



CITY OF TURLOCK, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Prepared by
THE ADMINISTRATIVE SERVICES DEPARTMENT

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BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the 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, 2020, and the respective changes in the financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8E, the City restated the fund balance and net position of the Gas Tax/Street Improvement Special Revenue Fund and the Governmental Activities, respectively due to a change in the accrual practices related to Measure L. The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
March 12, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis are provided by the management of the City of Turlock (City) for the fiscal year 2019-2020 financial statements (with comparative information for 2018-2019). 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 2019-2020 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The City's net position (assets and deferred outflows in excess of liabilities and deferred inflows) at June 30, 2020, totaled \$510 million. Governmental activities accounted for \$282 million of the net position, while \$227 million are in the business-type activities.
- Total City revenues, including program and general revenues, were \$126 million, while total expenses were \$96 million.
- Governmental program revenues were \$33 million compared to governmental program expenses of \$61 million.
- Program revenues from business-type activities were \$56 million, while expenses for business-type activities were \$35 million.

Fund Highlights

- Net General Fund revenues exceeded expenditures and other financing sources (uses) by \$1,262,774 as compared to the prior year when expenditures exceeded revenues and other financing sources (uses) by \$779,840. For financial reporting purposes, the "General Fund" includes not only the City's General Fund, but also the Parks, Arts and Recreation Commission, Special Public Safety, and Tourism (2 funds) funds.
- General Fund fund balance is \$12 million at June 30, 2020 compared to a projected \$10.7 million when the 2019-2020 budget was originally adopted.

Additional discussion regarding the financial results for fiscal year 2019-2020 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,
- 3) Required Supplemental Information, and
- 4) 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 Position* and the *Statement of Activities*.

The *Statement of Net Position* 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as "net position". 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.

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

The Statement of Activities 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 Position* and the *Statement of Activities* 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 user and developer impact fees support and finance these services.
- **Business-type activities**—All the City's enterprise activities are reported here including water, sewer, 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. 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 thirty (30) governmental funds of which four (4) are considered major funds for presentation purposes – the General Fund, Former LMI Housing Fund, Gas Tax/Street Improvement Fund, and the Facility Fee Fund. 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 financial information for the remaining non-major governmental funds is combined into a single, aggregated presentation. The basic governmental fund financial statements can be found starting on page 17 in this report.

Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis and include all their assets, liabilities and deferred outflows/inflows of resources, current and long-term. The City's Enterprise Funds account for the financial activity of the City's water, sewer, 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 government-wide financial statements. The Enterprise and Internal Service Fund Financial Statements can be found starting on page 30.

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

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 City programs. With the dissolution of the Redevelopment Agency, the activities of the Successor Agency to the former Turlock Redevelopment Agency are reported as a Private Purpose Trust Fund in the Fiduciary Fund Section. Additional information about the dissolution of the Redevelopment Agency can be found in Note 13 on page 86 of the financial statements.

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 37.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Statement of Net Position

Over time, the City's net position may serve as an indicator of a governmental entity's financial position. The City's *Statement of Net Position* and *Statement of Activities* presented below and on the next page focus on the City's net position and changes to net position for Governmental and Business-Type Activities.

| STATEMENT OF NET POSITION | | | | | | |
|----------------------------------|--------------------------------|-------------|---------------------------------|-------------|----------------------------|-------------|
| (in thousands of dollars) | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total | |
| | For the FYE June 30 | | For the FYE June 30 | | For the FYE June 30 | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Cash and investments | 79,041 | 75,250 | 60,117 | 72,856 | 139,158 | 148,106 |
| Other assets | 42,675 | 38,361 | 25,987 | 16,283 | 68,662 | 54,644 |
| Capital assets, net | 246,892 | 237,628 | 267,244 | 246,484 | 514,136 | 484,112 |
| Total assets | \$ 368,608 | \$ 351,239 | \$ 353,348 | \$ 335,623 | \$ 721,956 | \$ 686,862 |
| Deferred outflows of resources | \$ 15,361 | \$ 14,342 | \$ 2,915 | \$ 2,757 | \$ 18,276 | \$ 17,099 |
| Long-term liabilities | 82,560 | 84,012 | 115,179 | 115,350 | 197,739 | 199,362 |
| Other liabilities | 8,462 | 9,136 | 11,266 | 12,692 | 19,728 | 21,828 |
| Total liabilities | \$ 91,022 | \$ 93,148 | \$ 126,445 | \$ 128,042 | \$ 217,467 | \$ 221,190 |
| Deferred inflows of resources | \$ 10,243 | \$ 2,754 | \$ 2,504 | \$ 331 | \$ 12,747 | \$ 3,085 |
| Net position: | | | | | | |
| Net Investment in capital assets | 244,625 | 235,118 | 170,507 | 150,745 | 415,132 | 385,863 |
| Restricted | 86,744 | 81,274 | - | - | 86,744 | 81,274 |
| Unrestricted | (48,665) | (46,713) | 56,807 | 59,262 | 8,142 | 12,549 |
| Total net position | \$ 282,704 | \$ 269,679 | \$ 227,314 | \$ 210,007 | \$ 510,018 | \$ 479,686 |

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

As noted above, the City's primary investment is in its *Net investment in capital assets*. Capital assets, which account for approximately 81% of the City's total net position, 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, 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 assets available to fund future activities.

Approximately \$87 million or 17% of the City's non-capital net position is subject to external restrictions as to their use. The remaining \$8 million is unrestricted and available to meet the City's on-going obligations to its citizens and creditors. Of this amount, (\$48) million is related to governmental activities and \$57 million to business-type activities.

The City's overall net position increased by \$30 million during the 2019-2020 fiscal year. Governmental activities experienced a \$12 million increase in net position while the City's business-type activities – those intended to be self-sufficient – experienced a \$12 million increase in net position. More information regarding the results of operations for all the City's funds can be found later in this report.

Summary of Changes in Net Position

As the below table shows, \$55 million of the City's \$126 million in total revenues comes from program revenue sources. Program revenues are 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 as capital outlay expenditures are included in "capital assets" on the City's *Statement of Net Position*.

Citywide expenses, which totaled \$96 million, consisted of \$61 million for governmental activities and \$35 million for business-type activities. Of the \$61 million in governmental activity expenses, \$34 million or 56% relate to the provision of public safety (police and fire) services. The next largest component was \$12 million or 18% for public ways, facilities and transportation. This component accounts for activities involved in the maintenance and construction of City streets and roads as well as City buildings.

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

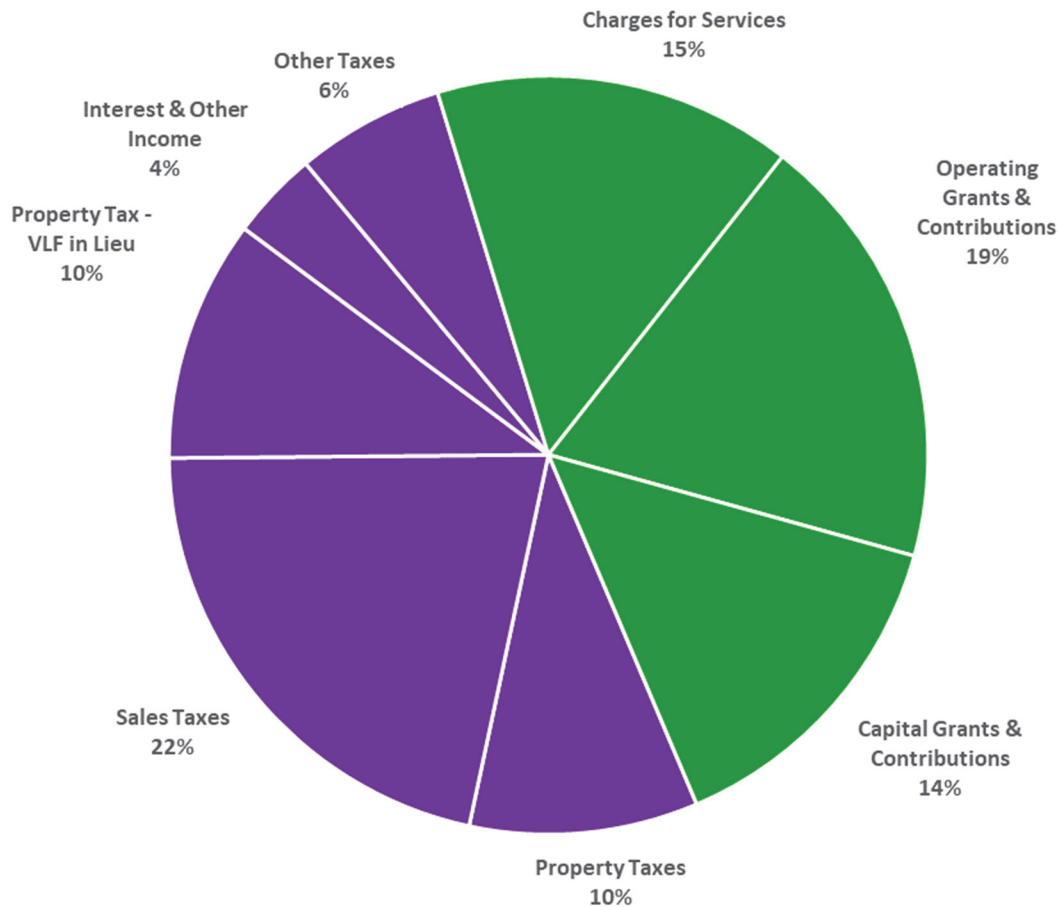
SUMMARY OF CHANGES IN NET POSITION
(in thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|--------------------------------|-------------|---------------------------------|-------------|----------------------------|-------------|
| | For the FYE June 30 | | For the FYE June 30 | | For the FYE June 30 | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Program Revenues: | | | | | | |
| Charges for services | \$ 10,488 | \$ 10,663 | \$ 40,789 | \$ 35,432 | \$ 51,277 | \$ 46,095 |
| Operating grants and contributions | 12,835 | 5,794 | 3,082 | 2,926 | 15,917 | 8,720 |
| Capital grants and contributions | 9,805 | 7,226 | 11,999 | 11,983 | 21,804 | 19,209 |
| Total Program Revenues | \$ 33,128 | \$ 23,683 | \$ 55,870 | \$ 50,341 | \$ 88,998 | \$ 74,024 |
| General Revenues | | | | | | |
| Property taxes | 6,680 | 6,333 | | | 6,680 | 6,333 |
| Sales taxes | 14,737 | 15,053 | | | 14,737 | 15,053 |
| Property taxes - VLF in Lieu | 7,078 | 6,699 | | | 7,078 | 6,699 |
| Other taxes | 4,336 | 4,100 | | | 4,336 | 4,100 |
| Interest and investment earnings | 1,456 | 1,987 | 1,417 | 2,061 | 2,873 | 4,048 |
| Other Income | 1,111 | 1,182 | | | 1,111 | 1,182 |
| Gain (loss) on disposal of capital assets | 13 | 13 | | | 13 | 13 |
| Total General Revenues | \$ 35,411 | \$ 35,367 | \$ 1,417 | \$ 2,061 | \$ 36,828 | \$ 37,428 |
| Total Overall Revenues | \$ 68,539 | \$ 59,050 | \$ 57,287 | \$ 52,402 | \$ 125,826 | \$ 111,452 |
| Expenses | | | | | | |
| General government | 6,138 | 6,375 | | | 6,138 | 6,375 |
| Public safety | 33,953 | 41,138 | | | 33,953 | 41,138 |
| Public ways/facilities/transportation | 11,537 | 8,986 | | | 11,537 | 8,986 |
| Parks and recreation | 3,719 | 4,724 | | | 3,719 | 4,724 |
| Community development | 5,762 | 3,546 | | | 5,762 | 3,546 |
| Interest on long-term debt | 101 | 138 | | | 101 | 138 |
| Water | | | 8,919 | 9,386 | 8,919 | 9,386 |
| Sewer | | | 19,977 | 18,259 | 19,977 | 18,259 |
| Transportation | | | 4,732 | 4,502 | 4,732 | 4,502 |
| Building & Safety | | | 1,181 | 1,242 | 1,181 | 1,242 |
| Total Expenses | \$ 61,210 | \$ 64,907 | \$ 34,809 | \$ 33,389 | \$ 96,019 | \$ 98,296 |
| Increase (Decrease) in Net Position before Transfers and Contributions | 7,329 | (5,857) | 22,478 | 19,013 | 29,807 | 13,156 |
| Transfers | 5,171 | 1,826 | (5,171) | (1,825) | - | 1 |
| Contribution from private purpose trust | 102 | 305 | - | - | 102 | 305 |
| Change in Net Position | \$ 12,602 | \$ (3,726) | \$ 17,307 | \$ 17,188 | \$ 29,909 | \$ 13,462 |
| Net Position, beginning of year | 270,102 | 273,405 | 210,007 | 192,819 | 480,109 | 466,224 |
| Net Position, end of year | \$ 282,704 | \$ 269,679 | \$ 227,314 | \$ 210,007 | \$ 510,018 | \$ 479,686 |

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

Governmental Activities Revenue Composition

Governmental activity revenues totaling \$68 million are comprised of various non-dedicated tax revenues ([General Revenues](#)) as well as revenues received for specific purposes ([Program Revenues](#)), revenues are categorized as follows:



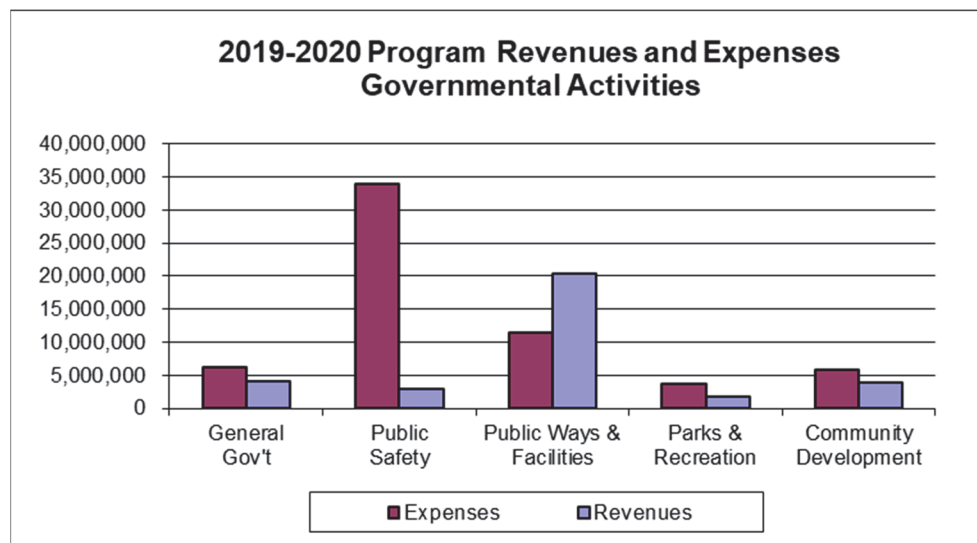
- Charges for Services – Revenues for specialized City services which are typically not demanded by the general population – totaled \$10.4 million. Included in this revenue category are the special assessment revenues charged by the City's Lighting and Landscape maintenance districts as well as charges for specialized services provided by departments throughout the City and fees for participation in City-offered recreation programs.
- Operating Grants & Contributions – Revenues received from other governmental agencies which are primarily used for operational needs – totaled \$12.8 million. Operating grants include revenues received from the (1) U.S. Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development supporting the City's affordable housing activities; (2) U.S. Department of Justice and California Office of Traffic Safety supporting various police activities; (3) Gas Tax and Local Transportation Funds used for street/road maintenance; and (4) revenues received by the City's recreation division to support after school enrichment programs. Since these types of revenues are generally received on a reimbursement basis, annual amounts will vary from year-to-year depending on the activities in which the City is engaged.

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

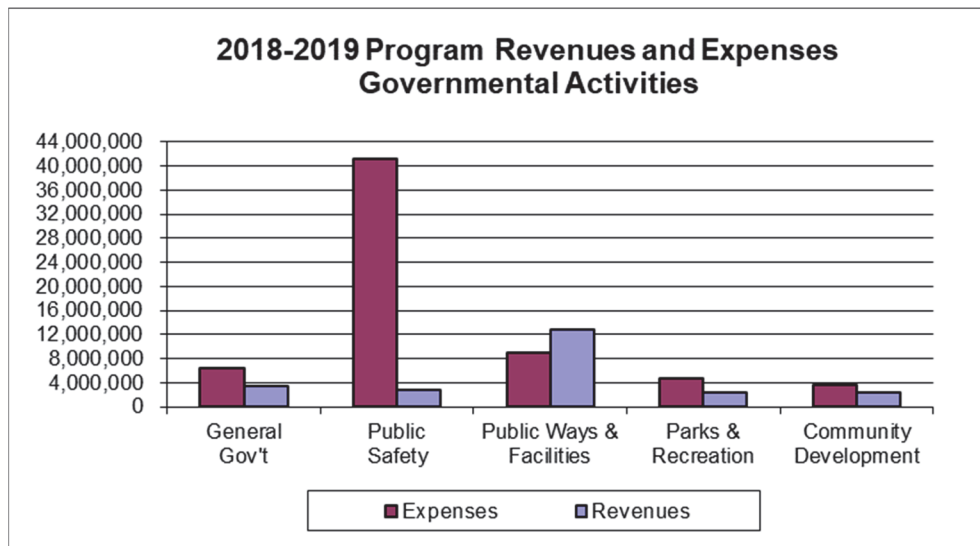
- **Capital Grants & Contributions** – These are typically development impact related revenues which are collected to finance the cost of new infrastructure as well as federal Department of Transportation revenues. Total revenues for 2019-2020 were \$9.8 million. The Department of Transportation revenues are used for street/road reconstruction and other maintenance that is more extensive than pothole patching and slurry seals. Funds from Measure L, a locally approved sales tax measure to be used for transportation needs within Stanislaus County, are used for street/road maintenance and rehabilitation.
- **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, property tax – VLF in lieu, franchise fees, business license fees, transient occupancy taxes and investment earnings. The City's governmental activity general revenues totaled \$35.4 million for fiscal 2019-2020. Property tax assessed values increased 5.35% or \$361 million between 2018-2019 and 2019-2020 to a total of \$6.7 billion in assessed value for parcels within the City of Turlock. This resulted in a \$347,000 increase in assessed value related revenues. Sales taxes were down \$316,000 from 2018-2019. The decrease in Sales Tax can be primarily attributed to the Covid-19 Pandemic and the related closures and 'stay-at home' orders.

Governmental Activities Revenues and Expenses

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 below graphically depict the typical relationship between program revenues and expenses for Governmental Activities for the past two years. In total, 2019-2020 expenses for Governmental Activities exceeded program revenues by \$28 million whereas in 2018-2019 expenses exceeded revenues by \$41 million.

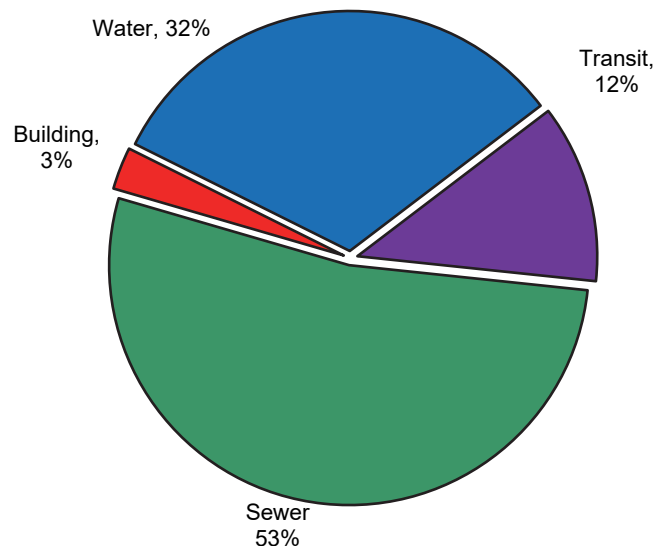


City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020



Business-Type Activities

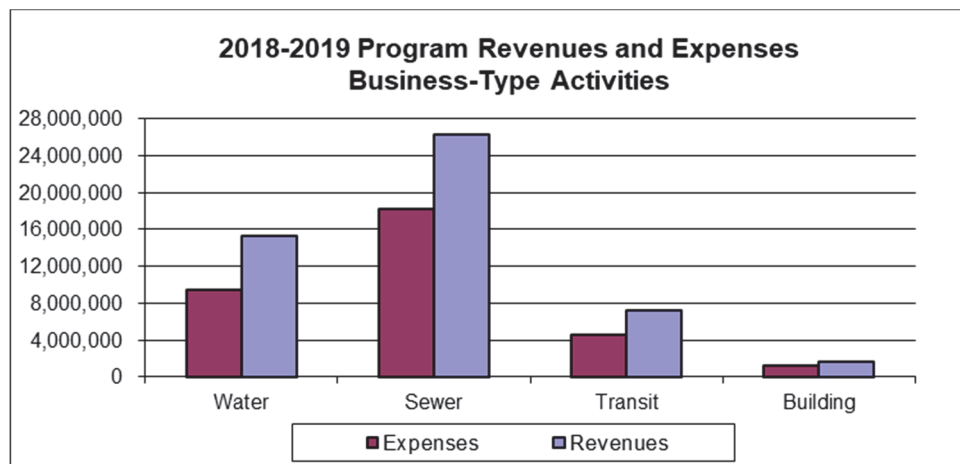
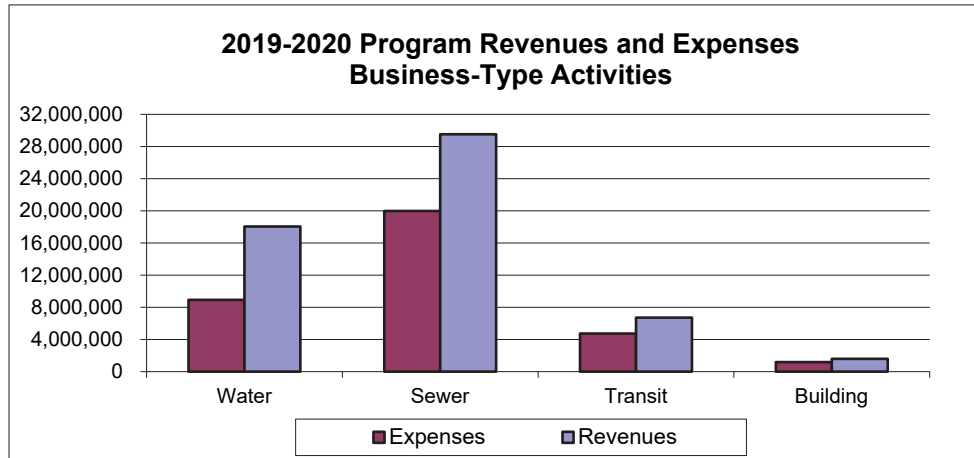
Revenues by Service Sector



Revenues for business-type activities totaled \$55.8 million and related expenses totaled \$34.8 million of which \$19.9 million or 57% 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 \$8.9 million or 26% of business-type activities expenses. Other business-type activities include the operation of both fixed route and dial-a-ride transit systems which provide service in Turlock as well as connecting those in need with County-wide transportation services. The City's Building division assists all residents and developers in their pursuits of property development and improvements within the City limits.

City of Turlock
Management’s Discussion and Analysis (continued)
For the Year Ended June 30, 2020

The pie chart above and the graphs below present the composition of revenue for the City’s Business-Type activities by functional area as well as a comparison for both fiscal years 2019-2020 and 2018-2019 of the program revenues vs expenses for each of the four functional areas.



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 resources (mainly cash), near-term inflows, outflows and spendable balances. This focus does not include capital assets and long-term debt.

At June 30, 2020, the City’s governmental funds reported combined fund balances of \$69.7 million, a \$3.3 million increase over the prior year. The General Fund’s fund balance is \$12 million at June 30, 2020. Governmental fund revenues (including transfers in) were \$80.5 million this year, of which General Fund revenues totaled \$41 million or 51%. Governmental fund expenditures (including transfers out) totaled \$77.2 million with the General Fund representing 52% of the total or \$39.9 million. The following provides additional information for select governmental funds.

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

General Fund – As previously mentioned, for financial reporting purposes, the “General Fund” includes not only the City’s General Fund, but also the Parks, Arts and Recreation Commission, Special Public Safety, and Tourism (2 funds) funds. At June 30, 2020, the General Fund had a fund balance of \$12 million with \$9.6 million in the unassigned category. As noted in footnote 8, fund balances in governmental funds can fall into one of five categories – nonspendable, restricted, committed, assigned or unassigned. Balances falling in the nonspendable through assigned categories are there by virtue of (1) legal restrictions, (2) City Council action to commit resources for specific activities, and/or (3) action taken by management which signals the City’s intended use of resources. All other balances are categorized as unassigned.

General Fund revenues exceeded expenditures by \$1,262,774 for 2019-2020. On-going General Fund revenues were flat with only a slight decrease from \$38.6 million in 2019 to \$38.5 million in 2020.

The City continues to work balancing the economic vs. service demand challenges associated with the activities funded by the General fund. The primary reason the General Fund was able to generate increases to the Fund Balance in 2019-2020 was due to drastic cuts in personnel, especially in the areas of Public Safety and City Administration.

Former LMI Housing Fund – This fund serves as the successor to the former Housing Set-Aside Fund and was formed after the dissolution of the City’s Redevelopment Agency. The purpose of this fund is to account for housing related activities and assets the City elected to retain from the former Redevelopment Agency. For fiscal year 2019-2020 the fund’s expenditures included \$51,434 in support of a Mobile Home Rental Subsidy program for income eligible senior citizens and \$3,244,107 for costs associated with the second phase of the Avena Bella affordable housing project (See footnote 5. EAH, Inc.). Both these programs are enforceable obligations of the Successor Agency to the Turlock Redevelopment Agency.

Gas Tax/Street Improvement – This fund comprises the revenues and related expenditures the City receives from Gas Tax, Local Transportation Fund (LTF), Stanislaus County Measure L, State of CA SB 1 and federal Department of Transportation (DOT) sources. Revenues (including transfers in) for 2019-2020 totaled \$18.7 million while expenditures (including transfers out) totaled \$12.2 million. Federally-funded projects typically take 3-4 years from beginning to end. The funding is received on a reimbursement basis meaning that the City spends the money first in accordance with the grant documents and is then reimbursed. The City uses Gas Tax Section 2103 dollars for the local match portion for many federally-funded projects. Major projects for which there were expenditures in 2019-2020 include; Hawkeye Avenue Rehabilitation, Pedestrian Intersection Improvements at Various Locations, Intersection Improvements at N. Olive Ave and Wayside Drive, Intersection Improvements at Hawkeye Ave and N. Denair Ave, Intersection Improvements at W. Main St. and West Avenue, Christoffersen Class II Striping Improvements, and began construction of Intersection Improvements at Lander Ave and F St, and the preliminary engineering work required in advance of future rehabilitations or intersection improvements.

The Gas Tax and Local Transportation Fund dollars are used for general street maintenance (pothole repairs, crack sealing, slurry seals and striping) as well as the operational costs of the City’s street lights which are not in an assessment district, traffic signals, leaf pick-up, and street tree trimming. Local Transportation Fund dollars are also used for bicycle and pedestrian related-improvements contiguous to the City’s street/road system. The Gas Tax and LTF revenues are based on taxes paid when gasoline is purchased which is a revenue source that is not growing due to more fuel-efficient vehicles on the road. Expenditures funded by these revenue sources were at a level consistent with the prior year.

Facility Fees – This fund accounts for revenue and related expenditures as outlined in the City’s Capital Facilities Fee Improvement Program. These fees which are charged to new developments, are designed to finance the roadway, police, fire, and general government infrastructure, facilities and equipment needs throughout the City which are a result of development.

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

Enterprise Funds

The City's enterprise funds provide the same information found in the government-wide financial statements for business-type activities only in a little more detail. The net position for the City's enterprise funds increased \$17.3 million during fiscal year 2019-2020, which compares to a \$17.2 million increase for fiscal year 2018-2019. Overall operating revenues were approximately \$5.4 million higher than the prior year while operating expenses increased by approximately \$900,000. A water rate increase implemented in 2015-16 with annual increases over 5 years accounted for the increase in operating revenues for the City's Water Enterprise fund. The City is a member of the Stanislaus Regional Water Authority which is a joint powers authority developing a surface water supply project to supply additional drinking water to the customers within the Authority member's service area. More information related to this project can be found at www.stanrwa.org/ and in Note 12 to the financial statements. Net operating income at the City's wastewater facility was \$4.3 million compared to \$3.3 in 2018-2019. The City continues work on the North Valley Regional Recycled Water project which, when completed, will provide a beneficial reuse of the City's tertiary treated effluent.

It should be noted that for both the water and wastewater systems, 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, 2020, the City had \$514 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 but excluding current year depreciation) during fiscal year 2019-2020 was approximately \$48.1 million. Capital expenditures include construction of a new Regional Transit Center; transit buses, upgrades at the Regional Water Quality Control Facility, North Valley Regional Recycling Water Pipeline; as well as the purchase of vehicles and equipment by various departments which are used in their daily operations. Additional information regarding the City's capital assets can be found in Note 6 to the financial statements starting on page 58.

