Plan Area. The amounts expended by the City are being recovered as these Plan Areas develop via a specific development impact fee. The Northwest Triangle receivable of \$157,663 is recorded in the Sewer fund and the Northeast Master Plan receivable of \$20,041 is recorded in the General Fund.

*Loans Receivable*

Loans receivable at June 30, 2008 consist of the following:

<u>Type of Loan/Borrower</u>	<u>Amount</u>
Central Valley Coalition for Affordable Housing	6,969,496
First Time Homebuyer Loans	\$ 7,716,686
Owner-Occupied Rehabilitation Loans	2,958,900
Cherry Tree Village Loans	1,372,785
Commercial Building Improvement Program	60,075
Rental Rehabilitation Loans	27,977
<b>Total Loans</b>	<b>\$ 19,105,919</b>

**Central Valley Coalition for Affordable Housing**

The Central Valley Coalition for Affordable Housing (CVCAH) is a Community Housing Development Organization (CHDO) participating in various projects in Turlock. A CHDO is a private, nonprofit, community-based service organization that has the capacity to develop affordable housing for the community it serves. The City of Turlock, under the HOME Investment Partnership (HOME) Program, is required to reserve HOME funds for investment in housing to be developed, sponsored, or owned by CHDOs. The City must identify and certify qualifying nonprofit organizations as CHDOs through HUD regulations.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**3. RECEIVABLES AND DEFERRED REVENUE, Continued**

***A. Government Wide Financial Statement, Continued***

**Loans Receivable, Continued**

CVCAH is currently participating in three types of projects within the City of Turlock. The first is Crane Terrace, a 44-unit, three-story, low-income senior living apartment complex which anticipates completion of construction and occupancy in August 2006. Using 20% Set-Aside monies, the Redevelopment Agency loaned \$4 million to this \$10.5 million project under a Development and Disposition Agreement (DDA) dated April 26, 2005. The DDA calls for repayment of the 55-year note to begin in year 31 from residual rental receipts. The note carries 3% simple interest. The total outstanding principal and interest at June 30, 2008 was \$4,547,108.

The second type of project is the acquisition and rehabilitation of single-family residential units which will be rented out to HUD qualifying low/moderate income families. CVCAH currently has three of these properties for which the City holds promissory notes totaling \$1,017,539. The notes each carry a 5% annual interest rate and are due and payable, along with all accrued, unpaid interest at maturity, unless the underlying property is sold; at which time the note and all accrued, unpaid interest is due and payable. Total outstanding principal and interest at June 30, 2008 on these three properties was \$1,097,129.

The third type of project is the acquisition of multi-family properties which will be rented to HUD qualifying, low-income families. CVCAH currently owns one duplex and one triplex for which the City holds promissory notes totaling \$1,192,604. The notes each carry a 5% annual interest rate and are due and payable, along with all accrued, unpaid interest at maturity, unless the underlying property is sold; at which time the note and all accrued, unpaid interest is due and payable. Total outstanding principal and interest at June 30, 2008 on these two properties was \$1,325,259.

**First Time Homebuyer Loans**

The First Time Homebuyer Loan program, funded using Federal and/or State of California HOME funds along with Redevelopment Agency low/moderate income housing funds, provides eligible prospective homebuyers within the City of Turlock with up to \$80,000 in funding assistance through a silent second deed of trust on their home. The loans are interest free for the first five years and accrue interest at 5% simple interest annually thereafter. The loans are due and payable should the homeowner refinance or sell the property. Proceeds from repaid loans are used to extend new loans. As of June 30, 2008 the City had 120 loans outstanding.

**Owner-Occupied Rehabilitation Loans**

The Owner-Occupied Rehabilitation Loan program, funded with either Federal Community Development Block Grant (CDBG) or State of California HOME funds, provides eligible homeowners with funding for health, safety and/or building code related improvements to their home. Eligibility is established based on the age and income requirements for U.S. Department of Housing and Urban Development (HUD) funded programs. The loans are for a maximum of 20 years and can be either fully amortizing or deferred – depending on the age and income level of the applicant. The fully amortizing loans carry a 5% simple interest rate for the entire term, while the deferred loans accrue simple interest at 5% for the first 10 years and then no interest for the remaining 10 years. All loans are secured by a silent second deed of trust on the property. The loans are due and payable should the homeowner refinance or sell the property. As of June 30, 2008 the City had 43 loans outstanding.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**3. RECEIVABLES AND DEFERRED REVENUE, Continued**

*A. Government Wide Financial Statement, Continued*

Loans Receivable, Continued

**Cherry Tree Village Loans**

The City and the City's Redevelopment Agency assisted in the development of Cherry Tree Village, a low-income senior housing project. Pursuant to a Loan Agreement dated September 23, 1998, the City using \$400,000 in CDBG funds and the Redevelopment Agency using \$600,000 in low/moderate-income housing funds loaned the project \$1,000,000. Loan proceeds are being disbursed in increments as the project performs in accordance with the terms of the Agreement. The loan proceeds have been fully disbursed. Interest accrues on the loan at an annual rate of 5% and is calculated based on the disbursement date of loan installments. The loan is to be repaid from residual rental income generated by the project. Any unpaid principal and accrued interest is due and payable at the end of forty years. The total outstanding principal and interest at June 30, 2008 was \$1,372,785.

**Commercial Building Improvement Program**

Through its Commercial Building Improvement Program (CBIP), the Agency assists commercial building owners within the Agency's project areas with the cost of facade, seismic retrofit, and building restoration/improvement expenditures in an effort to eliminate blight and maintain the commercial viability of properties. The program contains both grant and loan features, depending on the type of improvements, and has a matching element required of the applicant. The interest rates on the loan element of the program vary from 3% - 5%, again depending on the type of improvements, and loans are fully amortized over a five year period. As of June 30, 2008 there were three CBIP loans outstanding.

**Rental Rehabilitation Loans**

The Rental Rehabilitation Loan program, funded with CDBG funds, is similar to the owner-occupied program except it is for rental properties. To be eligible, the property must be occupied by a qualified low/moderate income tenant based on HUD requirements. These fully amortizing loans are for a maximum of 20 years and carry a 6.5% simple interest rate. The loans are due and payable should the homeowner refinance or sell the property or have a non-qualifying tenant. As of June 30, 2008 the City had two loans outstanding.

Unearned (Deferred) Revenue

Deferred revenue is recorded when the City receives funds in advance of performing the work required to be entitled to retain the funds. Deferred revenue at June 30, 2008 consisted of the following:

Governmental Activities		Business-Type	
General	Sports	Activities	
Fund	Facilities	Transportation	Total
\$ 164,250	\$ 28,000	\$ 609,668	\$ 801,918

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**3. RECEIVABLES AND DEFERRED REVENUE, Continued**

***B. Fund Financial Statements***

*Deferred Revenue*

Deferred revenue is recorded for loans receivable when the timing of the repayment of these loans is uncertain and therefore not currently available, or when the City receives funds in advance of performing the work required to be entitled to retain the funds. Deferred revenue at June 30, 2008 consisted of the following:

	Governmental Activities		Business-Type Activities		Total
	General Fund	Redevelopment	Non-Major Funds	Non-Major Funds	
Loans Receivable					
First Time Home Buyer			\$ 7,716,686		\$ 7,716,686
Owner-Occupied Rehabilitation			2,958,900		2,958,900
Rental Rehabilitation			27,977		27,977
Cherry Tree Village			1,372,785		1,372,785
Central Valley Coalition for Affordable Housing			6,969,496		6,969,496
Commercial Building Improvement Program		\$ 24,281			24,281
Other	\$ 164,250		28,000	\$ 609,668	801,918
<b>Total</b>	<b>\$ 164,250</b>	<b>\$ 24,281</b>	<b>\$ 19,073,844</b>	<b>\$ 609,668</b>	<b>\$ 19,872,043</b>

**4. INTERFUND TRANSACTIONS**

***Fund Financial Statements***

*Due To, Due From*

At June 30, 2008 the City's General Fund provided short-term funding to those funds with negative cash positions at year end. In all cases, the negative cash position will be covered by future receipts from the effected funds revenue sources.

		Due To	
		Nonmajor Funds	Total
Due From	Governmental Activities:		
	General Fund	\$ 896,193	\$ 896,193
	Total	\$ 896,193	\$ 896,193

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**4. INTERFUND TRANSACTIONS, Continued**

*Fund Financial Statements, Continued*

Transfers

At June 30, 2008 the City had the following transfers:

		Transfers In							Total
		Governmental Activities				Business-type Activities			
		Gas Tax/ Street Imp		Facility Fees	Nonmajor Funds	Water	Sewer	Internal Service Funds	
		General							
Transfers Out	Governmental Activities:								
	General		\$ 226,846	\$ 4,567,192	\$ 935,898			\$ 33,446	\$ 5,763,382
	Gas Tax/Street Imp	\$ 5,656			11,273				16,929
	Redevelopment	27,888	105,000	1,993,866	659,379				2,786,133
	Facility Fees		293,729		42,805				336,534
	Nonmajor	817,399	\$ 9,112		154,672			50,000	1,031,183
	Business-type Activities:								
	Water	5,360		37,943	174,845			191	218,339
	Sewer	13,406		37,943	25,421			287	77,057
	Nonmajor	5,963	\$ 3,000	3,168	47,110			861	60,102
	Internal Service Funds	5,064			117,207	19,600	19,600	4,786	166,257
	<b>Total</b>	<b>\$ 880,736</b>	<b>\$ 637,687</b>	<b>\$ 6,640,112</b>	<b>\$ 2,168,610</b>	<b>\$ 19,600</b>	<b>\$ 19,600</b>	<b>\$ 89,571</b>	<b>\$ 10,455,916</b>

