



**CITY OF TURLOCK, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

**Prepared by
THE FINANCE DEPARTMENT**

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CITY OF TURLOCK
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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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, 2021, 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, 2021, 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 beginning balance of net position of the governmental activities due to an adjustment to loans receivable. The emphasis of this matter does not constitute a modification to our opinions.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which became effective during the year ended June 30, 2021 and required the restatement of net position as discussed in Note 8E to the financial statements. In addition, the Statement established the new fund type, Custodial Funds, and eliminated the fund type of Agency Funds.

The emphasis of these matters 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 June 6, 2023 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.

Maize & Associates

Pleasant Hill, California
June 6, 2023

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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 2020-2021 financial statements (with comparative information for 2019-2020). 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 2020-2021 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The City's net position (assets and deferred outflows in excess of liabilities and deferred inflows) at June 30, 2021, totaled \$566 million. Governmental activities accounted for \$306 million of the net position, while \$260 million are in the business-type activities.
- Total City revenues, including program and general revenues, were \$149 million, while total expenses were \$97 million.
- Governmental program revenues were \$35 million compared to governmental program expenses of \$59 million.
- Program revenues from business-type activities were \$73 million, while expenses for business-type activities were \$38 million.

Fund Highlights

- Net General Fund revenues exceeded expenditures and other financing sources (uses) by \$10,000,736 as compared to the prior year when revenues exceeded expenditures and other financing sources (uses) by \$1,262,774. 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, Tourism (2 funds), Cannabis and Measure A funds.
- General Fund fund balance is \$22 million at June 30, 2021 compared to a projected \$11.8 million when the 2020-2021 budget was originally adopted.

Additional discussion regarding the financial results for fiscal year 2020-2021 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, 2021**

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, public ways and facilities/transportation, 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 Fees 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 19 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 technology, 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 32.

**City of Turlock
Management’s Discussion and Analysis (continued)
For the Year Ended June 30, 2021**

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 87 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 39.

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 2021	2020	For the FYE June 30 2021	2020	For the FYE June 30 2021	2020
Cash and investments	\$ 99,717	\$ 79,041	\$ 184,481	\$ 60,117	\$ 284,198	\$ 139,158
Other assets	50,148	47,434	62,578	25,987	112,726	73,421
Capital assets, net	247,140	246,342	274,415	267,244	521,555	513,586
Total assets	\$ 397,005	\$ 372,817	\$ 521,474	\$ 353,348	\$ 918,479	\$ 726,165
Deferred outflows of resources	\$ 17,115	\$ 15,361	\$ 3,687	\$ 2,915	\$ 20,802	\$ 18,276
Long-term liabilities	89,058	82,560	247,050	115,179	336,108	197,739
Other liabilities	10,116	8,462	15,678	11,266	25,794	19,728
Total liabilities	\$ 99,174	\$ 91,022	\$ 262,728	\$ 126,445	\$ 361,902	\$ 217,467
Deferred inflows of resources	\$ 8,825	\$ 10,243	\$ 2,066	\$ 2,504	\$ 10,891	\$ 12,747
Net position:						
Net Investment in capital assets	245,119	244,625	147,591	170,507	392,710	415,132
Restricted	100,435	86,744			100,435	86,744
Unrestricted	(39,433)	(44,456)	112,776	56,807	73,343	12,351
Total net position	\$ 306,121	\$ 286,913	\$ 260,367	\$ 227,314	\$ 566,488	\$ 514,227

As noted above, the City’s primary investment is in its *Net investment in capital assets*. Capital assets, which account for approximately 69% 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.

**City of Turlock
Management’s Discussion and Analysis (continued)
For the Year Ended June 30, 2021**

Approximately \$100 million or 18% of the City’s non-capital net position is subject to external restrictions as to their use. The remaining \$73 million is unrestricted and available to meet the City’s on-going obligations to its citizens and creditors. Of this amount, (\$39) million is related to governmental activities and \$112 million to business-type activities.

The City’s overall net position increased by \$52 million during the 2020-2021 fiscal year. Governmental activities experienced a \$19 million increase in net position while the City’s business-type activities – those intended to be self-sufficient – experienced a \$33 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, \$108 million of the City’s \$149 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 \$97 million, consisted of \$59 million for governmental activities and \$38 million for business-type activities. Of the \$59 million in governmental activity expenses, \$35 million or 59% relate to the provision of public safety (police and fire) services. The next largest component was \$9 million or 15% 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, 2021**

SUMMARY OF CHANGES IN NET POSITION

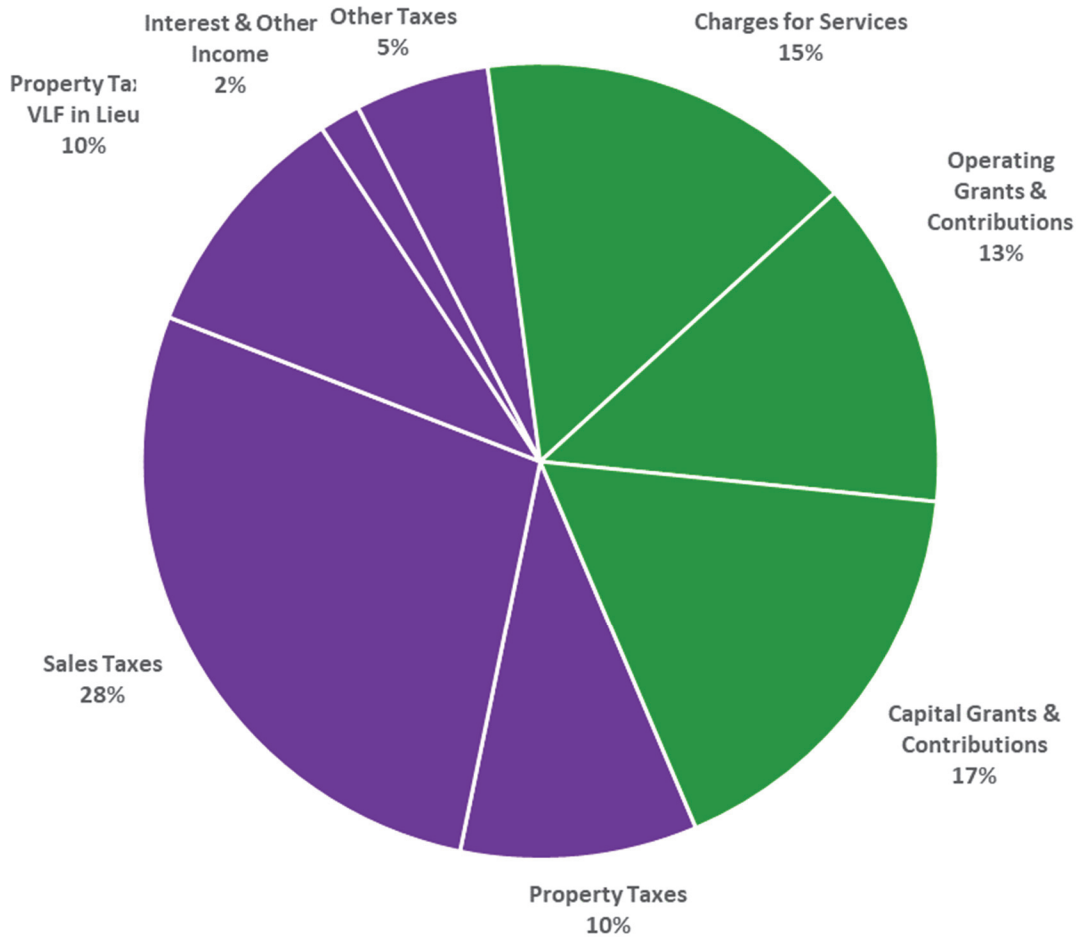
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>For the FYE June 30</u> <u>2021</u>	<u>2020</u>	<u>For the FYE June 30</u> <u>2021</u>	<u>2020</u>	<u>For the FYE June 30</u> <u>2021</u>	<u>2020</u>
Program Revenues:						
Charges for services	\$ 11,575	\$ 10,488	\$ 58,146	\$ 40,789	\$ 69,721	\$ 51,277
Operating grants and contributions	10,105	12,835	4,115	3,082	14,220	15,917
Capital grants and contributions	12,835	9,805	10,805	11,999	23,640	21,804
Total Program Revenues	\$ 34,515	\$ 33,128	\$ 73,066	\$ 55,870	\$ 107,581	\$ 88,998
General Revenues						
Property taxes	7,260	6,680			7,260	6,680
Sales taxes	20,889	14,737			20,889	14,737
Property taxes - VLF in Lieu	7,445	7,078			7,445	7,078
Other taxes	4,118	4,336			4,118	4,336
Interest and investment earnings	241	1,456	364	1,417	605	2,873
Other Income	1,021	1,111			1,021	1,111
Gain (loss) on disposal of capital assets		13				13
Total General Revenues	\$ 40,974	\$ 35,411	\$ 364	\$ 1,417	\$ 41,338	\$ 36,828
Total Overall Revenues	\$ 75,489	\$ 68,539	\$ 73,430	\$ 57,287	\$ 148,919	\$ 125,826
Expenses						
General government	8,071	6,138			8,071	6,138
Public safety	34,677	33,953			34,677	33,953
Public ways/facilities/transportation	9,383	11,537			9,383	11,537
Parks and recreation	3,494	3,719			3,494	3,719
Community development	2,779	5,762			2,779	5,762
Interest on long-term debt	91	101			91	101
Water			12,129	8,919	12,129	8,919
Sewer			19,265	19,977	19,265	19,977
Transportation			5,211	4,732	5,211	4,732
Building & Safety			1,674	1,181	1,674	1,181
Total Expenses	\$ 58,495	\$ 61,210	\$ 38,279	\$ 34,809	\$ 96,774	\$ 96,019
Increase (Decrease) in Net Position before Transfers and Contributions	16,994	7,329	35,151	22,478	52,145	29,807
Transfers	2,098	5,171	(2,098)	(5,171)		
Contribution from private purpose trust	116	102			116	102
Change in Net Position	\$ 19,208	\$ 12,602	\$ 33,053	\$ 17,307	\$ 52,261	\$ 29,909
Net Position, beginning of year, as restated	286,913	274,311	227,314	210,007	514,227	484,318
Net Position, end of year	\$ 306,121	\$ 286,913	\$ 260,367	\$ 227,314	\$ 566,488	\$ 514,227