DEBT ADMINISTRATION

At June 30, 2020 the City had \$101.6 million in debt outstanding as compared to \$100 million for the prior year. The City's debt service obligations for 2019-20, totaling approximately \$5 million, are made up of the following:

| | 2019-20 |
|------------------------------|----------------------------|
| | <u>Debt Service</u> |
| 2012 Sewer Revenue Bonds | \$2,350,000 |
| 2017 Water Revenue Bonds | 690,000 |
| SRF - WQC Upgrade | 1,088,872 |
| SRF - Harding Drain By-Pass | 676,443 |
| Motorola Equipment Lease/IBM | 243,181 |
| | <u>\$5,048,496</u> |

Additional information regarding each of the City's debt issues as well as debt service requirements is discussed in greater detail in Note 7 to the financial statements starting on page 61.

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2020

NEXT YEAR'S BUDGET AND THE ECONOMY

In June 2020, the City Council adopted the budget for fiscal year 2020-2021. The 2020-2021 General Fund budget projected a surplus of \$1,062,977 with revenues of just under \$42 million, including CARES Funding of \$2.5 million. The 2020-2021 budget continued as a status quo budget which included personnel cost increases budgeted based on existing MOUs and/or Schedules of Benefits as well as projected increases for retirement and decreases to projected revenues, primarily sales tax revenue, due to the Covid-19 pandemic. Mid-year budget adjustments brought the General Fund budget to a surplus of \$3,205,383, as a result of greater than expected Sales Tax, projected Measure A Sales Tax, Cannabis Revenues, and adjustments to Recreation Programs due to impacts of the Covid-19 pandemic.

More information regarding the City's budget can be obtained by going to the Finance division section under Administrative Services on the City website at www.ci.turlock.ca.us.

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.

CITY OF TURLOCK

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all of the City's Business-type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

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 service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. 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, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, followed by the expenses of 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 Position is computed and reconciled with the Statement of Net Position.

Both of these Statements include the financial activities of the City and the Turlock Public Financing Authority, which is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of this entity.

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CITY OF TURLOCK
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and investments (Note 3) | \$79,041,192 | \$57,470,674 | \$136,511,866 |
| Restricted cash and investments and cash and investments with fiscal agent (Note 3) | | 2,646,157 | 2,646,157 |
| Accounts receivable, net (Note 5C) | 8,347,263 | 15,721,264 | 24,068,527 |
| Interest receivable | 194,716 | 171,539 | 366,255 |
| Prepaid expenses | 5,474 | | 5,474 |
| Due from Developers (Note 5A) | 287,284 | 157,663 | 444,947 |
| Long-term loans receivable (Note 5B) | 33,513,054 | | 33,513,054 |
| Investment in affordable housing property (Note 1K) | 327,184 | | 327,184 |
| Investment in joint venture (Note 12D) | | 9,936,300 | 9,936,300 |
| Capital assets, not being depreciated (Note 6) | 48,082,346 | 70,019,851 | 118,102,197 |
| Capital assets, being depreciated (net) (Note 6) | 198,809,265 | 197,224,903 | 396,034,168 |
| Total Assets | 368,607,778 | 353,348,351 | 721,956,129 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions (Note 9) | 13,524,670 | 2,418,981 | 15,943,651 |
| Related to OPEB (Note 10) | 1,836,270 | 496,578 | 2,332,848 |
| Total Deferred Outflows of Resources | 15,360,940 | 2,915,559 | 18,276,499 |
| LIABILITIES | | | |
| Accounts payable | 4,423,939 | 2,081,843 | 6,505,782 |
| Payroll payable | 993,715 | 172,687 | 1,166,402 |
| Interest payable | 23,025 | 1,054,291 | 1,077,316 |
| Unearned revenue | 939,115 | 1,985,492 | 2,924,607 |
| Deposits payable | 1,205,203 | 491,423 | 1,696,626 |
| Compensated absences (Note 1I): | | | |
| Due within one year | 632,369 | 135,385 | 767,754 |
| Due in more than one year | 2,529,473 | 541,536 | 3,071,009 |
| Estimated claims liability (Note 1I): | | | |
| Due in more than one year | 2,519,875 | | 2,519,875 |
| Long-term debt (Note 7): | | | |
| Due within one year | 244,931 | 5,344,798 | 5,589,729 |
| Due in more than one year | 2,021,589 | 94,039,053 | 96,060,642 |
| Net pension liability (Note 9): | | | |
| Due in more than one year | 65,637,570 | 17,934,564 | 83,572,134 |
| Total OPEB Liability (Note 10): | | | |
| Due in more than one year | 9,850,797 | 2,663,932 | 12,514,729 |
| Total Liabilities | 91,021,601 | 126,445,004 | 217,466,605 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions (Note 9) | 2,266,675 | 347,341 | 2,614,016 |
| Related to OPEB (Note 10) | 7,976,617 | 2,157,101 | 10,133,718 |
| Total Deferred Inflows of Resources | 10,243,292 | 2,504,442 | 12,747,734 |
| NET POSITION (Note 8): | | | |
| Net investment in capital assets | 244,625,091 | 170,507,060 | 415,132,151 |
| Restricted for: | | | |
| Capital projects | 16,524,503 | | 16,524,503 |
| Special projects and programs | 70,219,072 | | 70,219,072 |
| Total Restricted Net Position | 86,743,575 | | 86,743,575 |
| Unrestricted | (48,664,841) | 56,807,404 | 8,142,563 |
| Total Net Position | \$282,703,825 | \$227,314,464 | \$510,018,289 |

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Total |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| General government | \$6,137,788 | \$3,315,790 | \$535,692 | \$259,920 | \$4,111,402 |
| Public safety | 33,952,684 | 2,040,360 | 279,396 | 635,413 | 2,955,169 |
| Public ways and facilities/transportation | 11,537,034 | 3,379,148 | 8,397,827 | 8,548,920 | 20,325,895 |
| Parks and recreation | 3,719,091 | 1,021,182 | 434,533 | 360,655 | 1,816,370 |
| Community development | 5,762,481 | 731,605 | 3,187,718 | | 3,919,323 |
| Interest and fiscal charges | 100,721 | | | | |
| Total Governmental Activities | <u>61,209,799</u> | <u>10,488,085</u> | <u>12,835,166</u> | <u>9,804,908</u> | <u>33,128,159</u> |
| Business-type Activities: | | | | | |
| Water | 8,919,210 | 17,318,645 | | 724,162 | 18,042,807 |
| Sewer | 19,976,679 | 21,650,629 | | 7,870,415 | 29,521,044 |
| Transportation | 4,732,125 | 229,359 | 3,081,826 | 3,404,965 | 6,716,150 |
| Building & safety | 1,181,359 | 1,590,650 | | | 1,590,650 |
| Total Business-type Activities | <u>34,809,373</u> | <u>40,789,283</u> | <u>3,081,826</u> | <u>11,999,542</u> | <u>55,870,651</u> |
| Total | <u>\$96,019,172</u> | <u>\$51,277,368</u> | <u>\$15,916,992</u> | <u>\$21,804,450</u> | <u>\$88,998,810</u> |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | |
| Sales taxes | | | | | |
| Property tax-VLF in Lieu | | | | | |
| Other Tax | | | | | |
| Total taxes | | | | | |
| Other revenue | | | | | |
| Interest income | | | | | |
| Gain from sale of capital assets | | | | | |
| Contributions from private purpose trust | | | | | |
| Transfers (Note 4) | | | | | |
| Total general revenues and transfers | | | | | |
| Change in Net Position | | | | | |
| Net Position-Beginning, As Restated (Note 8E) | | | | | |
| Net Position-Ending | | | | | |

See accompanying notes to basic financial statements

Net (Expense) Revenue and
Changes in Net Position

| Governmental Activities | Business-type Activities | Total |
|----------------------------|-----------------------------|---------------|
| (\$2,026,386) | | (\$2,026,386) |
| (30,997,515) | | (30,997,515) |
| 8,788,861 | | 8,788,861 |
| (1,902,721) | | (1,902,721) |
| (1,843,158) | | (1,843,158) |
| (100,721) | | (100,721) |
| (28,081,640) | | (28,081,640) |
| | \$9,123,597 | 9,123,597 |
| | 9,544,365 | 9,544,365 |
| | 1,984,025 | 1,984,025 |
| | 409,291 | 409,291 |
| | 21,061,278 | 21,061,278 |
| (28,081,640) | 21,061,278 | (7,020,362) |
| 6,679,966 | | 6,679,966 |
| 14,737,188 | | 14,737,188 |
| 7,077,974 | | 7,077,974 |
| 4,336,473 | | 4,336,473 |
| 32,831,601 | | 32,831,601 |
| 1,110,820 | | 1,110,820 |
| 1,455,605 | 1,417,292 | 2,872,897 |
| 12,532 | | 12,532 |
| 101,914 | | 101,914 |
| 5,171,458 | (5,171,458) | |
| 40,683,930 | (3,754,166) | 36,929,764 |
| 12,602,290 | 17,307,112 | 29,909,402 |
| 270,101,535 | 210,007,352 | 480,108,887 |
| \$282,703,825 | \$227,314,464 | \$510,018,289 |

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| |
|---------------------------------|
| MAJOR GOVERNMENTAL FUNDS |
|---------------------------------|

The funds described below were determined to be Major Funds by the City in fiscal 2020. Individual non-major funds may be found in the Supplemental Section.

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 Arts Commission, Special Public Safety, Tourism (2 funds) and Parking Citation funds.

FORMER LMI HOUSING FUND

This fund accounts for the activity of the Housing Set-Aside funds post Redevelopment Agency dissolution.

GAS TAX/STREET IMPROVEMENT FUND

The Gas Tax/Street Improvement fund accounts for the City's Gas Tax (Highway User's Tax), Local Transportation Fund and Measure L (Stanislaus County Sales Tax Transportation Measure) 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, streetlight/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.

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 developments, 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
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

| | General | Former LMI Housing Fund | Gas Tax/ Street Improvement | Facility Fees | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------------|-----------------------------------|---------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and investments (Note 3) | \$10,074,659 | \$49,923 | \$7,312,234 | \$10,901,355 | \$39,619,184 | \$67,957,355 |
| Accounts receivable (Note 5C) | 5,243,243 | 450 | 1,967,283 | | 1,107,282 | 8,318,258 |
| Interest receivable | 72,969 | | 16,952 | 18,252 | 68,159 | 176,332 |
| Due from developers (Note 5A) | 20,041 | | | 267,243 | | 287,284 |
| Loans receivable (Note 5B) | 4,017 | 16,296,759 | | | 17,212,278 | 33,513,054 |
| Prepaid expenditures | 5,474 | | | | | 5,474 |
| Investment in affordable housing property (Note 1K) | | 327,184 | | | | 327,184 |
| Total Assets | \$15,420,403 | \$16,674,316 | \$9,296,469 | \$11,186,850 | \$58,006,903 | \$110,584,941 |
| LIABILITIES | | | | | | |
| Accounts payable | \$944,963 | \$40 | \$232,095 | \$1,953,047 | \$538,988 | \$3,669,133 |
| Payroll payable | 877,096 | | 21,204 | | 39,001 | 937,301 |
| Due to other funds (Note 4B) | | | | | 374,031 | 374,031 |
| Unearned revenue | 196,439 | | 21,811 | | 720,865 | 939,115 |
| Deposits payable | 1,203,770 | | 148 | | 1,285 | 1,205,203 |
| Total Liabilities | 3,222,268 | 40 | 275,258 | 1,953,047 | 1,674,170 | 7,124,783 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue (Note 1F and 5B) | 193,863 | 16,296,759 | | | 17,212,278 | 33,702,900 |
| FUND BALANCES | | | | | | |
| Fund balance (Note 8): | | | | | | |
| Nonspendable | 29,532 | | | 267,243 | | 296,775 |
| Restricted | | 377,517 | 9,021,211 | 8,966,560 | 21,195,401 | 39,560,689 |
| Committed | 1,858,488 | | | | 18,087,209 | 19,945,697 |
| Assigned | 524,256 | | | | | 524,256 |
| Unassigned | 9,591,996 | | | | (162,155) | 9,429,841 |
| Total Fund Balances | 12,004,272 | 377,517 | 9,021,211 | 9,233,803 | 39,120,455 | 69,757,258 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$15,420,403 | \$16,674,316 | \$9,296,469 | \$11,186,850 | \$58,006,903 | \$110,584,941 |

See accompanying notes to basic financial statements

CITY OF TURLOCK
Reconciliation of the
GOVERNMENTAL FUNDS-- BALANCE SHEET
with the
GOVERNMENTAL ACTIVITIES NET POSITION
JUNE 30, 2020

Total fund balances reported on the Governmental Funds Balance Sheet \$69,757,258

Amounts reported for Governmental Activities in the Statement of Net Position
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
therefore are not reported in the Governmental Funds.

241,818,131

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to
charge the costs of certain activities, such as insurance and central services and maintenance
to individual governmental funds. The net current assets of the Internal Service Funds are therefore
included in Governmental Activities in the following line items in the Statement of Net Position.

| | |
|--|-------------|
| Cash and investments | 11,083,837 |
| Accounts receivable | 222,868 |
| Interest receivable | 18,384 |
| Due from other funds | 2,921,165 |
| Capital assets (net of accumulated depreciation) | 5,073,480 |
| Accounts payable | (754,806) |
| Payroll payable | (56,414) |
| Due to other funds | (2,547,134) |
| Compensated absences | (272,736) |
| Estimated claims liability | (2,519,875) |
| Net pension liability and related deferred outflows and inflows of resources | (5,572,661) |
| Total OPEB liability and related deferred inflows of resources | (1,486,092) |

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets, because they are not available currently
are taken into revenue in the Statement of Activities.

33,702,900

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
reported in the Funds:

| | |
|--|--------------|
| Accounts receivable | (193,863) |
| Long-term debt | (2,266,520) |
| Interest payable | (23,025) |
| Compensated absences | (2,889,106) |
| Net pension liability and related deferred outflows and inflows of resources | (48,806,914) |
| Total OPEB liability and related deferred inflows of resources | (14,505,052) |

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$282,703,825

See accompanying notes to basic financial statements

CITY OF TURLOCK
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

| | General | Former LMI Housing Fund | Gas Tax/ Street Improvement | Facility Fees | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------|-------------------------------|-----------------------------------|------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Taxes and assessments | \$24,098,386 | | | | \$4,045,993 | \$28,144,379 |
| Licenses and permits | 2,042,136 | | | | 26,535 | 2,068,671 |
| Fines, forfeitures, and penalties | 125,770 | | | | | 125,770 |
| Use of money and property | 417,608 | \$16,343 | \$78,773 | \$189,349 | 581,307 | 1,283,380 |
| Intergovernmental | 7,301,729 | | 15,250,264 | | 4,010,803 | 26,562,796 |
| Charges for current services | 4,330,822 | | 65,312 | 2,460,806 | 1,167,068 | 8,024,008 |
| Other revenue | 224,510 | 5,399 | 4,646 | | 2,541,718 | 2,776,273 |
| Total Revenues | 38,540,961 | 21,742 | 15,398,995 | 2,650,155 | 12,373,424 | 68,985,277 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 4,821,527 | | | 20,249 | 233,424 | 5,075,200 |
| Public safety | 30,341,211 | | | 329 | 503,423 | 30,844,963 |
| Public ways and facilities/transportation | 292,598 | | 2,146,995 | 1,193 | 3,096,329 | 5,537,115 |
| Parks and recreation | 1,759,423 | | | | 1,160,353 | 2,919,776 |
| Community development | 859,419 | 3,296,125 | | | 5,128,259 | 9,283,803 |
| Capital outlay | 11,739 | | 5,809,475 | 9,935,345 | 542,805 | 16,299,364 |
| Debt service: | | | | | | |
| Principal | 243,181 | | | | | 243,181 |
| Interest and fiscal charges | 103,122 | | | | | 103,122 |
| Total Expenditures | 38,432,220 | 3,296,125 | 7,956,470 | 9,957,116 | 10,664,593 | 70,306,524 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 108,741 | (3,274,383) | 7,442,525 | (7,306,961) | 1,708,831 | (1,321,247) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Contributions from private purpose trust | 48,401 | 51,434 | | | 2,079 | 101,914 |
| Proceeds from sale of property | 21,536 | | | | 325 | 21,861 |
| Transfers in (Note 4A) | 2,578,911 | | 3,314,807 | 4,075,419 | 1,476,931 | 11,446,068 |
| Transfers (out) (Note 4A) | (1,494,815) | | (4,305,770) | | (1,097,849) | (6,898,434) |
| Total Other Financing Sources (Uses) | 1,154,033 | 51,434 | (990,963) | 4,075,419 | 381,486 | 4,671,409 |
| NET CHANGE IN FUND BALANCES | 1,262,774 | (3,222,949) | 6,451,562 | (3,231,542) | 2,090,317 | 3,350,162 |
| BEGINNING FUND BALANCES, AS RESTATED (Note 8E) | 10,741,498 | 3,600,466 | 2,569,649 | 12,465,345 | 37,030,138 | 66,407,096 |
| ENDING FUND BALANCES | \$12,004,272 | \$377,517 | \$9,021,211 | \$9,233,803 | \$39,120,455 | \$69,757,258 |

See accompanying notes to basic financial statements

CITY OF TURLOCK
Reconciliation of the
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
with the
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$3,350,162

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However,
in the Statement of Activities the cost of those assets is capitalized and allocated over
their estimated useful lives and reported as depreciation expense.

| | |
|---|-------------|
| The capital outlay and other capitalized expenditures are therefore added back to fund balance. | 18,055,193 |
| Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$972,680 which has already been allocated to serviced funds). | (7,481,121) |
| Retirements are deducted from the fund balance | (1,062,106) |

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but
issuing debt increases long-term liabilities in the Statement of Net Position.
Repayment of bond principal is an expenditure in the governmental funds, but
in the Statement of Net Position the repayment reduces long-term liabilities.

| | |
|---|---------|
| Repayment of debt principal is added back to fund balance | 243,181 |
|---|---------|

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of
current financial resources and therefore are not reported as revenue or expenditures in
governmental funds (net change):

| | |
|--|-------------|
| Unavailable revenue | 3,192,812 |
| Interest payable | 2,401 |
| Compensated absences | (58,488) |
| Net pension liability and related deferred outflows and inflows of resources | (3,996,889) |
| Total OPEB liability and related deferred outflows and inflows of resources | (1,532,178) |

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities,
such as equipment acquisition, maintenance, and insurance to individual funds.
The portion of the net revenue (expense) of these Internal Service Funds arising out
of their transactions with governmental funds is reported with governmental activities,
because they service those activities.

| | |
|---|-----------|
| Change in Net Position - All Internal Service Funds | 1,889,323 |
|---|-----------|

| | |
|---|--------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$12,602,290 |
|---|--------------|

See accompanying notes to basic financial statements

CITY OF TURLOCK
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|----------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes and assessments | \$24,246,400 | \$24,225,475 | \$24,098,386 | (\$127,089) |
| Licenses and permits | 1,785,020 | 1,785,020 | 2,042,136 | 257,116 |
| Fines and forfeitures | 163,000 | 158,000 | 125,770 | (32,230) |
| Use of money and property | 302,500 | 302,500 | 417,608 | 115,108 |
| Intergovernmental | 7,577,260 | 7,633,794 | 7,301,729 | (332,065) |
| Charges for current services | 4,669,401 | 4,671,401 | 4,330,822 | (340,579) |
| Other revenue | 152,412 | 154,912 | 224,510 | 69,598 |
| Total Revenues | 38,895,993 | 38,931,102 | 38,540,961 | (390,141) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 4,418,620 | 5,178,212 | 4,821,527 | 356,685 |
| Public safety | 31,655,660 | 31,621,909 | 30,341,211 | 1,280,698 |
| Public ways and facilities/transportation | 334,929 | 328,769 | 292,598 | 36,171 |
| Parks and recreation | 2,250,392 | 2,245,035 | 1,759,423 | 485,612 |
| Community development | 1,125,130 | 1,129,056 | 859,419 | 269,637 |
| Capital outlay | 12,187 | 42,187 | 11,739 | 30,448 |
| Debt service: | | | | |
| Principal | 243,181 | 243,181 | 243,181 | |
| Interest and fiscal charges | 103,122 | 103,122 | 103,122 | |
| Total Expenditures | 40,143,221 | 40,891,471 | 38,432,220 | 2,459,251 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (1,247,228) | (1,960,369) | 108,741 | 2,069,110 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Contributions from private purpose trust | 53,815 | 53,815 | 48,401 | (5,414) |
| Proceeds from sale of property | 5,000 | 5,000 | 21,536 | 16,536 |
| Transfers in | 2,865,546 | 2,865,546 | 2,578,911 | (286,635) |
| Transfers (out) | (1,590,329) | (1,745,329) | (1,494,815) | 250,514 |
| Total Other Financing Sources (Uses) | 1,334,032 | 1,179,032 | 1,154,033 | (24,999) |
| NET CHANGE IN FUND BALANCE | \$86,804 | (\$781,337) | 1,262,774 | \$2,044,111 |
| BEGINNING FUND BALANCE | | | 10,741,498 | |
| ENDING FUND BALANCE | | | \$12,004,272 | |

See accompanying notes to basic financial statements

CITY OF TURLOCK
FORMER LMI HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|--------------------------|--------------------------|-------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Use of money and property | | | \$16,343 | \$16,343 |
| Other revenue | <u>\$5,000</u> | <u>\$5,000</u> | <u>5,399</u> | <u>399</u> |
| Total Revenues | <u>5,000</u> | <u>5,000</u> | <u>21,742</u> | <u>16,742</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | <u>146,000</u> | <u>146,000</u> | <u>3,296,125</u> | <u>(3,150,125)</u> |
| Total Expenditures | <u>146,000</u> | <u>146,000</u> | <u>3,296,125</u> | <u>(3,150,125)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(141,000)</u> | <u>(141,000)</u> | <u>(3,274,383)</u> | <u>(3,133,383)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Contributions from private-purpose trust | <u>66,500</u> | <u>66,500</u> | <u>51,434</u> | <u>(15,066)</u> |
| Total Other Financing Sources (Uses) | <u>66,500</u> | <u>66,500</u> | <u>51,434</u> | <u>(15,066)</u> |
| NET CHANGE IN FUND BALANCE | <u><u>(\$74,500)</u></u> | <u><u>(\$74,500)</u></u> | <u>(3,222,949)</u> | <u><u>(\$3,148,449)</u></u> |
| BEGINNING FUND BALANCE | | | <u>3,600,466</u> | |
| ENDING FUND BALANCE | | | <u><u>\$377,517</u></u> | |

See accompanying notes to basic financial statements

CITY OF TURLOCK
GAS TAX / STREET IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|----------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$6,100 | \$6,100 | \$78,773 | \$72,673 |
| Intergovernmental | 16,267,503 | 16,267,503 | 15,250,264 | (1,017,239) |
| Charges for current services | 36,800 | 36,800 | 65,312 | 28,512 |
| Other | 5,000 | 5,000 | 4,646 | (354) |
| Total Revenues | 16,315,403 | 16,315,403 | 15,398,995 | (916,408) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public ways and facilities/transportation | 2,592,790 | 2,587,508 | 2,146,995 | 440,513 |
| Capital outlay | 9,228,500 | 9,234,242 | 5,809,475 | 3,424,767 |
| Total Expenditures | 11,821,290 | 11,821,750 | 7,956,470 | 3,865,280 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 4,494,113 | 4,493,653 | 7,442,525 | 2,948,872 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,650,161 | 4,176,063 | 3,314,807 | (861,256) |
| Transfers out | (4,578,324) | (4,608,324) | (4,305,770) | 302,554 |
| Total Other Financing Sources (Uses) | (2,928,163) | (432,261) | (990,963) | (558,702) |
| NET CHANGE IN FUND BALANCE | \$1,565,950 | \$4,061,392 | 6,451,562 | \$2,390,170 |
| BEGINNING FUND BALANCE, AS RESTATED (Note 8E) | | | 2,569,649 | |
| ENDING FUND BALANCE | | | \$9,021,211 | |

See accompanying notes to basic financial statements

| |
|--------------------------------|
| MAJOR PROPRIETARY FUNDS |
|--------------------------------|

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. The City has identified the funds below as major proprietary funds in fiscal 2020, and the remaining enterprise fund is considered a non-major fund.

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.

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.

| |
|---------------------------------|
| NONMAJOR ENTERPRISE FUND |
|---------------------------------|

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
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities- Internal Service Funds |
|--|---|---------------|----------------|--|---------------|--|
| | Water | Sewer | Transportation | <u>Nonmajor Fund</u> Building & Safety | Totals | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and investments (Note 3) | \$47,704,860 | \$7,387,977 | \$1,400,763 | \$977,074 | \$57,470,674 | \$11,083,837 |
| Restricted cash and investments and cash and investments with fiscal agent (Note 3) | 15,572 | 2,630,585 | | | 2,646,157 | |
| Accounts receivable (Note 5C) | 1,753,003 | 12,112,436 | 1,854,933 | 892 | 15,721,264 | 222,868 |
| Interest receivable | 95,254 | 71,540 | 2,701 | 2,044 | 171,539 | 18,384 |
| Due from developers (Note 5A) | | 157,663 | | | 157,663 | |
| Due from other funds (Note 4B) | | | | | | 2,921,165 |
| Total current assets | 49,568,689 | 22,360,201 | 3,258,397 | 980,010 | 76,167,297 | 14,246,254 |
| Non-current assets | | | | | | |
| Investment in Joint Venture (Note 12D) | 9,936,300 | | | | 9,936,300 | |
| Capital assets not being depreciated (Note 6) | 3,434,093 | 61,535,087 | 5,050,671 | | 70,019,851 | |
| Capital assets being depreciated (Note 6) | 36,597,181 | 145,420,229 | 15,207,493 | | 197,224,903 | 5,073,480 |
| Total non-current assets | 49,967,574 | 206,955,316 | 20,258,164 | | 277,181,054 | 5,073,480 |
| Total Assets | 99,536,263 | 229,315,517 | 23,516,561 | 980,010 | 353,348,351 | 19,319,734 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Related to pensions (Note 9) | 681,968 | 1,352,999 | 167,389 | 216,625 | 2,418,981 | 849,790 |
| Related to OPEB (Note 10) | 143,090 | 278,066 | 31,753 | 43,669 | 496,578 | 170,646 |
| Total deferred outflows of resources | 825,058 | 1,631,065 | 199,142 | 260,294 | 2,915,559 | 1,020,436 |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | 414,656 | 1,204,838 | 436,125 | 26,224 | 2,081,843 | 754,806 |
| Payroll payable | 49,073 | 94,838 | 12,334 | 16,442 | 172,687 | 56,414 |
| Interest payable | 300,753 | 753,538 | | | 1,054,291 | |
| Due to other funds (Note 4B) | | | | | | 2,547,134 |
| Compensated absences (Note 11) | 40,406 | 73,167 | 14,904 | 6,908 | 135,385 | 54,548 |
| Bonds and loans payable (Note 7) | 720,000 | 4,624,798 | | | 5,344,798 | |
| Unearned revenue | | | 1,985,492 | | 1,985,492 | |
| Deposits payable | 491,423 | | | | 491,423 | |
| Total current liabilities | 2,016,311 | 6,751,179 | 2,448,855 | 49,574 | 11,265,919 | 3,412,902 |
| Long-term liabilities | | | | | | |
| Claims liability (Note 11) | | | | | | 2,519,875 |
| Compensated absences (Note 11) | 161,626 | 292,669 | 59,616 | 27,625 | 541,536 | 218,188 |
| Total OPEB liability (Note 10) | 767,617 | 1,491,704 | 170,343 | 234,268 | 2,663,932 | 915,455 |
| Net pension liabilities (Note 9) | 5,056,178 | 10,031,267 | 1,241,042 | 1,606,077 | 17,934,564 | 6,300,430 |
| Bonds and loans payable (Note 7) | 22,154,993 | 71,884,060 | | | 94,039,053 | |
| Total long-term liabilities | 28,140,414 | 83,699,700 | 1,471,001 | 1,867,970 | 115,179,085 | 9,953,948 |
| Total Liabilities | 30,156,725 | 90,450,879 | 3,919,856 | 1,917,544 | 126,445,004 | 13,366,850 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Related to pensions (Note 9) | 97,924 | 194,277 | 24,035 | 31,105 | 347,341 | 122,021 |
| Related to OPEB (Note 10) | 621,573 | 1,207,896 | 137,935 | 189,697 | 2,157,101 | 741,283 |
| Total deferred inflows of resources | 719,497 | 1,402,173 | 161,970 | 220,802 | 2,504,442 | 863,304 |
| NET POSITION (Note 8): | | | | | | |
| Net investment in capital assets | 17,171,853 | 133,077,043 | 20,258,164 | | 170,507,060 | 5,073,480 |
| Unrestricted | 52,313,246 | 6,016,487 | (624,287) | (898,042) | 56,807,404 | 1,036,536 |
| Total Net Position | \$69,485,099 | \$139,093,530 | \$19,633,877 | (\$898,042) | \$227,314,464 | \$6,110,016 |