The City uses Interfund Transfers for two main purposes. First to apportion costs initially accounted for in one fund to other funds that benefit from the goods and/or services acquired. Secondly to account for shared funding of capital improvement projects. The City accounts for capital improvement projects in one fund and the funds that are providing funding assistance transfer monies representing their contribution to the project fund.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2008 the City's capital assets for governmental activities consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
<b>Governmental Activity Capital Assets:</b>					
Non-depreciable Assets:					
Land	\$ 10,846,552	\$ 3,933,444			\$ 14,779,996
Construction in progress	9,003,439	8,285,247	\$ (16,042)	\$ (6,984,336)	10,288,308
<b>Total nondepreciable assets</b>	<u>19,849,991</u>	<u>12,218,691</u>	<u>(16,042)</u>	<u>(6,984,336)</u>	<u>25,068,304</u>
Depreciable Assets:					
Land improvements	28,003,774	2,119,854			30,123,628
Buildings	16,732,228	404,023			17,136,251
Furniture and equipment	8,620,015	329,894	(736,307)	138,401	8,352,003
Vehicles	8,045,025	1,469,763	(680,314)		8,834,474
Infrastructure	149,134,063	381,134		6,845,935	156,361,132
<b>Total depreciable assets</b>	<u>210,535,105</u>	<u>4,704,668</u>	<u>(1,416,621)</u>	<u>6,984,336</u>	<u>220,807,488</u>
Less accumulated depreciation:					
Land improvements	(4,352,269)	(723,118)			(5,075,387)
Buildings	(5,095,496)	(562,135)			(5,657,631)
Furniture and equipment	(6,287,968)	(616,817)	670,269		(6,234,516)
Vehicles	(4,965,729)	(728,104)	641,765		(5,052,068)
Infrastructure	(26,531,900)	(2,806,238)			(29,338,138)
<b>Total accumulated depreciation</b>	<u>(47,233,362)</u>	<u>(5,436,412)</u>	<u>1,312,034</u>	<u>-</u>	<u>(51,357,740)</u>
<b>Net depreciable assets</b>	<u>163,301,743</u>	<u>(731,744)</u>	<u>(104,587)</u>	<u>6,984,336</u>	<u>169,449,748</u>
<b>Total governmental activity capital assets</b>	<u>\$ 183,151,734</u>	<u>\$ 11,486,947</u>	<u>\$ (120,629)</u>	<u>\$ -</u>	<u>\$ 194,518,052</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2008 was as follows:

General government	\$ 168,907
Public safety	1,146,125
Public ways and facilities/transportation	3,618,870
Culture and recreation	458,822
Community development	43,688
<b>Total depreciation expense</b>	<u>\$ 5,436,412</u>

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**5. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

At June 30, 2008 the City's capital assets for business-type activities consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
<b>Business-Type Activity Capital Assets:</b>					
Non-depreciable Assets:					
Land	\$ 358,844	\$ -		\$ 165,000	\$ 523,844
Construction in progress	54,717,096	\$ 16,570,387		\$ (52,367,202)	18,920,281
<b>Total nondepreciable assets</b>	<u>55,075,940</u>	<u>16,570,387</u>	-	<u>(52,202,202)</u>	<u>19,444,125</u>
Depreciable Assets:					
Land improvements	4,433,236	30,000		2,362,975	6,826,211
Buildings	3,663,608	6,410		118,666	3,788,684
Furniture and equipment	13,822,704	213,985			14,036,689
Vehicles	2,143,526	43,294	(57,109)		2,129,711
Infrastructure	193,572,044	3,352,654		49,720,561	246,645,259
<b>Total depreciable assets</b>	<u>217,635,118</u>	<u>3,646,343</u>	<u>(57,109)</u>	<u>52,202,202</u>	<u>273,426,554</u>
Less accumulated depreciation:					
Land improvements	(697,349)	(211,145)			(908,494)
Buildings	(1,433,680)	(141,249)			(1,574,929)
Furniture and equipment	(11,195,416)	(365,278)			(11,560,694)
Vehicles	(440,177)	(150,046)	45,370		(544,853)
Infrastructure	(88,693,520)	(4,026,422)			(92,719,942)
<b>Total accumulated depreciation</b>	<u>(102,460,142)</u>	<u>(4,894,140)</u>	<u>45,370</u>	-	<u>(107,308,912)</u>
<b>Net depreciable assets</b>	<u>115,174,976</u>	<u>(1,247,797)</u>	<u>(11,739)</u>	<u>52,202,202</u>	<u>166,117,642</u>
<b>Total business-type capital assets</b>	<u>\$ 170,250,916</u>	<u>\$ 15,322,590</u>	<u>\$ (11,739)</u>	<u>\$ -</u>	<u>\$ 185,561,767</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2008 was as follows:

Water	\$ 874,720
Sewer	3,807,813
Transportation	<u>211,607</u>
<b>Total depreciation expense</b>	<u>\$ 4,894,140</u>

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**5. CAPITAL ASSETS, Continued**

**B. Fund Financial Statements**

The Governmental Fund Financial Statements do not present general government capital assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Fund capital assets are combined with governmental activities on the Government-Wide Financial Statements.

**6. LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets which are expected to have useful lives greater than or equal to the term of the related debt. Debt issuance costs and debt discounts are recognized in the current period in governmental fund types. In proprietary fund types, these costs are deferred and amortized on a straight-line basis over the term of the bonds.

**A. Government-Wide Financial Statements**

**Governmental Activities**

The City's outstanding governmental activities debt issues and transactions are summarized. More detail regarding each issue follows thereafter.

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year	Due in More than One year
<b>Governmental Activity Debt:</b>						
1999 Revenue Bonds	\$ 3,805,000		\$ (130,000)	\$ 3,675,000	\$ 135,000	\$ 3,540,000
2006 Tax Allocation Revenue Bonds	25,440,000		(305,000)	25,135,000	345,000	24,790,000
Add: Unamortized Bond Premium	327,540		(11,230)	316,310	-	316,310
California Energy Commission	217,387		(25,418)	191,969	26,454	165,515
Capital Leases:						
1996 City Hall Acquisition and Remodel	978,034		(194,150)	783,884	206,714	577,170
2000 Regional Sports Complex	630,848		(63,953)	566,895	67,730	499,165
Various Others	900,301		(312,904)	587,397	290,091	297,306
Subtotal	<u>32,299,110</u>	<u>-</u>	<u>(1,042,655)</u>	<u>31,256,455</u>	<u>1,070,989</u>	<u>30,185,466</u>
Internal Service Long-Term Debt:						
2002 City Hall Addition	888,362		(71,474)	816,888	74,865	742,023
Compensated Absences	2,034,918	\$ 469,913		2,504,831	500,965	2,003,866
<b>Total governmental activity debt</b>	<b>\$ 35,222,390</b>	<b>\$ 469,913</b>	<b>\$ (1,114,129)</b>	<b>\$ 34,578,174</b>	<b>\$ 1,646,819</b>	<b>\$ 32,931,355</b>

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**6. LONG-TERM DEBT, Continued**

***A. Government-Wide Financial Statements, Continued***

**Governmental Activities, Continued**

**1999 Revenue Bonds**

***Turlock Public Financing Authority Revenue Bonds, Series 1999***

In March 1999 the Turlock Public Finance Authority (Authority) authorized the issuance of \$4,970,000 in revenue bonds the proceeds of which were loaned to the City of Turlock Redevelopment Agency (Agency) to be used to finance the rehabilitation of the City's downtown. Agency tax increment revenue is pledged for repayment of these bonds (see below). The bonds, which carry coupon interest rates ranging from 3.5% - 5.55%, have semi-annual principal and interest payments on the first of March and September through September 2024.

**2006 Tax Revenue Allocation Bonds**

***Turlock Public Financing Authority Tax Allocation Revenue Bonds, Series 2006***

In August 2006 the Turlock Public Finance Authority (Authority) authorized the issuance of \$25,440,000 in Tax Allocation Revenue Bonds the proceeds of which were loaned to the City of Turlock Redevelopment Agency (Agency) to be used to finance various infrastructure projects to be constructed within the Agency's project area boundaries. Agency tax increment revenue is pledged for repayment of these bonds (see below). The bonds, which carry coupon interest rates ranging from 4.0% - 5.0%, have semi-annual principal and interest payments on the first of March and September through September 2036.

**Pledged Revenues for 1999 Revenue Bonds and 2006 Tax Revenue Allocation Bonds**

Pursuant to a Loan Agreement between the Agency, the Authority and the Bond Trustee, the Agency has pledged its tax increment revenue (reduced by the amount allocable to the Housing Set-Aside fund, unsubordinated pass through payments, and amounts payable to other taxing agencies under Redevelopment Law) for repayment of the Bonds. Pledged revenues are further limited to the current fiscal year's debt service requirements. Debt service for 2007-08 was 18% of total tax increment revenues. Total tax increment revenues (prior to Housing Set-Aside and pass through payments) for 2007-08 were \$10, 129,615; while principal and interest payments on the bonds totaled \$1,843,174.

**California Energy Commission**

The City entered into a loan agreement with the California Energy Commission to provide funding for the replacement of the incandescent lights in the City's traffic signals with light emitting diode (LED) lights. The replacement lights are more energy efficient and longer lasting. The loan, totaling \$265,454, carries a 3.95% annual interest rate and requires semi-annual payments beginning in December 2005 through December 2014.

**Capital Leases**

***1996 City Hall Acquisition and Remodel***

In September 1996 the City entered into a lease-purchase agreement in the amount of \$2,375,612 with LaSalle National Bank to finance the acquisition and remodel of the new City Hall and the police facilities. The lease has an imputed interest rate of 6.37% and requires semi-annual principal and interest lease payments due on the thirtieth of March and September until 2011, when the lease will terminate and the City will obtain title to the property.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**6. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Governmental Activities, Continued**

**Capital Leases, Continued**

*2000 Regional Sports Complex*

In January 2000 the City entered into a \$1,000,000 lease – lease buy back agreement with Calase Public Funding Corporation to finance the acquisition and development of a Regional Sports Complex. The lease carries an annual interest rate of 5.78% and requires quarterly principal and interest lease payments due on the first of January, April, July and October until April 2015 when the lease terminates.

*2002 City Hall Addition*

In March 2002 the City entered into a capital lease agreement with Municipal Services Group, Inc. to finance an addition to the current City Hall which houses the Engineering Department as well as the administrative personnel for the City’s water and sewer operations. The lease payments are funded 50% by the Engineering Internal Service Fund (governmental activities) and 25% each by the Water and Sewer Enterprise Funds (business-type activities). The lease carries an annual interest rate of 4.69% and requires semi-annual principal and interest lease payments due on the first of March and September until March 2017 when the lease terminates.

*Various*

The City has entered into various capital leases for firearms range equipment, communications equipment, furniture, and vehicles. The annual interest rates range from 4.30% to 5.47% and the leases terminate at various times through September 2011.