**City of Turlock
 Management’s Discussion and Analysis (continued)
 For the Year Ended June 30, 2021**

Governmental Activities Revenue Composition

Governmental activity revenues totaling \$75 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:



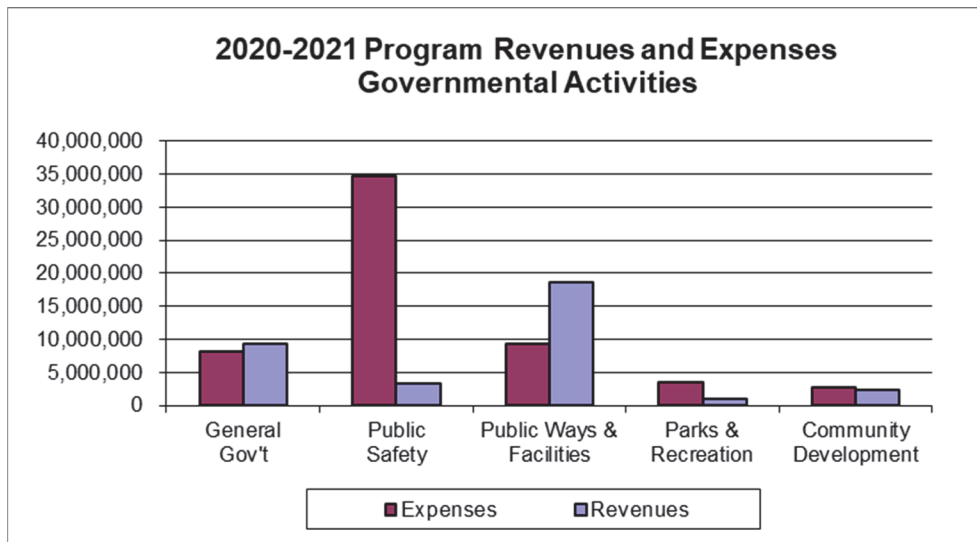
- Charges for Services – Revenues for specialized City services which are typically not demanded by the general population – totaled \$11.6 million. Included in this revenue category are the special assessment revenues charged by the City’s Lighting and Landscape maintenance districts as well as charges 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 \$10.1 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, 2021**

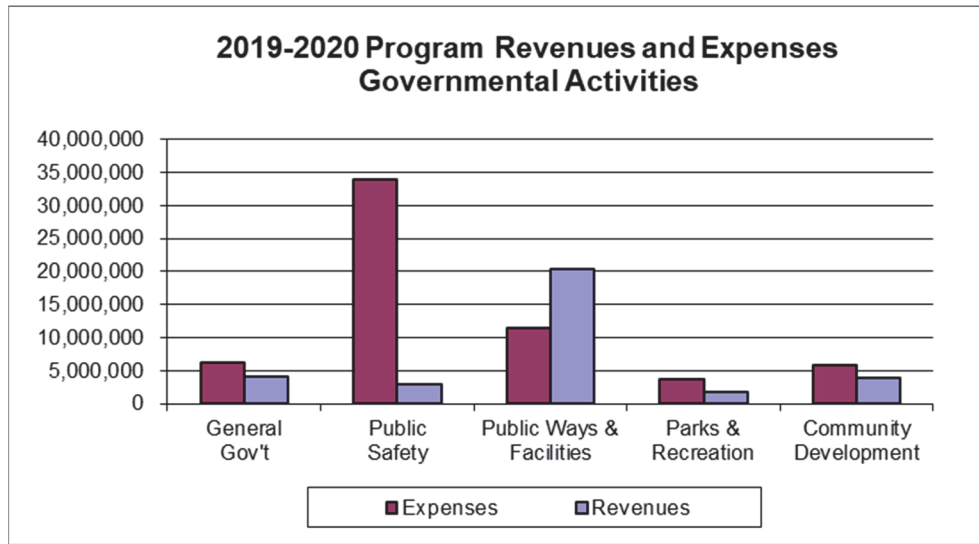
- Capital Grants & Contributions – These are typically development impact related revenues which are collected to finance the cost of new infrastructure as well as federal Department of Transportation revenues. Total revenues for 2020-2021 were \$12.8 million. The Department of Transportation revenues 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 \$41.0 million for fiscal 2020-2021. Property tax assessed values increased 5.31% or \$378 million between 2019-2020 and 2020-2021 to a total of \$7.5 billion in assessed value for parcels within the City of Turlock. This resulted in a \$580,000 increase in assessed value related revenues. Sales taxes increased \$6.2 million from 2019-2020. The increase in Sales Tax can be primarily attributed to the beginning of the economic recovery following the Covid-19 Pandemic and the related closures and ‘stay-at home’ orders and the implementation of the Measure A sales tax.

Governmental Activities Revenues and Expenses

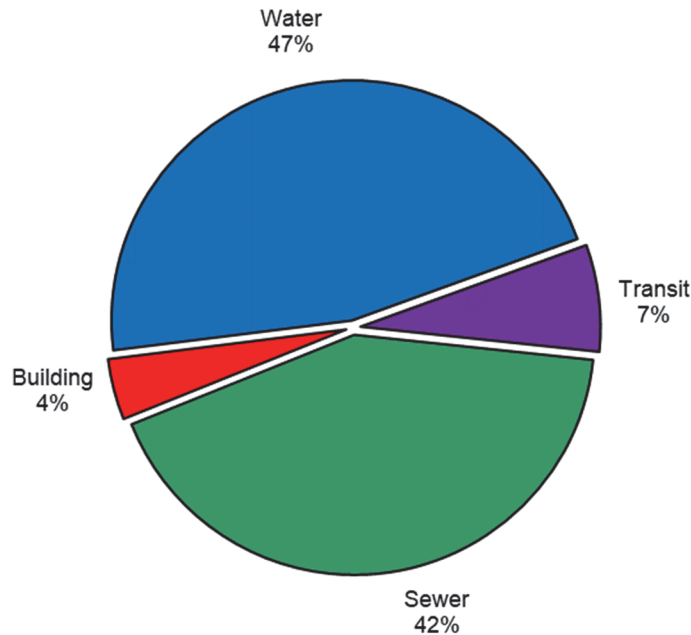
Governmental activity revenues are primarily used to finance governmental activities such as public safety, park maintenance, culture and recreation programs, and general government administration. The tables below graphically depict the typical relationship between program revenues and expenses for Governmental Activities for the past two years. In total, 2020-2021 expenses for Governmental Activities exceeded program revenues by \$24 million whereas in 2019-2020 expenses exceeded revenues by \$28 million.



**City of Turlock
 Management’s Discussion and Analysis (continued)
 For the Year Ended June 30, 2021**



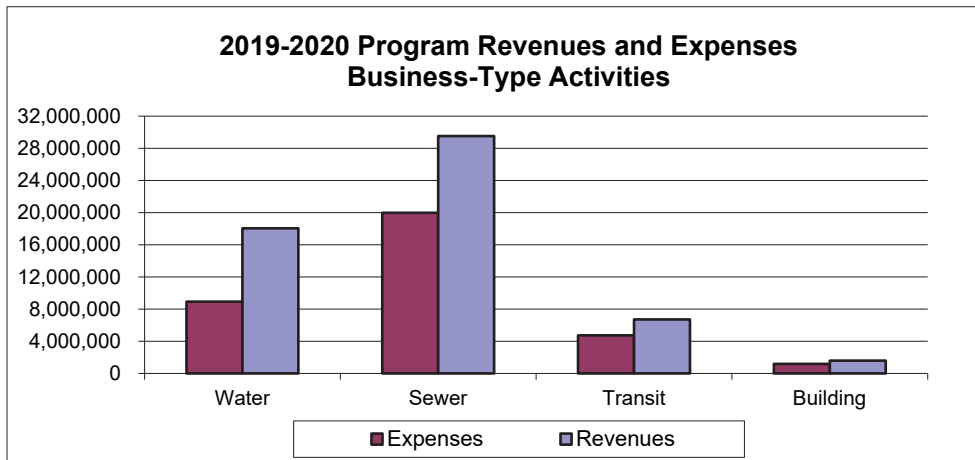
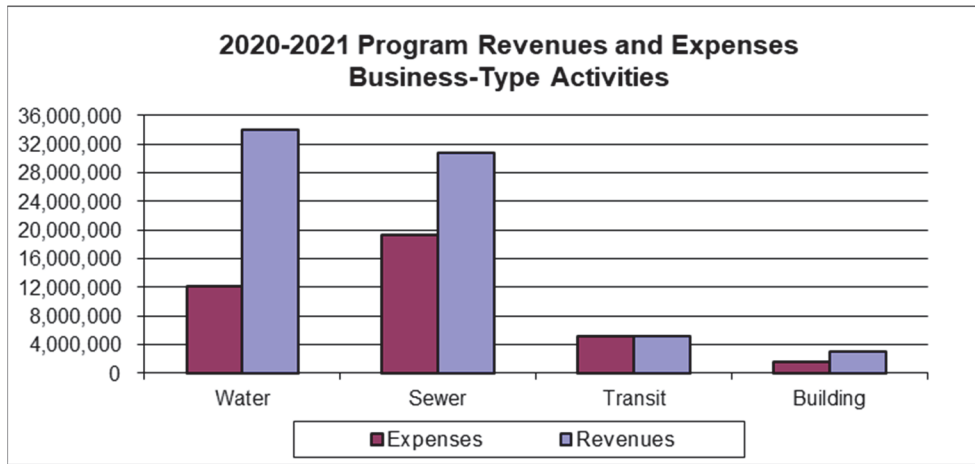
**Business-Type Activities
Revenues by Service Sector**



Revenues for business-type activities totaled \$73.1 million and related expenses totaled \$38.3 million of which \$19.3 million or 50% 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 \$12.1 million or 32% 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.

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 2020-2021 and 2019-2020 of the program revenues vs expenses for each of the four functional areas.