See accompanying notes to basic financial statements

CITY OF TURLOCK
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

| | Business-type Activities-Enterprise Funds | | | | | Governmental Activities- Internal Service Funds |
|--|---|---------------|----------------|--|---------------|--|
| | Water | Sewer | Transportation | Nonmajor Fund Building & Safety | Totals | |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$17,082,071 | \$20,194,084 | \$228,999 | \$1,586,015 | \$39,091,169 | \$13,613,454 |
| Other income | 236,574 | 1,456,545 | 360 | 4,635 | 1,698,114 | 403,541 |
| Total Operating Revenues | 17,318,645 | 21,650,629 | 229,359 | 1,590,650 | 40,789,283 | 14,016,995 |
| OPERATING EXPENSES | | | | | | |
| Salaries, benefits and insurance | 3,053,122 | 6,390,856 | 809,772 | 963,228 | 11,216,978 | 11,397,095 |
| Contractual | 1,144,601 | 2,032,781 | 2,243,618 | 185,566 | 5,606,566 | 323,887 |
| Supplies and maintenance | 200,221 | 1,870,800 | 218,945 | 3,701 | 2,293,667 | 64,637 |
| Utilities | 1,231,351 | 2,070,404 | 41,941 | 11,194 | 3,354,890 | 81,736 |
| Fleet expense | 115,660 | 227,987 | 152,111 | 5,276 | 501,034 | 40,858 |
| Depreciation and amortization | 1,798,562 | 4,487,049 | 1,150,327 | | 7,435,938 | 972,680 |
| Other expenses | 203,827 | 218,515 | 10,927 | 12,394 | 445,663 | 50,713 |
| Total Operating Expenses | 7,747,344 | 17,298,392 | 4,627,641 | 1,181,359 | 30,854,736 | 12,931,606 |
| Operating Income (Loss) | 9,571,301 | 4,352,237 | (4,398,282) | 409,291 | 9,934,547 | 1,085,389 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Operating grants | | | 3,081,826 | | 3,081,826 | |
| Interest income | 885,719 | 513,205 | 9,558 | 8,810 | 1,417,292 | 172,225 |
| Interest (expense) | (933,212) | (2,245,541) | | | (3,178,753) | |
| Gain (loss) on disposal of capital assets | (238,654) | (432,746) | (104,484) | | (775,884) | 7,885 |
| Net Nonoperating Revenues (Expenses) | (286,147) | (2,165,082) | 2,986,900 | 8,810 | 544,481 | 180,110 |
| Income (Loss) Before Contributions and Transfers | 9,285,154 | 2,187,155 | (1,411,382) | 418,101 | 10,479,028 | 1,265,499 |
| Capital grants | | 5,000,000 | 3,404,965 | | 8,404,965 | |
| Capital contributions - connection/impact fees | 724,162 | 2,870,415 | | | 3,594,577 | |
| Transfers in (Note 4A) | 4,123 | 74,731 | 55,438 | | 134,292 | 810,166 |
| Transfers out (Note 4A) | (1,377,558) | (3,793,438) | (42,132) | (92,622) | (5,305,750) | (186,342) |
| Net Contributions and Transfers | (649,273) | 4,151,708 | 3,418,271 | (92,622) | 6,828,084 | 623,824 |
| Change in net position | 8,635,881 | 6,338,863 | 2,006,889 | 325,479 | 17,307,112 | 1,889,323 |
| NET POSITION-BEGINNING | 60,849,218 | 132,754,667 | 17,626,988 | (1,223,521) | 210,007,352 | 4,220,693 |
| ENDING NET POSITION | \$69,485,099 | \$139,093,530 | \$19,633,877 | (\$898,042) | \$227,314,464 | \$6,110,016 |

See accompanying notes to basic financial statements

CITY OF TURLOCK
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

| | Business-type Activities-Enterprise Funds | | | | Governmental Activities-Internal Service Funds |
|---|---|---------------------|----------------------|---------------------------------------|--|
| | | | | Nonmajor Fund Building & Safety | |
| | Water | Sewer | Transportation | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$17,132,830 | \$24,768,264 | \$220,334 | \$1,585,131 | \$43,706,559 |
| Payments to suppliers | (2,819,665) | (9,130,294) | (2,668,740) | (230,398) | (14,849,097) |
| Payments to employees and benefits | (2,946,085) | (5,501,456) | (475,154) | (915,042) | (9,837,737) |
| Other | 236,574 | 1,456,545 | 360 | 4,635 | 1,698,114 |
| Cash Flows from Operating Activities | <u>11,603,654</u> | <u>11,593,059</u> | <u>(2,923,200)</u> | <u>444,326</u> | <u>20,717,839</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Intergovernmental receipts - operations | | | 2,417,162 | | 2,417,162 |
| Interfund receipts (payments) | | | | | (3,264,147) |
| Transfers in | 4,123 | 74,731 | 55,438 | | 810,166 |
| Transfers out | (1,377,558) | (3,793,438) | (42,132) | (92,622) | (5,305,750) |
| Cash Flows from Noncapital Financing Activities | <u>(1,373,435)</u> | <u>(3,718,707)</u> | <u>2,430,468</u> | <u>(92,622)</u> | <u>(2,640,323)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Intergovernmental receipts - capital program | | (5,169,990) | 4,145,025 | | (1,024,965) |
| Acquisition of capital assets, net | (1,941,272) | (23,876,034) | (3,502,556) | | (29,319,862) |
| Proceeds from sale of capital assets | 4,553 | | 2,697 | | 7,250 |
| Charges for joint project contributions | (3,598,100) | | | | (3,598,100) |
| Proceeds from issuance of debt | | 6,145,117 | | | 6,145,117 |
| Long-term debt payment - principal | (690,000) | (4,115,315) | | | (4,805,315) |
| Long-term debt payment - interest | (942,288) | (2,290,390) | | | (3,232,678) |
| Connection / impact fees | 724,162 | 2,870,415 | | | 3,594,577 |
| Cash Flows from Capital and Related Financing Activities | <u>(6,442,945)</u> | <u>(26,436,197)</u> | <u>645,166</u> | | <u>(32,233,976)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest | 933,286 | 578,752 | 10,622 | 8,608 | 1,531,268 |
| Cash Flows from Investing Activities | <u>933,286</u> | <u>578,752</u> | <u>10,622</u> | <u>8,608</u> | <u>1,531,268</u> |
| Net Cash Flows | 4,720,560 | (17,983,093) | 163,056 | 360,312 | (12,739,165) |
| Cash and investments at beginning of period | 42,999,872 | 28,001,655 | 1,237,707 | 616,762 | 72,855,996 |
| Cash and investments at end of period | <u>\$47,720,432</u> | <u>\$10,018,562</u> | <u>\$1,400,763</u> | <u>\$977,074</u> | <u>\$60,116,831</u> |
| Reconciliation of Operating Income (Loss) to Cash Flows | | | | | |
| from Operating Activities: | | | | | |
| Operating income (loss) | \$9,571,301 | \$4,352,237 | (\$4,398,282) | \$409,291 | \$9,934,547 |
| Adjustments to reconcile operating income (loss) to cash flows from operating activities: | | | | | |
| Depreciation and amortization | 1,798,562 | 4,487,049 | 1,150,327 | | 7,435,938 |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | 50,759 | 4,574,180 | (8,665) | (884) | 4,615,390 |
| Accounts payable | 43,282 | (2,709,807) | (1,198) | (12,267) | (2,679,990) |
| Payroll payable | (485) | (3,931) | 2,252 | (712) | (2,876) |
| Compensated absences | 18,878 | (28,498) | 26,852 | (27,787) | (10,555) |
| Claims Liability | | | | | (180,786) |
| Deferred outflows/inflows and total OPEB liability | (278,853) | (379,295) | 32,619 | (56,131) | (681,660) |
| Deferred outflows/inflows and net pension liability | 367,497 | 1,301,124 | 272,895 | 132,816 | 2,074,332 |
| Deposits payable | 32,713 | | | | 32,713 |
| Cash Flows from Operating Activities | <u>\$11,603,654</u> | <u>\$11,593,059</u> | <u>(\$2,923,200)</u> | <u>\$444,326</u> | <u>\$20,717,839</u> |
| NONCASH TRANSACTIONS: | | | | | |
| Amortization of bond premium | \$156,901 | \$183,157 | | | \$340,058 |
| Retirement of capital assets | (243,207) | (432,746) | (\$107,181) | | (783,134) |
| Total noncash capital and related financing activities | <u>(\$86,306)</u> | <u>(\$249,589)</u> | <u>(\$107,181)</u> | | <u>(\$443,076)</u> |

See accompanying notes to basic financial statements

| |
|------------------------|
| FIDUCIARY FUNDS |
|------------------------|

FIDUCIARY FUNDS

These 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 City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

SUCCESSOR AGENCY TRUST FUND

The Successor Agency to the Turlock Redevelopment Agency (SA) was established as a result of the passage of Assembly Bill 1x 26, which dissolved all redevelopment agencies in the State of California effective February 1, 2012. By Resolution No. 2012-009 adopted on January 10, 2012, pursuant to Health and Safety Code Section 34173, the Turlock City Council declared that the City of Turlock would act in a special limited capacity as Successor Agency for the dissolved Turlock Redevelopment Agency (RDA), effective February 1, 2012. The SA is responsible for day to day administration of the former RDA, including identification and payment of enforceable and recognized obligations of the former RDA, and disbursement of available assets. An Oversight Board, consisting of 7 members appointed by various taxing entities within Stanislaus County as delineated in the dissolution law, supervises the SA's activities in the winding down of the former RDA's projects and programs.

AGENCY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

CITY OF TURLOCK
FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2020

| | Successor Agency Private-Purpose Trust Fund | Agency Funds |
|---|--|--------------------|
| ASSETS | | |
| Cash and investments (Note 3) | \$2,042,214 | \$3,186,259 |
| Cash and investments with fiscal agent (Note 3) | 551,333 | 103,792 |
| Accounts and interest receivable | | 8,134 |
| | <u>2,593,547</u> | <u>8,134</u> |
| Total Assets | <u>2,593,547</u> | <u>\$3,298,185</u> |
| LIABILITIES | | |
| Accounts payable | 681 | \$464,843 |
| Interest payable | 455,560 | |
| Long-term debt (Note 13B): | | |
| Due within one year | 1,100,000 | |
| Due in more than one year | 34,890,018 | |
| Due to stakeholders | | 2,833,342 |
| | <u>36,446,259</u> | <u>2,833,342</u> |
| Total Liabilities | <u>36,446,259</u> | <u>\$3,298,185</u> |
| NET POSITION (DEFICIT) | | |
| Net deficit held in trust for other governments | <u>(\$33,852,712)</u> | |

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

| | Successor Agency Private-Purpose Trust Fund |
|---|--|
| <hr/> | |
| ADDITIONS | |
| Property taxes | \$2,301,856 |
| Net investment income | 34,200 |
| | <hr/> |
| Total additions | 2,336,056 |
| | <hr/> |
| DEDUCTIONS | |
| Community development | 13,748 |
| Contributions to the City of Turlock | 101,914 |
| Interest and fiscal charges | 1,256,864 |
| | <hr/> |
| Total deductions | 1,372,526 |
| | <hr/> |
| NET CHANGE IN NET POSITION | 963,530 |
| NET POSITION (DEFICIT) HELD IN TRUST FOR OTHER GOVERNMENTS | |
| Beginning of year | (34,816,242) |
| | <hr/> |
| End of year | (\$33,852,712) |
| | <hr/> <hr/> |

See accompanying notes to basic financial statements

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CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, parks & recreation, public improvements, planning and zoning, and general administrative services.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. *Reporting Entity*

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of the Turlock Public Financing Authority which is controlled by and dependent on the City. Although the City and the Authority are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements.

Turlock Public Financing Authority

The Turlock Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital improvements within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The Turlock Public Financing Authority was established 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 former Turlock Redevelopment Agency.

B. *Basis of Presentation*

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the City and its blended component unit. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes and franchise fees that are based on gross receipts, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues and expenses, such as charges for services and the related costs, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues and expenses, such as subsidies, investment earnings and any related costs, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reports the following major governmental funds in the accompanying financial statements:

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 Arts Commission, Special Public Safety, and Tourism (2 funds).

Former LMI Housing Fund - This fund accounts for the activity of the Housing Set-Aside funds post Redevelopment Agency dissolution.

Gas Tax/Street Improvement Fund - The Gas Tax/Street Improvement fund accounts for the City's Gas Tax (Highway User's Tax), Local Transportation Fund and Measure L (Stanislaus County Sales Tax Transportation Measure) 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, streetlight/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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 developments, 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.

The City reports the following enterprise funds as major funds in the accompanying financial statements:

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 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.

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.

The City also reports the following fund types:

Internal Service Funds – The funds account for equipment pool, self-insurance, information technology and engineering activities, all of which provide services to other departments on a cost-reimbursement basis.

Trust Fund – Trust funds account for assets held by the City as an agent for various functions. The Successor Agency to the Turlock Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. This fund accounts for winding down the affairs of the former Turlock Redevelopment Agency and makes payments on the Recognized Obligation Payment Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies. The financial activities of this fund are excluded from the City-wide financial statements, but is presented in separate Fiduciary Fund financial statements.

Agency Funds are used to account for assets held by the City as an agent for the Northwest Triangle – Mello Roos Assessment District, Turlock Property and Business Improvement District #2 (PBID) and the Stanislaus Regional Water Authority. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary (trust and agency funds) fund financial statements are reported using the *economic resources* measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and accumulated unpaid vacation, sick pay and other employee benefit amounts, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual are sales taxes and interest revenue. Forfeitures, licenses, other permits and miscellaneous revenue are not susceptible to accrual because they are not measurable until received in cash. Grant funding received in advance of the related expenditure is accounted for as unearned revenue.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by unrestricted resources if necessary.

E. *Prepays, Materials, Supplies and Deposits*

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased.

Materials and supplies are valued at cost on a first-in first-out basis. Supplies in the enterprise and internal funds consist principally of materials and supplies for utility and internal operations. Materials and supplies of the governmental funds consist of expendable supplies and materials held for consumption. The cost is recorded as an expense or expenditure in the funds at the time individual inventory items are consumed, rather than when purchased.

Prepays, materials, supplies and deposits in governmental funds are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position or balance sheet report a separate section for deferred outflows of resources. The City has deferred outflows of resources related to pension and OPEB as discussed in Notes 9 and 10. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from loans receivable. The City also has deferred inflows of resources related to pensions and Other Post Employment Benefits (OPEB) as discussed in Note 9. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

G. 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.

H. Revenue Recognition for Water and Sewer

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, in arrears. The amounts billed in July for June services are accrued as accounts receivable as of June 30.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Compensated Absences*

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.

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) and Schedules of Benefits with the City's various bargaining units. The agreements indicate the methodology for accruing time and the maximum accrual limits.

The changes of the compensated absences during the fiscal year ended June 30, 2020 were as follows:

| | Governmental | Business Type | Total |
|-------------------|--------------------|------------------|--------------------|
| Beginning Balance | \$3,089,431 | \$687,476 | \$3,776,907 |
| Net Change | 72,411 | (10,555) | 61,856 |
| Ending Balance | <u>\$3,161,842</u> | <u>\$676,921</u> | <u>\$3,838,763</u> |
| Current Portion | <u>\$632,369</u> | <u>\$135,385</u> | <u>\$767,754</u> |

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

J. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Investment in Affordable Housing Property

The former Redevelopment Agency purchased parcels that are to be used for affordable housing purposes. The Successor Agency transferred affordable housing property with a carrying value of \$327,184 to the City as Housing Successor during fiscal year 2017. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

The balance of the investment in affordable housing property in the Former LMI Housing Special Revenue Fund at June 30, 2020 was \$327,184.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. New Fund

The Traffic Safety Special Revenue Fund was created during the fiscal year ended June 30, 2020 to account for revenues received from towed vehicles and impound release fees.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. 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 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 Fund, Special Revenue Funds, Capital Projects Funds, Enterprise Funds and Internal Service Funds. All budgets are prepared on a basis consistent with generally accepted accounting principles in the United States.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

6. Budgeted amounts are reflected after all applicable amendments and revisions.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the department level. Departments can reallocate spending within an object (e.g. supplies or utilities) with the exception of personnel or capital outlay. The total expenditures for that object cannot be increased without the approval of the City Manager or City Council. Any reallocations between objects must be approved by the City Manager. Only the City Council can approve increases in the total appropriation for a Department within the General Fund or a Fund, other than the General Fund. A “department” for legal appropriation purposes may be a single organization (e.g. City Attorney) or an entire department having multiple divisions (e.g. Parks and Recreation).

B. Expenditures in Excess of Appropriations

The Former LMI Housing Special Revenue Fund incurred expenditures in excess of appropriations in the amount of \$3,150,125. The fund has sufficient fund balance or revenues to finance these expenditures.

NOTE 3 - CASH AND INVESTMENTS

The City pools cash resources from all funds, except cash and investments with fiscal agents, 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.

A. Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as “Cash and Investments” in the accompanying Basic Financial Statements.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City’s cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City’s name and places the City ahead of general creditors of the institution.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or other agreements.

| | |
|---|-----------------------------|
| City cash and investments: | |
| Cash and investments available for operations | \$136,511,866 |
| Restricted cash and investments and | |
| cash and investments with fiscal agent | <u>2,646,157</u> |
| Total City Cash and Investments | <u>139,158,023</u> |
| Cash and investments in Fiduciary Funds (Separate Statement): | |
| Successor Agency to the Redevelopment | |
| Agency Private Purpose Trust Fund: | |
| Cash available for operations | 2,042,214 |
| Cash and investments with fiscal agent | 551,333 |
| Agency Funds: | |
| Cash and investments available for operations | 3,186,259 |
| Cash and investments with fiscal agent | <u>103,792</u> |
| Total Cash and Investments | <u><u>\$145,041,621</u></u> |

Cash and investments as of June 30, 2020 consist of the following:

| | |
|--------------------------------------|-----------------------------|
| Cash on hand | \$5,180 |
| Deposits with financial institutions | 48,177,480 |
| Investments | <u>96,858,961</u> |
| Total Cash and Investments | <u><u>\$145,041,621</u></u> |

For purposes of the Statement of Cash Flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting funds with fiscal agents) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|--|------------------|------------------------|------------------------------------|----------------------------------|
| U.S. Treasury Notes, Bonds and/or Bills | 5 years | A | Unlimited | N/A |
| U.S. Government Agency Securities | 5 years | A | Unlimited | No more than 25% |
| Negotiable Certificates of Deposit | 5 years | N/A | 30% | N/A |
| Certificates of Deposit | 5 years | A | Unlimited | N/A |
| Bankers' Acceptances | 180 days | A | 40% | No more than 30% |
| Commercial Paper | 270 days | A-1 or Higher | 25% | No more than 10% |
| State of Local Agency Investment Fund (LAIF) | N/A | N/A | Equal to maximum limit set by LAIF | N/A |
| Repurchase Agreement | 1 year | N/A | Unlimited | N/A |
| Money Market and Mutual Funds | N/A | A | 20% | N/A |
| Corporate Notes | 5 years | AA | 30% | N/A |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio |
|---|------------------|-------------------------------|---------------------------------|
| U.S. Treasury Notes, Bonds and/or Bills | 5 years | N/A | No maximum |
| U.S. Government Sponsored Securities | 5 years | N/A | No maximum |
| State Obligations | N/A | A | No maximum |
| Pre-refunded Municipal Obligations | N/A | AAA | No maximum |
| Certificates of Deposit | 30 days | A-1 | No maximum |
| Bankers' Acceptances | 30 days | A-1 | No maximum |
| Commercial Paper | 270 days | A-1+ | No maximum |
| State Local Agency Investment Fund | N/A | N/A | LAIF Limits |
| Repurchase Agreements | 270 days | A | No maximum |
| Guaranteed Investment Contracts | N/A | AA | No maximum |
| Money Market Funds | N/A | Aam or Aam-G | No maximum |
| Corporate Notes | N/A | Two highest rating categories | No maximum |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

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

| Investment Type | 21 Months or less | 22 Months or less | 23 to 25 Months | Total |
|---|----------------------|----------------------|--------------------|---------------------|
| <i>Held by City:</i> | | | | |
| U.S. Treasury Notes | \$2,021,875 | \$7,188,321 | \$2,076,250 | \$11,286,446 |
| U.S. Government Agency Securities | 14,127,049 | 11,221,525 | | 25,348,574 |
| Certificates of Deposit | 11,283,270 | 4,482,664 | 2,582,168 | 18,348,102 |
| California Local Agency Investment Fund | 40,196,512 | | | 40,196,512 |
| Corporate Note | 1,008,203 | | | 1,008,203 |
| <i>Held by Trustee:</i> | | | | |
| Money Market Mutual Funds | 671,124 | | | 671,124 |
| Total Investments | <u>\$69,308,033</u> | <u>\$22,892,510</u> | <u>\$4,658,418</u> | <u>\$96,858,961</u> |

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2020 these investments matured in an average of 191 days.

Money Market Mutual funds are available for withdrawal on demand at June 30, 2020 matured in an average of 43 days.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2020 for each investment type as provided by Standard and Poor's investment rating system:

| Investment Type | AAA/AAAm | AA+ | Total |
|---|--------------------|---------------------|---------------------|
| <i>Held by City:</i> | | | |
| U.S. Government Agency Securities | | \$25,348,574 | \$25,348,574 |
| Corporate Note | \$1,008,203 | | 1,008,203 |
| <i>Held by Trustee:</i> | | | |
| Money Market Mutual Funds | 671,124 | | 671,124 |
| Total Rated Investments | <u>\$1,679,327</u> | <u>\$25,348,574</u> | 27,027,901 |
| <i>Not rated:</i> | | | |
| Certificates of Deposit | | | 18,348,102 |
| California Local Agency Investment Fund | | | 40,196,512 |
| <i>Exempt from credit rating disclosure:</i> | | | |
| U.S. Treasury Notes | | | <u>11,286,446</u> |
| Total Investments | | | <u>\$96,858,961</u> |

G. Fair Value Hierarchy

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

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - CASH AND INVESTMENTS (Continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2020:

| | Level 2 | Total |
|---|---------------------|---------------------|
| Investments by Fair Value Level: | | |
| <i>Held by City:</i> | | |
| U.S. Treasury Notes | \$11,286,446 | \$11,286,446 |
| U.S. Government Agency Securities | 25,348,574 | 25,348,574 |
| Certificates of Deposit | 18,348,102 | 18,348,102 |
| Corporate Note | 1,008,203 | 1,008,203 |
| Subtotal | <u>\$55,991,325</u> | <u>55,991,325</u> |
| Investments Measured at Amortized Cost: | | |
| <i>Held by Trustee:</i> | | |
| Money Market Mutual Funds | | 671,124 |
| Investment Exempt from Fair Value Hierarchy: | | |
| California Local Agency Investment Fund | | <u>40,196,512</u> |
| Total Investments | | <u>\$96,858,961</u> |

U.S. Treasury Notes, U.S. Government Agency Securities, and Corporate Notes classified in Level 2 of the fair value hierarchy are valued using matrix pricing or Interactive Date Pricing and Reference Data (IDC). Certificate of Deposits classified in the Level 2 of the fair value hierarchy are valued using Bloomberg or IDC pricing. These prices are obtained from various pricing sources by our custodian bank.

Fair value is defined as the quoted market value on the last trading day of the period.

H. Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Government-wide investments are as follows at June 30, 2020:

| Issuer | Type of Investments | Amount |
|---------------------------------------|-----------------------------------|--------------|
| Federal National Mortgage Association | U.S. Government Agency Securities | \$11,123,167 |
| Federal Home Loan Bank | U.S. Government Agency Securities | 9,132,460 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. 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.

Transfers between funds during the fiscal year ended June 30, 2020 were as follows:

| Fund Making Transfer | Fund Receiving Transfers | Amount Transferred | |
|---------------------------------|-------------------------------------|-----------------------|----------|
| General Fund | Non-Major Governmental Funds | \$1,138,786 | (A), (B) |
| | Sewer Enterprise Fund | 3,557 | (A) |
| | Internal Service Funds | 352,472 | (C) |
| Gas Tax/Street Improvement Fund | Facility Fees Capital Projects Fund | 4,075,419 | (B) |
| | Non-Major Governmental Funds | 43,224 | (B) |
| | Sewer Enterprise Fund | 2,371 | (C) |
| | Transportation Enterprise Fund | 55,438 | (D) |
| | Internal Service Funds | 129,318 | (C) |
| Non-Major Governmental Funds | General Fund | 808,772 | (A) |
| | Non-Major Governmental Funds | 217,270 | (A), (B) |
| | Water Enterprise Fund | 4,123 | (B) |
| | Sewer Enterprise Fund | 7,308 | (A), (B) |
| | Internal Service Funds | 60,376 | (C) |
| Water Enterprise Fund | General Fund | 460,655 | (A), (E) |
| | Gas Tax/Street Improvement Fund | 689,327 | (B) |
| | Non-Major Governmental Funds | 1,081 | (A) |
| | Sewer Enterprise Fund | 61,495 | (A), (B) |
| | Internal Service Funds | 165,000 | (C) |
| Sewer Enterprise Fund | General Fund | 1,027,576 | (A), (E) |
| | Gas Tax/Street Improvement Fund | 2,625,480 | (A), (B) |
| | Non-Major Governmental Funds | 37,382 | (A), (B) |
| | Internal Service Funds | 103,000 | (C) |
| Transportation Enterprise Fund | General Fund | 42,132 | (E) |
| Non-Major Enterprise Fund | General Fund | 64,900 | (E) |
| | Non-Major Governmental Funds | 27,722 | (A) |
| Internal Service Funds | General Fund | 174,876 | (A), (E) |
| | Non-Major Governmental Funds | 11,466 | (A), (C) |
| | | <u>\$12,390,526</u> | |

- (A) To fund operations, including computer replacement
- (B) To fund capital improvements or equipment
- (C) To fund the Internal Service Equipment Pool for future vehicle purchases
- (D) To fund transportation operations from Measure L
- (E) To fund administrative expenses

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

Current interfund balances arise mainly due to the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are expected to be repaid shortly after the end of the fiscal year. Current amounts due to the Internal Service Funds from the funds listed below at June 30, 2020 were as follows:

| | <u>Amount Due to</u> Equipment Pool Internal Service Fund |
|---|--|
| Non-major Special Revenue Fund: | |
| CDBG | \$211,876 |
| Non-major Capital Projects Fund: | |
| East Tuolumne Master Plan | 162,155 |
| Internal Service Fund: | |
| Engineering | <u>2,547,134</u> |
| Total | <u><u>\$2,921,165</u></u> |

C. Internal Balances

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 - DUE FROM DEVELOPERS, LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE

At June 30, 2020, the City had the following amounts due from developers and loans receivable. These amounts are further described below the table.

| | <u>Governmental</u> Activities | <u>Business-Type</u> Activities | <u>Total</u> |
|---------------------|-----------------------------------|------------------------------------|----------------------------|
| Due from developers | \$287,284 | \$157,663 | \$444,947 |
| Loans receivable | <u>33,513,054</u> | | <u>33,513,054</u> |
| Total | <u><u>\$33,800,338</u></u> | <u><u>\$157,663</u></u> | <u><u>\$33,958,001</u></u> |

A. 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, its Northeast Master Plan Area and its Morgan Ranch 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 Enterprise Fund, the Northeast Master Plan receivable of \$20,041 is recorded in the General Fund and the Morgan Ranch Master Plan receivable of \$267,243 is recorded in the Facility Fees Capital Projects Fund.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - DUE FROM DEVELOPERS, LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE
(Continued)

B. Loans Receivable

Loans receivable at June 30, 2020 consist of the following:

| Type of Loan/Borrower | Amount |
|---|--------------|
| Central Valley Coalition for Affordable Housing | \$10,057,353 |
| First Time Homebuyer Loans | 8,719,121 |
| EAH, Inc. | 8,744,107 |
| Owner-Occupied Rehabilitation Loans | 3,202,750 |
| Cherry Tree Village Loans | 1,973,031 |
| Rehabilitation Forgivable Loans for Energy Improvements | 63,925 |
| Rental Rehabilitation Loans | 5,500 |
| Turlock Gospel Mission Loan | 72,000 |
| We Care Program Loan | 302,000 |
| Haven Women's Center Loan | 194,250 |
| United Samaritans Foundation | 175,000 |
| Subtotal | 33,509,037 |
| Employee Computer Loans | 4,017 |
| Total long-term notes receivable | \$33,513,054 |

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.

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. Using 20% Set-Aside monies, the former 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, 2020 was \$6,042,491.

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 \$1,017,529. 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, 2020 on these three properties was \$1,708,064.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - DUE FROM DEVELOPERS, LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE
(Continued)

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 three multi-family properties for which the City holds promissory notes totaling \$1,394,604. The notes each carry annual interest rates from 3% - 5% 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, 2020 on these three properties was \$2,306,798.