**Debt Service Requirements**

Annual debt service requirements are shown below for all governmental activities long-term debt (excluding compensated absences):

For the Year Ending June 30,	Governmental Activities					
	Loans & Revenue Bonds		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	506,454	1,394,579	639,400	141,926	\$ 1,145,854	\$ 1,536,505
2010	532,509	1,370,614	497,549	109,421	1,030,058	1,480,035
2011	553,606	1,345,235	482,674	80,692	1,036,280	1,425,927
2012	579,737	1,318,755	368,995	52,663	948,732	1,371,418
2013	610,933	1,290,896	175,324	36,033	786,257	1,326,929
2014-2018	3,388,730	5,998,057	591,122	56,202	3,979,852	6,054,259
2019-2023	4,175,000	5,145,552			4,175,000	5,145,552
2024-2028	5,260,000	4,027,047			5,260,000	4,027,047
2029-2033	6,710,000	2,542,500			6,710,000	2,542,500
2034-2038	6,685,000	688,877			6,685,000	688,877
<b>Total</b>	<b>\$ 29,001,969</b>	<b>\$ 25,122,112</b>	<b>\$ 2,755,064</b>	<b>\$ 476,937</b>	<b>\$ 31,757,033</b>	<b>\$ 25,599,049</b>

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**6. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Business-Type Activities**

The City's outstanding business-type activities debt issues and transactions are summarized. More detail regarding each issue follows thereafter.

	Balance			Balance	Due	Due in
	July 1, 2007	Additions	Retirements	June 30, 2008	Within	More than
					One Year	One year
<b>Business-Type Activities:</b>						
1999 Sewer Revenue Bonds	\$ 19,355,000		\$ (525,000)	\$ 18,830,000	\$ 550,000	\$ 18,280,000
Less: Unamortized Bond Discount	(410,865)		20,797	(390,068)		(390,068)
2003A Sewer Revenue Bonds	48,455,000		(955,000)	47,500,000	980,000	46,520,000
Less: Unamortized Bond Discount	(272,144)		10,400	(261,744)		(261,744)
2008 Water Revenue Bonds		32,365,000		32,365,000	610,000	31,755,000
Less: Unamortized Bond Discount		(142,363)	791	(141,572)		(141,572)
Economic Land Bank Loan	600,000		(200,000)	400,000	200,000	200,000
Capital Leases:						
2002 City Hall Addition	888,362		(71,474)	816,888	74,866	742,022
Compensated Absences	557,240	90,955		648,195	129,639	518,556
<b>Total business-type activity debt</b>	<b>\$ 69,172,593</b>	<b>\$ 32,313,592</b>	<b>\$ (1,719,486)</b>	<b>\$ 99,766,699</b>	<b>\$ 2,544,505</b>	<b>\$ 97,222,194</b>

**Revenue Bonds Payable**

*1999 Sewer Revenue Bonds*

In August 1999 the Turlock Public Financing Authority issued \$22,000,000 in Sewer Revenue Bonds Series 1999 to (1) finance improvements to the City's wastewater treatment facility, and (2) advance refund (defease) the Series 1994A Sewer Revenue Bonds. The bonds, which carry coupon interest rates ranging from 4.25% - 6.25%, have semi-annual principal and interest payments on the fifteenth of March and September through September 2029.

*2003A Sewer Revenue Bonds*

In August 2003 the Turlock Public Financing Authority issued \$51,185,000 in Sewer Revenue Bonds Series 2003A to finance capital improvements to the City's tertiary wastewater treatment facility. The improvements are designed to meet wastewater discharge requirements imposed by the Water Quality Control Board. The bonds, which carry coupon interest rates ranging from 2.00% - 5.00%, have semi-annual principal and interest payments on the fifteenth of March and September through September 2033 and are on parity with the bonds issued in 1999.

*Pledged Revenues for Sewer Revenue Bonds*

Pursuant to an Installment Purchase Agreement between the Authority and the City, the City has pledged the net sewer system revenues (defined as total system revenues excluding certain revenues related to deposits, and proceeds from borrowings less maintenance and operating costs) from the Sewer Enterprise Fund operations for repayment of both the 1999 and 2003A bonds. Based on fiscal year 2007-08 net system revenues of \$6.0 million, annual principal and interest payments (totaling \$4.8 million in 2007-08) were 80% of net system revenues.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**6. LONG-TERM DEBT, Continued**

***A. Government-Wide Financial Statements, Continued***

**Business-Type Activities, Continued**

**Revenue Bonds Payable, Continued**

*2008 Water Revenue Bonds*

In May 2008 the Turlock Public Financing Authority issued \$32,365,000 in Water Revenue Bonds Series 2008 to finance capital improvements to the City's potable water system, including the installation of water meters and an automated meter reading system for all water service users within Turlock, the construction of two water storage reservoirs, and water line installations in the Westside Industrial Specific Plan area. The bonds, which carry coupon interest rates ranging from 3.50% - 5.00%, have semi-annual principal and interest payments on the first of November and May through May 2038.

Pursuant to an Installment Purchase Agreement between the Authority and the City, the City has pledged the net water system revenues (defined as total system revenues excluding certain revenues related to deposits, construction/developer revenues, and proceeds from borrowings less maintenance and operating costs) from the Water Enterprise Fund operations for repayment of the bonds. Based on fiscal year 2007-08 net system revenues of \$4.2 million, annual principal and interest payments are anticipated to require approximately 48% of net system revenues. No principal and interest payments were required for 2007-08.

**Economic Land Bank Loan**

In an effort to spur economic development through infrastructure assistance, the Stanislaus County Economic Land Bank provides County cities funding assistance for qualifying projects. The City entered into a loan agreement with the County for infrastructure assistance for the City's West Industrial Area. The City qualified for \$600,000 in interest-free assistance to be repaid in annual installments of \$200,000 beginning in July 2007.

**Capital Leases**

*2002 City Hall Addition*

In March 2002 the City entered into a capital lease agreement with Municipal Services Group, Inc. to finance an addition to the current City Hall which houses the Engineering Department as well as the administrative personnel for the City's water and sewer operations. The lease payments are funded 50% by the Engineering Internal Service Fund (governmental activities) and 25% each by the Water and Sewer Enterprise Funds (business-type activities). The lease carries an annual interest rate of 4.69% and requires semi-annual principal and interest lease payments due on the first of March and September until March 2017 when the lease terminates.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**6. LONG-TERM DEBT, Continued**

**A. Government-Wide Financial Statements, Continued**

**Business-Type Activities, Continued**

Debt Service Requirements

Annual debt service requirements are shown below for all business-type activities long-term debt (excluding compensated absences):

For the Year Ending June 30,	Business-Type Activities					
	Revenue Bonds & Loans		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,340,000	\$ 4,666,140	\$ 74,866	\$ 37,444	\$ 2,414,866	\$ 4,703,584
2010	2,370,000	4,636,171	78,417	33,894	2,448,417	4,670,065
2011	2,250,000	4,547,241	82,138	30,172	2,332,138	4,577,413
2012	2,360,000	4,445,552	86,036	26,275	2,446,036	4,471,827
2013	2,460,000	4,340,803	90,118	22,191	2,550,118	4,362,994
2014-2018	14,095,000	19,921,968	405,313	43,923	14,500,313	19,965,891
2019-2023	17,775,000	16,217,389			17,775,000	16,217,389
2024-2028	21,055,000	11,361,301			21,055,000	11,361,301
2029-2033	22,445,000	5,897,247			22,445,000	5,897,247
2034-2038	11,945,000	1,440,373			11,945,000	1,440,373
<b>Total</b>	<b>\$ 99,095,000</b>	<b>\$ 77,474,185</b>	<b>\$ 816,888</b>	<b>\$ 193,899</b>	<b>\$ 99,911,888</b>	<b>\$ 77,668,084</b>

Compensated Absences

The City's liability for compensated absences consists of accrued and vested vacation, sick and compensatory pay which is unpaid at year end.

**B. Fund Financial Statements**

The governmental fund financial statements do not present general government long-term debt but is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

**C. Debt with no City Commitment**

The City of Turlock has no legal liability with respect to the payment of any indebtedness of the Community Financing District No. 1 Monte Vista Crossings. The City acts solely as an agent for the bondholders in collecting and forwarding the special assessment. Accordingly, no liability for these bonds has been recorded in the City's basic financial statements. The principal amount of outstanding debt of the above District was \$3,975,000 at June 30, 2008.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**7. CLASSIFICATION OF FUND BALANCE**

*Fund Financial Statements*

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The following summarizes reservations and designations for Governmental Funds:

	Major Funds					Total
	General	Gas Tax/ Street Improvement	Redevelopment	Facility Fees	Non-Major Funds	
Reserved for:						
Loans receivable/ due from developers	\$ 20,041		35,794			55,835
Unreserved - designated for:						
Compensated absences	905,398	63,048	2,243		27,643	998,332
Contingencies	4,320,225					4,320,225
Unreserved	11,160,386	2,076,416	\$ 25,305,803	\$ 21,758,809	29,849,064	90,150,478
Total fund balances	\$ 16,406,050	\$ 2,139,464	\$ 25,343,840	\$ 21,758,809	\$ 29,876,707	\$ 95,524,870

In proprietary funds, net assets are separated into the three categories as explained in footnote 1(K).

**8. RISK MANAGEMENT**

The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss. Under this program, the City is self-insured for general liability, workers' compensation and employee health care.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool currently operating as a common risk management and insurance program for 58 cities. The purpose of CSJVRMA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expense. The pool covers City general liability claims between \$1,000,000 and \$30,000,000.

The City contributes its pro rata share of anticipated losses to a pool administered by CSJVRMA. Should actual losses among participants be greater than the anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. The City paid CSJVRMA premiums of \$548,078 and received \$160,259 in refunds during the fiscal year ended June 30, 2008. Settled claims have not exceeded commercial excess liability coverage in any of the past three fiscal years. Also, CSJVRMA is unable to provide incurred but not reported liability balances.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**8. RISK MANAGEMENT, Continued**

All unpaid claims that were probable liabilities that occurred prior to the year-end and that were estimated based on actuarial studies or historical data were recorded in accordance with GASB No. 10. As of June 30, 2008 claims were \$2,764,380.