**City of Turlock
 Management’s Discussion and Analysis (continued)
 For the Year Ended June 30, 2021**



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, 2021, the City’s governmental funds reported combined fund balances of \$90.5 million, a \$20.8 million increase over the prior year. The General Fund’s fund balance is \$22.0 million at June 30, 2021. Governmental fund revenues (including transfers in) were \$82.2 million this year, of which General Fund revenues totaled \$51.7 million or 63%. Governmental fund expenditures (including transfers out) totaled \$62.1 million with the General Fund representing 67% of the total or \$41.8 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, 2021

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, Tourism (2 funds), Cannabis and Measure A funds. At June 30, 2021, the General Fund had a fund balance of \$22.0 million with \$19.0 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 \$10.0 million for 2020-2021. On-going General Fund revenues increased from \$38.5 million in 2020 to \$49.0 million in 2021.

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 2020-2021 was due to increases in tax revenues, particularly with Measure A sales tax in the amount of \$3.2 million.

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 2020-2021 the fund’s expenditures included \$55,393 in support of a Mobile Home Rental Subsidy program for income eligible senior citizens. This program is an enforceable obligation 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 2020-2021 totaled \$12.5 million while expenditures (including transfers out) totaled \$7.8 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 2020-2021 include; Hawkeye and Lander Avenue Rehabilitation, Pedestrian Intersection Improvements at Various Locations, Intersection Improvements at F Street and Lander Ave., Monte Vista and Fosberg Road, Tully Road and Tuolumne Road, N. Olive Ave and Wayside Drive 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, 2021**

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 \$33.0 million during fiscal year 2020-2021, which compares to a \$17.3 million increase for fiscal year 2019-2020. Overall operating revenues were approximately \$17.4 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 in conjunction with \$11.2 million from a settlement for well remediation. 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 \$5.2 million compared to \$4.4 in 2019-2020. 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, 2021, the City had \$522 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 2020-2021 was approximately \$24.3 million. Capital expenditures include 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 60.

DEBT ADMINISTRATION

At June 30, 2021 the City had \$230.5 million in debt outstanding as compared to \$101.6 million for the prior year. The City’s principal debt service obligations for 2020-21, totaling approximately \$5.4 million, are made up of the following:

	2020-21
	<u>Debt Service</u>
2012 Sewer Revenue Bonds	\$2,450,000
2017 Water Revenue Bonds	720,000
SRF - WQC Upgrade	1,112,828
SRF - Harding Drain By-Pass	691,324
SRF - North Valley Water Program	199,151
Motorola Equipment Lease/IBM	244,931
	<u><u>\$5,418,234</u></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 63.

**City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2021**

NEXT YEAR'S BUDGET AND THE ECONOMY

In June 2021, the City Council adopted the budget for fiscal year 2021-2022. The 2021-2022 General Fund budget projected a surplus of \$5.7 million with revenues of just over \$63 million, including revenue from Measure A in the amount of \$11.2 million. The 2021-2022 budget included personnel cost increases budgeted based on existing MOUs and/or Schedules of Benefits as well as projected increases for retirement and increases to projected revenues, primarily sales tax revenue from Measure A, and increased activity following 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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$99,717,254	\$82,815,966	\$182,533,220
Restricted cash and investments and cash and investments with fiscal agent (Note 3)		101,665,253	101,665,253
Accounts receivable, net (Note 5C)	12,535,212	21,330,994	33,866,206
Interest receivable	187,376	195,165	382,541
Prepays	6,789		6,789
Due from Developers (Note 5A)	287,284	157,663	444,947
Long-term loans receivable (Note 5B)	36,804,016		36,804,016
Investment in affordable housing property (Note 1K)	327,184		327,184
Investment in joint venture (Note 12D)		40,893,800	40,893,800
Capital assets, not being depreciated (Note 6)	43,754,487	77,010,081	120,764,568
Capital assets, being depreciated (net) (Note 6)	203,385,770	197,404,998	400,790,768
Total Assets	397,005,372	521,473,920	918,479,292
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 9)	15,307,990	3,174,583	18,482,573
Related to OPEB (Note 10)	1,807,342	512,615	2,319,957
Total Deferred Outflows of Resources	17,115,332	3,687,198	20,802,530
LIABILITIES			
Accounts payable	6,607,938	3,319,086	9,927,024
Payroll payable	941,325	174,838	1,116,163
Interest payable	20,537	2,566,056	2,586,593
Unearned revenue	549,245	3,836,269	4,385,514
Deposits payable	1,126,833	513,253	1,640,086
Compensated absences (Note 11):			
Due within one year	615,201	124,700	739,901
Due in more than one year	2,460,804	498,798	2,959,602
Estimated claims liability (Note 11):			
Due in more than one year	2,497,192		2,497,192
Long-term debt (Note 7):			
Due within one year	255,022	5,143,844	5,398,866
Due in more than one year	1,766,567	223,345,654	225,112,221
Net pension liability (Note 9):			
Due in more than one year	71,738,986	20,185,670	91,924,656
Total OPEB Liability (Note 10):			
Due in more than one year	10,594,451	3,019,954	13,614,405
Total Liabilities	99,174,101	262,728,122	361,902,223
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 9)	1,576,756		1,576,756
Related to OPEB (Note 10)	7,248,500	2,066,188	9,314,688
Total Deferred Inflows of Resources	8,825,256	2,066,188	10,891,444
NET POSITION (Note 8):			
Net investment in capital assets	245,118,668	147,590,834	392,709,502
Restricted for:			
Capital projects	18,027,057		18,027,057
Special projects and programs	82,408,377		82,408,377
Total Restricted Net Position	100,435,434		100,435,434
Unrestricted	(39,432,755)	112,775,974	73,343,219
Total Net Position	\$306,121,347	\$260,366,808	\$566,488,155

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$8,071,357	\$4,286,986	\$4,661,945	\$412,828	\$9,361,759
Public safety	34,676,805	2,074,458	901,820	245,048	3,221,326
Public ways and facilities/transportation	9,382,526	3,705,233	3,001,948	11,905,254	18,612,435
Parks and recreation	3,494,488	259,065	405,778	271,786	936,629
Community development	2,778,843	1,249,420	1,133,534		2,382,954
Interest and fiscal charges	90,893				
Total Governmental Activities	58,494,912	11,575,162	10,105,025	12,834,916	34,515,103
Business-type Activities:					
Water	12,129,266	33,056,698	74,726	811,832	33,943,256
Sewer	19,264,930	21,994,565		8,873,644	30,868,209
Transportation	5,210,958	91,286	4,039,726	1,119,400	5,250,412
Building & safety	1,674,431	3,003,251			3,003,251
Total Business-type Activities	38,279,585	58,145,800	4,114,452	10,804,876	73,065,128
Total	\$96,774,497	\$69,720,962	\$14,219,477	\$23,639,792	\$107,580,231

General revenues:

Taxes:
Property taxes
Sales taxes
Property tax-VLF in Lieu
Other Tax
Total taxes
Other revenue
Interest income
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

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Governmental Activities:			
General government	\$1,290,402		\$1,290,402
Public safety	(31,455,479)		(31,455,479)
Public ways and facilities/transportation	9,229,909		9,229,909
Parks and recreation	(2,557,859)		(2,557,859)
Community development	(395,889)		(395,889)
Interest and fiscal charges	(90,893)		(90,893)
Total Governmental Activities	(23,979,809)		(23,979,809)
Business-type Activities:			
Water		\$21,813,990	21,813,990
Sewer		11,603,279	11,603,279
Transportation		39,454	39,454
Building & safety		1,328,820	1,328,820
Total Business-type Activities		34,785,543	34,785,543
Total	(23,979,809)	34,785,543	10,805,734
General revenues:			
Taxes:			
Property taxes	7,259,509		7,259,509
Sales taxes	20,889,466		20,889,466
Property tax-VLF in Lieu	7,445,318		7,445,318
Other Tax	4,117,973		4,117,973
Total taxes	39,712,266		39,712,266
Other revenue	1,020,507		1,020,507
Interest income	241,342	364,366	605,708
Contributions from private purpose trust	116,116		116,116
Transfers (Note 4)	2,097,565	(2,097,565)	
Total general revenues and transfers	43,187,796	(1,733,199)	41,454,597
Change in Net Position	19,207,987	33,052,344	52,260,331
Net Position-Beginning, As Restated (Note 8E)	286,913,360	227,314,464	514,227,824
Net Position-Ending	\$306,121,347	\$260,366,808	\$566,488,155

See accompanying notes to basic financial statements

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MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2021. 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 Parks, Arts & Recreation Commission, Special Public Safety, Cannabis, Measure A, 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.

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, 2021

	General	Former LMI Housing Fund	Gas Tax/ Street Improvement	Facility Fees	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 3)	\$20,441,685	\$1,308,342	\$11,550,017	\$10,333,321	\$42,930,539	\$86,563,904
Accounts receivable (Note 5C)	8,622,448	450	2,645,735	1,125	819,747	12,089,505
Interest receivable	100,120	1,641	13,884	12,205	45,741	173,591
Due from developers (Note 5A)	20,041			267,243		287,284
Loans receivable (Note 5B)	19	16,916,533			19,887,464	36,804,016
Prepays	6,789					6,789
Investment in affordable housing property (Note 1K)		327,184				327,184
Total Assets	\$29,191,102	\$18,554,150	\$14,209,636	\$10,613,894	\$63,683,491	\$136,252,273
LIABILITIES						
Accounts payable	\$4,761,017	\$835	\$474,804	\$233,955	\$579,697	\$6,050,308
Payroll payable	829,667		20,215		38,560	888,442
Due to other funds (Note 4B)					111,228	111,228
Unearned revenue	277,416		21,811		250,018	549,245
Deposits payable	1,124,131		52		2,650	1,126,833
Total Liabilities	6,992,231	835	516,882	233,955	982,153	8,726,056
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue (Note 1F and 5B)	193,863	16,916,533			19,887,464	36,997,860
FUND BALANCES						
Fund balance (Note 8):						
Nonspendable	26,849			267,243		294,092
Restricted		1,636,782	13,692,754	10,112,696	23,858,580	49,300,812
Committed	2,443,878				19,066,522	21,510,400
Assigned	510,366					510,366
Unassigned	19,023,915				(111,228)	18,912,687
Total Fund Balances	22,005,008	1,636,782	13,692,754	10,379,939	42,813,874	90,528,357
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$29,191,102	\$18,554,150	\$14,209,636	\$10,613,894	\$63,683,491	\$136,252,273

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, 2021

Total fund balances reported on the Governmental Funds Balance Sheet \$90,528,357

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.