First Time Homebuyer Loans

The First Time Homebuyer Loan program, funded using Federal and/or State of California HOME funds, CDBG funds, and former 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 3% - 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, 2020, the City had 153 loans outstanding, totaling to \$8,719,121.

EAH, Inc.

EAH, Inc. is a nonprofit corporation which develops and manages affordable housing projects in the western United States. The former Redevelopment Agency entered into two Disposition and Development Agreements (DDA) with EAH to assist in the development and help secure financing for a multi-family housing project on 6.7 acres of property in the area of Linwood Avenue and Hwy 99. The site was initially owned by the City of Turlock and will be conveyed to the developer (EAH) pursuant to the terms of the DDA. The proposed project is a two-phased, 140 unit, three-story, apartment complex for low- and very low-income families with amenities that would complement the project and surrounding neighborhood.

The DDA for Phase 1 and construction of the first 80 units on 4.3 acres contains funding of up to \$5 million of former RDA low- and moderate-income funds divided into two separate funding horizons. The first is a pre-development loan of up to \$1 million to reimburse the developer for certain pre-construction, design and engineering costs. The second is a development cost loan of up to \$4 million to be used for construction and development of the project, excluding development fees, management fees or other similar fees.

The DDA for Phase II, which is projected to construct an additional 60 units on the remaining 2.4 acres, provides for up to \$500,000 in advanced pre-development costs in the form of a loan. The balance of the \$4 million loan is for construction and final development of the project, excluding development fees, management fees or other similar fees. Currently EAH has secured \$800,000 in Affordable Housing Program (AHP) funds through the Federal Home Loan Bank for Phase II. The California Department of Finance has concluded that the DDA for Phase II is an enforceable obligation and has issued a Letter of Final and Conclusive Determination related to this DDA.

Both DDAs contain conditions which must be achieved in order for the developer to be eligible to receive funding as well as conditions related to the development of the project, additional funding sources which must be obtained, and conditions for the transfer of ownership of the property.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - DUE FROM DEVELOPERS, LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE
(Continued)

Each loan will be memorialized with a Promissory Note and will become a recorded deed of trust against the property. Each pre-development loan (Phase I and Phase II) is interest free for the earlier of: (1) two years from the date of execution, or (2) when the construction loan closes. Both the pre-development and development cost loans for each phase will be rolled into a permanent loan at the completion of construction of the phase. The combined loans will carry a 3% annual interest rate and be repaid using residual receipts over a 55 year period. As of June 30, 2020, EAH had drawn down all the funds associated with the DDA for Phase I of the project and had drawn down \$3,744,107 funding associated with the DDA for Phase II. Outstanding loans for this project total \$8,744,107.

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 recorded 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, 2020, the City had 40 loans outstanding, totaling to \$3,202,750.

Cherry Tree Village Loans

The City and the City's former 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 former Redevelopment Agency using \$600,000 in low/moderate-income housing funds loaned the project \$1,000,000. Loan proceeds were disbursed in increments as the project was completed 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. Total outstanding loans for this project at June 30, 2020 was \$1,973,031.

Rehabilitation Forgivable Loans for Energy Improvements

Using CDBG-R funding, the City has been able to provide forgivable loans for energy improvements made as part of the rehabilitation process for a qualified low/moderate income homeowner. The forgivable loans can be used for structural (e.g. windows, weather stripping, insulation) and/or appliance (e.g. HVAC, refrigerator) improvements to the property which reduce the energy usage of the home. The forgivable loans are for up to \$20,000, carry no interest, and are forgiven equally over a five-year period provided the home continues to be the primary residence of the qualified homeowner. At June 30, 2020 the City had 8 loans outstanding with principal and accrued interest of \$63,925.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - DUE FROM DEVELOPERS, LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE
(Continued)

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, 2020, the City had one loan outstanding totaling to \$5,500.

Turlock Gospel Mission Loan

In March 2016, the City, using CDBG funds, executed a loan agreement and promissory note secured by a deed of trust with the Turlock Gospel Mission (a California non-profit public benefit corporation) (TGM) to assist TGM with the purchase of property to be used as the home for TGM's Homeless Assistance Ministry Center (HAM Center). Since 2012 the HAM Center serves as a homeless day center as well as provides case management services to obtain identification, connection to mental health services and benefits, substance abuse programs, and other social service assistance. Their mission is to provide hope and assistance to those currently homeless in an effort to help them obtain jobs, essential services and secure permanent housing opportunities. The loan agreement provides for the note to be forgiven equally over a 10 year period provided TGM continues to use the property for its intended purpose. No interest accrues on the note as long as the borrower is not in default per terms of the loan agreement. As of June 30, 2020, the amount outstanding was \$72,000.

We Care Program Loan

In September 2015 the City, using both CDBG and HOME funds, executed a loan agreement and two promissory notes each secured by a deed of trust with the We Care Program Turlock (a California non-profit public benefit corporation) to assist We Care with the purchase a fourplex to be used as transitional housing for persons at or below sixty percent (60%) of the median income in Stanislaus County as defined by HUD. The CDBG portion of the loan is for \$240,000 and the HOME portion is \$110,000. No interest accrues and no periodic payments are due on either note as long as the borrower is not in default and the property continues to be used for its intended purpose. The HOME loan is equally forgivable over a 20 year period provided We Care continues to use the property for its intended purpose and is not otherwise in default as defined by the loan agreement. The CDBG loan is not forgivable and is repayable at the time the borrower ceases to use the property for its intended purpose. The CDBG loan also contains an equity sharing provision which means that if the borrower sells the property for more than the repayment amount required under the CDBG and HOME loan notes, 50% of the excess proceeds will be paid to the City. As of June 30, 2020, the amount outstanding on the CDBG and HOME notes is \$192,000 and \$110,000, respectively.

Haven Women's Center

In August 2016, using both CDBG and HOME funds, the City executed a loan agreement and two promissory notes each secured by a deed of trust with Haven Women's Center of Stanislaus (a California non-profit public benefit corporation) to assist the Haven Women's Center with the purchase of a single family residence to be rented to families or persons at or below sixty percent (60%) of the median income in Stanislaus County, as defined by HUD. The CDBG portion of the loan is for \$105,000 and the HOME portion is \$105,000. No interest accrues and no periodic payments are due on either loan as long as the borrower is not in default and the property continues to be used for its intended purpose.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - DUE FROM DEVELOPERS, LOANS RECEIVABLE AND ACCOUNTS RECEIVABLE
(Continued)

The CDBG loan is equally forgivable over a 20 year period provided Haven Women's Center is not otherwise in default as defined by the loan agreement. The HOME loan is not forgivable and is repayable at the time the borrower ceases to use the property for its intended purpose. The HOME loan also contains an equity sharing provision which means that if the borrower sells the property for more than the repayment amount required under the CDBG and HOME loan notes, 50% of the excess proceeds will be paid to the City. As of June 30, 2020, the amount outstanding on the CDBG and HOME loans is \$89,250 and \$105,000, respectively.

United Samaritans Foundation Loan

In March 2018, the City, using CDBG funds, executed a loan agreement and promissory note secured by a deed of trust with United Samaritans Foundation (USF) to assist with the restoration of the bathroom and shower facilities for the building that is being leased to the We Care Program Turlock for the purposes of providing sheltering and other services to homeless men. The building is located at 219 South Broadway and has served as a shelter since 2003.

The loan agreement to USF in the amount of \$175,000 provides for the promissory note to be forgiven at that end of six years provided that the property continues to be used as a homeless shelter.

Employee Computer Loans

All full-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to \$2,500 to purchase a computer. All requests for loans are subject to review by the Service Area Director and must be approved by either the City Manager or Assistant City Manager. Repayment of these loans is handled through payroll deductions which are spread out equally over a two year period. Employees must repay the outstanding balance of their loans upon ending their employment with the City. As of June 30, 2020, 5 employees had loans due to the City totaling \$4,017.

C. Accounts Receivable

The following table provides a detailed listing of the City's accounts receivable by type as of June 30, 2020:

| | Due from Other Governments | Accounts Receivable | Total |
|-----------------------------------|-------------------------------|------------------------|--------------|
| General Fund | \$3,024,378 | \$2,218,865 | \$5,243,243 |
| Former LMI Housing Fund | | 450 | 450 |
| Gas Tax / Street Improvement | 1,966,279 | 1,004 | 1,967,283 |
| Nonmajor Governmental Funds | 1,064,993 | 42,289 | 1,107,282 |
| Water Enterprise Fund | 26 | 1,752,977 | 1,753,003 |
| Sewer Enterprise Fund | 10,170,395 | 1,942,041 | 12,112,436 |
| Transportation Enterprise Fund | 1,846,252 | 8,681 | 1,854,933 |
| Nonmajor Enterprise Fund | | 892 | 892 |
| Internal Service Funds | 66,177 | 156,691 | 222,868 |
| Total | 18,138,500 | 6,123,890 | 24,262,390 |
| Less allowance for collectability | (193,863) | | (193,863) |
| Total, Net | \$17,944,637 | \$6,123,890 | \$24,068,527 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - 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:

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 | 5-10 |
| Vehicles | 5-10 |

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 activities in the proprietary funds as part of the asset cost.

| | |
|-------------------------------|----------|
| General Capital Assets | \$10,000 |
| Infrastructure Capital Assets | 50,000 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - CAPITAL ASSETS (Continued)

A. Capital Assets Additions and Retirements

At June 30, 2020 the City's capital assets for governmental activities consisted of the following:

Governmental activities

| | Balance at June 30, 2019 | Additions | Retirements/ Adjustments | Transfers | Balance at June 30, 2020 |
|--|-----------------------------|--------------|-----------------------------|---------------|-----------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$17,998,669 | | | | \$17,998,669 |
| Construction in progress | 16,992,263 | \$16,121,868 | (\$38,053) | (\$2,992,401) | 30,083,677 |
| Total capital assets not being depreciated | 34,990,932 | 16,121,868 | (38,053) | (2,992,401) | 48,082,346 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 37,639,240 | | (34,197) | | 37,605,043 |
| Buildings | 53,662,899 | 1,886,864 | (27,427) | | 55,522,336 |
| Furniture and equipment | 18,542,369 | 58,541 | (1,740,225) | | 16,860,685 |
| Vehicles | 12,257,470 | 762,216 | (362,645) | | 12,657,041 |
| Infrastructure | 196,062,331 | | (766,515) | 2,992,401 | 198,288,217 |
| Total capital assets being depreciated | 318,164,309 | 2,707,621 | (2,931,009) | 2,992,401 | 320,933,322 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (15,717,985) | (1,018,837) | 23,399 | | (16,713,423) |
| Buildings | (12,980,046) | (1,462,715) | 27,427 | | (14,415,334) |
| Furniture and equipment | (11,094,130) | (883,772) | 1,163,179 | | (10,814,723) |
| Vehicles | (8,033,980) | (921,297) | 311,539 | | (8,643,738) |
| Infrastructure | (67,701,812) | (4,167,180) | 332,153 | | (71,536,839) |
| Total accumulated depreciation | (115,527,953) | (8,453,801) | 1,857,697 | | (122,124,057) |
| Net capital assets being depreciated | 202,636,356 | (5,746,180) | (1,073,312) | 2,992,401 | 198,809,265 |
| Governmental activity capital assets, net | \$237,627,288 | \$10,375,688 | (\$1,111,365) | | \$246,891,611 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - CAPITAL ASSETS (Continued)

Governmental activities depreciation expense for capital assets for the year ended June 30, 2020 was as follows:

| Governmental Activities | |
|---|--------------------|
| General government | \$785,367 |
| Public safety | 1,460,889 |
| Public ways and facilities/transportation | 4,642,452 |
| Parks and recreation | 467,725 |
| Community development | 124,688 |
| Internal service funds | 972,680 |
| Total Governmental Activities | \$8,453,801 |

At June 30, 2020 the City's capital assets for business-type activities consisted of the following:

Business-type activities

| | Balance at June 30, 2019 | Additions | Retirements/ Adjustments | Transfers | Balance at June 30, 2020 |
|--|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$3,585,820 | | | \$1,558,721 | \$5,144,541 |
| Construction in progress | 47,587,080 | \$28,715,563 | | (11,427,333) | 64,875,310 |
| Total capital assets not being depreciated | 51,172,900 | 28,715,563 | | (9,868,612) | 70,019,851 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 6,579,990 | | (\$20,595) | 452,604 | 7,011,999 |
| Buildings and improvements | 5,586,575 | | (32,728) | 6,441,097 | 11,994,944 |
| Furniture and equipment | 23,669,902 | 265,414 | (1,070,013) | 119,301 | 22,984,604 |
| Vehicles | 5,715,964 | 338,885 | (394,301) | 2,408,767 | 8,069,315 |
| Infrastructure | 328,208,203 | | (610,745) | 446,843 | 328,044,301 |
| | 369,760,634 | 604,299 | (2,128,382) | 9,868,612 | 378,105,163 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (2,797,349) | (214,642) | 2,049 | | (3,009,942) |
| Buildings and improvements | (3,237,405) | (260,570) | 18,669 | | (3,479,306) |
| Furniture and equipment | (20,275,237) | (979,447) | 807,749 | | (20,446,935) |
| Vehicles | (1,650,769) | (846,486) | 339,035 | | (2,158,220) |
| Infrastructure | (146,488,752) | (5,474,851) | 177,746 | | (151,785,857) |
| | (174,449,512) | (7,775,996) | 1,345,248 | | (180,880,260) |
| Net capital assets being depreciated | 195,311,122 | (7,171,697) | (783,134) | 9,868,612 | 197,224,903 |
| Total Business-type activity capital assets, net | \$246,484,022 | \$21,543,866 | (\$783,134) | | \$267,244,754 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type activities depreciation expense for capital assets for the year ended June 30, 2020 was as follows:

| Business-Type Activities | |
|---------------------------------------|----------------------------------|
| Water | \$1,955,463 |
| Sewer | 4,670,206 |
| Transportation | <u>1,150,327</u> |
| Total Business-Type Activities | <u><u>\$7,775,996</u></u> |

NOTE 7 - LONG TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Fund Financial Statements

The Governmental Fund Financial Statements do not include long-term debt, as this liability is not payable in the current period. The face amount of debt issued and any premiums received are reported as other financing sources, while discounts are reported as other financing uses.

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

A. Current Year Governmental Activities Transactions and Balances

The City's governmental debt issues and transactions are summarized below and discussed in detail thereafter.

| | Original Issue Amount | Balance June 30, 2019 | Retirements | Balance June 30, 2020 | Due within One Year | Due in More than One Year |
|---|---------------------------|---------------------------|-------------------------|---------------------------|-------------------------|---------------------------------|
| Governmental Activities: | | | | | | |
| Direct Borrowing | | | | | | |
| Capital Leases: | | | | | | |
| Public Safety Server | \$57,500 | \$7,942 | \$7,942 | | | |
| Motorola Equipment Lease | <u>2,727,690</u> | <u>2,501,759</u> | <u>235,239</u> | <u>\$2,266,520</u> | <u>\$244,931</u> | <u>\$2,021,589</u> |
| Total Governmental Activity Debt | <u><u>\$2,785,190</u></u> | <u><u>\$2,509,701</u></u> | <u><u>\$243,181</u></u> | <u><u>\$2,266,520</u></u> | <u><u>\$244,931</u></u> | <u><u>\$2,021,589</u></u> |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - LONG TERM DEBT (Continued)

Capital Leases

Public Safety Server

On December 9, 2014, the City Council approved the lease/purchase of an IBM Power S814 replacement server for Public Safety. The lease, totaling \$57,500, carries an annual interest rate of 1.65% and requires monthly principal and interest payments due on the first of each month until February 2020 when the lease terminates. The City has pledged the IBM server as collateral for the lease. Events of default under the lease agreement include failure to make any lease payment by the due date or failure of other lease covenants or conditions included in the lease agreement, which would accelerate repayment of the lease. The City can terminate the lease at any time by paying the prescribed prepayment price as set forth in the lease payment schedule. The lease was fully repaid during the fiscal year ended June 30, 2020.

Motorola Equipment Lease Purchase Agreement

On March 22, 2018, the City Council approved the lease/purchase and installation of the Turlock Radio System with a \$1 million down payment and the purchase of a Public Safety Computer Aided Dispatch/Records Management System (CAD/RMS) and associated components, systems and programs in a total amount not to exceed \$5,727,690 for the project plus interest from the lease of the Radio System. The lease, totaling \$2,727,690, carries an annual interest rate of 4.12% and requires monthly principal and interest payments due on the first of each month until April 2028 when the lease terminates. The City has pledged the Radio System as collateral for the lease. Events of default under the lease agreement include failure to make any lease payment within ten days of the due date or failure of other lease covenants or conditions included in the lease agreement not cured within twenty days, which would accelerate repayment of the lease. The City can terminate the lease at any time by paying the prescribed prepayment price as set forth in the lease payment schedule.

Debt Service Requirements

Annual debt service requirements for governmental activities debt are shown below:

| | <u>Governmental Activities - Direct Borrowing</u> | |
|--|---|------------------|
| | <u>Capital Lease Payable</u> | |
| <u>For the Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$244,931 | \$103,072 |
| 2022 | 255,022 | 83,289 |
| 2023 | 265,529 | 72,783 |
| 2024 | 276,469 | 61,843 |
| 2025 | 287,859 | 50,452 |
| 2026-2028 | 936,710 | 78,224 |
| Total | <u>\$2,266,520</u> | <u>\$449,663</u> |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - LONG TERM DEBT (Continued)

B. Current Year Business-type Activities Transactions and Balances

The City's business-type debt issues and transactions are summarized below and discussed in detail thereafter:

| | Original Issue Amount | Balance June 30, 2019 | Retirements | Balance June 30, 2020 | Current Portion | Due in More Than One Year |
|---------------------------------------|--------------------------|--------------------------|----------------------|--------------------------|--------------------|---------------------------------|
| Business-type Activities Debt: | | | | | | |
| Revenue Bonds: | | | | | | |
| 2012 Sewer | \$51,915,000 | \$39,585,000 | (\$2,350,000) | \$37,235,000 | \$2,450,000 | \$34,785,000 |
| Add: Unamortized bond premium | | 2,594,725 | (183,157) | 2,411,568 | | 2,411,568 |
| 2017 Water | 22,405,000 | 20,780,000 | (690,000) | 20,090,000 | 720,000 | 19,370,000 |
| Add: Unamortized bond premium | | 2,941,894 | (156,901) | 2,784,993 | | 2,784,993 |
| Total Business Type Activities | <u>\$74,320,000</u> | <u>\$65,901,619</u> | <u>(\$3,380,058)</u> | <u>\$62,521,561</u> | <u>\$3,170,000</u> | <u>\$59,351,561</u> |

Revenue Bonds

2012 Sewer Revenue Bonds

On September 6, 2012, the Turlock Public Financing Authority issued \$51,915,000 in Sewer Revenue Bonds, Series 2012. The proceeds of these Bonds, secured by revenue from the City's Wastewater Treatment operations as defined in the bond documents, were used to refund the outstanding 1999 and 2003A Sewer Revenue Bonds. The 1999 Bonds were refunded and repaid in their entirety on September 15, 2012. Funds to refund the 2003A Bonds were placed in escrow upon the closing of the 2012 Bond issuance and the 2003A Bonds were called on September 15, 2013. No new project monies were included in this bond issuance. The 2012 Bonds carry coupons ranging from 2.00% - 5.00% and mature in September 2033. Events of default on the 2012 Bonds include failure to make any debt service payment by the due date or failure to perform the other agreements or covenants required in the Master Installment Purchase Agreement not cured within sixty days of notice to the City, which would accelerate repayment of the Bonds. The City can prepay the Bonds at any time by paying the prescribed prepayment premium as set forth in the Bond documents.

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 the 2012 bonds and the State Revolving Fund Loans. Based on fiscal year 2019-20 net system revenues of \$8,504,199 annual principal and interest payments (totaling \$6,405,705 2019-20) were 133% of net system revenues.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - LONG TERM DEBT (Continued)

2017 Water Revenue Refunding Bonds

In June 2017 the Turlock Public Financing Authority issued \$22,405,000 in Water Revenue Bonds Series 2017 to advance refund the series 2008 Water Revenue Bonds and to pay costs of issuance of the 2017 Bonds. The bonds, which carry coupon interest rates ranging from 4.00% - 5.250%, have semi-annual principal and interest payments on the first of March through 2038. Events of default on the 2017 Bonds include failure to make any debt service payment by the due date or failure to perform the other agreements or covenants required in the Master Installment Purchase Agreement (MIPA) between the Authority and the City not cured within sixty days of notice to the City, which would accelerate repayment of the Bonds. The City can prepay the Bonds at any time by paying the prescribed prepayment premium as set forth in the Bond documents.

Pursuant to the MIPA, the City has pledged the net water system revenues (as defined in the MIPA) from the Water Enterprise Fund operations for repayment of the 2017 bonds. Based on fiscal year 2019-20 net system revenues of \$12,255,582, annual principal and interest payments (totaling \$1,632,288 in fiscal year 2019-20) were 751% of net water system revenues.

Loans Payable

State Revolving Fund Loans

The City entered into three agreements with the California State Water Resources Control Board for State Revolving Fund project financing. These loans are on parity with the Sewer Revenue Bonds above. This means that the loans have equal rights to pledged revenues as the sewer bonds.

The first agreement was executed in December 2011 in the amount of \$20 million to fund the Harding Drain Bypass project. The agreement was amended in October 2012 to reduce the project funding to \$15,811,425. The notice of completion for the project was issued on April 22, 2014. The City drew down all the funds on this loan, including capitalized interest, totaling \$15,090,416. The loan bears annual interest of 2.2%, and annual principal and interest payments are due January 1, 2015 through January 1, 2034.

The second agreement was executed in April 2012 in the amount of \$24 million to fund the Turlock Regional Water Quality Control Facility (TRWQCF) upgrade and expansion project. The agreement was amended in January 2013 to increase the project funding to \$26,187,900. The notice of completion for the project was issued May 26, 2015. The City drew down all the funds on this loan, including capitalized interest, totaling \$24,752,169. The loan bears annual interest of 2.2%, and annual principal and interest payments are due December 1, 2015 through December 1, 2034.

For the third agreement, the City entered into a construction installment sale agreement with the California State Water Resources Control Board (CSWRCB) for State Revolving Fund (SRF) project financing. This loan is on parity with the Sewer Revenue Bonds and State Revolving Fund Loans discussed above. This means that the loan has equal rights to pledged revenues as the sewer bonds and loans.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - LONG TERM DEBT (Continued)

The loan and grant agreement was executed in August 2018 in the amount of \$39,461,000 to fund the North Valley Regional Recycled Water Program project. In December 2019, the loan and grant agreement was amended to adjust the loan amount to \$33,907,112. \$2.5 million of the project funding was forgiven during the fiscal year ended June 30, 2020 and, \$2.5 million was given as a grant during fiscal year 2020 and the balance (\$28,907,112) will be in the form of two loans payable to the CSWRCB in the amounts of \$14,453,556 each, funded from SRF and Proposition 1. The loans bear annual interest of 1.8% beginning with each disbursement and repayment of principal and interest will begin one year after the completion of construction on the project. The loans will be amortized with equal annual payments over a period from that date to May 18, 2050.

After the loan documents were executed in August 2018, it took until December 2019 for the State to finally approve the Final Budget Document which is a document required before the City could submit a reimbursement request on the loan funds. In December 2019, the City submitted the first reimbursement request in the amount of \$1,417,418 for pre-construction costs. The City has received two drawdowns totaling \$6,145,117 as of June 30, 2020. The funding for this project comes from two primary sources (in addition to City Sewer Fund resources for costs which are not reimbursable under either the SRF loan or the Department of the Interior grant). The SRF reimbursement requests are coordinated with the funding received from the Department of the Interior grant.

Events of default on the loans include a revenue shortfall, unscheduled draws on reserve funds, adverse water quality findings by the Regional Water Quality Control Board, litigation related to the system revenues or the project, or failure to make any debt service payment by the due date, which would accelerate repayment of the loans. The City can prepay the loans at any time by paying the principal and outstanding accrued interest through the date of prepayment.

Debt Service Requirements

Annual debt service requirements for business-type activities debt, with the exception of the State Revolving Fund loan for the North Valley Regional Recycled Water Program, which has not been fully drawn down as of June 30, 2020 are shown below:

| For the Year Ending June 30 | Revenue Bonds | | Direct Borrowing – Loans Payable | | Total | |
|--|---------------|--------------|----------------------------------|-------------|--------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2021 | \$3,170,000 | \$2,394,463 | \$1,804,153 | \$675,777 | \$4,974,153 | \$3,070,240 |
| 2022 | 3,300,000 | 2,258,563 | 1,843,844 | 636,086 | 5,143,844 | 2,894,649 |
| 2023 | 3,450,000 | 2,116,813 | 1,884,408 | 595,522 | 5,334,408 | 2,712,335 |
| 2024 | 3,595,000 | 1,954,962 | 1,925,865 | 554,065 | 5,520,865 | 2,509,027 |
| 2025 | 3,785,000 | 1,771,587 | 1,968,234 | 511,696 | 5,753,234 | 2,283,283 |
| 2026-2030 | 18,845,000 | 6,392,175 | 10,510,058 | 1,889,592 | 29,355,058 | 8,281,767 |
| 2031-2035 | 16,640,000 | 2,554,850 | 10,780,611 | 681,485 | 27,420,611 | 3,236,335 |
| 2036-2040 | 4,540,000 | 368,000 | | | 4,540,000 | 368,000 |
| Total | 57,325,000 | \$19,811,413 | 30,717,173 | \$5,544,223 | 88,042,173 | \$25,355,636 |
| Add: Unamortized Bond Premium | 5,196,561 | | | | 5,196,561 | |
| Add: State Revolving Fund Loan - NVRRWP | | | 6,145,117 | | 6,145,117 | |
| Net long-term debt | \$62,521,561 | | \$36,862,290 | | \$99,383,851 | |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - LONG TERM DEBT (Continued)

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 \$1,210,000 at June 30, 2020.

NOTE 8 - NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis, as explained in Note 1D.

A. *Net Position*

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted describes the portion of Net Position that does not meet the definition of "net investment in capital assets" or "restricted net position."

B. *Fund Balances*

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables and deferred outflows of resources, less its liabilities and deferred inflows of resources. Portions of a fund's balance may be restricted, committed or assigned for future expenditure.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - NET POSITION AND FUND BALANCES (Continued)

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Assets not expected to be converted to cash, such as prepaids, notes receivable, and property held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee, the City Manager. This category includes: encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue and Capital Projects which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - NET POSITION AND FUND BALANCES (Continued)

| Fund Balance Classifications | General Fund | Special Revenue Funds | | Capital Project Fund | Other Governmental Funds | Total |
|---|---------------------|-------------------------|-----------------------------|----------------------|--------------------------|---------------------|
| | | Former LMI Housing Fund | Gas Tax/ Street Improvement | Facility Fees | | |
| Nonspendable: | | | | | | |
| Items not in spendable form: | | | | | | |
| Prepaid expenditures | \$5,474 | | | | | \$5,474 |
| Loans receivable | 4,017 | | | | | 4,017 |
| Due from developers | 20,041 | | | \$267,243 | | 287,284 |
| Total Nonspendable Fund Balances | 29,532 | | | 267,243 | | 296,775 |
| Restricted for: | | | | | | |
| Low and moderate income housing | | \$377,517 | | | \$3,395,132 | 3,772,649 |
| Capital expenditures | | | \$9,021,211 | \$8,966,560 | | 17,987,771 |
| Assessment districts | | | | | 16,141,914 | 16,141,914 |
| Resource conservation | | | | | 1,155,798 | 1,155,798 |
| Public safety | | | | | 427,006 | 427,006 |
| Development impact fees | | | | | 75,551 | 75,551 |
| Total Restricted Fund Balances | | 377,517 | 9,021,211 | 8,966,560 | 21,195,401 | 39,560,689 |
| Committed to: | | | | | | |
| Public safety | 670,128 | | | | 157,104 | 827,232 |
| Tourism | 1,188,360 | | | | | 1,188,360 |
| Capital expenditures | | | | | 17,930,105 | 17,930,105 |
| Total Committed Fund Balances | 1,858,488 | | | | 18,087,209 | 19,945,697 |
| Assigned to: | | | | | | |
| Compensated absences | 524,256 | | | | | 524,256 |
| Total Assigned Fund Balances | 524,256 | | | | | 524,256 |
| Unassigned: | | | | | | |
| General Fund | 9,591,996 | | | | | 9,591,996 |
| Other governmental fund deficits | | | | | (162,155) | (162,155) |
| Total Unassigned Fund Balances | 9,591,996 | | | | (162,155) | 9,429,841 |
| Total Fund Balances | \$12,004,272 | \$377,517 | \$9,021,211 | \$9,233,803 | \$39,120,455 | \$69,757,258 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - NET POSITION AND FUND BALANCES (Continued)

C. *Emergency/Contingency Reserve*

The City established a General Fund Emergency/Contingency Reserve with Resolution 2011-123. The required balance of the Emergency/Contingency Reserve is \$6,500,000, which is reported within the unassigned fund balance of the General Fund.