For the Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2006	\$ 2,013,311	\$ 4,667,982	\$ (3,916,913)	\$ 2,764,380
2007	\$ 2,764,380	\$ 4,795,877	\$ (4,795,877)	\$ 2,764,380
2008	\$ 2,764,380	\$ 4,506,190	\$ (4,506,190)	\$ 2,764,380

**9. RETIREMENT PLAN**

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

*Funding Policy* - Eligible employees are required by State statute to contribute a stated percentage of their annual covered salary to the retirement plan. The rate was 7% for miscellaneous employees from July - December 2007 and increased to 8% from January - June 2008 due to a change in benefits that was effective January 1, 2008. The contribution rate for safety employees was 9% for the entire 2007-08 fiscal year. The City's actuarially determined employer contributions as a percentage of covered payroll were as follows:

	July - December 2007	January - June 2008
Miscellaneous employees	10.663%	15.869%
Public Safety - Fire employees	21.792%	21.792%
Public Safety - Police employees	24.592%	24.592%

The contribution requirements of plan members and the City are established and may be amended annually by PERS.

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**9. RETIREMENT PLAN, Continue**

Annual Pension Cost – For fiscal year 2007-08, the City’s annual pension cost of \$3,831,256 for PERS was equal to the City’s required and actual contributions as determined by the June 30, 2005 actuarial valuation as adjusted for the January 1, 2008 benefit increase for miscellaneous employees. The following are the actuarial assumptions used for that valuation:

The following assumptions and valuation methodologies apply to all three of the City's employee groups (miscellaneous, safety - police and safety - fire):

Valuation date:	June 30, 2005
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Level percent of payroll
Asset valuation method:	15 year smoothed market
Investment rate of return:	7.75% (net of administrative expenses)
Inflation:	3.00%
Payroll growth:	3.25%
Projected salary increases:	3.25% to 14.45% (depending on age, length of service and type of employment)
Individual salary growth:	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

The following assumption varies for each employee group as noted below:

	<u>Miscellaneous</u>	<u>Safety - Police</u>	<u>Safety - Fire</u>
Average amortization period (as of valuation date):	25 years	17 years	17 years

Funding Status – The following is the funding status of the City’s retirement plans as of June 30, 2007 (the most recent actuarial date):

	<u>Plan Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Liability</u>
Miscellaneous employees	\$ 50,006,943	\$ 60,368,519	\$ 10,361,576

Safety (Police and Fire) Employees - Beginning with the June 30, 2003 actuarial valuations, employer retirement plans with PERS having fewer than 100 active members could no longer be stand-alone plans and were pooled for valuation purposes. Both the City’s fire and police plans met the criteria for pooling and are now part of the “Safety 3% at 50 Risk Pool” which is a cost-sharing multiple-employer defined benefit plan. Disclosure of the schedule of funding progress for this type of plan is not required.

The following is the three-year trend information for both the miscellaneous and safety (police and fire) plans:

**THREE-YEAR TREND INFORMATION FOR PERS**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2006	\$ 2,673,490	100%	-
6/30/2007	\$ 2,841,309	100%	-
6/30/2008	\$ 3,831,256	100%	-

**City of Turlock**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**10. POST-EMPLOYMENT HEALTH CARE BENEFITS**

Employees who retire from the City after working a minimum number of years (10-15 years according to their MOU's) are eligible to receive post-employment health care benefits. Currently, the City has 16 participants. Employees have to work for the City for a specified minimum period of time to be eligible to receive health care benefits at retirement. The percentage and length of employment required vary by bargaining unit and are delineated in each unit's Memoranda of Understanding or Schedule of Benefits.

While employed with the City, the City sets aside a percentage of employee compensation into an account for payment of post-employment health care benefits. In addition to the amount set-aside by the City, at retirement, employees have the option of converting up to 50% of their unused sick leave balance to provide post-employment health insurance benefits until age 65. If at age 65, they still have a balance in their account, employees are entitled to a 25% refund of the balance. If prior to age 65 the employee's account balance is depleted, they are billed for health insurance. The City has no additional financial liability for payment of post-employment health care benefits.

Pursuant to existing MOU's for the police and fire bargaining units, the City has transferred the funds set-aside to pay post-employment health care benefits and the administrative duties to the individual bargaining units. The City maintains the set-aside funds and administrative responsibilities for the miscellaneous and management employee groups. Expenditures for post-retirement health care benefits for miscellaneous and management retirees are recorded when incurred and for fiscal year ended June 30, 2008 were \$55,183 and the related trust account balance at June 30, 2008 is \$1,675,114.

**11. COMMITMENTS AND CONTINGENT LIABILITIES**

*Litigation*

As of June 30, 2008, the City is a party to various lawsuits. There are certain personal injury lawsuits which have been denied by the City Council. The outcome and eventual liability to the City, if any, in these cases is not known at this time. After reviewing these lawsuits with legal counsel, management estimates that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

*Grants*

The City has received Federal grants for specific purposes that are subject to review and audit by the Federal government. Although such audits could result in expenditure disallowance under the grant terms, any estimated required reimbursements would not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Turlock**  
**Required Supplementary Information**  
**For the year ended June 30, 2008**

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**BUDGETARY CONTROL AND ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year beginning July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled meetings which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested citizens.
3. Prior to July 1, the budget is legally adopted through a passage of a resolution.
4. The City Manager is authorized to transfer funds within departmental budgets between major object classifications and between capital projects in the same fund. The City Council must authorize transfers between funds, between departments, and from the fund balances reserved for specific purposes.
5. Formal budgetary accounting is employed as a management tool for all funds, except the Agency funds, which do not have revenues or expenditures. Annual budgets are legally adopted and amended as required for the General, Special Revenue, Enterprise, and Internal Service funds. Capital Projects funds are budgeted by project, which usually span more than one fiscal year. All budgets are prepared on a basis consistent with generally accepted accounting principles in the United States.
6. Budgeted amounts are reflected after all applicable amendments are revisions.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called "department". A "department" for legal appropriation purposes may be a single organization (e.g. City Attorney) or an entire department having multiple organizations (e.g. Parks and Recreation) or an entire fund (e.g. Downtown Support).

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations, and if certain proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or refunded to the taxpayers through revised tax rates or revised fee schedules. For the fiscal year ended June 30, 2008, proceeds of taxes did not exceed allowable appropriations.

The accompanying Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual present comparisons of the legally-adopted budget with actual data on a basis consistent with generally accepted accounting principles.

***Encumbrances***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are not rolled over to the next fiscal year. Departments are required to process new encumbrances based on the new fiscal year's budget. If the new fiscal year's budget is insufficient, an additional appropriation must be approved by the City Council prior to processing the encumbrance. Encumbrances do not represent expenditures or liabilities.

**City of Turlock**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

Budgetary Comparison Schedule -  
General Fund

	Budget		Actual	Variance
	Original	Amended		
<b>REVENUES:</b>				
Taxes and assessments	\$ 17,852,047	\$ 17,852,047	\$ 16,605,680	\$ (1,246,367)
Licenses and permits	1,280,663	1,280,663	1,190,984	(89,679)
Fines, forfeitures, and penalties	198,490	198,490	324,061	125,571
Use of money and property	773,000	773,000	1,218,953	445,953
Intergovernmental	6,572,560	6,572,560	6,381,537	(191,023)
Charges for current services	3,080,482	3,090,482	3,271,401	180,919
Other	1,666,284	1,670,306	1,702,092	31,786
<b>Total revenues</b>	<b>31,423,526</b>	<b>31,437,548</b>	<b>30,694,708</b>	<b>(742,840)</b>
<b>EXPENDITURES:</b>				
Current:				
General government	3,068,766	3,324,456	3,200,074	124,382
Public safety	22,018,788	24,031,996	23,071,939	960,057
Public ways and facilities/transportation	487,651	513,880	364,281	149,599
Culture and recreation	2,861,688	3,025,928	2,867,087	158,841
Community development	1,031,352	1,243,814	1,035,447	208,367
Capital outlay	442,188	1,387,950	1,355,064	32,886
Debt service:				
Principal	115,200	115,200	115,195	5
Interest and fiscal charges	27,002	27,002	27,007	(5)
<b>Total expenditures</b>	<b>30,052,635</b>	<b>33,670,226</b>	<b>32,036,094</b>	<b>1,634,132</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>1,370,891</b>	<b>(2,232,678)</b>	<b>(1,341,386)</b>	<b>891,292</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	887,863	955,863	880,736	(75,127)
Transfers out	(1,024,881)	(5,924,555)	(5,763,382)	161,173
<b>Total other financing sources (uses)</b>	<b>(137,018)</b>	<b>(4,968,692)</b>	<b>(4,882,646)</b>	<b>86,046</b>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
<b>OVER (UNDER) EXPENDITURES AND OTHER</b>				
<b>FINANCING USES</b>	<b>\$ 1,233,873</b>	<b>\$ (7,201,370)</b>	<b>(6,224,032)</b>	<b>\$ 977,338</b>
<b>FUND BALANCES:</b>				
Beginning of year			22,630,082	
End of year			<u>\$ 16,406,050</u>	

**City of Turlock**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

Budgetary Comparison Schedule -  
Gas Tax/Street Improvement

	Budget		Actual	Variance
	Original	Amended		
<b>REVENUES:</b>				
Use of money and property	\$ 3,500	\$ 3,500	\$ 52,070	\$ 48,570
Intergovernmental	6,628,946	6,628,946	3,806,152	(2,822,794)
Developer contributions			5,035,853	5,035,853
Other	165,425	165,425	229,588	64,163
<b>Total revenues</b>	<b>6,797,871</b>	<b>6,797,871</b>	<b>9,123,663</b>	<b>2,325,792</b>
<b>EXPENDITURES:</b>				
Current:				
Public ways and facilities/transportation	2,497,132	3,000,844	2,184,499	816,345
Capital outlay	6,286,417	6,520,937	7,302,725	(781,788)
Debt service:				
Principal	78,990	78,990	78,986	4
Interest and fiscal charges	13,064	13,064	13,067	(3)
<b>Total expenditures</b>	<b>8,875,603</b>	<b>9,613,835</b>	<b>9,579,277</b>	<b>34,558</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(2,077,732)</b>	<b>(2,815,964)</b>	<b>(455,614)</b>	<b>2,360,350</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	423,107	849,953	637,687	(212,266)
Transfers out	(16,504)	(16,504)	(16,929)	(425)
<b>Total other financing sources (uses)</b>	<b>406,603</b>	<b>833,449</b>	<b>620,758</b>	<b>(212,691)</b>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
<b>OVER (UNDER) EXPENDITURES AND OTHER</b>				
<b>FINANCING USES</b>	<b>\$ (1,671,129)</b>	<b>\$ (1,982,515)</b>	<b>165,144</b>	<b>\$ 2,147,659</b>
<b>FUND BALANCES:</b>				
Beginning of year			1,974,320	
End of year			<u>\$ 2,139,464</u>	