242,456,944

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	13,153,350
Accounts receivable	639,570
Interest receivable	13,785
Due from other funds	2,237,727
Capital assets (net of accumulated depreciation)	4,683,313
Accounts payable	(557,630)
Payroll payable	(52,883)
Due to other funds	(2,126,499)
Compensated absences	(269,287)
Estimated claims liability	(2,497,192)
Net pension liability and related deferred outflows and inflows of resources	(5,590,982)
Total OPEB liability and related deferred inflows of resources	(1,448,411)

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.

36,997,860

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	(2,021,589)
Interest payable	(20,537)
Compensated absences	(2,806,718)
Net pension liability and related deferred outflows and inflows of resources	(52,416,770)
Total OPEB liability and related deferred inflows of resources	<u>(14,587,198)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$306,121,347

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, 2021

	General	Former LMI Housing Fund	Gas Tax/ Street Improvement	Facility Fees	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	\$27,518,605				\$4,544,449	\$32,063,054
Measure A sales tax	3,224,606					3,224,606
Licenses and permits	1,877,928				27,106	1,905,034
Fines, forfeitures, and penalties	108,019					108,019
Use of money and property	187,271	\$3,290	\$56,621	(\$22,045)	15,049	240,186
Intergovernmental	11,460,748		12,100,719		2,034,556	25,596,023
Charges for current services	4,495,128		77,351	4,280,780	1,468,898	10,322,157
Other revenue	143,683	1,262,058	3,546		2,595,513	4,004,800
Total Revenues	49,015,988	1,265,348	12,238,237	4,258,735	10,685,571	77,463,879
EXPENDITURES						
Current:						
General government	7,056,424			18,075	233,952	7,308,451
Public safety	30,386,486			263	699,296	31,086,045
Public ways and facilities/transportation	373,682		2,251,641	969	2,522,702	5,148,994
Parks and recreation	1,547,048				1,355,253	2,902,301
Community development	639,200	55,393			3,017,330	3,711,923
Capital outlay	3,502		5,306,284	2,943,292	340,468	8,593,546
Debt service:						
Principal	244,931					244,931
Interest and fiscal charges	93,381					93,381
Total Expenditures	40,344,654	55,393	7,557,925	2,962,599	8,169,001	59,089,572
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,671,334	1,209,955	4,680,312	1,296,136	2,516,570	18,374,307
OTHER FINANCING SOURCES (USES)						
Contributions from private purpose trust	56,806	49,310			10,000	116,116
Proceeds from sale of property	1,294				556,817	558,111
Transfers in (Note 4A)	2,678,412		215,689		1,854,126	4,748,227
Transfers (out) (Note 4A)	(1,407,110)		(224,458)	(150,000)	(1,244,094)	(3,025,662)
Total Other Financing Sources (Uses)	1,329,402	49,310	(8,769)	(150,000)	1,176,849	2,396,792
NET CHANGE IN FUND BALANCES	10,000,736	1,259,265	4,671,543	1,146,136	3,693,419	20,771,099
BEGINNING FUND BALANCES	12,004,272	377,517	9,021,211	9,233,803	39,120,455	69,757,258
ENDING FUND BALANCES	\$22,005,008	\$1,636,782	\$13,692,754	\$10,379,939	\$42,813,874	\$90,528,357

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, 2021

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 \$20,771,099

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.	8,678,509
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$934,837 which has already been allocated to serviced funds).	(7,489,696)
Retirements are deducted from the fund balance	

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	244,931
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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	(1,464,575)
Interest payable	2,488
Compensated absences	82,388
Net pension liability and related deferred outflows and inflows of resources	(3,609,856)
Total OPEB liability and related deferred outflows and inflows of resources	(82,146)

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

2,074,845

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$19,207,987

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$22,834,284	\$24,272,484	\$27,518,605	\$3,246,121
Measure A sales tax		2,700,000	3,224,606	524,606
Licenses and permits	1,604,580	1,412,280	1,877,928	465,648
Fines and forfeitures	137,200	98,900	108,019	9,119
Use of money and property	219,100	219,100	187,271	(31,829)
Intergovernmental	10,164,300	11,081,763	11,460,748	378,985
Charges for current services	4,423,996	4,299,091	4,495,128	196,037
Other revenue	192,785	193,785	143,683	(50,102)
	<u>39,576,245</u>	<u>44,277,403</u>	<u>49,015,988</u>	<u>4,738,585</u>
EXPENDITURES:				
Current:				
General government	4,568,182	7,893,862	7,056,424	837,438
Public safety	31,644,480	31,861,480	30,386,486	1,474,994
Public ways and facilities/transportation	337,960	337,960	373,682	(35,722)
Parks and recreation	2,284,026	1,775,327	1,547,048	228,279
Community development	843,142	843,142	639,200	203,942
Capital outlay	27,081	1,377,081	3,502	1,373,579
Debt service:				
Principal	244,930	244,930	244,931	(1)
Interest and fiscal charges	93,381	93,381	93,381	
	<u>40,043,182</u>	<u>44,427,163</u>	<u>40,344,654</u>	<u>4,082,509</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(466,937)</u>	<u>(149,760)</u>	<u>8,671,334</u>	<u>8,821,094</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust	59,500	59,500	56,806	(2,694)
Proceeds from sale of property	5,000	5,000	1,294	(3,706)
Transfers in	2,609,185	3,959,185	2,678,412	(1,280,773)
Transfers (out)	(1,143,770)	(2,792,078)	(1,407,110)	1,384,968
	<u>1,529,915</u>	<u>1,231,607</u>	<u>1,329,402</u>	<u>97,795</u>
NET CHANGE IN FUND BALANCE	<u>\$1,062,978</u>	<u>\$1,081,847</u>	<u>10,000,736</u>	<u>\$8,918,889</u>
BEGINNING FUND BALANCE			<u>12,004,272</u>	
ENDING FUND BALANCE			<u>\$22,005,008</u>	

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, 2021

	<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			\$3,290	\$3,290
Other revenue	\$3,500	\$3,500	1,262,058	1,258,558
Total Revenues	<u>3,500</u>	<u>3,500</u>	<u>1,265,348</u>	<u>1,261,848</u>
EXPENDITURES:				
Current:				
Community development	60,000	60,000	55,393	4,607
Total Expenditures	<u>60,000</u>	<u>60,000</u>	<u>55,393</u>	<u>4,607</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(56,500)</u>	<u>(56,500)</u>	<u>1,209,955</u>	<u>1,266,455</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private-purpose trust	60,000	60,000	49,310	(10,690)
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>60,000</u>	<u>49,310</u>	<u>(10,690)</u>
NET CHANGE IN FUND BALANCE	<u>\$3,500</u>	<u>\$3,500</u>	1,259,265	<u>\$1,255,765</u>
BEGINNING FUND BALANCE			<u>377,517</u>	
ENDING FUND BALANCE			<u>\$1,636,782</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$33,700	\$33,700	\$56,621	\$22,921
Intergovernmental	13,907,807	13,907,807	12,100,719	(1,807,088)
Charges for current services	31,150	31,150	77,351	46,201
Other	5,000	5,000	3,546	(1,454)
Total Revenues	13,977,657	13,977,657	12,238,237	(1,739,420)
EXPENDITURES:				
Current:				
Public ways and facilities/transportation	2,745,840	2,758,492	2,251,641	506,851
Capital outlay	11,810,274	12,345,615	5,306,284	7,039,331
Total Expenditures	14,556,114	15,104,107	7,557,925	7,546,182
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(578,457)	(1,126,450)	4,680,312	5,806,762
OTHER FINANCING SOURCES (USES)				
Transfers in	886,636	886,636	215,689	(670,947)
Transfers out	(715,954)	(715,954)	(224,458)	491,496
Total Other Financing Sources (Uses)	170,682	170,682	(8,769)	(179,451)
NET CHANGE IN FUND BALANCE	(\$407,775)	(\$955,768)	4,671,543	\$5,627,311
BEGINNING FUND BALANCE			9,021,211	
ENDING FUND BALANCE			\$13,692,754	

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 2021, 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, 2021

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	Water	Sewer	Transportation	Nonmajor Fund Building & Safety		Totals
ASSETS						
Current assets						
Cash and investments (Note 3)	\$53,845,323	\$24,297,277	\$2,218,306	\$2,455,060	\$82,815,966	\$13,153,350
Restricted cash and investments and cash and investments with fiscal agent (Note 3)	99,034,759	2,630,494			101,665,253	
Accounts receivable (Note 5C)	2,383,112	16,245,020	2,702,862		21,330,994	639,570
Interest receivable	143,847	45,868	2,710	2,740	195,165	13,785
Due from developers (Note 5A)		157,663			157,663	
Due from other funds (Note 4B)						2,237,727
Total current assets	155,407,041	43,376,322	4,923,878	2,457,800	206,165,041	16,044,432
Non-current assets						
Investment in Joint Venture (Note 12D)	40,893,800				40,893,800	
Capital assets not being depreciated (Note 6)	11,492,263	61,569,449	3,948,369		77,010,081	
Capital assets being depreciated (Note 6)	36,320,192	144,563,260	16,521,546		197,404,998	4,683,313
Total non-current assets	88,706,255	206,132,709	20,469,915		315,308,879	4,683,313
Total Assets	244,113,296	249,509,031	25,393,793	2,457,800	521,473,920	20,727,745
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions (Note 9)	899,553	1,745,388	229,311	300,331	3,174,583	1,043,381
Related to OPEB (Note 10)	147,161	284,998	34,347	46,109	512,615	163,045
Total deferred outflows of resources	1,046,714	2,030,386	263,658	346,440	3,687,198	1,206,426
LIABILITIES						
Current liabilities						
Accounts payable	1,859,448	1,172,723	282,549	4,366	3,319,086	557,630
Payroll payable	55,153	91,755	9,667	18,263	174,838	52,883
Interest payable	1,858,916	707,140			2,566,056	
Due to other funds (Note 4B)						2,126,499
Compensated absences (Note 11)	39,239	67,026	9,093	9,342	124,700	53,857
Bonds and loans payable (Note 7)	755,000	4,388,844			5,143,844	
Unearned revenue			3,836,269		3,836,269	
Deposits payable	513,253				513,253	
Total current liabilities	5,081,009	6,427,488	4,137,578	31,971	15,678,046	2,790,869
Long-term liabilities						
Claims liability (Note 11)						2,497,192
Compensated absences (Note 11)	156,955	268,103	36,372	37,368	498,798	215,430
Total OPEB liability (Note 10)	863,596	1,672,476	201,562	282,320	3,019,954	956,820
Net pension liabilities (Note 9)	5,719,822	11,098,107	1,458,078	1,909,663	20,185,670	6,634,363
Bonds and loans payable (Note 7)	142,069,900	81,275,754			223,345,654	
Total long-term liabilities	148,810,273	94,314,440	1,696,012	2,229,351	247,050,076	10,303,805
Total Liabilities	153,891,282	100,741,928	5,833,590	2,261,322	262,728,122	13,094,674
DEFERRED INFLOWS OF RESOURCES						
Related to pensions (Note 9)						
Related to OPEB (Note 10)	590,854	1,144,271	137,906	193,157	2,066,188	654,636
Total deferred inflows of resources	590,854	1,144,271	137,906	193,157	2,066,188	654,636
NET POSITION (Note 8):						
Net investment in capital assets	4,022,314	123,098,605	20,469,915		147,590,834	4,683,313
Unrestricted	86,655,560	26,554,613	(783,960)	349,761	112,775,974	3,501,548
Total Net Position	\$90,677,874	\$149,653,218	\$19,685,955	\$349,761	\$260,366,808	\$8,184,861