D. *Fund Balance/Net Position Deficits*

The following funds had deficit fund balances or net position as of June 30, 2020:

Non-major Governmental Fund:

| | |
|---|-----------|
| East Tuolumne Master Plan Capital Projects Fund | \$162,155 |
|---|-----------|

Non-major Enterprise Fund:

| | |
|-------------------|---------|
| Building & Safety | 898,042 |
|-------------------|---------|

Internal Service Funds:

| | |
|------------------------|-----------|
| Information Technology | 2,060,752 |
|------------------------|-----------|

| | |
|-------------|-----------|
| Engineering | 5,705,431 |
|-------------|-----------|

The deficit in the East Tuolumne Master Plan Capital Projects Fund will be eliminated by future revenues.

The deficits in the Building & Safety Enterprise Fund and the Information Technology and Engineering Internal Service Funds were primarily due to the recognition of the net pension liability, total OPEB liability and related deferred outflows/inflows of resources. The City will fund the liabilities over time through annual contributions to cure the deficits.

E. *Restatement of Fund Balance and Net Position*

During the fiscal year ended June 30, 2020, the City was notified by the Stanislaus Council of Governments (StanCOG) that due to a change in accrual procedures related to Measure L, restatements of beginning fund balance and net position would be required for the City. As a result, the beginning fund balance of the Gas Tax/Street Improvement Special Revenue Fund and the beginning net position of the Governmental Activities were both increased in the amount of \$422,613.

NOTE 9 - PENSION PLANS

A. *Plan Descriptions and Summary of Balances by Plan*

The City has two defined benefit pension plans, one Miscellaneous Plan and one Safety Plan (Fire and Police). The Miscellaneous Plan is an Agent-Multiple Employer Plan and the Safety Plan is a Cost Sharing Multiple Employer Plan. Benefit provisions under the Plans are established by State statute and City Ordinance. All qualified permanent and probationary employees are eligible to participate in the Plan for which they are an eligible member based on their employment position with the City.

Both Plans are administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

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

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan:

| | Deferred Outflows of Resources | Net Pension Liability/ Proportionate Share of Net Pension Liability | Deferred Inflows of Resources |
|--------------------------|--------------------------------------|---|-------------------------------------|
| Miscellaneous | \$6,380,719 | \$47,307,281 | \$916,206 |
| Safety (Fire and Police) | 9,562,932 | 36,264,853 | 1,697,810 |
| Total | <u>\$15,943,651</u> | <u>\$83,572,134</u> | <u>\$2,614,016</u> |

Each Plan is discussed in detail below.

B. *Miscellaneous Plan*

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | Tier 1 | PEPRA |
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2.7% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 67 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7% | 1.0% to 2.5% |
| Required employee contribution rates | 8.000% | 5.500% |
| Required employer contribution rates | 10.536% | 10.536% |
| Required UAL contribution | \$3,420,947 | |

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contribution for the unfunded liability in the Miscellaneous Plan was \$3,420,947 for the year-ended June 30, 2020, which was made under the lump sum payment option.

Employees Covered – As of the June 30, 2018 actuarial valuation date and the June 30, 2019 measurement date, the following employees were covered by the benefit terms for the Plan:

| | Miscellaneous | |
|--|----------------------|----------------------|
| | June 30, 2018 | June 30, 2019 |
| Inactive employees or beneficiaries currently receiving benefits | 249 | 250 |
| Inactive employees entitled to but not yet receiving benefits | 306 | 311 |
| Active employees | 208 | 214 |
| Total | 763 | 775 |

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

Net Pension Liability – The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown in Note 9D below.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

Changes in the Net Pension Liability - The changes in the Net Pension Liability for the Miscellaneous Plan follows:

| | Increase (Decrease) | | |
|---|-------------------------|-----------------------------|-------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at June 30, 2018 | <u>\$143,737,376</u> | <u>\$99,021,817</u> | <u>\$44,715,559</u> |
| Changes in the year: | | | |
| Service cost | 2,302,531 | | 2,302,531 |
| Interest on the total pension liability | 10,263,211 | | 10,263,211 |
| Differences between actual and expected experience | 2,064,432 | | 2,064,432 |
| Changes in assumptions | | | |
| Changes in benefit terms | | | |
| Plan to Plan resource movement | | | |
| Contribution - employer | | 4,359,068 | (4,359,068) |
| Contribution - employee | | 1,157,716 | (1,157,716) |
| Net investment income | | 6,592,102 | (6,592,102) |
| Administrative expenses | | (70,664) | 70,664 |
| Benefit payments, including refunds of employee contributions | (6,823,311) | (6,823,311) | |
| Other Miscellaneous Income/Expense | | 230 | (230) |
| Net changes | <u>7,806,863</u> | <u>5,215,141</u> | <u>2,591,722</u> |
| Balance at June 30, 2019 | <u>\$151,544,239</u> | <u>\$104,236,958</u> | <u>\$47,307,281</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | |
|-----------------------|--------------|
| 1% Decrease | 6.15% |
| Net Pension Liability | \$68,087,940 |
| Current Discount Rate | 7.15% |
| Net Pension Liability | \$47,307,281 |
| 1% Increase | 8.15% |
| Net Pension Liability | \$30,202,138 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For the year ended June 30, 2020, the City recognized pension expense of \$8,718,834. At June 30, 2020, the City reported deferred outflows and deferred inflows of resources related to pensions for the Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$4,919,630 | |
| Differences between actual and expected experience | 1,461,089 | |
| Changes in assumptions | | (\$189,193) |
| Net differences between projected and actual earnings on plan investments | | (727,013) |
| Total | <u>\$6,380,719</u> | <u>(\$916,206)</u> |

\$4,919,630 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | Annual Amortization |
|-----------------------|------------------------|
| 2021 | \$873,857 |
| 2022 | (216,625) |
| 2023 | (197,483) |
| 2024 | 85,134 |
| 2025 | - |
| Thereafter | - |

Actuarial assumptions and information regarding the discount rate are discussed in Note 9D below.

C. Safety Plan

The City's Safety Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors four rate plans (two fire and two police) within the safety risk pool.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Safety Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | Safety - Fire | |
|---|-------------------------------------|--|
| | Tier 1 | PEPRA |
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 3% @ 50 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3.0% | 2.0% to 2.7% |
| Required employee contribution rates | 9.000% | 12.000% |
| Required employer contribution rates | 21.927% | 13.034% |
| Required UAL contribution | \$851,692 | \$610 |

| | Safety - Police | |
|---|-------------------------------------|--|
| | Tier 1 | PEPRA |
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 3% @ 50 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3.0% | 2.0% to 2.7% |
| Required employee contribution rates | 9.000% | 12.000% |
| Required employer contribution rates | 21.927% | 13.034% |
| Required UAL contribution | \$1,240,362 | \$1,303 |

Beginning in fiscal year 2016, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis or can be paid in a lump sum at a reduced amount. The City elected to make the lump sum contributions and the required contribution for the unfunded liability was \$2,093,967 in fiscal year 2020, as shown in the table above.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

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

For the year ended June 30, 2020, the employer contributions to the Safety Plan were \$4,477,269.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$36,264,853.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 was as follows:

| | Safety (Fire and Police) |
|------------------------------|-----------------------------|
| Proportion - June 30, 2018 | 0.57% |
| Proportion - June 30, 2019 | 0.58% |
| Change - Increase (Decrease) | 0.01% |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

For the year ended June 30, 2020, the City recognized pension expense of 6,931,089 for the Safety Plan. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Safety Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$4,477,269 | |
| Differences between actual and expected experience | 2,367,768 | |
| Differences in actual and proportional contribution | | |
| Changes in assumptions | 1,486,433 | (\$290,076) |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 1,231,462 | (908,849) |
| Net differences between projected and actual earnings on plan investments | | (498,885) |
| Total | <u>\$9,562,932</u> | <u>(\$1,697,810)</u> |

\$4,477,269 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | Annual Amortization |
|-----------------------|------------------------|
| 2021 | \$2,788,606 |
| 2022 | 69,825 |
| 2023 | 432,354 |
| 2024 | 97,068 |
| 2025 | - |
| Thereafter | - |

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –
The following presents the City's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Safety |
|-----------------------|--------------|
| 1% Decrease | 6.15% |
| Net Pension Liability | \$55,709,480 |
| Current Discount Rate | 7.15% |
| Net Pension Liability | \$36,264,853 |
| 1% Increase | 8.15% |
| Net Pension Liability | \$20,323,304 |

Actuarial assumptions and information regarding the discount rate are discussed in Note 9D below.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

D. Information Common to the Miscellaneous and Safety Plans

Actuarial Assumptions – For the measurement period ended June 30, 2019, the total pension liabilities were determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 total pension liabilities were based on the following actuarial methods and assumptions:

| | <u>Miscellaneous and Safety (Fire and Police)</u> |
|----------------------------------|--|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Projected Salary Increases | .40% - 8.50% (1) |
| Investment Rate of Return | 7.15% (2) |
| Mortality | Derived using CalPERS Membership Data for all Funds (3) |
| Post Retirement Benefit Increase | The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumption report from December 2017 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLANS (Continued)

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

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

The table below reflects the expected real rate of return by asset class.

| Asset Class (a) | New Strategic Allocation | Real Return Years 1 - 10 (b) | Real Return Years 11+(c) |
|------------------|--------------------------------|---------------------------------|-----------------------------|
| Global Equity | 50.0% | 4.80% | 5.98% |
| Fixed Income | 28.0% | 1.00% | 2.62% |
| Inflation Assets | 0.0% | 0.77% | 1.81% |
| Private Equity | 8.0% | 6.30% | 7.23% |
| Real Assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| Total | <u>100.0%</u> | | |

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities;
 Liquidity is included in Short-term Investments; Inflation Assets are included
 in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Subsequent Event - CalPERS Pension Contribution Rates - The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the City's contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS

A. Defined Benefit Other Post Employment Benefit (OPEB) Plan

Plan Description – The City administers single employer defined benefit (implicit subsidy) post-employment health care plan pursuant to negotiated Memoranda of Understanding (MOU) and Schedules of Benefit (Schedule) with its employee bargaining units. No assets have been accumulated in a trust for the payment of benefits that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

The City offers medical, dental and vision benefits to its employees, retirees and their dependents. However, the City does not pay for the cost of retiree health premiums. The MOUs and Schedule are as follows:

| Plan | Covered Employee Group |
|-------------------------|--|
| Management/Confidential | Employees covered by the Management and/or Confidential Employees Schedule of Benefits and Employees covered by Turlock Management Association - Public Safety MOU |
| Miscellaneous | Employees covered by Turlock City Employees Association MOU |
| Police | Employees covered by Turlock Associated Police Officers MOU |
| Fire | Employees covered by Turlock Firefighters Local #2434 MOU |

In general, employees are required to retire from the City and be members of their respective covered group for 10-15 years to be eligible to receive a benefit from their respective plan. The retiree has the option to continue on the City's self-insured health plan (and pay 100% of the premium for continued participation), to become a member of a non-City group plan, or to purchase an individual health insurance policy. For retirees who choose to remain on the City's health plan, this eligibility terminates when the retiree becomes eligible for Medicare benefits, reaches age 65, is deceased, or chooses to voluntarily leave the plan, whichever comes first. Spousal eligibility requirements vary with each employment plan. The City currently has 15 retirees who have chosen to remain on the City's health plan post employment.

Funding Policy – The City pays the expenses for the plan on a pay-as-you-go basis and the retirees that participate in the plan pay the premiums on a monthly basis.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the valuation date of July 1, 2019 and the fiscal year ended June 30, 2020:

| | Valuation Date July 1, 2019 | Fiscal Year June 30, 2020 |
|--|--------------------------------|------------------------------|
| Active employees | 314 | 315 |
| Inactive employees or beneficiaries currently receiving benefit payments | 15 | 17 |
| Inactive employees entitled to but not yet receiving benefit payments | | |
| Total | 329 | 332 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Total OPEB Liability Actuarial Methods and Assumptions – The City’s total OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated July 1, 2019 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

| | Actuarial Assumptions |
|------------------------|---|
| Valuation Date | July 01, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age |
| Actuarial Assumptions: | |
| Discount Rate | 2.20% |
| Inflation | 0.70% |
| Payroll Growth | 3.00% |
| Mortality Rate | RP 2014 Mortality Table projected to 2024 with Scale BB |
| Healthcare Trend Rate | 8% in 2020 and will decline to 4.5% in 2025 and later years |

The underlying mortality assumptions were based on the RP 2014 Mortality Table Projected to 2024 with Scale BB and all other actuarial assumptions used in the July 1, 2019 valuation were based on the results of a July 1, 2019 actuarial valuation.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.20%, the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present value of projected benefit payments calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/ Aa or higher (Bond Buyer 20-Bond General Obligation Index).

Changes in Assumptions – The discount rate was modified from 3.50% to 2.20% and the inflation rate was modified from 1.50% to 0.70%.

Changes in Total OPEB Liability - The changes in the total OPEB liability follows:

| | Total OPEB Liability |
|--|-------------------------|
| Balance at July 1, 2019 | \$19,823,218 |
| Changes Recognized for the Measurement Period: | |
| Service Cost | 638,020 |
| Interest on the total OPEB liability | 716,143 |
| Changes in benefit terms | |
| Differences between expected and actual experience | (4,650,595) |
| Changes of assumptions | (3,897,028) |
| Contributions from the employer | |
| Net investment income | |
| Administrative expenses | |
| Benefit payments | (115,029) |
| Net changes | (7,308,489) |
| Balance at June 30, 2020 | \$12,514,729 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates
- The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| Total OPEB Liability/(Asset) | | |
|------------------------------|---------------|-------------------|
| Discount Rate -1% | Discount Rate | Discount Rate +1% |
| 1.20% | 2.20% | 3.20% |
| \$14,574,653 | \$12,514,729 | \$10,828,995 |

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0% decreasing to 3.50%) or 1-percentage-point higher (9.0% decreasing to 5.50%) than the current healthcare cost trend rates:

| Total OPEB Liability/(Asset) | | |
|------------------------------|---------------------------|---------------------------|
| Healthcare Cost | | |
| 1% Decrease | Trend Rates | 1% Increase |
| 7.00% decreasing to 3.50% | 8.00% decreasing to 4.50% | 9.00% decreasing to 5.50% |
| \$10,730,129 | \$12,514,729 | \$14,664,759 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the City recognized OPEB expense of \$640,288. At June 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between actual and expected experience | | (\$4,489,037) |
| Changes of assumptions | \$2,332,848 | (5,644,681) |
| Net differences between projected and actual earnings on plan investments | | |
| Total | <u>\$2,332,848</u> | <u>(\$10,133,718)</u> |

Deferred outflows and inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

| Year Ended June 30 | Annual Amortization |
|-----------------------|------------------------|
| 2021 | (\$713,875) |
| 2022 | (713,875) |
| 2023 | (713,875) |
| 2024 | (713,875) |
| 2025 | (713,875) |
| Thereafter | (4,231,495) |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Defined Contribution OPEB Plans

Plan Description – The City has post-employment health care defined contribution plans in place pursuant to negotiated Memoranda of Understanding (MOU) and Schedules of Benefits (Schedule) with its employee bargaining units. The City’s funding obligation for each plan is defined within the respective MOU or Schedule and is a specified percentage of payroll. The plans and the City’s funding obligation for each plan are as follows:

| Plan | Covered Employee Group | Employer Funding Obligation |
|-------------------------|--|----------------------------------|
| Management/Confidential | Employees covered by the Management and/or Confidential Employees Schedule of Benefits and Employees covered by Turlock Management Association - Public Safety MOU | 3% of base salary |
| Miscellaneous | Employees covered by Turlock City Employees Association MOU | 2.5% of base salary |
| Police | Employees covered by Turlock Associated Police Officers MOU | 3% of salary plus 3% of benefits |
| Fire | Employees covered by Turlock Firefighters Local #2434 MOU | 4% of salary plus 4% of benefits |

The administration of benefits for each plan rests with the individual plan administrators. The administrator for the Management/Confidential, Police Management and Miscellaneous plans is ICMA. The respective bargaining unit representatives administer the benefits for the Police and Fire plans.

For the Police and Fire plans, the City remits the contributions as required by the respective MOU to each plan following each pay period. These plans have established irrevocable trusts for their respective plan assets. As noted above, the plans’ trustees are responsible for the development of benefit levels that can be sustained from the contributions received as well as the general plan administration. The City does not have any responsibility for nor involvement in these activities. Under the terms of the Police and Fire MOUs, the City is obligated to make current year contributions to the respective trusts based on the 3% and 4% of salary and benefit costs for Police and Fire, respectively. Management believes the City has no obligation to make any additional contributions to the trusts beyond the above amounts, and therefore there is no unfunded actuarial accrued liability the City is obligated to fund.

There are no vesting requirements to be eligible to use these funds post-employment. The benefit can only be used to purchase post-employment health insurance. The retiree has the option to continue on the City’s self-insured health plan (and pay the 100% of the premium for continued participation), to become a member of a non-City group plan, or to purchase an individual health insurance policy. The benefit can then be used to provide assistance with paying the monthly premium, as discussed in Note 10A above.

Contributions to each plan during fiscal year 2019-20 were as follows:

| Plan | Contributions |
|-------------------------|---------------|
| Management/Confidential | \$128,526 |
| Miscellaneous | 187,504 |
| Police | 311,987 |
| Fire | 215,916 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 11 - 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 workers' compensation and employee health care.

The City uses a reinsurance agreement to reduce its exposure to large losses under the workers' compensation program. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the City as direct insurer of the risks reinsured. The City does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums paid to reinsurers during the year ended June 30, 2020 were \$197,173 and the City's deductible under the policy is \$1.250 million, with coverage up to the statutory limit.

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 54 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 City participates in the following pooled coverages through CSJVRMA:

| <u>Type of Coverage (Deductible)</u> | <u>Coverage Limits</u> |
|--|------------------------|
| Liability (\$100,000) | \$54,000,000 |
| Automobile - for vehicles with values of \$250,000 or more (\$2,000) | 50,000 |
| Automobile - for vehicles with values less than \$250,000 (\$2,000) | 10,000 |
| Automobile - for vehicles with values less than \$25,000 (\$500) | 25,000 |

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 \$1,085,870 for coverage during the fiscal year ended June 30, 2020 and received \$167,034 in fiscal year 2019 retrospective refunds. Settled claims have not exceeded commercial excess liability coverage in any of the past three fiscal years.

In addition to the coverage through CSJVRMA, the City has purchased the commercial policy coverage for property, vehicles and contractors equipment with various sublimits up to \$100,000,000:

| <u>Type of Coverage (Deductible)</u> |
|--------------------------------------|
| Property, excluding flood (\$25,000) |
| Property, flood (\$100,000) |
| Vehicles (\$5,000) |
| Fire Engines (\$10,000) |
| Equipment (\$2,500) |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 11 - 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 generally accepted account principles No. 10.

| For the Year Ended June 30, | Claims Payable July 1 | Fiscal Year Claims and Changes in Estimates | Claims Payments | Claims Payable June 30 |
|--------------------------------|--------------------------|---|-----------------|---------------------------|
| 2018 | \$4,323,225 | \$5,840,479 | (\$7,575,608) | \$2,588,096 |
| 2019 | 2,588,096 | 6,580,092 | (6,467,527) | 2,700,661 |
| 2020 | 2,700,661 | 5,456,507 | (5,637,293) | 2,519,875 |

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. *Litigation*

As of June 30, 2020, 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.

B. *Federal and State Grant Programs*

The City participates in several Federal and State grant programs. These programs are subject to audit by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances have been proposed as a result of audits completed to date; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

C. *North Valley Regional Recycled Water Program*

On January 26, 2016, the City entered into a Cost-Sharing Agreement to defray expenses associated with the proposed North Valley Regional Recycled Water Program between the City of Modesto and the Del Puerto Water District for expenses associated with the Phase 4 Implementation Support for the North Valley Regional Recycled Water Project. The purpose of the Project is to provide recycled water from the Turlock and Modesto wastewater treatment facilities to the Del Puerto Water District (DPWD) for agricultural irrigation. The cost sharing under this Agreement will provide up to \$932,121 toward implementation support of the Project and the City of Turlock's share is \$396,151. The City expended \$13,830 under the agreement for fiscal year ended June 30, 2020 and has expended \$394,864 to date.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

D. Stanislaus Regional Water Authority

The City of Turlock and City of Ceres formed a joint powers authority, the Stanislaus Regional Water Authority (SRWA), in order to develop and finance the Regional Surface Water Supply Project (RSWSP). The project consists of the construction of a water treatment plant (WTP) and associated facilities with the capacity to treat up to 30 million gallons per day (MGD) of surface water from the Tuolumne River, of which 20 MGD would be available to the City of Turlock. The water will be provided by Turlock Irrigation District. The RSWSP is also expected to include a system of pipelines to transport the water to the project participants. The environmental review process for the RSWSP and related terminal facilities for each Project Participant is complete.

On June 29, 2020 the SRWA awarded a design-build contract for the project to CH2M Hill Engineers, Inc. for an amount not to exceed \$195,400,357 which includes all project components except the individual Project Participants' terminal facilities. The RSWSP will be constructed in phases with the first phase anticipated to begin in the Fall of 2020. Construction is anticipated to be completed and the WTP operational in mid to late 2023.

In furtherance of the RSWSP, on February 2, 2020, the SRWA, the Project Participants and TID entered into a "Regional Surface Water Supply Phase 3 Project Design and Construction Funding Agreement. Pursuant to the agreement the City of Turlock will be entitled to 66.7 % of the capacity of the RSWSP and the City of Ceres will be entitled to the remaining 33.3%.

The RSWSP project is expected to cost a total of \$266,949,332. The City of Turlock's share of the total project is expected to be \$180,448,813. The City expects \$23,278,615 in grant funds and \$157,170,198 of State Revolving Loan Funds or other outside financing for its share of the project. The City's investment in the project at June 30, 2020 was \$9,936,300.

Additional information regarding this project can be found at www.stanrwa.com. Financial Statements for the SRWA can be obtained from the City of Turlock at 156 South Broadway, Suite 270, Turlock, CA 95380.

E. Construction and Other Commitments

The City had the following outstanding significant commitments at June 30, 2020:

| Projects | Amount |
|--|---------------|
| Improvements - Road Rehabilitation | \$3,989,292 |
| Drinking Water Chlorination Project | 3,049,140 |
| Sewer Improvements | 2,802,401 |
| Various Vehicle and Equipment Purchases | 2,373,995 |
| North Valley Regional Recycled Water Program (NVRWP) | 401,668 |
| Other Contracts | 180,097 |
| Transit Center | 173,575 |
| Building Improvements | 31,375 |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 - REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

On December 29, 2011, the California Supreme Court upheld Assembly Bill x1 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Turlock that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the entity creating the redevelopment agency or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and/or local government. By Resolution No. 2012-009 adopted on January 10, 2012, pursuant to Health and Safety Code Section 34173, the Turlock City Council declared that the City of Turlock would act in a special limited capacity as Successor Agency for the dissolved Turlock Redevelopment Agency (RDA), effective February 1, 2012.

On July 1, 2018, the duties of the Turlock Oversight Board transferred to a new Stanislaus Countywide Consolidated Oversight Board, which will now be responsible for overseeing the winddown affairs of all Successor Agencies in Stanislaus County, including the Successor Agency to the Turlock Redevelopment Agency.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in California could not enter into new projects, obligation or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

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

In accordance with the timeline set forth in the Bill (as modified by the CA Supreme Court on December 29, 2011) all redevelopment agencies in California were dissolved and ceased to operate as legal entities on February 1, 2012. Prior to that date, the final seven months of activity of the RDA continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved RDA are reported in a fiduciary fund (private-purpose trust fund) in the City’s financial statements. Included in prior year RDA financial statements was the Downtown Improvement Project Fund. This fund was originally established to account for the construction of infrastructure improvements in the City’s downtown core. This project was funded with the proceeds of the 1999 Revenue Bond along with sewer, water and street funds. The residual monies in this fund after the completion of the project represented excess funds contributed by the sewer, water and street funds. Management decided to leave these residual funds in this Fund to provide a source of funds for future repairs. This Fund is presented as a non-major fund in the governmental fund combining statements.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 - REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance did not initially approve the Housing DDR, which indicated that the Successor Agency had no funds available for distribution, and the State made adjustments to the Housing DDR and instead made a demand for the return of funds totaling \$1,001,062, which were held by the City's Former LMI Housing Fund. The City remitted that amount to the County in December 2012. The Department of Finance did not initially approve the Non-housing DDR, which indicated that the Successor Agency had no funds available for distribution, and although the State made adjustments to the Non-housing DDR, the adjusted balance still indicated that there were no funds available for distribution. The Successor Agency received its Finding of Completion in April 2013 which means it can now utilize bond proceeds for projects consistent with the original bond covenants.

Cash and investments of the Successor Agency as of June 30, 2020 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2020.

B. LONG-TERM OBLIGATIONS

1. Current Year Transactions and Balances

The following bonds are obligations of the Authority payable from and secured by loan payments made by the former Turlock Redevelopment Agency. The bonds are secured by the tax increment revenues of the former RDA and have been transferred to the Successor Agency for the former Turlock Redevelopment Agency. With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved enforceable obligations. The outstanding balances as of June 30, 2020 are as follows:

| | Original Issue Amount | Balance June 30, 2019 | Retirements | Balance June 30, 2020 | Due Within One Year | Due in More Than One Year |
|--|--------------------------|--------------------------|--------------------|--------------------------|---------------------------|---------------------------------|
| General Obligation Revenue Bonds: | | | | | | |
| 2016 Tax Allocation Revenue Bonds | \$35,740,000 | \$34,375,000 | \$1,045,000 | \$33,330,000 | \$1,100,000 | \$32,230,000 |
| Add: Unamortized bond premium | | 2,797,605 | 137,587 | 2,660,018 | | 2,660,018 |
| Loan Payable from Direct Borrowing: | | | | | | |
| Economic Development Bank | 889,305 | 127,043 | 127,043 | | | |
| Total Successor Agency Debt | <u>\$36,629,305</u> | <u>\$37,299,648</u> | <u>\$1,309,630</u> | <u>\$35,990,018</u> | <u>\$1,100,000</u> | <u>\$34,890,018</u> |

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 - REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

2. *2016 Successor Agency Tax Allocation Refunding Bonds*

In November 2016, the Successor Agency issued Tax Allocation Refunding Bonds, Series 2016, in the amount of \$35,740,000. The proceeds from the Bonds were to be used to refund the outstanding balance of the 1999 Revenue Bonds, 2006 Tax Allocation Revenue Bonds, and 2011 Tax Allocation Revenue Bonds. The Bonds bear interest rates of 2.0 – 5.0%. Interest on the Bonds is payable semi-annually March 1 and September 1 and principal is due annually on each September 1 through 2039.

Events of default on the 2016 Bonds include failure to make any debt service payment by the due date or failure to perform the other agreements or covenants required in the Indenture of Trust not cured within 30 days' notice to the Successor Agency. Under such event of default, as defined by the bond documents, the Trustee may, upon the written request of the bondholders, of not less than a majority in aggregate principal amount of the outstanding Bonds at the time, shall, by notice in writing to the Successor Agency, declare the principal of all of the 2016 Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. This provision is subject to the condition that if, at any time after the principal of the 2016 Bonds have been declared due and payable, and before any judgement or decree has been entered or obtained the Successor Agency can remedy the default by paying all amounts due and payable. At that time, the bondholders of at least a majority in aggregate principal amount of the 2016 Bonds, then outstanding, can by written notice to the Successor Agency and to the Trustee, rescind and annul such declaration and its consequences. The Successor Agency can prepay the 2016 Bonds at any time by paying the prescribed prepayment premium as for in the 2016 Bond documents.

3. *Economic Development Bank Loan*

In an effort to spur economic development through infrastructure assistance, the Stanislaus County Economic Development Bank provides County cities funding assistance for qualifying projects. The City entered into a loan agreement with the County for the construction of a new traffic signal at West Main Street and Fransil Lane. The agreement was for \$889,305 and as of June 30, 2011 the City had drawn down the entire amount. In accordance with loan agreement, repayment of equal installments will begin 3 years after the project is complete and continue for seven years. The project was completed in September 2011. The loan was fully repaid during the fiscal year ended June 30, 2020.