**City of Turlock**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

Budgetary Comparison Schedule -  
Redevelopment

	Budget		Actual	Variance
	Original	Amended		
<b>REVENUES:</b>				
Taxes and assessments	\$ 4,597,500	\$ 4,597,500	\$ 5,944,102	\$ 1,346,602
Use of money and property	570,000	570,000	1,061,564	491,564
Other	15,000	15,000	-	(15,000)
<b>Total revenues</b>	<u>5,182,500</u>	<u>5,182,500</u>	<u>7,005,666</u>	<u>1,823,166</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	1,118,605	1,337,348	1,561,578	(224,230)
Capital outlay	-	1,650,000	740,119	909,881
Debt service:				
Principal	435,000	435,000	435,000	-
Interest and fiscal charges	1,408,200	1,408,200	1,408,174	26
<b>Total expenditures</b>	<u>2,961,805</u>	<u>4,830,548</u>	<u>4,144,871</u>	<u>685,677</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>2,220,695</u>	<u>351,952</u>	<u>2,860,795</u>	<u>2,508,843</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(2,498,357)</u>	<u>(3,966,666)</u>	<u>(2,786,133)</u>	<u>1,180,533</u>
<b>Total other financing sources (uses)</b>	<u>(2,498,357)</u>	<u>(3,966,666)</u>	<u>(2,786,133)</u>	<u>1,180,533</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
<b>OVER (UNDER) EXPENDITURES AND OTHER</b>				
<b>FINANCING USES</b>	<u>\$ (277,662)</u>	<u>\$ (3,614,714)</u>	<u>74,662</u>	<u>\$ 3,689,376</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>25,269,178</u>	
End of year			<u>\$ 25,343,840</u>	

**City of Turlock**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

Budgetary Comparison Schedule -  
Facility Fees

	Budget		Actual	Variance
	Original	Amended		
<b>REVENUES:</b>				
Licenses and permits	\$ 3,287,000	\$ 3,287,000	\$ 4,765,940	\$ 1,478,940
Use of money and property	33,000	33,000	604,766	571,766
Other	15,800	15,800	15,800	-
<b>Total revenues</b>	<u>3,335,800</u>	<u>3,335,800</u>	<u>5,386,506</u>	<u>2,050,706</u>
<b>EXPENDITURES:</b>				
Current:				
General government	125,000	125,000	76,440	48,560
Public safety	3,500	78,500	3,907	74,593
Public ways and facilities/ transportation	1,500	1,500	263,715	(262,215)
Capital outlay	6,006,320	15,243,817	3,963,572	11,280,245
Debt service:				
Principal	338,290	338,290	338,291	(1)
Interest and fiscal charges	69,900	69,900	69,899	1
<b>Total expenditures</b>	<u>6,544,510</u>	<u>15,857,007</u>	<u>4,715,824</u>	<u>11,141,183</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,208,710)</u>	<u>(12,521,207)</u>	<u>670,682</u>	<u>13,191,889</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,379,051	7,729,843	6,640,112	(1,089,731)
Transfers out	(293,450)	(543,295)	(336,534)	206,761
<b>Total other financing sources (uses)</b>	<u>2,085,601</u>	<u>7,186,548</u>	<u>6,303,578</u>	<u>(882,970)</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (1,123,109)</u>	<u>\$ (5,334,659)</u>	<u>6,974,260</u>	<u>\$ 12,308,919</u>
<b>FUND BALANCES:</b>				
Beginning of year			<u>14,784,549</u>	
End of year			<u>\$ 21,758,809</u>	

**City of Turlock**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2008**

**PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	Actuarial Asset Value	Actuarial Assets Over (Under) Accrued Liability	Funded Status	Annual Covered Payroll	Actuarial Assets Over (Under) Liability as Percentage of Covered Payroll
<i>Miscellaneous Employees</i>						
6/30/2003	40,603,454	36,018,211	(4,585,243)	88.7%	10,402,637	-44.1%
6/30/2004	45,110,930	38,459,983	(6,650,947)	85.3%	11,280,476	-59.0%
6/30/2005	49,114,899	41,597,551	(7,517,348)	84.7%	11,569,699	-65.0%
6/30/2006	56,731,507	45,557,368	(11,174,139)	80.3%	12,142,839	-92.0%
6/30/2007	60,368,519	50,006,943	(10,361,576)	82.8%	12,929,803	-80.1%

*Safety (Police and Fire) Employees*

Beginning with the June 30, 2003 actuarial valuations, employer retirement plans with PERS having fewer than 100 active members could no longer be stand-alone plans and were pooled for valuation purposes. Both the City's fire and police plans met the criteria for pooling and are now part of the "Safety 3% at 50 Risk Pool" which is a cost-sharing multiple-employer defined benefit plan. Disclosure of the schedule of funding progress for this type of plan is not required.

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**SUPPLEMENTAL INFORMATION**

## NON-MAJOR GOVERNMENTAL FUNDS

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The following provides a brief narrative for some the City's more substantial non-major governmental funds.

### Integrated Waste Management (AB939)

This fund is used to account for revenues received from recycling-related efforts. These revenues are used to fund recycling education programs as well as the City's "Take-Pride-In-Turlock" community cleanup.

### Housing Set-Aside

This Redevelopment Agency fund accounts for 20% of the tax increment generated within the Agency boundaries which is required under California law to be set aside for low- and moderate-income housing programs. The remaining 80% of tax increment is accounted for in a Capital Projects fund titled "Redevelopment". Revenue and expenditure detail for this fund can be found in the Supplemental Information section.

### Development Impact Fees

Various development impact fee programs are accounted for in this fund. These revenues are collected for and expended on infrastructure improvements designed to mitigate the effects of development throughout the City. These fees are separate, and in most cases, in addition to the impact fees described in the Facility Fee Fund. Not included in this fund are impact fees collected for sewer and/or water infrastructure improvements.

### Equipment Replacement

The Equipment Replacement fund accounts for monies set aside to fund the replacement of existing equipment (including computer related equipment) used by various City departments.

### Lighting & Landscaping Assessment Districts

This fund accounts for the expenditure of revenues collected under either the Landscaping and Lighting Act of 1972 or the Benefit Assessment Act of 1982. These Acts provide a funding mechanism for the maintenance costs associated with various lighting, landscaping and street improvements within the assessment districts formed under the respective Act.

### CDBG, State HOME Program, Rental Rehabilitation and Stanislaus County Housing Consortium

This group of funds accounts for the various federal funding sources the City receives on an annual basis to assist in the preservation and production of affordable housing within the City.

### North Turlock Master Plan

The North Turlock Master Plan fund accounts for the collection and expenditure of development impact fees collected specifically within the master plan boundaries. Fees are collected to fund the cost of infrastructure – transportation, sewer and storm drainage – improvements necessary due to development within the master plan area.

**City of Turlock**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2008**

	Special Revenue				
	Police Crime Prevention	Integrated Waste Mgmt (AB939)	Bicycle Safety	Sports Facilities	Housing Set-Aside
<b>ASSETS</b>					
Cash and investments	\$ 6,832	\$ 389,038	\$ 25,602	\$ 51,760	\$ 5,014,960
Accounts receivable	1,961	20,442		10,669	160
Interest receivable		2,311			27,863
Loans receivable					5,684,228
Other assets					14,720
<b>Total assets</b>	<b>\$ 8,793</b>	<b>\$ 411,791</b>	<b>\$ 25,602</b>	<b>\$ 62,429</b>	<b>\$ 10,741,931</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable		\$ 6,225		\$ 9,070	\$ 16,520
Payroll payable				7,434	
Due to other funds					
Deferred revenue				28,000	5,684,228
<b>Total liabilities</b>	<b>-</b>	<b>6,225</b>	<b>-</b>	<b>44,504</b>	<b>5,700,748</b>
<b>Fund Balances:</b>					
Unreserved:					
Designated for compensated absences					
Undesignated	8,793	405,566	25,602	17,925	5,041,183
<b>Total fund balances</b>	<b>8,793</b>	<b>405,566</b>	<b>25,602</b>	<b>17,925</b>	<b>5,041,183</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,793</b>	<b>\$ 411,791</b>	<b>\$ 25,602</b>	<b>\$ 62,429</b>	<b>\$ 10,741,931</b>

Special Revenue

Animal Fees Forfeiture	Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District
\$ 23,837	\$ 5,881,323 126 32,124	\$ 3,616,641 1,867	\$ 910,775 14 5,198	\$ 583,758 3,333	\$ 6,291,805 66,151 37,817	\$ 54,830 619
<u>\$ 23,837</u>	<u>\$ 5,913,573</u>	<u>\$ 3,618,508</u>	<u>\$ 915,987</u>	<u>\$ 587,091</u>	<u>\$ 6,395,773</u>	<u>\$ 55,449</u>
\$ 2,863	\$ 44,175	\$ 47,036			\$ 19,576 12,165	
<u>2,863</u>	<u>44,175</u>	<u>47,036</u>	<u>-</u>	<u>-</u>	<u>31,741</u>	<u>-</u>
20,974	5,869,398	3,571,472	915,987	587,091	4,588 6,359,444	55,449
<u>20,974</u>	<u>5,869,398</u>	<u>3,571,472</u>	<u>915,987</u>	<u>587,091</u>	<u>6,364,032</u>	<u>55,449</u>
<u>\$ 23,837</u>	<u>\$ 5,913,573</u>	<u>\$ 3,618,508</u>	<u>\$ 915,987</u>	<u>\$ 587,091</u>	<u>\$ 6,395,773</u>	<u>\$ 55,449</u>

(Continued)