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, 2021

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Transportation	<u>Nonmajor Fund</u> Building & Safety	Totals	
OPERATING REVENUES						
Charges for services	\$21,613,605	\$21,959,312	\$91,264	\$2,999,503	\$46,663,684	\$13,132,526
Other income	11,443,093	35,253	22	3,748	11,482,116	1,333,447
Total Operating Revenues	<u>33,056,698</u>	<u>21,994,565</u>	<u>91,286</u>	<u>3,003,251</u>	<u>58,145,800</u>	<u>14,465,973</u>
OPERATING EXPENSES						
Salaries, benefits and insurance	3,363,594	6,411,512	882,829	1,165,827	11,823,762	11,230,830
Contractual	1,354,223	2,070,136	2,284,067	470,570	6,178,996	393,579
Supplies and maintenance	356,954	1,369,820	421,211	3,269	2,151,254	62,148
Utilities	1,265,792	1,999,789	41,558	10,408	3,317,547	75,670
Fleet expense	100,539	230,953	166,646	4,788	502,926	39,061
Depreciation and amortization	1,326,015	4,530,967	1,334,007		7,190,989	934,837
Other expenses	287,063	215,490	20,712	19,569	542,834	45,166
Total Operating Expenses	<u>8,054,180</u>	<u>16,828,667</u>	<u>5,151,030</u>	<u>1,674,431</u>	<u>31,708,308</u>	<u>12,781,291</u>
Operating Income (Loss)	<u>25,002,518</u>	<u>5,165,898</u>	<u>(5,059,744)</u>	<u>1,328,820</u>	<u>26,437,492</u>	<u>1,684,682</u>
NONOPERATING REVENUES (EXPENSES)						
Operating grants	74,726		4,039,726		4,114,452	
Interest income	210,055	134,091	11,783	8,437	364,366	1,156
Interest (expense)	(4,078,307)	(2,174,984)			(6,253,291)	
Gain (loss) on disposal of capital assets	3,221	(261,279)	(59,928)		(317,986)	14,007
Net Nonoperating Revenues (Expenses)	<u>(3,790,305)</u>	<u>(2,302,172)</u>	<u>3,991,581</u>	<u>8,437</u>	<u>(2,092,459)</u>	<u>15,163</u>
Income (Loss) Before Contributions and Transfers	<u>21,212,213</u>	<u>2,863,726</u>	<u>(1,068,163)</u>	<u>1,337,257</u>	<u>24,345,033</u>	<u>1,699,845</u>
Capital grants		4,059,192	1,119,400		5,178,592	
Capital contributions - connection/impact fees	811,832	4,814,452			5,626,284	
Transfers in (Note 4A)	8,032	4,441	62,642		75,115	528,799
Transfers out (Note 4A)	(839,302)	(1,182,123)	(61,801)	(89,454)	(2,172,680)	(153,799)
Net Contributions and Transfers	<u>(19,438)</u>	<u>7,695,962</u>	<u>1,120,241</u>	<u>(89,454)</u>	<u>8,707,311</u>	<u>375,000</u>
Change in net position	21,192,775	10,559,688	52,078	1,247,803	33,052,344	2,074,845
NET POSITION-BEGINNING	<u>69,485,099</u>	<u>139,093,530</u>	<u>19,633,877</u>	<u>(898,042)</u>	<u>227,314,464</u>	<u>6,110,016</u>
ENDING NET POSITION	<u>\$90,677,874</u>	<u>\$149,653,218</u>	<u>\$19,685,955</u>	<u>\$349,761</u>	<u>\$260,366,808</u>	<u>\$8,184,861</u>

See accompanying notes to basic financial statements

CITY OF TURLOCK
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	Water	Sewer	Transportation	Nonmajor Fund Building & Safety		Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$20,983,496	\$21,852,378	\$96,713	\$3,000,395	\$45,932,982	\$12,715,824
Payments to suppliers	(1,897,949)	(5,918,303)	(3,087,770)	(530,462)	(11,434,484)	(540,806)
Payments to employees and benefits	(2,954,028)	(5,854,913)	(754,876)	(913,982)	(10,477,799)	(11,551,847)
Other	11,443,093	35,253	22	3,748	11,482,116	1,333,447
Cash Flows from Operating Activities	<u>27,574,612</u>	<u>10,114,415</u>	<u>(3,745,911)</u>	<u>1,559,699</u>	<u>35,502,815</u>	<u>1,956,618</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental receipts - operations	74,726		5,996,079		6,070,805	
Interfund receipts (payments)						262,803
Transfers in	8,032	4,441	62,642		75,115	528,799
Transfers out	(839,302)	(1,182,123)	(61,801)	(89,454)	(2,172,680)	(153,799)
Cash Flows from Noncapital Financing Activities	<u>(756,544)</u>	<u>(1,177,682)</u>	<u>5,996,920</u>	<u>(89,454)</u>	<u>3,973,240</u>	<u>637,803</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental receipts - capital program		33,542	160,446		193,988	
Acquisition of capital assets, net	(9,264,097)	(4,152,796)	(1,605,686)		(15,022,579)	(568,188)
Proceeds from sale of capital assets	3,221				3,221	37,525
Charges for joint project contributions	(30,957,500)				(30,957,500)	
Proceeds from issuance of debt	117,750,000	13,792,200			131,542,200	
Premium from issuance of debt	3,076,808				3,076,808	
Long-term debt payment - principal	(720,000)	(4,453,303)			(5,173,303)	
Long-term debt payment - interest	(2,520,144)	(2,221,382)			(4,741,526)	
Connection / impact fees	811,832	4,814,452			5,626,284	
Cash Flows from Capital and Related Financing Activities	<u>78,180,120</u>	<u>7,812,713</u>	<u>(1,445,240)</u>		<u>84,547,593</u>	<u>(530,663)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	161,462	159,763	11,774	7,741	340,740	5,755
Cash Flows from Investing Activities	<u>161,462</u>	<u>159,763</u>	<u>11,774</u>	<u>7,741</u>	<u>340,740</u>	<u>5,755</u>
Net Cash Flows	105,159,650	16,909,209	817,543	1,477,986	124,364,388	2,069,513
Cash and investments at beginning of period	47,720,432	10,018,562	1,400,763	977,074	60,116,831	11,083,837
Cash and investments at end of period	<u>\$152,880,082</u>	<u>\$26,927,771</u>	<u>\$2,218,306</u>	<u>\$2,455,060</u>	<u>\$184,481,219</u>	<u>\$13,153,350</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:						
Operating income (loss)	\$25,002,518	\$5,165,898	(\$5,059,744)	\$1,328,820	\$26,437,492	\$1,684,682
Adjustments to reconcile operating income (loss) to cash flows from operating activities:						
Depreciation and amortization	1,326,015	4,530,967	1,334,007		7,190,989	934,837
Change in assets and liabilities:						
Accounts receivable	(630,109)	(106,934)	5,449	892	(730,702)	(416,702)
Accounts payable	1,444,792	(32,115)	(153,576)	(21,858)	1,237,243	(197,176)
Payroll payable	6,080	(3,083)	(2,667)	1,821	2,151	(3,531)
Compensated absences	(5,838)	(30,707)	(29,055)	12,177	(53,423)	(3,449)
Claims liability						(22,683)
Deferred outflows/inflows and total OPEB liability	61,189	110,215	28,596	49,072	249,072	(37,681)
Deferred outflows/inflows and net pension liability	348,135	480,174	131,079	188,775	1,148,163	18,321
Deposits payable	21,830				21,830	
Cash Flows from Operating Activities	<u>\$27,574,612</u>	<u>\$10,114,415</u>	<u>(\$3,745,911)</u>	<u>\$1,559,699</u>	<u>\$35,502,815</u>	<u>\$1,956,618</u>
NONCASH TRANSACTIONS:						
Amortization of bond premium	\$156,901	\$183,157			\$340,058	
Retirement of capital assets		(261,279)	(\$59,928)		(321,207)	(\$23,518)
Total Noncash Capital and Related Financing Activities	<u>\$156,901</u>	<u>(\$78,122)</u>	<u>(\$59,928)</u>		<u>\$18,851</u>	<u>(\$23,518)</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.

CUSTODIAL FUNDS

Custodial Funds are used to report resources, not in a trust, that are held by the City for other parties outside of the City's reporting entity.