4. *Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding*

For private-purpose trust fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it, called a gain or loss on refunding, is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The gain or loss is reported as a deferred inflow or outflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 - REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

5. Debt Service Requirements

Debt service requirements are shown below for all long-term debt:

| For the Year Ending June 30 | 2016 Tax Allocation Refunding Bonds | |
|----------------------------------|---|--------------|
| | Principal | Interest |
| 2021 | \$1,100,000 | \$1,358,006 |
| 2022 | 1,150,000 | 1,301,756 |
| 2023 | 1,210,000 | 1,242,757 |
| 2024 | 1,270,000 | 1,180,757 |
| 2025 | 1,335,000 | 1,115,632 |
| 2026-2030 | 7,740,000 | 4,481,781 |
| 2031-2035 | 9,755,000 | 2,470,889 |
| 2036-2040 | 9,770,000 | 725,327 |
| Total | 33,330,000 | \$13,876,905 |
| Add: Unamortized Bond Premium | 2,660,018 | |
| Net long-term debt | \$35,990,018 | |

C. COMMITMENTS AND CONTINGENCIES

1. State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) annually that contains all proposed expenditures for the subsequent twelve-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 14 - SUBSEQUENT EVENTS

2020 Water Revenue Bonds

On November 18, 2020, the City of Turlock through its Turlock Public Financing Authority, issued Water Revenue Bond Anticipation Notes (Notes) in the amount of \$117,750,000. The proceeds are being used as interim financing to pay a portion of the costs of construction of a water treatment and conveyance project known as the Regional Surface Water Supply Project (RSWSP). The RSWSP is a regional project of the Stanislaus Regional Water Authority (SRWA) whose participants include the City of Turlock, the City of Ceres, and Turlock Irrigation District (See Note 12D). The total project is estimated to cost \$267 million of which the City of Turlock is responsible for approximately \$180 million. A portion of the costs are expected to be paid with grant funds. The primary funding source for the project will be a State Revolving Fund (SRF) loan. The SRF loan will bear interest at 1.2% annually and the principal repayment of the loan will commence one year after completion of the project. If the SRF loan is not successfully executed, the City or the SRWA would need to consider other financing options, such as publicly-issued Water Revenue Bonds to pay off the Notes. The Bond Anticipation Notes were structured with a single maturity due on March 1, 2027, with interest payable every March 1 and September 1 beginning on March 1, 2021. To facilitate transition to the SRF Loan as the funds become available, the Notes are subject to redemption at the option of the Authority, in whole or in part, on or after September 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

| Measurement Date | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | |
| Service Cost | \$2,252,227 | \$2,145,944 | \$2,113,775 | \$2,535,894 | \$2,556,275 | \$2,302,531 |
| Interest | 8,152,132 | 8,394,010 | 8,879,576 | 9,300,013 | 9,710,969 | 10,263,211 |
| Differences between expected and actual experience | | (2,796,579) | 704,751 | 188,828 | 254,403 | 2,064,432 |
| Changes in assumptions | | (2,114,962) | | 7,890,713 | (567,581) | |
| Changes in benefits | | | | | | |
| Benefit payments, including refunds of employee contributions | (4,197,372) | (4,620,913) | (5,141,794) | (5,431,662) | (6,138,941) | (6,823,311) |
| Net change in total pension liability | 6,206,987 | 1,007,500 | 6,556,308 | 14,483,786 | 5,815,125 | 7,806,863 |
| Total pension liability - beginning | 109,667,670 | 115,874,657 | 116,882,157 | 123,438,465 | 137,922,251 | 143,737,376 |
| Total pension liability - ending (a) | <u>\$115,874,657</u> | <u>\$116,882,157</u> | <u>\$123,438,465</u> | <u>\$137,922,251</u> | <u>\$143,737,376</u> | <u>\$151,544,239</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$2,650,159 | \$2,832,416 | \$3,259,415 | \$3,684,085 | \$3,783,927 | \$4,359,068 |
| Contributions - employee | 1,031,498 | 1,042,224 | 1,027,004 | 1,109,929 | 1,133,810 | 1,157,716 |
| Net investment income | 12,514,268 | 1,937,886 | 438,577 | 9,502,918 | 7,974,175 | 6,592,102 |
| Benefit payments, including refunds of employee contributions | (4,197,372) | (4,620,913) | (5,141,794) | (5,431,662) | (6,138,941) | (6,823,311) |
| Plan to Plan Resource Movement | | 78,472 | 622 | (25) | (230) | |
| Administrative Expense | | (94,994) | (51,446) | (123,941) | (144,433) | (70,664) |
| Other Miscellaneous Income/Expense | | | | | (274,281) | 230 |
| Net change in plan fiduciary net position | 11,998,553 | 1,175,091 | (467,622) | 8,741,304 | 6,334,027 | 5,215,141 |
| Plan fiduciary net position - beginning | 71,240,464 | 83,239,017 | 84,414,108 | 83,946,486 | 92,687,790 | 99,021,817 |
| Plan fiduciary net position - ending (b) | <u>\$83,239,017</u> | <u>\$84,414,108</u> | <u>\$83,946,486</u> | <u>\$92,687,790</u> | <u>\$99,021,817</u> | <u>\$104,236,958</u> |
| Net pension liability - ending (a)-(b) | <u>\$32,635,640</u> | <u>\$32,468,049</u> | <u>\$39,491,979</u> | <u>\$45,234,461</u> | <u>\$44,715,559</u> | <u>\$47,307,281</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 71.84% | 72.22% | 68.01% | 67.20% | 68.89% | 68.78% |
| Covered payroll | <u>\$13,044,287</u> | <u>\$12,730,821</u> | <u>\$13,052,557</u> | <u>\$13,771,230</u> | <u>\$13,489,574</u> | <u>\$14,631,733</u> |
| Net pension liability as percentage of covered payroll | 250.19% | 255.03% | 302.56% | 328.47% | 331.48% | 323.32% |

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: GASB 68 paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2018 and 2019, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates.

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

| Fiscal Year Ended June 30 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$3,847,884 | \$3,256,514 | \$3,684,324 | \$3,786,340 | \$4,359,068 | \$4,919,630 |
| Contributions in relation to the actuarially determined contributions | (3,847,884) | (3,256,514) | (3,684,324) | (3,786,340) | (4,359,068) | (4,919,630) |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Covered payroll | \$12,730,821 | \$13,052,557 | \$13,771,230 | \$13,489,574 | \$14,631,733 | \$14,259,962 |
| Contributions as a percentage of covered payroll | 30.22% | 24.95% | 26.75% | 28.07% | 29.79% | 34.50% |

Notes to Schedule

Valuation date:

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Average remaining amortization period | 15 years as of valuation date |
| Asset valuation method | Market value of assets |
| Inflation | 2.75% for 2015 to 2019, and 2.875% for 2020 |
| Salary increases | Varies by Entry Age and Service |
| Investment rate of return | 7.50%, for 2015 to 2018, 7.375% for 2019, and 7.25% for 2020, net of pension plan investment and administrative expenses, includes inflation. |

The probabilities of Retirement are based on the CalPERS

Experience Study.

Retirement age

The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019 and 2020, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Mortality Rate Table

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan, Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Measurement Date | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Plan's Proportion of the Net Pension Liability (Asset) | 0.39% | 0.53% | 0.55% | 0.55% | 0.57% | 0.58% |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) | \$24,494,695 | \$21,992,658 | \$28,313,359 | \$32,763,059 | \$33,256,276 | \$36,264,853 |
| Plan's Covered Payroll | \$10,003,385 | \$9,440,848 | \$9,870,904 | \$9,994,012 | \$10,781,820 | \$11,959,999 |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll | 244.86% | 232.95% | 286.84% | 327.83% | 308.45% | 303.22% |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 79.82% | 78.40% | 74.06% | 73.31% | 75.26% | 74.44% |

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan, Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

| Fiscal Year Ended June 30 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$3,951,824 | \$2,633,557 | \$2,919,564 | \$3,335,223 | \$3,975,052 | \$4,477,269 |
| Contributions in relation to the actuarially determined contributions | (3,951,824) | (2,633,557) | (2,919,564) | (3,335,223) | (3,975,052) | (4,477,269) |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Covered payroll | \$9,440,848 | \$9,870,904 | \$9,994,012 | \$10,781,820 | \$11,959,999 | \$11,776,264 |
| Contributions as a percentage of covered payroll | 41.86% | 26.68% | 29.21% | 30.93% | 33.24% | 38.02% |

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS**

Last 10 fiscal years*

| Measurement Date | 6/30/18 | 6/30/19 | 6/30/20 |
|---|----------------------------|----------------------------|----------------------------|
| Total OPEB Liability | | | |
| Service Cost | \$1,155,061 | \$1,135,358 | \$638,020 |
| Interest | 637,175 | 713,835 | 716,143 |
| Changes in benefit terms | | | |
| Differences between expected and actual experience | (222,909) | (55,000) | (4,650,595) |
| Changes of assumptions | (600,396) | 854,724 | (3,897,028) |
| Benefit payments | (107,347) | (231,516) | (115,029) |
| Net change in total OPEB liability | <u>861,584</u> | <u>2,417,401</u> | <u>(7,308,489)</u> |
| Total OPEB liability - beginning | <u>16,544,233</u> | <u>17,405,817</u> | <u>19,823,218</u> |
| Total OPEB liability - ending (a) | <u><u>\$17,405,817</u></u> | <u><u>\$19,823,218</u></u> | <u><u>\$12,514,729</u></u> |
| Covered-employee payroll | <u>\$24,603,348</u> | <u>\$28,959,337</u> | <u>\$28,058,863</u> |
| Total OPEB liability as a percentage of covered payroll | <u>70.75%</u> | <u>68.45%</u> | <u>44.60%</u> |

Notes to schedule:

Benefit changes: None

Changes in assumptions: The discount rate was modified from 3.85% to 3.50% in 2019 and from 3.50% to 2.20% in 2020. The inflation rate was also modified from 1.85% to 1.50% in 2019 and from 1.50% to 0.70% in 2020.

* Fiscal year 2018 was the first year of implementation.

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NON-MAJOR GOVERNMENTAL FUNDS

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.

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, and Housing Stimulus Funds

This group of funds, when combined with the Stanislaus County Housing Consortium (see major 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.

Stanislaus County Housing Consortium

When combined with the CDBG, State HOME programs and Housing Stimulus Funds (see non-major 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. The Consortium specifically is a collaboration of six cities in Stanislaus County and the County who together use Federal HOME monies to provide assistance for affordable housing within the County and the participating City jurisdictions.

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.

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.

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

| | SPECIAL REVENUE FUNDS | | | |
|-------------------------------------|-----------------------|-------------------------------------|-------------------|----------------------|
| | Asset Forfeitures | Integrated Waste Mgmt (AB939) | Bicycle Safety | Sports Facilities |
| ASSETS | | | | |
| Cash and investments | \$41,024 | \$1,156,273 | \$68,913 | \$19,029 |
| Accounts receivable | 47,084 | | 87 | 110 |
| Interest receivable | | 2,318 | | |
| Loans receivable | | | | |
| Total Assets | <u>\$88,108</u> | <u>\$1,158,591</u> | <u>\$69,000</u> | <u>\$19,139</u> |
| LIABILITIES | | | | |
| Accounts payable | | \$890 | \$4 | \$10,022 |
| Payroll payable | | 1,903 | | 9,117 |
| Deposits payable | | | | |
| Unearned revenue | | | | |
| Due to other funds | | | | |
| Total Liabilities | | <u>2,793</u> | <u>4</u> | <u>19,139</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | | | | |
| FUND BALANCE | | | | |
| Fund balance: | | | | |
| Restricted | | 1,155,798 | | |
| Committed | \$88,108 | | 68,996 | |
| Unassigned | | | | |
| Total Fund Balances (Deficit) | <u>88,108</u> | <u>1,155,798</u> | <u>68,996</u> | |
| Total Liabilities and Fund Balances | <u>\$88,108</u> | <u>\$1,158,591</u> | <u>\$69,000</u> | <u>\$19,139</u> |

SPECIAL REVENUE FUNDS

| Animal Fees Forfeiture | Development Impact Fees | Equipment Replacement | NW Triangle Plan Fee | Development Benefit | Lighting & Landscaping Assessment Districts | Downtown Assessment District |
|---------------------------|-------------------------------|--------------------------|----------------------------|------------------------|--|------------------------------------|
| \$22,345 | \$4,802,680 9,496 | \$4,680,956 25,806 | \$481,939 982 | \$662,506 1,346 | \$16,365,794 42,373 34,092 | \$55,081 |
| <u>\$22,345</u> | <u>\$4,812,176</u> | <u>\$4,706,762</u> | <u>\$482,921</u> | <u>\$663,852</u> | <u>\$16,442,259</u> | <u>\$55,081</u> |
| \$1,057 | | \$26,159 | \$147 | | \$335,479 19,947 | |
| <u>1,057</u> | | <u>26,159</u> | <u>147</u> | | <u>355,426</u> | |
| 21,288 | \$4,812,176 | 4,680,603 | 482,774 | \$663,852 | 16,086,833 | \$55,081 |
| <u>21,288</u> | <u>4,812,176</u> | <u>4,680,603</u> | <u>482,774</u> | <u>663,852</u> | <u>16,086,833</u> | <u>55,081</u> |
| <u>\$22,345</u> | <u>\$4,812,176</u> | <u>\$4,706,762</u> | <u>\$482,921</u> | <u>\$663,852</u> | <u>\$16,442,259</u> | <u>\$55,081</u> |

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

| | SPECIAL REVENUE FUNDS | | | |
|-------------------------------------|--------------------------------|--------------------|------------------------|------------------------------|
| | Northeast Turlock CFD #2 | CDBG | State HOME Funds | Housing Stimulus Funds |
| ASSETS | | | | |
| Cash and investments | \$68,880 | | \$3,295,733 | \$41,051 |
| Accounts receivables | 6,671 | \$417,222 | | |
| Interest receivable | | | 5,820 | |
| Loans receivable | | 6,556,130 | 4,283,684 | 7,500 |
| Total Assets | <u>\$75,551</u> | <u>\$6,973,352</u> | <u>\$7,585,237</u> | <u>\$48,551</u> |
| LIABILITIES | | | | |
| Accounts payable | | \$46,028 | | |
| Payroll payable | | 5,869 | | |
| Deposits payable | | | \$585,000 | |
| Unearned revenue | | | | |
| Due to other funds | | 211,876 | | |
| Total Liabilities | | <u>263,773</u> | <u>585,000</u> | |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | | 6,556,130 | 4,283,684 | \$7,500 |
| FUND BALANCE | | | | |
| Fund balance: | | | | |
| Restricted | \$75,551 | 153,449 | 2,716,553 | 41,051 |
| Committed | | | | |
| Unassigned | | | | |
| Total Fund Balances (Deficit) | <u>75,551</u> | <u>153,449</u> | <u>2,716,553</u> | <u>41,051</u> |
| Total Liabilities and Fund Balances | <u>\$75,551</u> | <u>\$6,973,352</u> | <u>\$7,585,237</u> | <u>\$48,551</u> |

| SPECIAL REVENUE FUNDS | | | CAPITAL PROJECTS FUNDS | | | |
|---|------------------|-------------------|------------------------|---------------------------------|------------------------------------|---------------------------------|
| Stanislaus County Housing Consortium | Grant Funds | Traffic Safety | Capital Improvement | Street Light Installation | Downtown Improvement Project | North Turlock Master Plan |
| \$19,450 | \$448,618 | \$38,555 | \$673,740 | \$143,011 | \$241,022 | \$2,222,478 |
| 494,336 | 73,593 | | 1,259 | 290 | | 4,470 |
| 6,364,964 | | | | | | |
| <u>\$6,878,750</u> | <u>\$522,211</u> | <u>\$38,555</u> | <u>\$674,999</u> | <u>\$143,301</u> | <u>\$241,022</u> | <u>\$2,226,948</u> |
| \$26,257 | \$18,867 | \$316 | \$69,193 | | | |
| 2,165 | | | | | | |
| 1,285 | 135,865 | | | | | |
| | | | | | | |
| <u>29,707</u> | <u>154,732</u> | <u>316</u> | <u>69,193</u> | | | |
| | | | | | | |
| <u>6,364,964</u> | | | | | | |
| | | | | | | |
| 484,079 | 367,479 | 38,239 | 605,806 | \$143,301 | \$241,022 | \$2,226,948 |
| | | | | | | |
| <u>484,079</u> | <u>367,479</u> | <u>38,239</u> | <u>605,806</u> | <u>143,301</u> | <u>241,022</u> | <u>2,226,948</u> |
| <u>\$6,878,750</u> | <u>\$522,211</u> | <u>\$38,555</u> | <u>\$674,999</u> | <u>\$143,301</u> | <u>\$241,022</u> | <u>\$2,226,948</u> |

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

| | CAPITAL PROJECTS FUNDS | | | | |
|-------------------------------------|--------------------------------------|---|---------------------------------|-----------------|--|
| | North East Turlock Master Plan | Turlock Regional Industrial Park | East Tuolumne Master Plan | Airport | Total Nonmajor Governmental Funds |
| ASSETS | | | | | |
| Cash and investments | \$3,551,090 | \$461,288 | | \$57,728 | \$39,619,184 |
| Accounts receivables | | | | | 1,107,282 |
| Interest receivable | 7,147 | 939 | | | 68,159 |
| Loans receivable | | | | | 17,212,278 |
| | | | | | |
| Total Assets | <u>\$3,558,237</u> | <u>\$462,227</u> | | <u>\$57,728</u> | <u>\$58,006,903</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$4,422 | \$147 | | | \$538,988 |
| Payroll payable | | | | | 39,001 |
| Deposits payable | | | | | 1,285 |
| Unearned revenue | | | | | 720,865 |
| Due to other funds | | | \$162,155 | | 374,031 |
| | | | | | |
| Total Liabilities | <u>4,422</u> | <u>147</u> | <u>162,155</u> | | <u>1,674,170</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | | | | | 17,212,278 |
| Fund Balance | | | | | |
| Fund balance: | | | | | |
| Restricted | | | | | 21,195,401 |
| Committed | 3,553,815 | 462,080 | | \$57,728 | 18,087,209 |
| Unassigned | | | (162,155) | | (162,155) |
| | | | | | |
| Total Fund Balances (Deficit) | <u>3,553,815</u> | <u>462,080</u> | <u>(162,155)</u> | <u>57,728</u> | <u>39,120,455</u> |
| | | | | | |
| Total Liabilities and Fund Balances | <u>\$3,558,237</u> | <u>\$462,227</u> | | <u>\$57,728</u> | <u>\$58,006,903</u> |

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CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

| | SPECIAL REVENUE FUNDS | | | |
|--|-----------------------|-------------------------------------|-------------------|----------------------|
| | Asset Forfeitures | Integrated Waste Mgmt (AB939) | Bicycle Safety | Sports Facilities |
| REVENUES | | | | |
| Taxes and assessments | | | | |
| Licenses and permits | | | \$432 | |
| Use of money and property | | \$12,002 | | |
| Intergovernmental | \$48,136 | 12,043 | | |
| Charges for current services | | 198,245 | | \$118,835 |
| Other | | | | 1,723 |
| Total Revenues | 48,136 | 222,290 | 432 | 120,558 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | 140,555 | | |
| Public safety | 1,482 | | 8,725 | |
| Public ways and facilities/transportation | | | | |
| Parks and recreation | | | | 695,424 |
| Community development | | | | |
| Capital outlay | | | | |
| Total Expenditures | 1,482 | 140,555 | 8,725 | 695,424 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 46,654 | 81,735 | (8,293) | (574,866) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Contributions from private purpose trust | | | | |
| Proceeds from sale of property | | | | |
| Transfers in | | | | 586,986 |
| Transfers (out) | | | | (21,316) |
| Total Other Financing Sources (Uses) | | | | 565,670 |
| NET CHANGE IN FUND BALANCES | 46,654 | 81,735 | (8,293) | (9,196) |
| BEGINNING FUND BALANCES (DEFICITS) | 41,454 | 1,074,063 | 77,289 | 9,196 |
| ENDING FUND BALANCES (DEFICITS) | \$88,108 | \$1,155,798 | \$68,996 | |

SPECIAL REVENUE FUNDS

| <u>Animal Fees Forfeiture</u> | <u>Development Impact Fees</u> | <u>Equipment Replacement</u> | <u>NW Triangle Plan Fee</u> | <u>Development Benefit</u> | <u>Lighting & Landscaping Assessment Districts</u> | <u>Downtown Assessment District</u> |
|-----------------------------------|--|--|-------------------------------------|--------------------------------|--|---|
| | | \$89,611 | | | \$3,135,649 | |
| | \$88,902 | 6,540 | \$4,836 | \$6,990 | 316,941 | |
| \$24,489 | 381,599 | 245,073 | 84,566 | 3,681 | | |
| 1,125 | | 504,931 | | | 2,958 | |
| <u>25,614</u> | <u>470,501</u> | <u>846,155</u> | <u>89,402</u> | <u>10,671</u> | <u>3,455,548</u> | |
| | | | | | | |
| 17,245 | 4,682 | 67,923 346,003 28,459 2,154 173,193 518,805 | 1,315 | | 2,965,289 | |
| <u>17,245</u> | <u>4,682</u> | <u>1,136,537</u> | <u>1,315</u> | | <u>2,965,289</u> | |
| <u>8,369</u> | <u>465,819</u> | <u>(290,382)</u> | <u>88,087</u> | <u>10,671</u> | <u>490,259</u> | |
| | | | | | | |
| | 30,320 | 325 522,504 | | | (48,491) | |
| | <u>30,320</u> | <u>522,829</u> | | | <u>(48,491)</u> | |
| 8,369 | 496,139 | 232,447 | 88,087 | 10,671 | 441,768 | |
| <u>12,919</u> | <u>4,316,037</u> | <u>4,448,156</u> | <u>394,687</u> | <u>653,181</u> | <u>15,645,065</u> | <u>\$55,081</u> |
| <u>\$21,288</u> | <u>\$4,812,176</u> | <u>\$4,680,603</u> | <u>\$482,774</u> | <u>\$663,852</u> | <u>\$16,086,833</u> | <u>\$55,081</u> |

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

| | SPECIAL REVENUE FUNDS | | | |
|--|--------------------------------|-------------|------------------------|------------------------------|
| | Northeast Turlock CFD #2 | CDBG | State HOME Funds | Housing Stimulus Funds |
| REVENUES | | | | |
| Taxes and assessments | \$820,733 | | | |
| Licenses and permits | | | | |
| Use of money and property | 2,984 | | \$21,194 | |
| Intergovernmental | | \$1,067,102 | | |
| Charges for current services | | | | |
| Other | | 1,177,374 | 241,612 | |
| Total Revenues | 823,717 | 2,244,476 | 262,806 | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 24,946 | | | |
| Public safety | | | | |
| Public ways and facilities/transportation | | | | |
| Parks and recreation | | | | |
| Community development | | 2,011,638 | 101,585 | |
| Capital outlay | | | | |
| Total Expenditures | 24,946 | 2,011,638 | 101,585 | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 798,771 | 232,838 | 161,221 | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Contributions from private purpose trust | | 1,881 | | |
| Proceeds from sale of property | | | | |
| Transfers in | | | | |
| Transfers (out) | (798,772) | (1,007) | | |
| Total Other Financing Sources (Uses) | (798,772) | 874 | | |
| NET CHANGE IN FUND BALANCES | (1) | 233,712 | 161,221 | |
| BEGINNING FUND BALANCES (DEFICITS) | 75,552 | (80,263) | 2,555,332 | \$41,051 |
| ENDING FUND BALANCES (DEFICITS) | \$75,551 | \$153,449 | \$2,716,553 | \$41,051 |

| SPECIAL REVENUE FUNDS | | | CAPITAL PROJECTS FUNDS | | | |
|---|---------------------|-------------------|------------------------|---------------------------------|------------------------------------|---------------------------------|
| Stanislaus County Housing Consortium | Grant Funds | Traffic Safety | Capital Improvement | Street Light Installation | Downtown Improvement Project | North Turlock Master Plan |
| | | | \$26,103 6,724 | \$1,506 | | \$43,662 |
| \$2,223,688 | \$623,295 | | | 2,142 | | |
| 26,060 | 20,990 | \$25,488 | | | | |
| 579,626 | 32,369 | | | | | |
| 2,829,374 | 676,654 | 25,488 | 32,827 | 3,648 | | 43,662 |
| | 120,444 | 9,524 | 76,370 | | | 370 |
| | 462,775 | | | | | |
| 2,841,755 | | | 24,000 | | \$88 | |
| 2,841,755 | 583,219 | 9,524 | 100,370 | | 88 | 370 |
| (12,381) | 93,435 | 15,964 | (67,543) | 3,648 | (88) | 43,292 |
| 198 | | | | | | |
| 152,000 | 37,473 (218,263) | 22,275 | 125,373 | | | |
| 152,198 | (180,790) | 22,275 | 125,373 | | | |
| 139,817 | (87,355) | 38,239 | 57,830 | 3,648 | (88) | 43,292 |
| 344,262 | 454,834 | | 547,976 | 139,653 | 241,110 | 2,183,656 |
| \$484,079 | \$367,479 | \$38,239 | \$605,806 | \$143,301 | \$241,022 | \$2,226,948 |

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

| | CAPITAL PROJECTS FUNDS | | | | |
|--|--------------------------------------|---|---------------------------------|----------|----------------------------|
| | North East Turlock Master Plan | Turlock Regional Industrial Park | East Tuolumne Master Plan | Airport | Total Nonmajor Funds |
| REVENUES | | | | | |
| Taxes and assessments | | | | | \$4,045,993 |
| Licenses and permits | | | | | 26,535 |
| Use of money and property | \$70,001 | \$5,565 | | | 581,307 |
| Intergovernmental | | | | \$29,999 | 4,010,803 |
| Charges for current services | | 35,055 | \$845 | | 1,167,068 |
| Other | | | | | 2,541,718 |
| Total Revenues | 70,001 | 40,620 | 845 | 29,999 | 12,373,424 |
| Current: | | | | | |
| General government | | | | | 233,424 |
| Public safety | | | | | 503,423 |
| Public ways and facilities/transportation | 17,385 | 2,315 | | \$144 | 3,096,329 |
| Parks and recreation | | | | | 1,160,353 |
| Community development | | | | | 5,128,259 |
| Capital outlay | | | | | 542,805 |
| Total Expenditures | 17,385 | 2,315 | | 144 | 10,664,593 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 52,616 | 38,305 | 845 | 29,855 | 1,708,831 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Contributions from private purpose trust | | | | | 2,079 |
| Proceeds from sale of property | | | | | 325 |
| Transfers in | | | | | 1,476,931 |
| Transfers (out) | | | | (10,000) | (1,097,849) |
| Total Other Financing Sources (Uses) | | | | (10,000) | 381,486 |
| NET CHANGE IN FUND BALANCES | 52,616 | 38,305 | 845 | 19,855 | 2,090,317 |
| BEGINNING FUND BALANCES (DEFICITS) | 3,501,199 | 423,775 | (\$163,000) | 37,873 | 37,030,138 |
| ENDING FUND BALANCES (DEFICITS) | \$3,553,815 | \$462,080 | (\$162,155) | \$57,728 | \$39,120,455 |

(Concluded)

INTERNAL SERVICE FUNDS

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 generally accepted accounting principles does not apply to Internal Service Funds because, in general, they do not do business with outside parties. Generally accepted accounting principles require 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 Position.