**City of Turlock**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2008**

	Special Revenue				
	Northeast Turlock CFD #2	CDBG	State HOME Program	Rental Rehabilitation	Stanislaus County Housing Consortium
<b>ASSETS</b>					
Cash and investments			\$ 368,359	\$ 23,937	
Accounts receivable	12,609	\$ 166,803		511	\$ 231,162
Interest receivable	947				
Loans receivable		4,494,508	3,964,572	27,977	4,874,559
Other assets					
<b>Total assets</b>	<b>\$ 13,556</b>	<b>\$ 4,661,311</b>	<b>\$ 4,332,931</b>	<b>\$ 52,425</b>	<b>\$ 5,105,721</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable		\$ 27,237			\$ 34,804
Payroll payable		12,165			2,221
Due to other funds	9,070	127,401			194,137
Deferred revenue		4,494,508	3,964,572	\$ 27,977	4,874,559
<b>Total liabilities</b>	<b>9,070</b>	<b>4,661,311</b>	<b>3,964,572</b>	<b>27,977</b>	<b>5,105,721</b>
<b>Fund Balances:</b>					
Unreserved:					
Designated for compensated absences		23,055			
Undesignated	4,486	(23,055)	368,359	24,448	-
<b>Total fund balances</b>	<b>4,486</b>	<b>-</b>	<b>368,359</b>	<b>24,448</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,556</b>	<b>\$ 4,661,311</b>	<b>\$ 4,332,931</b>	<b>\$ 52,425</b>	<b>\$ 5,105,721</b>

Special Revenue		Capital Projects				
Grant Funds	Total	Capital Improvement	Street Light Installation	Downtown Improvement Project	North Turlock Master Plan	North East Turlock Master Plan
\$ 64,978	\$ 23,308,435	\$ 596,139	\$ 154,924	\$ 251,699	\$ 3,099,021	\$ 2,284,959
452,311	964,786					
-	110,212	3,444	882		17,716	11,564
	19,045,844					
	14,720					
<u>\$ 517,289</u>	<u>\$ 43,443,997</u>	<u>\$ 599,583</u>	<u>\$ 155,806</u>	<u>\$ 251,699</u>	<u>\$ 3,116,737</u>	<u>\$ 2,296,523</u>
\$ 30,155	\$ 237,661	\$ 23,602				\$ 5,090
6,566	40,551					
477,585	808,193					
	19,073,844					
<u>514,306</u>	<u>20,160,249</u>	<u>23,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,090</u>
	-					
	27,643					
2,983	23,256,105	575,981	155,806	251,699	3,116,737	2,291,433
2,983	23,283,748	575,981	155,806	251,699	3,116,737	2,291,433
<u>\$ 517,289</u>	<u>\$ 43,443,997</u>	<u>\$ 599,583</u>	<u>\$ 155,806</u>	<u>\$ 251,699</u>	<u>\$ 3,116,737</u>	<u>\$ 2,296,523</u>

(Continued)

**City of Turlock**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds, Continued**  
**June 30, 2008**

	Capital Projects			Total Nonmajor Funds
	Westside Industrial Specific Plan	East Tuolumne Master Plan	Total	
<b>ASSETS</b>				
Cash and investments	\$ 324,642		\$ 6,711,384	\$ 30,019,819
Accounts receivable			-	964,786
Interest receivable			33,606	143,818
Loans receivable			-	19,045,844
Other assets			-	14,720
<b>Total assets</b>	<b>\$ 324,642</b>	<b>\$ -</b>	<b>\$ 6,744,990</b>	<b>\$ 50,188,987</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 35,339		\$ 64,031	\$ 301,692
Payroll payable			-	40,551
Due to other funds		88,000	88,000	896,193
Deferred revenue			-	19,073,844
<b>Total liabilities</b>	<b>35,339</b>	<b>88,000</b>	<b>152,031</b>	<b>20,312,280</b>
<b>Fund Balances:</b>				
Unreserved:				
Designated for compensated absences			-	27,643
Undesignated	289,303	(88,000)	6,592,959	29,849,064
<b>Total fund balances</b>	<b>289,303</b>	<b>(88,000)</b>	<b>6,592,959</b>	<b>29,876,707</b>
<b>Total liabilities and fund balances</b>	<b>\$ 324,642</b>	<b>\$ -</b>	<b>\$ 6,744,990</b>	<b>\$ 50,188,987</b>

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# City of Turlock

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds

For the year ended June 30, 2008

	Special Revenue					
	Police Crime Prevention	Integrated Waste Mgmt (AB939)	Bicycle Safety	Sports Facilities	Housig Set-Aside	Animal Fees Forfeiture
<b>REVENUES:</b>						
Taxes and assessments					\$ 1,872,337	
Licenses and permits						
Use of money and property	\$ 3,905	\$ 12,106			143,141	
Intergovernmental		89,124				
Charges for current services		61,082	2,221	\$ 195,154		\$ 26,201
Other				1,041	262,257	
<b>Total revenues</b>	<b>3,905</b>	<b>162,312</b>	<b>2,221</b>	<b>196,195</b>	<b>2,277,735</b>	<b>26,201</b>
<b>EXPENDITURES:</b>						
Current:						
General government		50,477				
Public safety	1,000		91			25,718
Public ways and facilities/transportation						
Culture and recreation				545,094		
Community development					527,506	
Capital outlay					2,500	
Debt service:						
Principal						
Interest and fiscal charges						
<b>Total expenditures</b>	<b>1,000</b>	<b>50,477</b>	<b>91</b>	<b>545,094</b>	<b>530,006</b>	<b>25,718</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,905</b>	<b>111,835</b>	<b>2,130</b>	<b>(348,899)</b>	<b>1,747,729</b>	<b>483</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in				359,174		
Transfers out				(2,341)	(93,392)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>356,833</b>	<b>(93,392)</b>	<b>-</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,905</b>	<b>111,835</b>	<b>2,130</b>	<b>7,934</b>	<b>1,654,337</b>	<b>483</b>
<b>FUND BALANCES:</b>						
Beginning of year	5,888	293,731	23,472	9,991	3,386,846	20,491
End of year	\$ 8,793	\$ 405,566	\$ 25,602	\$ 17,925	\$ 5,041,183	\$ 20,974

Special Revenue					
Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District
				2,024,028	
\$ 698,405		8,556			
178,236	\$ -	28,613	18,243	200,985	3,384
	239,572				
-	26,850				
876,641	266,422	37,169	18,243	2,225,013	3,384
-	54,687				
-	79,615				
58,774	66,031	59,548		1,536,902	53,772
-	5,833				
-	113,651				
658,401	291,572			23,346	
-	-				
63,953	-				
35,093	-				
816,221	611,389	59,548	-	1,560,248	53,772
60,420	(344,967)	(22,379)	18,243	664,765	(50,388)
84,715	572,433				
(3,500)	(69,500)	(7,455)	(1,657)	(2,821)	
81,215	502,933	(7,455)	(1,657)	(2,821)	-
141,635	157,966	(29,834)	16,586	661,944	(50,388)
5,727,763	3,413,506	945,821	570,505	5,702,088	105,837
\$ 5,869,398	\$ 3,571,472	\$ 915,987	\$ 587,091	\$ 6,364,032	\$ 55,449

(Continued)

# City of Turlock

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

### Nonmajor Governmental Funds, Continued

For the year ended June 30, 2008

	Special Revenue				
	Northeast Turlock CFD #2	CDBG	State HOME Program	Rental Rehabilitation	Stanislaus Housing Consortium
<b>REVENUES:</b>					
Taxes and assessments	\$ 151,877				
Licenses and permits					
Use of money and property	\$ 6,281				
Intergovernmental		\$ 158,193			\$ 1,351,898
Charges for current services					
Other		1,487,324	250,673	\$ 5,277	265,865
<b>Total revenues</b>	<b>158,158</b>	<b>1,645,517</b>	<b>250,673</b>	<b>5,277</b>	<b>1,617,763</b>
<b>EXPENDITURES:</b>					
Current:					
General government	3,500				
Public safety					
Public ways and facilities/transportation					
Culture and recreation					
Community development		1,553,262	1,248,062	6,034	1,700,400
Capital outlay		107,747	523,236		33
Debt service:					
Principal					
Interest and fiscal charges					
<b>Total expenditures</b>	<b>3,500</b>	<b>1,661,009</b>	<b>1,771,298</b>	<b>6,034</b>	<b>1,700,433</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>154,658</b>	<b>(15,492)</b>	<b>(1,520,625)</b>	<b>(757)</b>	<b>(82,670)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in		20,000			90,061
Transfers out	(197,000)	(4,508)		(40,000)	(7,391)
<b>Total other financing sources (uses)</b>	<b>(197,000)</b>	<b>15,492</b>	<b>-</b>	<b>(40,000)</b>	<b>82,670</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(42,342)</b>	<b>-</b>	<b>(1,520,625)</b>	<b>(40,757)</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Beginning of year	46,828	-	1,888,984	65,205	-
End of year	\$ 4,486	\$ -	\$ 368,359	\$ 24,448	\$ -

Special Revenue		Capital Projects				
Grant Funds	Total	Capital Improvement	Street Light Installation	Downtown Improvement Project	North Turlock Master Plan	North East Turlock Master Plan
	\$ 4,048,242					
	706,961				\$ 2,172,361	\$ 2,183,318
\$ 3,320	598,214	\$ 19,942	4,832		94,896	60,493
1,167,920	2,767,135					
	524,230		28,684			
130,222	2,429,509					
1,301,462	11,074,291	19,942	33,516	-	2,267,257	2,243,811
-	108,664					
144,769	251,193					
-	1,775,027	10,802		44,238	35,597	907,761
632,414	1,183,341					
-	5,148,915					
801,457	2,408,292	54,539			44,388	
-						
-	63,953					
	35,093					
1,578,640	10,974,478	65,341	-	44,238	79,985	907,761
(277,178)	99,813	(45,399)	33,516	(44,238)	2,187,272	1,336,050
225,460	1,351,843	150,844				
(151,618)	(581,183)				(450,000)	
73,842	770,660	150,844	-	-	(450,000)	-
(203,336)	870,473	105,445	33,516	(44,238)	1,737,272	1,336,050
206,319	22,413,275	470,536	122,290	295,937	1,379,465	955,383
\$ 2,983	\$ 23,283,748	\$ 575,981	\$ 155,806	\$ 251,699	\$ 3,116,737	\$ 2,291,433

(Continued)

# City of Turlock

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds, Continued For the year ended June 30, 2008