CITY OF TURLOCK
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2021

	Successor Agency Private-Purpose Trust Fund	Custodial Funds	
		Custodial Funds	External Investment Pool Fund
ASSETS			
Cash and investments (Note 3)	\$1,994,754	\$350,958	\$6,183,614
Cash and investments with fiscal agent (Note 3)	575,025	103,798	
Accounts receivable		76,922	
Interest receivable		327	
Total Assets	<u>2,569,779</u>	<u>532,005</u>	<u>6,183,614</u>
LIABILITIES			
Accounts payable	670	49,680	
Interest payable	437,476		
Long-term debt (Note 13B):			
Due within one year	1,150,000		
Due in more than one year	33,602,431		
Total Liabilities	<u>35,190,577</u>	<u>49,680</u>	
NET POSITION (DEFICIT)			
Restricted for:			
Other organizations		482,325	
Pool participant			6,183,614
Net deficit held in trust for other governments	(32,620,798)		
Total Net Position (Deficit)	<u>(\$32,620,798)</u>	<u>\$482,325</u>	<u>\$6,183,614</u>

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Successor Agency Private-Purpose Trust Fund	Custodial Funds	
		Custodial Funds	External Investment Pool Fund
ADDITIONS			
Property taxes	\$2,559,282		
Assessments		\$448,045	
Net investment income	30	2,027	\$37,629
Other receipts			3,376,411
	<u>2,559,312</u>	<u>450,072</u>	<u>3,414,040</u>
DEDUCTIONS			
Community development	8,947		
Contributions to the City of Turlock	116,116		
Administration expense		31,610	
Recipient payments		380,660	
Interest and fiscal charges	1,202,335	28,760	
	<u>1,327,398</u>	<u>441,030</u>	
NET CHANGE IN NET POSITION	1,231,914	9,042	3,414,040
NET POSITION (DEFICIT)			
Beginning of year, as restated (Note 8E)	<u>(33,852,712)</u>	<u>473,283</u>	<u>2,769,574</u>
End of year	<u><u>(\$32,620,798)</u></u>	<u><u>\$482,325</u></u>	<u><u>\$6,183,614</u></u>

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, 2021

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, 2021

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 Parks, Arts & Recreation Commission, Special Public Safety, Cannabis, Measure A, 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, 2021

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 are presented in separate Fiduciary Fund financial statements.

Custodial Funds are used to account for assets held by the City for the Northwest Triangle – Mello Roos Assessment District, Turlock Property and Business Improvement District #2 (PBID) and monies held for an external investment pool for the Stanislaus Regional Water Authority, none of which are held in trust. The financial activities of these funds are excluded from the City-wide financial statements, because they are not directly or indirectly governed by the City Council.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary (trust and custodial 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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021

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 and accounts receivable. The City also has deferred inflows of resources related to pensions and Other Post-Employment Benefits (OPEB) as discussed in Note 9 and 10. 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, 2021

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, 2021 were as follows:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Beginning Balance	\$3,161,842	\$676,921	\$3,838,763
Net Change	<u>(85,837)</u>	<u>(53,423)</u>	<u>(139,260)</u>
Ending Balance	<u>\$3,076,005</u>	<u>\$623,498</u>	<u>\$3,699,503</u>
Current Portion	<u>\$615,201</u>	<u>\$124,700</u>	<u>\$739,901</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, 2021

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, 2021 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.

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 Custodial funds. 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, 2021

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 Public Ways and Facilities/Transportation Department of the General Fund incurred expenditures in excess of appropriations in the amount of \$35,722. 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.

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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	\$182,533,220
Restricted cash and investments and cash and investments with fiscal agent	101,665,253
Total City Cash and Investments	284,198,473
Cash and investments in Fiduciary Funds (Separate Statement):	
Successor Agency to the Redevelopment	
Agency Private Purpose Trust Fund:	
Cash available for operations	1,994,754
Cash and investments with fiscal agent	575,025
Custodial Funds:	
Cash and investments available for operations	350,958
Cash and investments with fiscal agent	103,798
Custodial Funds - External investment pool	6,183,614
Total Cash and Investments	\$293,406,622

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$5,280
Deposits with financial institutions	51,855,283
Investments	241,546,059
Total Cash and Investments	\$293,406,622

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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021

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 Two highest rating categories	No maximum
Corporate Notes	N/A	N/A	No maximum
Negotiable Certificates of Deposit	N/A	N/A	No maximum

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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	12 Months or less	13 to 24 Months	25 to 60 Months	Total
<i>Held by City:</i>				
U.S. Treasury Notes	\$7,065,686	\$2,040,938	\$21,193,006	\$30,299,630
U.S. Government Agency Securities	11,067,376	999,867	6,075,196	18,142,439
Certificates of Deposit	14,330,695	1,764,755	2,280,185	18,375,635
California Local Agency Investment Fund	75,006,223			75,006,223
<i>Held by Trustee:</i>				
California Local Agency Investment Fund	99,009,214			99,009,214
Money Market Mutual Funds	712,918			712,918
Total Investments	<u>\$207,192,112</u>	<u>\$4,805,560</u>	<u>\$29,548,387</u>	<u>\$241,546,059</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, 2021 these investments matured in an average of 291 days.

Money Market Mutual funds are available for withdrawal on demand at June 30, 2021 matured in an average of 27 days.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021 for each investment type as provided by Standard and Poor’s investment rating system:

Investment Type	AAAm	AA+	Total
<i>Held by City:</i>			
U.S. Government Agency Securities		\$18,142,439	\$18,142,439
<i>Held by Trustee:</i>			
Money Market Mutual Funds	\$712,918		712,918
Total Rated Investments	<u>\$712,918</u>	<u>\$18,142,439</u>	18,855,357
<i>Not rated:</i>			
Certificates of Deposit			18,375,635
California Local Agency Investment Fund			174,015,437
<i>Exempt from credit rating disclosure:</i>			
U.S. Treasury Notes			<u>30,299,630</u>
Total Investments			<u><u>\$241,546,059</u></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.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2021:

	Level 1	Level 2	Total
Investments by Fair Value Level:			
<i>Held by City:</i>			
U.S. Treasury Notes		\$30,299,630	\$30,299,630
U.S. Government Agency Securities		18,142,439	18,142,439
Certificates of Deposit	\$4,507,501	13,868,134	<u>18,375,635</u>
Subtotal	<u>\$4,507,501</u>	<u>\$62,310,203</u>	66,817,704
Investments Measured at Amortized Cost:			
<i>Held by Trustee:</i>			
Money Market Mutual Funds			712,918
Investment Exempt from Fair Value Hierarchy:			
California Local Agency Investment Fund			<u>174,015,437</u>
Total Investments			<u><u>\$241,546,059</u></u>

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

U.S. Treasury Notes, and U.S. Government Agency Securities 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.

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, 2021 were as follows:

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
General Fund	Non-Major Governmental Funds	\$1,331,775	(A), (B)
	Internal Service Funds	75,335	(C)
Gas Tax/Street Improvement Fund	Non-Major Governmental Funds	32,498	(B)
	Transportation Enterprise Fund	62,642	(D)
	Internal Service Funds	129,318	(C)
Facility Fees Capital Projects Fund	Gas Tax/Street Improvement Fund	150,000	(B)
Non-Major Governmental Funds	General Fund	888,313	(A)
	Non-Major Governmental Funds	276,662	(A), (B)
	Water Enterprise Fund	8,032	(B)
	Sewer Enterprise Fund	4,441	(B)
Water Enterprise Fund	Internal Service Funds	66,646	(C)
	General Fund	563,261	(A), (E)
	Non-Major Governmental Funds	126,041	(A), (B)
	Internal Service Funds	150,000	(C)
Sewer Enterprise Fund	General Fund	982,646	(A), (E)
	Gas Tax/Street Improvement Fund	65,689	(A)
	Non-Major Governmental Funds	26,288	(A), (B)
	Internal Service Funds	107,500	(C)
Transportation Enterprise Fund	General Fund	61,801	(A)
Non-Major Enterprise Fund	General Fund	64,452	(A)
	Non-Major Governmental Funds	25,002	(A), (B)
Internal Service Funds	General Fund	117,939	(A), (E)
	Non-Major Governmental Funds	35,860	(A)
	Total Transfers	\$5,352,141	

- (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, 2021

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 Equipment Pool Internal Service Fund from the funds listed below at June 30, 2021 were as follows:

	Amount Due to
	Equipment Pool Internal Service Fund
Non-major Capital Projects Fund:	
East Tuolumne Master Plan	\$111,228
Internal Service Fund:	
Engineering	2,126,499
Total	\$2,237,727

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, 2021, the City had the following amounts due from developers and loans receivable. These amounts are further described below the table.

	Governmental Activities	Business-Type Activities	Total
Due from developers	\$287,284	\$157,663	\$444,947
Loans receivable	36,804,016		36,804,016
Total	\$37,091,300	\$157,663	\$37,248,963

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, 2021

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

B. Loans Receivable

Loans receivable at June 30, 2021 consist of the following:

Type of Loan/Borrower	Amount
Central Valley Coalition for Affordable Housing	\$10,298,450
First Time Homebuyer Loans	7,972,645
EAH, Inc. (Avena Bella)	13,848,836
Owner-Occupied Rehabilitation Loans	2,857,346
Rehabilitation Forgivable Loans for Energy Improvements	56,220
Rental Rehabilitation Loans	5,500
Turlock Gospel Mission Loans	390,000
We Care Program Loan	290,000
Haven Women's Center Loan	189,000
United Samaritans Foundation	175,000
Housing Authority of the County of Stanislaus	433,000
Greater Modesto Interfaith Hospitality Network Loan	288,000
Subtotal	36,803,997
Employee Computer Loans	19
Total long-term notes receivable	\$36,804,016

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, 2021 was \$6,167,021.

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, 2021 on these three properties was \$1,758,941.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021 on these three properties was \$2,372,488.

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, 2021, the City had 153 loans outstanding, totaling to \$7,972,645.

EAH, Inc. (Avena Bella)

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 the Avena Bella 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 I 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 \$3,744,107 million loan is for construction and final development of the project, excluding development fees, management fees or other similar fees. 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, 2021

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

Each loan is memorialized with a Promissory Note and a recorded deed of trust against the property. The combined loans carry a 3% annual simple interest rate and will be repaid using residual receipts over a 55 year period. As of June 30, 2021, EAH had drawn down all the funds associated with the DDA for Phase I and II of the project.

In connection with Phase II of the apartment complex the City issued two additional loans during fiscal year 2020. The first loan in the amount of \$2,467,373 was funded with Home Investment Partnership (HOME) funds to assist with the development and construction of the additional 60 multi-family residential housing units. The loan accrues simple interest of 3%, will be repaid with residual receipts. The second loan, in the amount of \$885,000 issued for the acquisition of the property from the City. The loan accrues simple interest of 1% and no payments are due until the maturity date. Principal and accrued interest on both the HOME loan and the acquisition loan are due October 1, 2074. Both loans were fully drawn down as of June 30, 2020

Outstanding principal and accrued interest for all four loans for this project totaled \$13,848,836, as of June 30, 2021.