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
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

| | Equipment Pool | Self Insurance | Information Technology | Engineering | Total |
|---------------------------------------|-------------------|-------------------|---------------------------|---------------|--------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and investments | \$2,106,452 | \$8,556,533 | \$420,852 | | \$11,083,837 |
| Accounts receivable | 4,913 | 217,955 | | | 222,868 |
| Interest receivable | 2,291 | 16,093 | | | 18,384 |
| Due from other funds | 2,921,165 | | | | 2,921,165 |
| Total Current Assets | 5,034,821 | 8,790,581 | 420,852 | | 14,246,254 |
| Noncurrent Assets: | | | | | |
| Capital assets not being depreciated | | | | | |
| Capital assets being depreciated | 4,307,851 | | | \$765,629 | 5,073,480 |
| Total Non-Current Assets | 4,307,851 | | | 765,629 | 5,073,480 |
| Total Assets | 9,342,672 | 8,790,581 | 420,852 | 765,629 | 19,319,734 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows related to pensions | 113,107 | | 284,584 | 452,099 | 849,790 |
| Deferred outflows related to OPEB | 24,041 | | 56,534 | 90,071 | 170,646 |
| Total Deferred Outflows of Resources | 137,148 | | 341,118 | 542,170 | 1,020,436 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 15,030 | 731,996 | 1,616 | 6,164 | 754,806 |
| Payroll payable | 7,949 | | 17,415 | 31,050 | 56,414 |
| Due to other funds | | | | 2,547,134 | 2,547,134 |
| Compensated absences | 6,224 | | 20,806 | 27,518 | 54,548 |
| Total Current Liabilities | 29,203 | 731,996 | 39,837 | 2,611,866 | 3,412,902 |
| Long-term Liabilities: | | | | | |
| Estimated claims liability | | 2,519,875 | | | 2,519,875 |
| Compensated absences | 24,894 | | 83,222 | 110,072 | 218,188 |
| Total OPEB Liability | 128,971 | | 303,284 | 483,200 | 915,455 |
| Net pension liabilities | 838,588 | | 2,109,934 | 3,351,908 | 6,300,430 |
| Total Long-Term Liabilities | 992,453 | 2,519,875 | 2,496,440 | 3,945,180 | 9,953,948 |
| Total Liabilities | 1,021,656 | 3,251,871 | 2,536,277 | 6,557,046 | 13,366,850 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions | 16,241 | | 40,863 | 64,917 | 122,021 |
| Deferred inflows related to OPEB | 104,434 | | 245,582 | 391,267 | 741,283 |
| Total Deferred Outflows of Resources | 120,675 | | 286,445 | 456,184 | 863,304 |
| NET POSITION (DEFICIT) | | | | | |
| Net investment in capital assets | 4,307,851 | | | 765,629 | 5,073,480 |
| Unrestricted | 4,029,638 | 5,538,710 | (2,060,752) | (6,471,060) | 1,036,536 |
| Total Net Position (Deficit) | \$8,337,489 | \$5,538,710 | (\$2,060,752) | (\$5,705,431) | \$6,110,016 |

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

| | Equipment Pool | Self Insurance | Information Technology | Engineering | Total |
|--|---------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$642,071 | \$9,355,863 | \$1,502,437 | \$2,113,083 | \$13,613,454 |
| Refunds & other income | 20,474 | 364,318 | 1,326 | 17,423 | 403,541 |
| Total Operating Revenues | <u>662,545</u> | <u>9,720,181</u> | <u>1,503,763</u> | <u>2,130,506</u> | <u>14,016,995</u> |
| OPERATING EXPENSES | | | | | |
| Salaries, benefits and insurance | 254,197 | 8,216,952 | 1,168,656 | 1,757,290 | 11,397,095 |
| Contractual | 36,827 | 20,238 | 129,733 | 137,089 | 323,887 |
| Supplies and maintenance | 31,200 | | 1,425 | 32,012 | 64,637 |
| Utilities | 32,653 | | 25,815 | 23,268 | 81,736 |
| Fleet expense | 27,119 | | 866 | 12,873 | 40,858 |
| Depreciation and amortization | 917,664 | | | 55,016 | 972,680 |
| Other expenses | 4,186 | 3,624 | 31,829 | 11,074 | 50,713 |
| Total Operating Expenses | <u>1,303,846</u> | <u>8,240,814</u> | <u>1,358,324</u> | <u>2,028,622</u> | <u>12,931,606</u> |
| Total Operating Income (Loss) | <u>(641,301)</u> | <u>1,479,367</u> | <u>145,439</u> | <u>101,884</u> | <u>1,085,389</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest income | 11,581 | 160,644 | | | 172,225 |
| Gain (loss) on disposal of capital assets | 7,834 | | | 51 | 7,885 |
| Total Nonoperating Revenues (Expenses) | <u>19,415</u> | <u>160,644</u> | | <u>51</u> | <u>180,110</u> |
| Income (Loss) Before Contributions and Transfers | <u>(621,886)</u> | <u>1,640,011</u> | <u>145,439</u> | <u>101,935</u> | <u>1,265,499</u> |
| Transfers in | 514,495 | | | 295,671 | 810,166 |
| Transfers (out) | <u>(2,500)</u> | <u>(34,676)</u> | <u>(8,966)</u> | <u>(140,200)</u> | <u>(186,342)</u> |
| Change in Net Position | <u>(109,891)</u> | <u>1,605,335</u> | <u>136,473</u> | <u>257,406</u> | <u>1,889,323</u> |
| NET POSITION-BEGINNING (DEFICIT) | <u>8,447,380</u> | <u>3,933,375</u> | <u>(2,197,225)</u> | <u>(5,962,837)</u> | <u>4,220,693</u> |
| ENDING NET POSITION (DEFICIT) | <u><u>\$8,337,489</u></u> | <u><u>\$5,538,710</u></u> | <u><u>(\$2,060,752)</u></u> | <u><u>(\$5,705,431)</u></u> | <u><u>\$6,110,016</u></u> |

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

| | Equipment Pool | Self Insurance | Information Technology | Engineering | Total |
|---|--------------------|--------------------|---------------------------|------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$648,056 | \$9,581,137 | \$1,502,437 | \$2,113,083 | \$13,844,713 |
| Payments to suppliers | (277,891) | (204,648) | (196,130) | (219,824) | (898,493) |
| Payments to employees | (510,482) | (8,756,088) | (1,084,433) | (1,723,222) | (12,074,225) |
| Other | 20,474 | 364,318 | 1,326 | 17,423 | 403,541 |
| Cash Flows from (used by) Operating Activities | (119,843) | 984,719 | 223,200 | 187,460 | 1,275,536 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Interfund receipts (payments) | (2,921,165) | | | (342,982) | (3,264,147) |
| Transfers in | 514,495 | | | 295,671 | 810,166 |
| Transfers (out) | (2,500) | (34,676) | (8,966) | (140,200) | (186,342) |
| Cash Flows from Noncapital Financing Activities | (2,409,170) | (34,676) | (8,966) | (187,511) | (2,640,323) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition of capital assets | (774,296) | | | | (774,296) |
| Proceeds from sale of capital assets | 57,093 | | | 51 | 57,144 |
| Cash Flows from (used by) Capital and Related Financing Activities | (717,203) | | | 51 | (717,152) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest earnings | 12,852 | 171,693 | | | 184,545 |
| Cash Flows from Investing Activities | 12,852 | 171,693 | | | 184,545 |
| Net Cash Flows | (3,233,364) | 1,121,736 | 214,234 | | (1,897,394) |
| Cash and investments at beginning of period | 5,339,816 | 7,434,797 | 206,618 | | 12,981,231 |
| Cash and investments at end of period | <u>\$2,106,452</u> | <u>\$8,556,533</u> | <u>\$420,852</u> | | <u>\$11,083,837</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities: | | | | | |
| Operating income (loss) | (\$641,301) | \$1,479,367 | \$145,439 | \$101,884 | \$1,085,389 |
| Adjustments to reconcile operating income to net cash flows from operating activities: | | | | | |
| Depreciation | 917,664 | | | 55,016 | 972,680 |
| Change in assets and liabilities: | | | | | |
| Accounts receivable | 5,985 | 225,274 | | | 231,259 |
| Accounts payable | (145,906) | (539,136) | (6,462) | (3,508) | (695,012) |
| Payroll payable | (2,435) | | (2,926) | (3,100) | (8,461) |
| Compensated absences | (7,795) | | 11,656 | 10,062 | 13,923 |
| Claims liability | | (180,786) | | | (180,786) |
| Deferred outflows/inflows and total OPEB liability | (132,705) | | (57,503) | (135,051) | (325,259) |
| Deferred outflows/inflows and net pension liability | (113,350) | | 132,996 | 162,157 | 181,803 |
| Cash Flows from (used by) Operating Activities | <u>(\$119,843)</u> | <u>\$984,719</u> | <u>\$223,200</u> | <u>\$187,460</u> | <u>\$1,275,536</u> |
| NONCASH TRANSACTIONS: | | | | | |
| Retirement of capital assets | (\$49,259) | | | | (\$49,259) |
| Total noncash capital and related financing activities | <u>(\$49,259)</u> | | | | <u>(\$49,259)</u> |

| |
|---------------------|
| 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:

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.

Stanislaus Regional Water Authority – This fund accounts for assets belonging to the Stanislaus Regional Water Authority held as an agent by the City, which maintains the Authority’s books and accounts.

CITY OF TURLOCK
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2020

| | Balance June 30, 2019 | Additions | Deductions | Balance June 30, 2020 |
|--|--------------------------|--------------------|--------------------|--------------------------|
| Northwest Triangle - Mello Roos Assessments | | | | |
| Assets | | | | |
| Cash and investments | \$317,586 | \$296,430 | \$286,396 | \$327,620 |
| Cash and investments with fiscal agents | 102,619 | 1,173 | | 103,792 |
| Accounts and interest receivable | 5,323 | 621 | 5,323 | 621 |
| Total Assets | \$425,528 | \$298,224 | \$291,719 | \$432,033 |
| Liabilities | | | | |
| Accounts payable | | | | |
| Due to others | \$425,528 | \$298,224 | \$291,719 | \$432,033 |
| Total Liabilities | \$425,528 | \$298,224 | \$291,719 | \$432,033 |
| Property & Business Improvement District #2 | | | | |
| Assets | | | | |
| Cash and investments | \$34,920 | \$151,067 | \$96,922 | \$89,065 |
| Accounts and interest receivable | | 1,860 | | 1,860 |
| Total Assets | \$34,920 | \$152,927 | \$96,922 | \$90,925 |
| Liabilities | | | | |
| Accounts payable | | \$49,674 | | \$49,674 |
| Due to others | \$34,920 | 103,253 | \$96,922 | 41,251 |
| Total Liabilities | \$34,920 | \$152,927 | \$96,922 | \$90,925 |
| Stanislaus Regional Water Authority | | | | |
| Assets | | | | |
| Cash and investments | \$1,740,786 | \$6,264,609 | \$5,235,821 | \$2,769,574 |
| Accounts and interest receivable | 6,304 | 5,653 | 6,304 | 5,653 |
| Total Assets | \$1,747,090 | \$6,270,262 | \$5,242,125 | \$2,775,227 |
| Liabilities | | | | |
| Accounts payable | \$1,421,318 | \$415,169 | \$1,421,318 | \$415,169 |
| Due to others | 325,772 | 5,855,093 | 3,820,807 | 2,360,058 |
| Total Liabilities | \$1,747,090 | \$6,270,262 | \$5,242,125 | \$2,775,227 |
| Total - All Agency Funds | | | | |
| Assets | | | | |
| Cash and investments | \$2,093,292 | \$6,712,106 | \$5,619,139 | \$3,186,259 |
| Cash and investments with fiscal agents | 102,619 | 1,173 | | 103,792 |
| Accounts and interest receivable | 11,627 | 8,134 | 11,627 | 8,134 |
| Total Assets | \$2,207,538 | \$6,721,413 | \$5,630,766 | \$3,298,185 |
| Liabilities | | | | |
| Accounts payable | \$1,421,318 | \$464,843 | \$1,421,318 | \$464,843 |
| Due to others | 786,220 | 6,256,570 | 4,209,448 | 2,833,342 |
| Total Liabilities | \$2,207,538 | \$6,721,413 | \$5,630,766 | \$3,298,185 |



TURLOCK PUBLIC FINANCING AUTHORITY
COMPONENT UNIT BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**TURLOCK PUBLIC FINANCING AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors of the
Turlock Public Financing Authority, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Turlock Public Financing Authority (Authority), a component unit of the City of Turlock, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's component unit basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the component unit financial statements present only the Authority and are not intended to present fairly the financial position and the results of operations of the City of Turlock in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

The Authority has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021 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* in considering the City's internal control over financial reporting and compliance.



Pleasant Hill, California
March 12, 2021

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| TURLOCK PUBLIC FINANCING AUTHORITY |
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| STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES |
|--|

The Statement of Net Position and the Statement of Activities purpose are to summarize the Authority's entire financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Authority's assets, all its deferred inflows/outflows of resources and all its liabilities, as well as all its revenues and expenses.

The Statement of Net Position reports the difference between the Authority's total assets and deferred outflows of resources and the Authority's total liabilities and deferred inflows of resources, including all the Authority's long-term debt. The Statement of Net Position summarizes the financial position of all the Authority's activities in a single column.

The Statement of Activities reports increases and decreases in the Authority's net position. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands.

TURLOCK PUBLIC FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

| | <u>Business-Type Activities</u> |
|--|-------------------------------------|
| ASSETS | |
| Investments with fiscal agent (Note 2) | \$15,999 |
| Interest receivable | 745,261 |
| Leases receivable (Note 3) | <u>62,505,562</u> |
| Total Assets | <u>63,266,822</u> |
| LIABILITIES | |
| Interest payable | 745,261 |
| Long-term debt (Note 4): | |
| Due within one year | 3,170,000 |
| Due in more than one year | <u>59,351,561</u> |
| Total Liabilities | <u>63,266,822</u> |
| NET POSITION (Note 5): | |
| Restricted for: | |
| Debt service | <u> </u> |
| Total Net Position | <u> </u> |

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| | | Program Revenues | Net (Expense) Revenue and Changes in Net Position | |
|---------------------------------|--------------------|-------------------------|--|-------------------|
| Functions/Programs | Expenses | Charges for Services | Business-type Activities | Total |
| Business-type Activities: | | | | |
| Sewer | \$1,363,002 | \$1,362,093 | (\$909) | (\$909) |
| Water | <u>772,043</u> | <u>771,710</u> | <u>(333)</u> | <u>(333)</u> |
| Total | <u>\$2,135,045</u> | <u>\$2,133,803</u> | <u>(1,242)</u> | <u>(1,242)</u> |
| General revenues and transfers: | | | | |
| General Revenues: | | | | |
| Interest income | | | <u>1,242</u> | <u>1,242</u> |
| Total general revenues | | | <u>1,242</u> | <u>1,242</u> |
| Change in Net Position | | | | |
| Net Position-Beginning | | | <u> </u> | <u> </u> |
| Net Position-Ending | | | <u> </u> | <u> </u> |

See accompanying notes to basic financial statements

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| TURLOCK PUBLIC FINANCING AUTHORITY |
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| FUND FINANCIAL STATEMENTS |
|----------------------------------|

Major funds are defined generally as having significant activities or balances in the current year. All of the Authority's funds are major funds.

TURLOCK PUBLIC FINANCING AUTHORITY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020

| | 2012 <u>Sewer Bonds</u> | 2017 <u>Water Bonds</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Investments with fiscal agent (Note 2) | \$427 | \$15,572 | \$15,999 |
| Interest receivable | 444,508 | 300,753 | 745,261 |
| Leases receivable (Note 3) | <u>39,646,141</u> | <u>22,859,421</u> | <u>62,505,562</u> |
| Total Assets | <u>40,091,076</u> | <u>23,175,746</u> | <u>63,266,822</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Interest payable | 444,508 | 300,753 | 745,261 |
| Bonds payable (Note 4) | <u>2,450,000</u> | <u>720,000</u> | <u>3,170,000</u> |
| Total current liabilities | <u>2,894,508</u> | <u>1,020,753</u> | <u>3,915,261</u> |
| Long-term liabilities: | | | |
| Bonds payable (Note 4) | <u>37,196,568</u> | <u>22,154,993</u> | <u>59,351,561</u> |
| Total Liabilities | <u>40,091,076</u> | <u>23,175,746</u> | <u>63,266,822</u> |
| NET POSITION (Note 5): | | | |
| Restricted | <u> </u> | <u> </u> | <u> </u> |
| Total Net Position | <u> </u> | <u> </u> | <u> </u> |

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020

| | 2012 Sewer Bonds | 2017 Water Bonds | Total |
|--------------------------------------|---------------------|---------------------|-------------|
| OPERATING REVENUES | | | |
| Lease revenue | \$1,362,093 | \$771,710 | \$2,133,803 |
| Total Operating Revenues | 1,362,093 | 771,710 | 2,133,803 |
| OPERATING EXPENSES | | | |
| Interest expense | 1,363,002 | 772,043 | 2,135,045 |
| Total Operating Expenses | 1,363,002 | 772,043 | 2,135,045 |
| Operating Income (Loss) | (909) | (333) | (1,242) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 909 | 333 | 1,242 |
| Net Nonoperating Revenues (Expenses) | 909 | 333 | 1,242 |
| Change in net position | | | |
| BEGINNING NET POSITION | | | |
| ENDING NET POSITION | | | |

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020

| | 2012 Sewer Bonds | 2017 Water Bonds | Total |
|--|---------------------------|---------------------------|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$3,922,676 | \$1,628,020 | \$5,550,696 |
| Long-term debt payment - interest | (1,573,490) | (938,019) | (2,511,509) |
| Cash Flows from Operating Activities | <u>2,349,186</u> | <u>690,001</u> | <u>3,039,187</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Long-term debt payment - principal | (2,350,000) | (690,000) | (3,040,000) |
| Cash Flows from Noncapital and Related Financing Activities | <u>(2,350,000)</u> | <u>(690,000)</u> | <u>(3,040,000)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | 909 | 333 | 1,242 |
| Cash Flows from Investing Activities | <u>909</u> | <u>333</u> | <u>1,242</u> |
| Net Cash Flows | 95 | 334 | 429 |
| Cash and investments at beginning of period | <u>332</u> | <u>15,238</u> | <u>15,570</u> |
| Cash and investments at end of period | <u><u>\$427</u></u> | <u><u>\$15,572</u></u> | <u><u>\$15,999</u></u> |
| Reconciliation of Operating Income to Cash Flows from Operating Activities: | | | |
| Operating income | (\$909) | (\$333) | (\$1,242) |
| Amortization of bond premium | (183,157) | (156,901) | (340,058) |
| Change in assets and liabilities: | | | |
| Interest receivable | 27,331 | 9,075 | 36,406 |
| Interest payable | (27,331) | (9,075) | (36,406) |
| Leases receivable | <u>2,533,252</u> | <u>847,235</u> | <u>3,380,487</u> |
| Cash Flows from Operating Activities | <u><u>\$2,349,186</u></u> | <u><u>\$690,001</u></u> | <u><u>\$3,039,187</u></u> |
| NONCASH TRANSACTIONS: | | | |
| Amortization of bond premium | <u><u>(\$183,157)</u></u> | <u><u>(\$156,901)</u></u> | <u><u>(\$340,058)</u></u> |

See accompanying notes to basic financial statements

| |
|--|
| <p style="text-align: center;">TURLOCK PUBLIC FINANCING AUTHORITY NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2020</p> |
|--|

| |
|---|
| <p>NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</p> |
|---|

A. *Organization and Purpose*

The Turlock Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital improvements within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The Turlock Public Financing Authority was created 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 as a Joint Powers Authority between the City and the former Turlock Redevelopment Agency.

The Authority is an integral part of the City and the accompanying financial statements are included as a component of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

The component unit financial statements present only the Authority and are not intended to present fairly the financial position and the results of operations of the City of Turlock in accordance with accounting principles generally accepted in the United States of America.

B. *Basis of Presentation*

The Authority's Basic Component Unit Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

Authority-wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall Authority government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including interest income, are presented as general revenues.

The Authority-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

TURLOCK PUBLIC FINANCING AUTHORITY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. Separate Statements for each proprietary fund are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. The Authority considers all its funds to be major funds.

Proprietary Fund Financial Statements - Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. Proprietary funds are accounted for using the *economic resources* measurement focus and the full accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position.

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.

C. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

D. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TURLOCK PUBLIC FINANCING AUTHORITY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 – INVESTMENTS HELD BY FISCAL AGENT

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

In accordance with generally accepted accounting principles, highly liquid market investments with maturities of one year or less at 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.

A. Investments Authorized by Debt Agreements

In accordance with the Lease Revenue Bond Indentures of Trust, a Trustee holds the portion of Bond proceeds established as reserves for debt service on these Bonds. The California Government Code requires these funds to be invested in accordance with bond indentures or State statutes. The table below identifies the investment types and their minimum credit ratings that are authorized for investments held by trustee and certain provisions of these debt agreements. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type.

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio |
|---|------------------|-------------------------------|---------------------------------|
| U.S. Treasury Notes, Bonds and/or Bills | 5 years | N/A | No maximum |
| U.S. Government Sponsored Securities | 5 years | N/A | No maximum |
| State Obligations | N/A | A | No maximum |
| Pre-refunded Municipal Obligations | N/A | AAA | No maximum |
| Certificates of Deposit | 30 days | A-1 | No maximum |
| Bankers' Acceptances | 30 days | A-1 | No maximum |
| Commercial Paper | 270 days | A-1+ | No maximum |
| State Local Agency Investment Fund | N/A | N/A | LAIF Limits |
| Repurchase Agreements | 270 days | A | No maximum |
| Guaranteed Investment Contracts | N/A | AA | No maximum |
| Money Market Funds | N/A | Aam or Aam-G | No maximum |
| Corporate Notes | N/A | Two highest rating categories | No maximum |

TURLOCK PUBLIC FINANCING AUTHORITY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 – INVESTMENTS HELD BY FISCAL AGENT (Continued)

B. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

| Investment Type | 12 Months or less |
|---|----------------------|
| <i>Held by Fiscal Agent:</i> | |
| Money Market Mutual Funds (U.S. Securities) | \$15,999 |
| | <u>\$15,999</u> |

C. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual rating as of June 30, 2020 for the Money Market Mutual Funds was AAAM as provided by Standard & Poor's investment rating system. Money market mutual funds are available for withdrawal on demand and at June 30, 2020, have an average maturity of 43 days.

D. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority's investment in money market funds is measured at amortized cost as of June 30, 2020.

E. Concentration Risk

There were no significant investments in the securities of any individual issuers other than U.S. Treasury Securities and Mutual Funds.

NOTE 3 – LEASES RECEIVABLE FROM THE CITY OF TURLOCK

The Authority has recorded leases receivable in the amount of \$62,505,562 pursuant to the lease agreements between the Authority and the City in relation to the bonded indebtedness. The leases receivable along with investments held by fiscal agents secure the repayment of the different debt issues. The lease revenue is equal to the Authority's debt service requirements and is used for that purpose.

TURLOCK PUBLIC FINANCING AUTHORITY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – LONG TERM DEBT

A. Current Year Activity

Following is a summary of the Authority's long-term debt transactions during the fiscal year ended June 30, 2020:

| | Original Issue Amount | Balance June 30, 2019 | Retirements | Balance June 30, 2020 | Current Portion | Due in More Than One Year |
|---------------------------------------|--------------------------|--------------------------|----------------------|--------------------------|--------------------|---------------------------------|
| Business-type Activities Debt: | | | | | | |
| Revenue Bonds: | | | | | | |
| 2012 Sewer | \$51,915,000 | \$39,585,000 | (\$2,350,000) | \$37,235,000 | \$2,450,000 | \$34,785,000 |
| Add: Unamortized bond premium | | 2,594,725 | (183,157) | 2,411,568 | | 2,411,568 |
| 2017 Water | 22,405,000 | 20,780,000 | (690,000) | 20,090,000 | 720,000 | 19,370,000 |
| Add: Unamortized bond premium | | 2,941,894 | (156,901) | 2,784,993 | | 2,784,993 |
| Total Business Type Activities | <u>\$74,320,000</u> | <u>\$65,901,619</u> | <u>(\$3,380,058)</u> | <u>\$62,521,561</u> | <u>\$3,170,000</u> | <u>\$59,351,561</u> |

B. 2012 Sewer Revenue Bonds

On September 6, 2012, the Authority issued \$51,915,000 in Sewer Revenue Bonds, Series 2012. The proceeds of these Bonds, secured by revenue from the City's Wastewater Treatment operations as defined in the bond documents, are being used to refund the Authority's outstanding 1999 and 2003A Sewer Revenue Bonds. The 1999 Sewer Revenue Bonds were refunded and repaid in their entirety on September 15, 2012. Funds to refund the 2003A Sewer Revenue Bonds were placed in escrow upon the closing of the 2012 Bond issuance and then the 2003A Bonds were called on September 15, 2013. No new project monies were included in this bond issuance. The 2012 Bonds carry coupons ranging from 2.00% - 5.00% and mature in September 2033. Events of default on the 2012 Bonds include failure to make any debt service payment by the due date or failure to perform the other agreements or covenants required in the Master Installment Purchase Agreement not cured within sixty days of notice to the Authority, which would accelerate repayment of the Bonds. The Authority can prepay the Bonds at any time by paying the prescribed prepayment premium as set forth in the Bond documents.

These bonds are secured on parity with three loan agreements the City has with the California State Water Resources Control Board (CSWRCB). The City entered into these agreements with the CSWRCB for State Revolving Fund project financing. Although the Authority is not a party to the agreements, these loans have equal rights to pledged revenues as the 2012 Bonds. At June 30, 2020, the total outstanding amount of these loan agreements was \$36,862,290.

TURLOCK PUBLIC FINANCING AUTHORITY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – LONG TERM DEBT (Continued)

The annual debt service requirements are as follows:

| For the Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 2021 | \$2,450,000 | \$1,479,775 | \$3,929,775 |
| 2022 | 2,545,000 | 1,379,875 | 3,924,875 |
| 2023 | 2,655,000 | 1,275,875 | 3,930,875 |
| 2024 | 2,760,000 | 1,153,775 | 3,913,775 |
| 2025 | 2,905,000 | 1,012,150 | 3,917,150 |
| 2026-2030 | 13,745,000 | 3,302,164 | 17,047,164 |
| 2031-2035 | 10,175,000 | 834,700 | 11,009,700 |
| Total | <u>\$37,235,000</u> | <u>\$10,438,314</u> | <u>\$47,673,314</u> |

C. 2017 Water Revenue Refunding Bonds

In June 2017 the Turlock Public Financing Authority issued \$22,405,000 in Water Revenue Bonds Series 2017 to finance improvements to the Water System, to advance refund the series 2008 Water Revenue Bonds and to pay costs of issuance of the 2017 Bonds. The defeased 2008 Bonds were called on April 30, 2018. The 2017 Bonds, which carry coupon interest rates ranging from 4.00% - 5.25%, have semi-annual principal and interest payments on the first of March through March 2038. Events of default on the 2017 Bonds include failure to make any debt service payment by the due date or failure to perform the other agreements or covenants required in the Master Installment Purchase Agreement (MIPA) between the Authority and the City not cured within sixty days of notice to the City, which would accelerate repayment of the Bonds. The Authority can prepay the Bonds at any time by paying the prescribed prepayment premium as set forth in the Bond documents.

The annual debt service requirements are as follows:

| For the Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|--------------------|---------------------|
| 2021 | \$720,000 | \$914,688 | \$1,634,688 |
| 2022 | 755,000 | 878,688 | 1,633,688 |
| 2023 | 795,000 | 840,938 | 1,635,938 |
| 2024 | 835,000 | 801,187 | 1,636,187 |
| 2025 | 880,000 | 759,437 | 1,639,437 |
| 2026-2030 | 5,100,000 | 3,090,011 | 8,190,011 |
| 2031-2035 | 6,465,000 | 1,720,150 | 8,185,150 |
| 2035-2038 | 4,540,000 | 368,000 | 4,908,000 |
| Total | <u>\$20,090,000</u> | <u>\$9,373,099</u> | <u>\$29,463,099</u> |

TURLOCK PUBLIC FINANCING AUTHORITY
NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – LONG TERM DEBT (Continued)

D. Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it, called a gain or loss on refunding, is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The gain or loss on refunding is reported as a deferred inflow or outflow of resources, as applicable. Bond issuance costs, other than prepaid insurance, are expensed in the year incurred.

NOTE 5 – NET POSITION

Net Position is measured on the full accrual basis and is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into two captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Authority-wide level, and are described below:

Restricted for Debt Service – This amount represents funds required by bond covenants to be held by the Authority's third party trustee for future debt service payments.

Restricted for Capital Projects – This amount represents the unexpended portion of debt which was issued to finance capital improvement projects.

NOTE 6 – SUBSEQUENT EVENT

2020 Water Revenue Bonds

On November 18, 2020, the City of Turlock through the Authority, issued Water Revenue Bond Anticipation Notes (Notes) in the amount of \$117,750,000. The proceeds are being used as interim financing to pay a portion of the costs of construction of a water treatment and conveyance project known as the Regional Surface Water Supply Project (RSWSP). The RSWSP is a regional project of the Stanislaus Regional Water Authority (SRWA) whose participants include the City of Turlock, the City of Ceres, and Turlock Irrigation District. The total project is estimated to cost \$267 million of which the City of Turlock is responsible for approximately \$180 million. A portion of the costs are expected to be paid with grant funds. The primary funding source for the project will be a State Revolving Fund (SRF) loan. The SRF loan will bear interest at 1.2% annually and the principal repayment of the loan will commence one year after completion of the project. If the SRF loan is not successfully executed, the City or the SRWA would need to consider other financing options, such as publicly-issued Water Revenue Bonds to pay off the Notes. The Bond Anticipation Notes were structured with a single maturity due on March 1, 2027, with interest payable every March 1 and September 1 beginning on March 1, 2021. To facilitate transition to the SRF Loan as the funds become available, the Notes are subject to redemption at the option of the Authority, in whole or in part, on or after September 1, 2021.