	Capital Projects			Total Nonmajor Funds
	Westside Industrial Specific Plan	East Tuolumne Master Plan	Total	
<b>REVENUES:</b>				
Taxes and assessments			\$	\$ 4,048,242
Licenses and permits	\$ 433,656	\$ 9,000	4,798,335	5,505,296
Use of money and property		.	180,163	778,377
Intergovernmental			-	2,767,135
Charges for current services			28,684	552,914
Other			-	2,429,509
<b>Total revenues</b>	<b>433,656</b>	<b>9,000</b>	<b>5,007,182</b>	<b>16,081,473</b>
<b>EXPENDITURES:</b>				
Current:				
General government			-	108,664
Public safety			-	251,193
Public ways and facilities/transportation	35,000	37,000	1,070,398	2,845,425
Culture and recreation			-	1,183,341
Community development			-	5,148,915
Capital outlay	694,257		793,184	3,201,476
Debt service:				
Principal			-	63,953
Interest and fiscal charges			-	35,093
<b>Total expenditures</b>	<b>729,257</b>	<b>37,000</b>	<b>1,863,582</b>	<b>12,838,060</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(295,601)</b>	<b>(28,000)</b>	<b>3,143,600</b>	<b>3,243,413</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	665,923		816,767	2,168,610
Transfers out			(450,000)	(1,031,183)
<b>Total other financing sources (uses)</b>	<b>665,923</b>	<b>-</b>	<b>366,767</b>	<b>1,137,427</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>370,322</b>	<b>(28,000)</b>	<b>3,510,367</b>	<b>4,380,840</b>
<b>FUND BALANCES:</b>				
Beginning of year	(81,019)	(60,000)	3,082,592	25,495,867
End of year	\$ 289,303	\$ (88,000)	\$ 6,592,959	\$ 29,876,707

(Concluded)

## NON-MAJOR PROPRIETARY FUNDS

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### Airport

This fund accounts for grant revenues received from the State and Federal governments which are being expended to fund capital improvements at the Turlock Municipal Airport. The day-to-day operations of the airport and the capital improvement projects are under the control of the Turlock Regional Aviation Association under a Facilities Management Agreement with the City of Turlock.

### Transportation

The Transportation fund accounts for the activities of the City's fixed-route (BLST) and Dial-a-Ride bus systems which are in part funded with Local Transportation and Federal Transportation funds.

### Building & Safety

This fund accounts for the activities of the City's Building Division. These activities include the issuance of building permits, checking building plans submitted for compliance with applicable State and local codes (plan check), performing building inspection for construction projects in town and providing assistance as needed to citizens with building-related questions/issues.

**City of Turlock**  
**Combining Statement of Net Assets**  
**Nonmajor Proprietary Funds**  
**June 30, 2008**

	Airport	Transportation	Building & Safety	Total Nonmajor Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,859	\$ 2,818,849	\$ 517,329	\$ 3,338,037
Accounts receivable	117,996	564,307	352	682,655
Interest receivable		11,549	2,895	14,444
Total current assets	119,855	3,394,705	520,576	4,035,136
Capital assets - net	2,290,773	3,021,549		5,312,322
<b>Total Assets</b>	<b>2,410,628</b>	<b>6,416,254</b>	<b>520,576</b>	<b>9,347,458</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	41,700	182,572	86,708	310,980
Salaries payable		2,317	30,799	33,116
Deferred revenue		609,668		609,668
Compensated absences - due in one year			17,240	17,240
Total current liabilities	41,700	794,557	134,747	971,004
Compensated absences - due in more than one year			68,963	68,963
<b>Total liabilities</b>	<b>41,700</b>	<b>794,557</b>	<b>203,710</b>	<b>1,039,967</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,290,773	3,021,549	-	5,312,322
Unrestricted	78,155	2,600,148	316,866	2,995,169
<b>Total net assets</b>	<b>\$ 2,368,928</b>	<b>\$ 5,621,697</b>	<b>\$ 316,866</b>	<b>\$ 8,307,491</b>

**City of Turlock**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Nonmajor Proprietary Funds**  
**For the year ended June 30, 2008**

	Airport	Transportation	Building & Safety	Total
<b>OPERATING REVENUES:</b>				
Charges for services		\$ 182,331	\$ 1,312,867	\$ 1,495,198
Intergovernmental	\$ 137,996	2,884,729		3,022,725
<b>Total operating revenues</b>	<b>137,996</b>	<b>3,067,060</b>	<b>1,312,867</b>	<b>4,517,923</b>
<b>OPERATING EXPENSES:</b>				
Salaries		70,378	727,425	797,803
Benefits and insurance		35,667	400,986	436,653
Contractual	42,700	777,475	491,829	1,312,004
Supplies and maintenance		181,931	9,220	191,151
Utilities		7,470	10,981	18,451
Fleet expense			8,727	8,727
Depreciation and amortization	72,202	139,405		211,607
Other expenses			21,808	21,808
<b>Total operating expenses</b>	<b>114,902</b>	<b>1,212,326</b>	<b>1,670,976</b>	<b>2,998,204</b>
<b>Operating income (loss)</b>	<b>23,094</b>	<b>1,854,734</b>	<b>(358,109)</b>	<b>1,519,719</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	856	62,142	17,453	80,451
Loss on disposal of capital assets		(8,753)		(8,753)
<b>Total nonoperating revenues (expenses)</b>	<b>856</b>	<b>53,389</b>	<b>17,453</b>	<b>71,698</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>				
	23,950	1,908,123	(340,656)	1,591,417
Transfers out		(15,131)	(44,971)	(60,102)
<b>Total transfers</b>	<b>-</b>	<b>(15,131)</b>	<b>(44,971)</b>	<b>(60,102)</b>
<b>Net income (loss)</b>	<b>23,950</b>	<b>1,892,992</b>	<b>(385,627)</b>	<b>1,531,315</b>
<b>NET ASSETS:</b>				
Beginning of year	2,344,978	3,728,705	702,493	6,776,176
End of year	\$ 2,368,928	\$ 5,621,697	\$ 316,866	\$ 8,307,491

**City of Turlock**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the year Ended June 30, 2008**

	Airport	Transportation	Building & Safety	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 20,000	\$ 3,574,629	\$ 1,316,448	\$ 4,911,077
Cash paid to suppliers	(48,704)	(927,184)	(883,202)	(1,859,090)
Cash paid to employees		(105,793)	(701,619)	(807,412)
<b>Net cash provided (used) by operating activities</b>	<b>(28,704)</b>	<b>2,541,652</b>	<b>(268,373)</b>	<b>2,244,575</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfer out		(15,131)	(44,971)	(60,102)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>-</b>	<b>(15,131)</b>	<b>(44,971)</b>	<b>(60,102)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchase of capital assets	(187,839)	(1,016,198)		(1,204,037)
Proceeds from sale of capital assets		2,986		2,986
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(187,839)</b>	<b>(1,013,212)</b>	<b>-</b>	<b>(1,201,051)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	856	65,948	23,487	90,291
<b>Net cash provided (used) by investing activities</b>	<b>856</b>	<b>65,948</b>	<b>23,487</b>	<b>90,291</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(215,687)</b>	<b>1,579,257</b>	<b>(289,857)</b>	<b>1,073,713</b>
<b>CASH AND CASH EQUIVALENTS:</b>				
Beginning of year	217,546	1,239,592	807,186	2,264,324
End of year	<b>\$ 1,859</b>	<b>\$ 2,818,849</b>	<b>\$ 517,329</b>	<b>\$ 3,338,037</b>

**City of Turlock**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the year Ended June 30, 2008**

	Airport	Transportation	Building & Safety	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 23,094	\$ 1,854,734	\$ (358,109)	\$ 1,519,719
Noncash items included in operating income (loss)				
Depreciation and amortization	72,202	139,405		211,607
Changes in assets and liabilities				
Accounts receivable	(117,996)	185,778	3,581	71,363
Accounts payable	(6,004)	39,692	60,349	94,037
Salaries payable		252	6,759	7,011
Deferred revenue		321,791		321,791
Compensated absences			19,047	19,047
<b>Net cash provided (used) by operating activities</b>	<b>\$ (28,704)</b>	<b>\$ 2,541,652</b>	<b>\$ (268,373)</b>	<b>\$ 2,244,575</b>

## INTERNAL SERVICE FUNDS

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Internal Service Funds are used to finance and account for services or activities performed by one City department for the benefit of other City departments on a cost reimbursement basis.

The concept of major funds introduced by GASB 34 does not apply to Internal Service Funds because, in general, they do not do business with outside parties. GASB 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the City department(s) which benefit(s) from the services the internal service fund provides. The balance sheet items are consolidated with the Governmental Funds in the Statement of Net Assets.

The activities of Internal Service funds continue to be presented separately in the Fund Financial Statements.

### Equipment Pool

This fund accounts for repair and maintenance activities for all City vehicles and large equipment as well as monies set aside for the replacement of vehicles used by City departments.

### Self Insurance

The Self Insurance fund accounts for the activities of the City's risk management and workers' compensation, property/liability and health (medical, dental and vision) insurance programs.

### Information Technology

This fund accounts for the costs incurred to maintain and enhance the City's information technology systems.

### Engineering

The Engineering fund accounts for the cost of in-house Engineering services provided both to City departments involved in capital projects as well as to the development community external to City operations. The cost of services to the development community is recovered through various permitting processes.