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, 2021, the City had 32 loans outstanding, totaling to \$2,857,346.

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 were fully repaid at June 30, 2021.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

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, 2021 the City had 5 loans outstanding with principal and accrued interest of \$56,220.

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, 2021, the City had one loan outstanding totaling to \$5,500.

Turlock Gospel Mission Loans

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, 2021, the amount outstanding was \$60,000.

In May 2021, the City, using Homeless Emergency Aid Program (HEAP) funds, executed a second loan agreement and promissory note secured by a deed of trust with Turlock Gospel Mission to assist with the renovation of a commercial building to provide shelter and intensive case management for homeless intervention. The building is located at 432 South Broadway. The loan agreement in the amount of \$330,000 provides for the promissory note to be forgiven at a rate of 10% per year for a total of ten years provided that the property continues to be used as a homeless shelter.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

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, 2021, the amounts outstanding on the CDBG and HOME notes were \$180,000 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.

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, 2021, the amounts outstanding on the CDBG and HOME loans were \$84,000 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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

Housing Authority of the County of Stanislaus Loan

In November 2020 the City, using HOME funds, executed a loan agreement and promissory note secured by a deed of trust with the Housing Authority of the County of Stanislaus to assist the Housing Authority with the purchase a single family home and a triplex 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 HOME loan is for \$433,000. No interest accrues and no periodic payments are due on the 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 forgivable at a rate of 5% per year over twenty years. As of June 30, 2021, the amount outstanding on the HOME note was \$433,000.

Greater Modesto Interfaith Hospitality Network Loan

In September 2020 the City, using CDBG funds, executed a loan agreement and promissory note secured by a deed of trust with the Greater Modesto Interfaith Hospitality Network (the Network) (a California non-profit public benefit corporation) to assist the Network with the purchase a single family home to be used as transitional housing for persons at or below eighty percent (80%) of the median income in the City as defined by HUD. The CDBG loan is for \$288,000. No interest accrues and no periodic payments are due on the note as long as the borrower is not in default and the property continues to be used for its intended purpose. 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 loan notes, 50% of the excess proceeds will be paid to the City. As of June 30, 2021, the amount outstanding on the CDBG note was \$288,000.

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, 2021, 1 employee had a loan due to the City totaling \$19.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

C. Accounts Receivable

The following table provides a detailed listing of the City’s accounts receivable by type as of June 30, 2021:

	Due from Other Governments	Accounts Receivable	Total
General Fund	\$6,417,974	\$2,204,474	\$8,622,448
Former LMI Housing Special Revenue Fund		450	450
Gas Tax/ Street Improvement Special Revenue Fund	2,645,735		2,645,735
Facility Fees Capital Projects Fund	1,125		1,125
Nonmajor Governmental Funds	482,081	337,666	819,747
Water Enterprise Fund		2,383,112	2,383,112
Sewer Enterprise Fund	13,807,200	2,437,820	16,245,020
Transportation Enterprise Fund	2,699,645	3,217	2,702,862
Internal Service Funds		639,570	639,570
Total	26,053,760	8,006,309	34,060,069
Less allowance for collectability	(193,863)		(193,863)
Total, Net	\$25,859,897	\$8,006,309	\$33,866,206

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:

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

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

	Years
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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 – CAPITAL ASSETS (Continued)

A. Capital Assets Additions and Retirements

At June 30, 2021 the City’s capital assets for governmental activities consisted of the following:

<i>Governmental activities</i>	Balance at June 30, 2020 (As Restated)	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2021
Capital assets not being depreciated:					
Land	\$17,448,669			\$125,689	\$17,574,358
Construction in progress	30,083,677	\$8,312,904		(12,216,452)	26,180,129
Total capital assets not being depreciated	<u>47,532,346</u>	<u>8,312,904</u>		<u>(12,090,763)</u>	<u>43,754,487</u>
Capital assets being depreciated:					
Land improvements	37,605,043			558,724	38,163,767
Buildings	55,522,336	18,942			55,541,278
Furniture and equipment	16,860,685	406,901			17,267,586
Vehicles	12,657,041	505,675	(\$94,595)		13,068,121
Infrastructure	198,288,217	2,275		11,532,039	209,822,531
Total capital assets being depreciated	<u>320,933,322</u>	<u>933,793</u>	<u>(94,595)</u>	<u>12,090,763</u>	<u>333,863,283</u>
Less accumulated depreciation for:					
Land improvements	(16,713,423)	(1,023,717)			(17,737,140)
Buildings	(14,415,334)	(1,467,956)			(15,883,290)
Furniture and equipment	(10,814,723)	(725,495)			(11,540,218)
Vehicles	(8,643,738)	(878,441)	71,077		(9,451,102)
Infrastructure	(71,536,839)	(4,328,924)			(75,865,763)
Total accumulated depreciation	<u>(122,124,057)</u>	<u>(8,424,533)</u>	<u>71,077</u>		<u>(130,477,513)</u>
Net capital assets being depreciated	<u>198,809,265</u>	<u>(7,490,740)</u>	<u>(23,518)</u>	<u>12,090,763</u>	<u>203,385,770</u>
Governmental activity capital assets, net	<u>\$246,341,611</u>	<u>\$822,164</u>	<u>(\$23,518)</u>		<u>\$247,140,257</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2021 was as follows:

Governmental Activities	
General government	\$777,676
Public safety	1,298,708
Public ways and facilities/transportation	4,854,981
Parks and recreation	449,910
Community development	108,421
Internal service funds	934,837
Total Governmental Activities	<u><u>\$8,424,533</u></u>

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 – CAPITAL ASSETS (Continued)

At June 30, 2021 the City’s capital assets for business-type activities consisted of the following:

Business-type activities

	Balance at June 30, 2020	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2021
Capital assets not being depreciated:					
Land	\$5,144,541				\$5,144,541
Construction in progress	64,875,310	\$14,451,139	(\$261,852)	(\$7,199,057)	71,865,540
Total capital assets not being depreciated	<u>70,019,851</u>	<u>14,451,139</u>	<u>(261,852)</u>	<u>(7,199,057)</u>	<u>77,010,081</u>
Capital assets being depreciated:					
Land improvements	7,011,999			3,271,315	10,283,314
Buildings and improvements	11,994,944			1,025,886	13,020,830
Furniture and equipment	22,984,604	121,496		453,419	23,559,519
Vehicles	8,069,315	449,944	(174,826)	1,246,933	9,591,366
Infrastructure	328,044,301			1,201,504	329,245,805
	<u>378,105,163</u>	<u>571,440</u>	<u>(174,826)</u>	<u>7,199,057</u>	<u>385,700,834</u>
Less accumulated depreciation for:					
Land improvements	(3,009,942)	(244,131)			(3,254,073)
Buildings and improvements	(3,479,306)	(395,835)			(3,875,141)
Furniture and equipment	(20,446,935)	(503,445)			(20,950,380)
Vehicles	(2,158,220)	(870,077)	115,471		(2,912,826)
Infrastructure	(151,785,857)	(5,517,559)			(157,303,416)
	<u>(180,880,260)</u>	<u>(7,531,047)</u>	<u>115,471</u>		<u>(188,295,836)</u>
Net capital assets being depreciated	<u>197,224,903</u>	<u>(6,959,607)</u>	<u>(59,355)</u>	<u>7,199,057</u>	<u>197,404,998</u>
Total Business-type activity capital assets, net	<u>\$267,244,754</u>	<u>\$7,491,532</u>	<u>(\$321,207)</u>		<u>\$274,415,079</u>

Business-type activities depreciation expense for capital assets for the year ended June 30, 2021 was as follows:

Business-Type Activities	
Water	\$1,482,916
Sewer	4,714,124
Transportation	<u>1,334,007</u>
Total Business-Type Activities	<u><u>\$7,531,047</u></u>

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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.

Governmental Activities:	Original Issue Amount	Balance June 30, 2020	Retirements	Balance June 30, 2021	Due within One Year	Due in More than One Year
Direct Borrowing						
Capital Leases:						
Motorola Equipment Lease	\$2,727,690	\$2,266,520	\$244,931	\$2,021,589	\$255,022	\$1,766,567
Total Governmental Activity Debt	<u>\$2,727,690</u>	<u>\$2,266,520</u>	<u>\$244,931</u>	<u>\$2,021,589</u>	<u>\$255,022</u>	<u>\$1,766,567</u>

Capital Leases

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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – LONG TERM DEBT (Continued)

Debt Service Requirements

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

For the Year Ending June 30	Governmental Activities - Direct Borrowing Capital Lease Payable	
	Principal	Interest
2022	\$255,022	\$83,289
2023	265,529	72,783
2024	276,469	61,843
2025	287,859	50,452
2026	299,719	38,593
2027-2028	636,991	39,631
Total	<u>\$2,021,589</u>	<u>\$346,591</u>

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:

Business-type Activity Debt:	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Within One Year	More Than One Year
General Obligation Revenue Bonds:							
2012 Sewer Revenue	\$51,915,000	\$37,235,000		\$2,450,000	\$34,785,000	\$2,545,000	\$32,240,000
Add: Unamortized bond premium		2,411,568		183,157	2,228,411		2,228,411
2017 Water Revenue	22,405,000	20,090,000		720,000	19,370,000	755,000	18,615,000
Add: Unamortized bond premium		2,784,993		156,901	2,628,092		2,628,092
2020 Water Revenue Bond							
Anticipation Notes	117,750,000		\$117,750,000		117,750,000		117,750,000
Add: Unamortized bond premium			3,076,808		3,076,808		3,076,808
Loans Payable - Direct Borrowing:							
State Revolving Fund Loan - Harding Drain By-Pass	15,090,416	11,192,064		691,324	10,500,740	706,533	9,794,207
State Revolving Fund Loan - TRWQCF Upgrade	24,752,169	19,525,109		1,112,828	18,412,281	1,137,311	17,274,970
State Revolving Fund Loan - NRRWP	28,907,112	6,145,117	13,792,200	199,151	19,738,166		19,738,166
Total Business-type Activity Debt	<u>\$260,819,697</u>	<u>\$99,383,851</u>	<u>\$134,619,008</u>	<u>\$5,513,361</u>	<u>\$228,489,498</u>	<u>\$5,143,844</u>	<u>\$223,345,654</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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – LONG TERM DEBT (Continued)

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 2020-21 net system revenues of \$13,467,726 annual principal and interest payments (totaling \$6,674,685 in fiscal year 2020-21) were 202% of net system revenues.