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CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

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**CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds (TDA Funds) which are included in the Streets Special Revenue Fund and the Transportation Enterprise Fund of the City of Turlock (City), California, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the TDA Funds' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Funds as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The emphasis of this matter does not constitute a modification to our opinions.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021 on our consideration of the TDA Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Funds' internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 12, 2021

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
GOVERNMENTAL FUND - STREETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|------------------|-----------------|
| ASSETS | | |
| Cash and investments (Note 2) | \$237,898 | \$75,396 |
| Accounts receivable | | 213 |
| | <u>\$237,898</u> | <u>\$75,609</u> |
| LIABILITIES | | |
| Accounts and salaries payable | \$38,099 | \$52,092 |
| Deposits payable | 148 | 500 |
| Unearned revenue (Note 4) | <u>21,811</u> | <u>21,811</u> |
| | <u>60,058</u> | <u>74,403</u> |
| FUND BALANCES (Note 5) | | |
| Restricted | <u>177,840</u> | <u>1,206</u> |
| | <u>177,840</u> | <u>1,206</u> |
| Total Liabilities and Fund Balance | <u>\$237,898</u> | <u>\$75,609</u> |

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
GOVERNMENTAL FUND - STREETS SPECIAL REVENUE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-----------------------|
| REVENUES | | |
| Intergovernmental revenues | | \$66,437 |
| Charges for services | \$56,162 | 44,638 |
| Interest income and other revenues | <u>211</u> | <u>797</u> |
| Total Revenues | <u>56,373</u> | <u>111,872</u> |
| EXPENDITURES | | |
| Public ways and facilities / transportation | <u>529,739</u> | <u>515,820</u> |
| Total Expenditures | <u>529,739</u> | <u>515,820</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(473,366)</u> | <u>(403,948)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in from City's Streets Special Revenue Fund | 700,000 | 700,000 |
| Transfers out to City's Streets Special Revenue Fund | <u>(50,000)</u> | <u>(67,830)</u> |
| Total Other Financing Sources (Uses) | <u>650,000</u> | <u>632,170</u> |
| Net Change in Fund Balance | 176,634 | 228,222 |
| Fund Balance (Deficit), Beginning of Year | <u>1,206</u> | <u>(227,016)</u> |
| Fund Balance, End of Year | <u><u>\$177,840</u></u> | <u><u>\$1,206</u></u> |

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
GOVERNMENTAL FUND - STREETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|-----------|---|
| | Original | Final | Actual | |
| REVENUES: | | | | |
| Intergovernmental revenues | \$50,000 | \$50,000 | | (\$50,000) |
| Charges for services | 28,800 | 28,800 | \$56,162 | 27,362 |
| Interest income and other revenues | 100 | 100 | 211 | 111 |
| | | | | |
| Total Revenues | 78,900 | 78,900 | 56,373 | (22,527) |
| | | | | |
| EXPENDITURES: | | | | |
| Public ways and facilities / transportation | 798,475 | 797,955 | 529,739 | 268,216 |
| | | | | |
| Total Expenditures | 798,475 | 797,955 | 529,739 | 268,216 |
| | | | | |
| Excess (Deficiency) of Revenues Over Expenditures | (719,575) | (719,055) | (473,366) | 245,689 |
| | | | | |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in from City's Streets Special Revenue Fund | 700,000 | 700,000 | 700,000 | |
| Transfers out to City's Streets Special Revenue Fund | | (50,000) | (50,000) | |
| | | | | |
| Total Other Financing Sources (Uses) | 700,000 | 650,000 | 650,000 | |
| | | | | |
| Net Change in Fund Balance | (\$19,575) | (\$69,055) | 176,634 | \$245,689 |
| | | | | |
| Fund Balance (Deficit), Beginning of Year | | | 1,206 | |
| | | | | |
| Fund Balance, End of Year | | | \$177,840 | |

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
TRANSPORTATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and investments (Note 2) | \$1,400,763 | \$1,237,707 |
| Accounts receivable, grants | 1,846,268 | 1,181,604 |
| Accounts receivable, other | 8,665 | |
| Interest receivable | <u>2,701</u> | <u>3,765</u> |
| Total current assets | <u>3,258,397</u> | <u>2,423,076</u> |
| Noncurrent assets: | | |
| Capital assets (Note 3): | | |
| Nondepreciable | 5,050,671 | 10,791,604 |
| Depreciable, net | <u>15,207,493</u> | <u>7,221,512</u> |
| Total noncurrent assets | <u>20,258,164</u> | <u>18,013,116</u> |
| Total Assets | <u>23,516,561</u> | <u>20,436,192</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pensions (Note 9) | 167,389 | 152,854 |
| Deferred outflows related to OPEB (Note 10) | <u>31,753</u> | <u>9,832</u> |
| Total Deferred Outflows of Resources | <u>199,142</u> | <u>162,686</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accruals | 436,125 | 437,323 |
| Salaries payable | 12,334 | 10,082 |
| Unearned revenue (Note 4) | 1,985,492 | 1,245,432 |
| Compensated absences - due in one year | <u>14,904</u> | <u>9,534</u> |
| Total current liabilities | <u>2,448,855</u> | <u>1,702,371</u> |
| Long-term liabilities | | |
| Compensated absences | 59,616 | 38,134 |
| Total OPEB liability (Note 10) | 170,343 | 244,312 |
| Net pension liability (Note 9) | <u>1,241,042</u> | <u>969,444</u> |
| Total long-term liabilities | <u>1,471,001</u> | <u>1,251,890</u> |
| Total Liabilities | <u>3,919,856</u> | <u>2,954,261</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to pensions (Note 9) | 24,035 | 8,203 |
| Deferred inflows related to OPEB (Note 10) | <u>137,935</u> | <u>9,426</u> |
| Total Deferred Inflows of Resources | <u>161,970</u> | <u>17,629</u> |
| NET POSITION (Note 5) | | |
| Net investment in capital assets | 20,258,164 | 18,013,116 |
| Unrestricted | <u>(624,287)</u> | <u>(386,128)</u> |
| Total Net Position | <u>\$19,633,877</u> | <u>\$17,626,988</u> |

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
TRANSPORTATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|
| OPERATING REVENUES | | |
| Charges for services | \$228,999 | \$243,569 |
| Other income | <u>360</u> | <u>13,114</u> |
| Total operating revenues | <u>229,359</u> | <u>256,683</u> |
| OPERATING EXPENSES | | |
| Salaries, benefits and insurance | 809,772 | 868,012 |
| Contractual | 2,243,618 | 2,216,165 |
| Supplies and maintenance | 218,945 | 257,535 |
| Utilities | 41,941 | 36,022 |
| Fleet expense | 152,111 | 206,951 |
| Depreciation (Note 3) | 1,150,327 | 808,405 |
| Other expenses | <u>10,927</u> | <u>15,652</u> |
| Total operating expenses | <u>4,627,641</u> | <u>4,408,742</u> |
| Operating loss | <u>(4,398,282)</u> | <u>(4,152,059)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Operating grants | 3,081,826 | 2,925,660 |
| Loss from retirement of capital assets | (104,484) | (92,811) |
| Investment income | <u>9,558</u> | <u>7,598</u> |
| Total nonoperating revenues (expenses) | <u>2,986,900</u> | <u>2,840,447</u> |
| INCOME (LOSS) BEFORE CAPITAL GRANTS AND TRANSFERS | <u>(1,411,382)</u> | <u>(1,311,612)</u> |
| Capital grants | 3,404,965 | 3,982,090 |
| Transfers in from other City funds | 55,438 | 49,935 |
| Transfers out to other City funds | <u>(42,132)</u> | <u>(240,000)</u> |
| Net Capital Grants and Transfers | <u>3,418,271</u> | <u>3,792,025</u> |
| Change in Net Position | 2,006,889 | 2,480,413 |
| Net Position - Beginning | <u>17,626,988</u> | <u>15,146,575</u> |
| Net Position - Ending | <u><u>\$19,633,877</u></u> | <u><u>\$17,626,988</u></u> |

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
TRANSPORTATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$220,694 | \$278,501 |
| Payments to suppliers | (2,668,740) | (3,019,243) |
| Payments to employees | (475,154) | (346,883) |
| Cash Flows from Operating Activities | <u>(2,923,200)</u> | <u>(3,087,625)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers in | 55,438 | 49,935 |
| Transfers out | (42,132) | (240,000) |
| Interfund receipts (payments) | | (1,406,767) |
| Intergovernmental receipts - operations | 2,417,162 | 2,727,843 |
| Cash Flows from Noncapital Financing Activities | <u>2,430,468</u> | <u>1,131,011</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Intergovernmental receipts - capital program | 4,145,025 | 7,083,310 |
| Purchases of capital assets | (3,502,556) | (3,898,076) |
| Proceeds from sale of capital assets | 2,697 | 4,765 |
| Cash Flows from Capital and Related Financing Activities | <u>645,166</u> | <u>3,189,999</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment income | 10,622 | 4,322 |
| Cash Flows from Investing Activities | <u>10,622</u> | <u>4,322</u> |
| Net Cash Flows | 163,056 | 1,237,707 |
| CASH AND CASH EQUIVALENTS | | |
| Cash and investments at beginning of period | 1,237,707 | |
| Cash and investments at end of period | <u>\$1,400,763</u> | <u>\$1,237,707</u> |
| RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Operating loss | (\$4,398,282) | (\$4,152,059) |
| Adjustments to reconcile operating loss to cash flows from operating activities: | | |
| Depreciation | 1,150,327 | 808,405 |
| Change in assets and liabilities: | | |
| Accounts receivable | (8,665) | 21,818 |
| Accounts payable | (1,198) | (286,918) |
| Salaries payable | 2,252 | 4,400 |
| Compensated absences | 26,852 | 4,970 |
| Deferred outflows/inflows and total OPEB liability | 32,619 | 97,764 |
| Deferred outflows/inflows and net pension liability | 272,895 | 413,995 |
| Cash Flows from Operating Activities | <u>(\$2,923,200)</u> | <u>(\$3,087,625)</u> |
| NONCASH TRANSACTIONS | | |
| Retirement of capital assets | <u>(\$107,181)</u> | <u>(\$97,576)</u> |

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

| |
|--|
| NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES |
|--|

A. *The Reporting Entity*

The financial statements of the Transportation Development Act Funds (TDA Funds) are intended to present the financial position and changes in financial position and cash flows for only those transactions attributable to the Streets Special Revenue Fund and the Transportation Enterprise Fund (TDA Funds) administered and disbursed by the City of Turlock, California (City).

The accounting policies of the TDA Funds of the City are in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting principles. The following is a summary of the more significant accounting policies.

B. *Fund Accounting*

The operations of the TDA Funds are accounted for in separate sets of self-balancing accounts that comprise their assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues and expenditures or expenses. Governmental resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The TDA Funds are presented in the accompanying financial statements as follows:

Governmental Fund Type

Streets Special Revenue Fund - The Streets Special Revenue Fund is used to account for the City's share of the Transportation Development Act (TDA) allocations that are legally restricted for street maintenance and capital improvements. In addition, this fund accounts for the Proposition 1B funds whose use is generally restricted to pavement maintenance, rehabilitation and/or reconstruction.

Proprietary Fund Type

Transportation Enterprise Fund - The Transportation Enterprise Fund is used to account for the operation and management of the City's transit operations. TDA and Federal Transit Administration (FTA) allocations for transit operations are accounted for in this fund along with Proposition 1B funds designated for transit programs.

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

| |
|--|
| NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) |
|--|

C. *Basis of Accounting and Measurement Focus*

Streets Special Revenue Fund

The Streets Special Revenue Fund's financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balance. The Special Revenue Fund is accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. 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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City's accrual period is generally 90 days after fiscal year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The Streets Special Revenue Fund is used to account for the City's share of the Transportation Development Act (TDA) allocations that are legally restricted for street maintenance and projects supporting bicycle and pedestrian activity adjacent to and on City streets/roads (non-motorized). In addition, this fund accounts for user fees collected related to permitted trenching activity and transportation permits within the City streets/roads and related right-of-way.

Transportation Enterprise Fund

The Transportation Enterprise Fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Transportation Enterprise Fund is accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Change in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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 Transportation Enterprise Fund is used to account for the operation and management of the City's transit operations. TDA and Federal Transit Administration (FTA) allocations for transit operations and capital projects are accounted for in this fund, along with Proposition 1B funds designated for transit programs.

Operating revenues in the Transportation Enterprise Fund include fare, Measure L Transit and other revenues generated from the primary operations of the fund, excluding grants. All other revenues, including operating grants, are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

| |
|--|
| NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) |
|--|

D. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS

The TDA Funds participate in the City's cash and investment pool. The City pools surplus cash from all sources and all funds, except cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity. Investment income is allocated among funds on the basis of the average month-end cash and investment balances in these funds. As of June 30, 2020, and June 30, 2019, the TDA Funds had cash and investment balances of \$1,638,661 and \$1,313,103, respectively.

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

The City's Investment Policy and the California Government Code permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Investment Policy if more restrictive, that address interest rate risk, credit risk and concentration of credit risk.

The City's investment policy authorizes the following investments:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|--|------------------|------------------------|------------------------------------|----------------------------------|
| U.S. Treasury Notes, Bonds and/or Bills | 5 years | A | Unlimited | N/A |
| U.S. Government Agency Securities | 5 years | A | Unlimited | No more than 25% |
| Negotiable Certificates of Deposit | 5 years | N/A | 30% | N/A |
| Certificates of Deposit | 5 years | A | Unlimited | N/A |
| Bankers' Acceptances | 180 days | A | 40% | No more than 30% |
| Commercial Paper | 270 days | A-1 or Higher | 25% | No more than 10% |
| State of Local Agency Investment Fund (LAIF) | N/A | N/A | Equal to maximum limit set by LAIF | N/A |
| Repurchase Agreement | 1 year | N/A | Unlimited | N/A |
| Money Market and Mutual Funds | N/A | A | 20% | N/A |
| Corporate Notes | 5 years | AA | 30% | N/A |

For purposes of the Statement of Cash Flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of funds with fiscal agents) as cash and cash equivalents, because investments meet the criteria for cash equivalents defined above.

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Hierarchy

The TDA Funds categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The TDA Funds' investment in the City's investment pool is not subject to the fair value hierarchy.

NOTE 3 – CAPITAL ASSETS

Capital assets acquired by the Streets Fund are recorded as expenditures in the special revenue fund and capitalized at cost and recorded as part of the City's Statement of Net Position in the government-wide financial statements. The costs of infrastructure (roads, curbs, gutters, streets, bridges, sidewalks, drainage systems, right-of-ways, and land related to such assets) are recorded as expenditures in the special revenue fund and are also capitalized and recorded in the City's Statement of Net Position in the government-wide financial statements. These infrastructure assets become the property of the City and are maintained by the City.

Capital assets acquired by the Transportation Enterprise Fund are recorded at cost in the Transportation Enterprise Fund and are depreciated using the straight-line method over estimated useful lives. Operating expenses include depreciation on all depreciable capital assets. Repairs and maintenance are charged to expense when the services are rendered.

City policy has set the capitalization thresholds for reporting capital assets at the following:

| | |
|-------------------------------|----------|
| General Capital Assets | \$10,000 |
| Infrastructure Capital Assets | 50,000 |

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 | 5-10 |
| Vehicles | 5-10 |

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 3 – CAPITAL ASSETS (Continued)

Transportation Enterprise Fund

The following is a summary of capital assets for the Transportation Enterprise fund:

| | Balance at June 30, 2019 | Additions | Retirements/ Adjustments | Transfers | Balance at June 30, 2020 |
|--|-----------------------------|-------------|-----------------------------|--------------|-----------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$1,823,738 | | | \$1,558,721 | \$3,382,459 |
| Construction in progress | 8,967,866 | \$3,502,556 | | (10,802,210) | 1,668,212 |
| Total capital assets not being depreciated | 10,791,604 | 3,502,556 | | (9,243,489) | 5,050,671 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 2,106,887 | | | 452,604 | 2,559,491 |
| Buildings | 1,904,615 | | | 6,277,006 | 8,181,621 |
| Furniture and equipment | 1,026,934 | | (\$50,967) | 105,113 | 1,081,080 |
| Vehicles | 4,943,225 | | (375,056) | 2,408,766 | 6,976,935 |
| Infrastructure | 251,912 | | (20,861) | | 231,051 |
| Total capital assets being depreciated | 10,233,573 | | (446,884) | 9,243,489 | 19,030,178 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (426,868) | (75,224) | | | (502,092) |
| Buildings | (685,035) | (168,104) | | | (853,139) |
| Furniture and equipment | (514,694) | (102,423) | 19,332 | | (597,785) |
| Vehicles | (1,369,802) | (800,725) | 319,792 | | (1,850,735) |
| Infrastructure | (15,662) | (3,851) | 579 | | (18,934) |
| Total accumulated depreciation | (3,012,061) | (1,150,327) | 339,703 | | (3,822,685) |
| Net capital assets being depreciated | 7,221,512 | (1,150,327) | (107,181) | 9,243,489 | 15,207,493 |
| Capital assets, net | \$18,013,116 | \$2,352,229 | (\$107,181) | | \$20,258,164 |

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 4 – UNEARNED REVENUE – CAPITAL PROGRAMS

The TDA Funds received grants from the State of California Department of Transportation for projects financed with Public Transportation Modernization, Improvement, and Service Enhancement Account (Proposition 1B), and had received Local Transportation Fund and State Transit Assistance funds in advance of costs being incurred. As of June 30, 2020, and 2019, unearned revenue related to those programs is as follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| <i>Streets Special Revenue Fund:</i> | | |
| State Transit Assistance and Local Transportation Fund | \$21,811 | \$21,811 |
| <i>Transportation Enterprise Fund:</i> | | |
| Proposition 1B | | \$258,313 |
| State Transit Assistance and Local Transportation Fund | \$1,985,492 | 444,502 |
| Insurance Proceeds Restricted to Bus Replacement | | 542,617 |
| Total Transit Enterprise Fund | \$1,985,492 | \$1,245,432 |

NOTE 5 – NET POSITION AND FUND BALANCES

A. Net Position

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables and deferred outflows of resources, less its liabilities and deferred inflows of resources.

The Streets Special Revenue Fund's fund balances are classified based on spending constraints imposed on the use of resources. The use of the funds accounted for in these Statements is restricted by law; therefore, these funds will never have committed or assigned balances. Each category in the following hierarchy is ranked according to the degree of spending constraint:

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 5 – NET POSITION AND FUND BALANCES (Continued)

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Assets not expected to be converted to cash, such as prepaids, notes receivable, and property held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee, the City Manager. This category includes: encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue and Capital Projects which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 6 – TRANSPORTATION DEVELOPMENT ACT

The State of California established the TDA to provide funds for public transportation. The funds are administered by the Stanislaus Council of Governments (StanCOG). TDA created a Local Transportation Fund (LTF) in each county for the transportation purposes specified in the Transportation Development Act Statutes and Administrative Code. Revenues of the LTF are derived from a 1/4 of one percent sales tax rate levied in each county.

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

| |
|---|
| NOTE 7 – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) |
|---|

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

Since fiscal year 2007-08, the City has received funding for the following projects: (1) Bus LED Designation Signs and Brochure Holders; (2) Construction of Timed Fill Compressed Natural Gas (CNG) Bus Fueling Station; (3) Compressed Natural Gas Transit Bus (35-foot); (4) Transit Transfer Center; (5) Transit Transfer Center Phase II; (6) CNG Slow Fill Compressor; (7) Electronic Farebox System; (8) Dispatch Office; (9) Operations and Bus Storage; (10) Paratransit Bus Purchase; (11) Bus Parking Expansion; (12) Bus Stop Improvements.

In fiscal years 2008 through 2020, the Program received a total of \$4,997,243 from Proposition 1B funds and expended \$5,053,942 including the expense of interest on the unspent funds. The Program did not receive additional Proposition 1B funding in fiscal years 2017 through 2020 and during the year ended June 30, 2020 expended \$259,362 including the expense of interest on unspent funds. The schedule below delineates the funds received and the spending of these funds along with the interest earned on the unexpended funds.

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

**NOTE 7 – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE
ENHANCEMENT ACCOUNT (PTMISEA) (Continued)**

| Project Name | Grant Amount | Interest | Expended through June 30, 2020 | Transfers to Other Projects |
|--|--------------------|-----------------|--------------------------------------|--------------------------------|
| Bus LED Designation Signs and Brochure Holders | \$12,975 | \$163 | (\$13,138) | |
| Construction of Timed Fill Compressed Natural Gas (CNG) Bus Fueling Station | 315,495 | 6,889 | (279,853) | (\$42,531) |
| Compressed Natural Gas Transit Bus (35-foot) | 495,495 | 14,112 | (507,333) | (2,274) |
| Transit Transfer Center | 1,265,574 | 5,539 | (1,549,015) | 277,902 |
| Transit Transfer Center Phase II & III | 532,437 | 14,921 | (1,129,350) | 581,992 |
| CNG Slow Fill Compressor | 350,000 | 392 | (350,392) | |
| Electronic Farebox System | 200,000 | 1,016 | (201,016) | |
| Dispatch Office | 130,000 | 183 | | (130,183) |
| Operations and Bus Storage | 377,740 | 322 | | (378,062) |
| Paratransit Bus Purchase | 900,000 | 3,231 | (872,586) | (30,645) |
| Bus Parking Expansion | 267,527 | 8,672 | | (276,199) |
| Bus Stop Improvements | 150,000 | 1,259 | (151,259) | |
| Total | <u>\$4,997,243</u> | <u>\$56,699</u> | <u>(\$5,053,942)</u> | |

NOTE 8 – RISK MANAGEMENT

The TDA Funds are exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets, and natural disaster. The TDA Funds participate in the Central San Joaquin Valley Risk Management Authority (CSJVRMA), as a part of the City. 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 funds, through cost allocation from the City, contribute their pro rata share of anticipated losses to pools administered by CSJVRMA. More information regarding the City's risk management program can be found in the basic financial statements of the City of Turlock.

NOTE 9 – PENSION PLAN

Personnel costs accounted for under TDA and FTA funding include costs associated with the City's pension benefit plan. The costs attributed to TDA and FTA funding are part of the City's Miscellaneous Plan, an Agent-Multiple Employer Plan administered by the California Public Employees' Retirement System (CalPERS), and are allocated to TDA and FTA funds in the same manner as they are allocated to other City funds which have personnel expenditures. More information regarding the Plan can be found in the basic financial statements for the City of Turlock.

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

NOTE 10 – OTHER EMPLOYEE BENEFITS

Personnel costs accounted for under TDA and FTA funding include costs associated with the City's compensated absences and retiree healthcare benefit plans. The costs attributed to TDA and FTA funding are part of the City-wide plans and are allocated to TDA and FTA funds in the same manner as they are allocated to other City funds which have personnel expenditures. More information regarding these plans can be found in the basic financial statements for the City of Turlock.

NOTE 11 – MAJOR CONTRACTOR

On November 25, 2017, the City entered into a contract agreement with Storer Transit Systems to operate and maintain the DART and BLAST programs. The term is from November 25, 2017, to June 30, 2021, with an option to extend for an additional two years. Storer Transit Systems is paid monthly based on a fixed fee plus a fee calculated at a fixed rate per vehicle multiplied by the number of service hours. Expenses incurred under this contract amounted to \$1,540,428 for the fiscal year ended June 30, 2020.

NOTE 12 – CONTINGENT LIABILITIES

The City receives Federal Transit Administration (FTA) monies for the purchase of buses, construction of related maintenance facilities, and for partial funding of its transit operations. State and federal grants received by the City for specific purposes are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
of the City of Turlock
Turlock, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Funds (TDA Funds) of the City of Turlock (City), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the TDA Funds' basic financial statements, and have issued our report thereon dated March 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TDA Funds' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TDA Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of TDA Funds' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the TDA Funds' financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

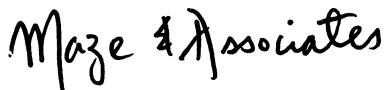
As part of obtaining reasonable assurance about whether the TDA Funds' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our procedures included the applicable audit procedures contained in §6666 and §6667 of *Title 21 of California Code of Regulations* and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Stanislaus Council of Governments (StanCOG). However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control for the year ended June 30, 2020, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TDA Funds' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the StanCOG, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
March 12, 2021

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR TDA PROGRAM FUNDS AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH SECTION 6666 AND 6667 OF THE RULES AND
REGULATIONS OF THE CALIFORNIA ADMINISTRATIVE CODE
IN THE TRANSPORTATION DEVELOPMENT ACT STATUTES AND ADMINISTRATIVE
CODE FOR 1987 AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE
STANISLAUS COUNCIL OF GOVERNMENTS**

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

Report on Compliance for TDA Funds

We have audited the City of Turlock, California's (City), Streets Special Revenue Fund and the Transportation Enterprise Fund (TDA Funds) compliance with the types of compliance requirements described in Section 6666 and 6667 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987* (the Act) and the allocation instructions and resolutions of the Stanislaus Council of Governments (StanCOG) that could have a direct and material effect on the TDA Funds for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its TDA Funds.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the TDA Funds based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Act and the allocation instructions and resolutions of the StanCOG. Those standards, the Act, and the allocation instructions and resolutions of the StanCOG require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the TDA Funds occurred. An audit includes examining, on a test basis, evidence about the TDA Funds' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the TDA Funds. However, our audit does not provide a legal determination of the TDA Funds' compliance.

Opinion on TDA Funds

In our opinion, the TDA Funds complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TDA Funds for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the TDA Funds' internal control over compliance with the types of requirements that could have a direct and material effect on the TDA Funds to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the TDA Funds and to test and report on internal control over compliance in accordance with the Act and the allocation instructions and resolutions of the StanCOG, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the TDA Funds' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the TDA Funds on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the TDA Funds will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the TDA Funds that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We have also issued a separate Memorandum on Internal Control for the year ended June 30, 2020, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Act and the allocation instructions and resolutions of the StanCOG. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the StanCOG, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California

March 12, 2021

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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR TDA FUNDS AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH RULES AND REGULATIONS OF THE
PUBLIC TRANSPORTATION MODERNIZATION,
IMPROVEMENT AND SERVICE ENHANCEMENT
ACCOUNT (PTMISEA)**

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

Report on Compliance for PTMISEA Projects

We have audited the revenues and expenses of the City of Turlock, California's (City), Public Transportation Modernization, Improvement and Service Enhancement Account Projects, as disclosed in Note 7 to the accompanying financial statements, a program of the Transportation Enterprise Fund, (the Projects) compliance with the rules and regulations of the *Public Transportation Modernization, Improvement and Service Enhancement Account* (PTMISEA) that could have a direct and material effect on the Projects for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the PTMISEA. Those standards and the PTMISEA require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Projects occurred. An audit includes examining, on a test basis, evidence about the Projects' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Projects. However, our audit does not provide a legal determination of the Projects' compliance.

Opinion on the PTMISEA Projects

In our opinion, the Projects complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Projects for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Projects' internal control over compliance with the types of requirements that could have a direct and material effect on the Projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Projects and to test and report on internal control over compliance in accordance with the PTMISEA, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Projects' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Projects on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the Projects will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Projects that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

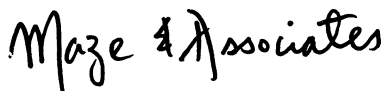
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We have also issued a separate Memorandum on Internal Control for the year ended June 30, 2020, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the PTMISEA and Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the State of California Department of Transportation, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.



Pleasant Hill, California
March 12, 2021

CURRENT STATUS OF PRIOR YEAR FINDINGS

TDA2019-001 – Timely Submission of the Annual Financial Audit to StanCOG and CalTrans

Criteria: The City is required to file the annual audit of the Transportation Development Act Funds (TDA Funds) with the Stanislaus Council of Governments (StanCOG) within 180 days of the end of the fiscal year or December 31st. And, since the City receives Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding that is included in the TDA Funds' annual audit, the TDA Funds report is also required to be filed with the California Department of Transportation (CalTrans) within 180 days of the end of the fiscal year. The City may request a 90-day extension from both StanCOG and CalTrans from the December 31 deadline to March 30.

Condition: The City did not request an extension for the filing of the June 30, 2018 financial statements with StanCOG or CalTrans, and they were not filed with StanCOG or CalTrans prior to December 31, 2018 or prior to March 30, 2019.

Cause: Staffing changes and delays in preparing the general ledger for audit resulted in the TDA Funds' records not being available for audit until the first quarter of the subsequent fiscal year.

Effect: The City is not in compliance with the annual financial audit filing requirements of StanCOG and PTMISEA, which may affect future TDA funding.

Recommendation: The City should develop procedures to ensure the TDA Funds' information is available for audit in time to file the annual financial audit by December 31 of each year, or request an extension and ensure it is filed prior to the extension deadline of March 30.

Current Status: Implemented.

TDA2018-001 – Timely Submission of the Annual Financial Audit to StanCOG and CalTrans

Criteria: The City is required to file the annual audit of the Transportation Development Act Funds (TDA Funds) with the Stanislaus Council of Governments (StanCOG) within 180 days of the end of the fiscal year or December 31st. And, since the City receives Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) funding that is included in the TDA Funds' annual audit, the TDA Funds report is also required to be filed with the California Department of Transportation (CalTrans) within 180 days of the end of the fiscal year. The City may request a 90-day extension from both StanCOG and CalTrans from the December 31 deadline to March 31.

Condition: Although the City had obtained an extension for filing the June 30, 2017 financial statements with StanCOG and CalTrans, the financial statements were not filed prior to March 31, 2018. And the City did not request an extension for the filing of the June 30, 2018 financial statements, and they were not filed with StanCOG or CalTrans prior to December 31, 2018.

Cause: Staffing changes and delays in preparing the general ledger for audit resulted in the TDA Funds' records not being available for audit until the first quarter of the subsequent fiscal year.

Effect: The City is not in compliance with the annual financial audit filing requirements of StanCOG and PTMISEA, which may affect future TDA funding.

CURRENT STATUS OF PRIOR YEAR FINDINGS

TDA2018-001 – Timely Submission of the Annual Financial Audit to StanCOG and CalTrans (Continued)

Recommendation: The City should develop procedures to ensure the TDA Funds' information is available for audit in time to file the annual financial audit by December 31 of each year, or request an extension and ensure it is filed prior to the extension deadline of March 31.

Current Status: Implemented.