**City of Turlock**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2008**

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 1,336,999	\$ 11,814,102	\$ 164,130	\$ 1,794,861	\$ 15,110,092
Accounts receivable	491	118,047		448	118,986
Interest receivable	7,293	65,193		9,802	82,288
<b>Total current assets</b>	<b>1,344,783</b>	<b>11,997,342</b>	<b>164,130</b>	<b>1,805,111</b>	<b>15,311,366</b>
Capital assets - net	1,277,364		5,281	1,518,109	2,800,754
<b>Total assets</b>	<b>2,622,147</b>	<b>11,997,342</b>	<b>169,411</b>	<b>3,323,220</b>	<b>18,112,120</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	143,738	698,458	16,793	46,437	905,426
Payroll payable	14,676		15,641	57,351	87,668
Interest payable				12,701	12,701
Compensated absences - due within one year	12,281		12,273	32,708	57,262
Capital lease obligations - due within one year				74,865	74,865
Claims liability		2,764,380			2,764,380
Deposits payable				6,867	6,867
<b>Total current liabilities</b>	<b>170,695</b>	<b>3,462,838</b>	<b>44,707</b>	<b>230,929</b>	<b>3,909,169</b>
Long-term liabilities:					
Compensated absences - due in more than one year	49,125		49,094	130,834	229,053
Capital lease obligation - due in more than one year				742,023	742,023
<b>Total long-term liabilities</b>	<b>49,125</b>	<b>-</b>	<b>49,094</b>	<b>872,857</b>	<b>971,076</b>
<b>Total liabilities</b>	<b>219,820</b>	<b>3,462,838</b>	<b>93,801</b>	<b>1,103,786</b>	<b>4,880,245</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,277,364		5,281	701,221	1,983,866
Unrestricted	1,124,963	8,534,504	70,329	1,518,213	11,248,009
<b>Total net assets</b>	<b>\$ 2,402,327</b>	<b>\$ 8,534,504</b>	<b>\$ 75,610</b>	<b>\$ 2,219,434</b>	<b>\$ 13,231,875</b>

**City of Turlock**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Internal Service Funds**  
**For the year ended June 30, 2008**

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 1,675,274	\$ 7,885,825	\$ 959,908	\$ 2,091,195	\$ 12,612,202
Refunds & Other Income	11,730	570,437		19,664	601,831
<b>Total operating revenues</b>	<b>1,687,004</b>	<b>8,456,262</b>	<b>959,908</b>	<b>2,110,859</b>	<b>13,214,033</b>
<b>OPERATING EXPENSES:</b>					
Salaries	353,739		384,391	1,456,178	2,194,308
Benefits and insurance	207,710	7,199,512	196,371	796,886	8,400,479
Contractual	54,059		258,952	390,913	703,924
Supplies and maintenance	843,235		11,575	60,217	915,027
Utilities	31,292		21,361	25,115	77,768
Fleet expense	88,621		12,706	25,018	126,345
Depreciation and amortization	272,384		7,221	94,387	373,992
Other expenses	3,683	11,172	11,406	53,845	80,106
<b>Total operating expenses</b>	<b>1,854,723</b>	<b>7,210,684</b>	<b>903,983</b>	<b>2,902,559</b>	<b>12,871,949</b>
<b>Operating income (loss)</b>	<b>(167,719)</b>	<b>1,245,578</b>	<b>55,925</b>	<b>(791,700)</b>	<b>342,084</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	40,784	357,028		60,496	458,308
Gain on disposal of capital assets	12,875				12,875
Interest expense				(39,725)	(39,725)
<b>Total nonoperating revenues (expenses)</b>	<b>53,659</b>	<b>357,028</b>	<b>-</b>	<b>20,771</b>	<b>431,458</b>
<b>Income (loss) before operating transfers</b>	<b>(114,060)</b>	<b>1,602,606</b>	<b>55,925</b>	<b>(770,929)</b>	<b>773,542</b>
Transfers in			9,571	80,000	89,571
Transfers out	(28,135)		(9,670)	(128,452)	(166,257)
<b>Total transfers</b>	<b>(28,135)</b>	<b>-</b>	<b>(99)</b>	<b>(48,452)</b>	<b>(76,686)</b>
<b>Net income (loss)</b>	<b>(142,195)</b>	<b>1,602,606</b>	<b>55,826</b>	<b>(819,381)</b>	<b>696,856</b>
<b>NET ASSETS:</b>					
Beginning of year	2,544,522	6,931,898	19,784	3,038,815	12,535,019
End of year	<u>\$ 2,402,327</u>	<u>\$ 8,534,504</u>	<u>\$ 75,610</u>	<u>\$ 2,219,434</u>	<u>\$ 13,231,875</u>

**City of Turlock**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2008**

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 1,687,529	\$ 8,157,016	\$ 959,908	\$ 2,091,050	\$ 12,895,503
Cash paid to suppliers	(936,306)	356,782	(290,429)	(460,978)	(1,330,931)
Cash paid to employees	(549,417)	(7,199,512)	(569,111)	(2,199,538)	(10,517,578)
Other	8,047	559,265	(11,406)	(63,751)	492,155
<b>Net cash provided (used) by operating activities</b>	<b>209,853</b>	<b>1,873,551</b>	<b>88,962</b>	<b>(633,217)</b>	<b>1,539,149</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers in			9,571	80,000	89,571
Operating transfers out	(28,135)		(9,670)	(128,452)	(166,257)
<b>Net cash provided (used) by noncapital capital financing activities</b>	<b>(28,135)</b>	<b>-</b>	<b>(99)</b>	<b>(48,452)</b>	<b>(76,686)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Purchase of capital assets	(343,850)		(511)		(344,361)
Proceeds from disposal of capital assets	41,366				41,366
Principal payments on long-term debt				(71,474)	(71,474)
Interest paid				(40,836)	(40,836)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(302,484)</b>	<b>-</b>	<b>(511)</b>	<b>(112,310)</b>	<b>(415,305)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	47,906	394,438		76,510	518,854
<b>Net cash provided (used) by investing activities</b>	<b>47,906</b>	<b>394,438</b>	<b>-</b>	<b>76,510</b>	<b>518,854</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(72,860)</b>	<b>2,267,989</b>	<b>88,352</b>	<b>(717,469)</b>	<b>1,566,012</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
Beginning of year	1,409,859	9,546,113	75,778	2,512,330	13,544,080
End of year	\$ 1,336,999	\$ 11,814,102	\$ 164,130	\$ 1,794,861	\$ 15,110,092
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ (167,719)	\$ 1,245,578	\$ 55,925	\$ (791,700)	\$ 342,084
Noncash items included in operating income (loss)					
Depreciation	272,384		7,221	94,387	373,992
Changes in assets and liabilities					
Accounts receivable	12,255	271,191		(145)	283,301
Accounts payable	80,901	356,782	14,165	40,285	492,133
Payroll payable	2,202		3,497	10,097	15,796
Compensated absences	9,830		8,154	43,429	61,413
Deposits				(29,570)	(29,570)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 209,853</b>	<b>\$ 1,873,551</b>	<b>\$ 88,962</b>	<b>\$ (633,217)</b>	<b>\$ 1,539,149</b>

## FIDUCIARY FUNDS

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### AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the Government-wide Financial Statements, but are presented in a separate Fiduciary Fund Financial Statement. For the City of Turlock, the following agent activities are accounted for within the Agency Funds:

- ✓ Retiree Health Insurance Set-Asides – These are monies set aside pursuant to Memoranda of Understanding to fund post retirement health insurance costs for eligible employees in the City’s miscellaneous, confidential and management groups.
- ✓ Turlock Community Facilities District (CFD) #1 – Mello Roos Assessment District – This district was established as a funding mechanism to partially pay for the infrastructure improvements installed in the Monte Vista Crossings shopping area. These improvements were in part funded with the proceeds of a bond issuance which is being retired through annual assessments to the owners of the parcels within the District’s boundaries.
- ✓ Turlock Downtown Property and Business Improvement District (PBID) #2 – This is a successor District to one originally established to fund maintenance efforts in downtown Turlock. The current district was established in June 2003 via a vote of the affected property owners. The District has a ten year life and through annual assessments funds prescribed maintenance efforts within the District’s boundaries as well as promotional activities for the downtown area.

**City of Turlock**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Retiree Health Plan</b>				
<b>Assets</b>				
Cash and investments	\$ 1,385,086	354,585	(64,070)	\$ 1,675,601
<b>Total assets</b>	<b>\$ 1,385,086</b>	<b>\$ 354,585</b>	<b>\$ (64,070)</b>	<b>\$ 1,675,601</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,161	487	(1,161)	\$ 487
Due to others	1,383,925	354,098	(62,909)	1,675,114
<b>Total liabilities</b>	<b>\$ 1,385,086</b>	<b>\$ 354,585</b>	<b>\$ (64,070)</b>	<b>\$ 1,675,601</b>
<b>Northwest Triangle - Mello Roos Assessments</b>				
<b>Assets</b>				
Cash and investments	\$ 539,416	454,576	(410,700)	\$ 583,292
Cash and investments with fiscal agents	424,965	16,377	(19,421)	421,921
Accounts and interest receivable	22,895	9,365	(22,895)	9,365
<b>Total assets</b>	<b>\$ 987,276</b>	<b>\$ 480,318</b>	<b>\$ (453,016)</b>	<b>\$ 1,014,578</b>
<b>Liabilities</b>				
Due to others	\$ 987,276	\$ 480,318	\$ (453,016)	\$ 1,014,578
<b>Total liabilities</b>	<b>\$ 987,276</b>	<b>\$ 480,318</b>	<b>\$ (453,016)</b>	<b>\$ 1,014,578</b>
<b>Property &amp; Business Improvement District #2</b>				
<b>Assets</b>				
Cash and investments	\$ 110,808	\$ 159,889	\$ (204,817)	\$ 65,880
Accounts and interest receivable	10,216	7,689	(10,216)	7,689
<b>Total assets</b>	<b>\$ 121,024</b>	<b>\$ 167,578</b>	<b>\$ (215,033)</b>	<b>\$ 73,569</b>
<b>Liabilities</b>				
Accounts payable	\$ 38,687	\$ 48,832	\$ (38,687)	\$ 48,832
Due to others	82,337	118,746	(176,346)	24,737
<b>Total liabilities</b>	<b>\$ 121,024</b>	<b>\$ 167,578</b>	<b>\$ (215,033)</b>	<b>\$ 73,569</b>

(Continued)

**City of Turlock**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds, Continued**  
**For the year ended June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Total - All Agency Funds</b>				
<b>Assets</b>				
Cash and investments	\$ 2,035,310	\$ 969,050	\$ (679,587)	\$ 2,324,773
Cash and investments with fiscal agents	424,965	16,377	(19,421)	421,921
Accounts and interest receivable	33,111	17,054	(33,111)	17,054
<b>Total assets</b>	<b>\$ 2,493,386</b>	<b>\$ 1,002,481</b>	<b>\$ (732,119)</b>	<b>\$ 2,763,748</b>
<b>Liabilities</b>				
Accounts payable	\$ 39,848	\$ 49,319	\$ (39,848)	\$ 49,319
Due to others	2,453,538	953,162	(692,271)	2,714,429
<b>Total liabilities</b>	<b>\$ 2,493,386</b>	<b>\$ 1,002,481</b>	<b>\$ (732,119)</b>	<b>\$ 2,763,748</b>

(Concluded)