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 2020-21 net system revenues of \$26,538,588, annual principal and interest payments (totaling \$3,240,144 in fiscal year 2020-21) were 819% of net water system revenues.

2020 Water Revenue Bond Anticipation Notes

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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – LONG TERM DEBT (Continued)

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.

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 outstanding balance of the loan is \$19,738,166 as of June 30, 2021. 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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – LONG TERM DEBT (Continued)

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, 2021 are shown below:

For the Year Ending June 30	Revenue Bonds		Direct Borrowing – Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$3,300,000	\$6,968,563	\$1,843,844	\$636,086	\$5,143,844	\$7,604,649
2023	3,450,000	6,826,813	1,884,408	595,522	5,334,408	7,422,335
2024	3,595,000	6,664,962	1,925,865	554,065	5,520,865	7,219,027
2025	3,785,000	6,481,587	1,968,234	511,696	5,753,234	6,993,283
2026	3,430,000	6,302,213	2,011,536	468,394	5,441,536	6,770,607
2027-2031	136,735,000	10,324,112	10,741,279	1,658,371	147,476,279	11,982,483
2032-2036	14,525,000	1,922,300	8,537,855	444,312	23,062,855	2,366,612
2037-2038	3,085,000	186,400			3,085,000	186,400
Total	171,905,000	\$45,676,950	28,913,021	\$4,868,446	200,818,021	\$50,545,396
Add: Unamortized Bond Premium	7,933,311				7,933,311	
Add: State Revolving Fund Loan - NVRWP			19,738,166		19,738,166	
Net long-term debt	\$179,838,311		\$48,651,187		\$228,489,498	

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 \$980,000 at June 30, 2021.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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:

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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

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.

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:						
Prepays	\$6,789					\$6,789
Loans receivable	19					19
Due from developers	20,041			\$267,243		287,284
Total Nonspendable Fund Balances	26,849			267,243		294,092
Restricted for:						
Low and moderate income housing		\$1,636,782			\$4,826,218	6,463,000
Capital expenditures			\$13,692,754	10,112,696		23,805,450
Assessment districts					17,076,528	17,076,528
Resource conservation					1,304,739	1,304,739
Public safety					575,544	575,544
Development impact fees					75,551	75,551
Total Restricted Fund Balances		1,636,782	13,692,754	10,112,696	23,858,580	49,300,812
Committed to:						
Public safety	954,222				139,680	1,093,902
Tourism	1,489,656					1,489,656
Capital expenditures					18,926,842	18,926,842
Total Committed Fund Balances	2,443,878				19,066,522	21,510,400
Assigned to:						
Compensated absences	510,366					510,366
Total Assigned Fund Balances	510,366					510,366
Unassigned:						
General Fund	19,023,915					19,023,915
Other governmental fund deficits					(111,228)	(111,228)
Total Unassigned Fund Balances	19,023,915				(111,228)	18,912,687
Total Fund Balances	\$22,005,008	\$1,636,782	\$13,692,754	\$10,379,939	\$42,813,874	\$90,528,357

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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

D. Fund Balance/Net Position Deficits

The following funds had deficit fund balances or net position as of June 30, 2021:

	Amount
Non-major Governmental Fund:	
East Tuolumne Master Plan Capital Projects Fund	\$111,228
Internal Service Funds:	
Information Technology	1,904,015
Engineering	5,145,998

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

The deficits in 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 Net Position

Custodial Funds - The City implemented the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities* during the fiscal year ended June 30, 2021. As a result, the City determined that the activities of the Stanislaus Regional Water Authority (SRWA) previously reported in an Agency Fund would instead be reported in an External Investment Pool Custodial Fund and therefore beginning net position of the fund was restated in the amount of \$2,769,574. In addition, the Northwest Triangle Mello Roos Assessments Fund and the Property & Business Improvement District #2 Fund previously reported as Agency Funds are now reported as Custodial Funds and beginning net positions of the Northwest Triangle Mello Roos Assessments Fund and the Property & Business Improvement District #2 Fund were restated in the amounts of \$432,032 and \$41,251, respectively.

Governmental Activities - In addition, during fiscal year 2021 the City recorded loans receivable and accrued interest related to the Avena Bella Project in the amount of \$4,759,535 and the reduction of land in capital assets in the amount of \$550,000. Since these loans were made in prior fiscal years, the beginning net position of the governmental activities (as of July 1, 2021) was restated and increased in the amount of \$4,209,535.

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, 2021

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	\$8,148,053	\$51,809,581	
Safety (Fire and Police)	10,334,520	40,115,075	\$1,576,756
Total	<u>\$18,482,573</u>	<u>\$91,924,656</u>	<u>\$1,576,756</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, 2021

NOTE 9 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	2.7% @ 55	2% @ 62
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 67	52 - 67
Retirement age	2.0% to 2.7%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	8.000%	6.25%
Required employee contribution rates	10.557%	10.557%
Required employer contribution rates	<u>\$3,797,559</u>	
Required UAL contribution		

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 \$3,797,559 for the year-ended June 30, 2021, which was made under the lump sum payment option.

Employees Covered – As of the June 30, 2019 actuarial valuation date and the June 30, 2020 measurement date, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous	
	June 30, 2019	June 30, 2020
Inactive employees or beneficiaries currently receiving benefits	250	262
Inactive employees entitled to but not yet receiving benefits	311	319
Active employees	<u>214</u>	<u>204</u>
Total	<u>775</u>	<u>785</u>

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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2010 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, 2021

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, 2019	\$151,544,239	\$104,236,958	\$47,307,281
Changes in the year:			
Service cost	2,484,703		2,484,703
Interest on the total pension liability	10,837,530		10,837,530
Differences between actual and expected experience	2,271,043		2,271,043
Changes in assumptions			
Changes in benefit terms			
Plan to Plan resource movement			
Contribution - employer		4,919,630	(4,919,630)
Contribution - employee		1,038,613	(1,038,613)
Net investment income		5,279,682	(5,279,682)
Administrative expenses		(146,949)	146,949
Benefit payments, including refunds of employee contributions	(6,967,583)	(6,967,583)	
Other Miscellaneous Income/Expense			
Net changes	<u>8,625,693</u>	<u>4,123,393</u>	<u>4,502,300</u>
Balance at June 30, 2020	<u>\$160,169,932</u>	<u>\$108,360,351</u>	<u>\$51,809,581</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	\$73,706,876
Current Discount Rate	7.15%
Net Pension Liability	\$51,809,581
1% Increase	8.15%
Net Pension Liability	\$33,758,280

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 – PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For the year ended June 30, 2021, the City recognized pension expense of \$7,087,220. At June 30, 2021, 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	\$5,268,460	
Differences between actual and expected experience	2,202,173	
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	677,420	
Total	\$8,148,053	

\$5,268,460 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, 2022. 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
2022	\$964,024
2023	983,167
2024	508,769
2025	423,633
2026	-
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, 2021

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, 2021 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%	13.000%
Required employer contribution rates	23.674%	13.044%
Required UAL contribution	\$981,327	\$1,418

	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%	13.000%
Required employer contribution rates	23.674%	13.044%
Required UAL contribution	\$1,442,373	\$2,926

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 \$2,428,044 in fiscal year 2021, as shown in the table above.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021, the employer contributions to the Safety Plan were \$4,811,929.

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, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$40,115,075.

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

	Safety (Fire and Police)
Proportion - June 30, 2019	0.58%
Proportion - June 30, 2020	0.60%
Change - Increase (Decrease)	0.02%

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 – PENSION PLANS (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$7,769,509 for the Safety Plan. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Safety Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$4,811,929	
Differences between actual and expected experience	3,110,721	
Differences in actual and proportional contribution		
Changes in assumptions		(\$133,624)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,540,001	(1,443,132)
Net differences between projected and actual earnings on plan investments	<u>871,869</u>	
Total	<u>\$10,334,520</u>	<u>(\$1,576,756)</u>

\$4,811,929 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2022	\$1,068,914
2023	1,450,060
2024	990,006
2025	436,855
2026	-
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:

	<u>Safety</u>
1% Decrease	6.15%
Net Pension Liability	\$60,760,396
Current Discount Rate	7.15%
Net Pension Liability	\$40,115,075
1% Increase	8.15%
Net Pension Liability	\$23,173,636

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, 2021

NOTE 9 – PENSION PLANS (Continued)

D. Information Common to the Miscellaneous and Safety Plans

Actuarial Assumptions – For the measurement period ended June 30, 2020, the total pension liabilities were determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous and Safety (Fire and Police)</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increases	(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, 2019 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, 2021

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 and forecasted information for 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 rates of return by asset class.

Asset Class (a)	Current Target 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 Comprehensive Annual Financial Report, 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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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 16 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, 2021:

	Valuation Date July 1, 2019	Fiscal Year June 30, 2021
Active employees	314	319
Inactive employees or beneficiaries currently receiving benefit payments	15	16
Inactive employees entitled to but not yet receiving benefit payments		30
Total	329	365

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021, 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, 2021, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 01, 2019
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Discount Rate	2.10%
Inflation	0.60%
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 2.10%, 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 2.20% to 2.10% and the inflation rate was modified from 0.70% to 0.60%.

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

	Total OPEB Liability
Balance at July 1, 2020	\$12,514,729
Changes Recognized for the Measurement Period:	
Service Cost	797,780
Interest on the total OPEB liability	292,875
Changes in benefit terms	
Differences between expected and actual experience	(105,340)
Changes of assumptions	205,992
Contributions from the employer	
Net investment income	
Administrative expenses	
Benefit payments	(91,631)
Net changes	1,099,676
Balance at June 30, 2021	\$13,614,405

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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%
1.10%	2.10%	3.10%
\$11,855,336	\$13,614,405	\$11,780,545

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%
\$11,672,991	\$13,614,405	\$15,953,360

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2021, the City recognized OPEB expense of \$385,168. At June 30, 2021, 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		(\$4,179,521)
Changes of assumptions	\$2,319,957	(5,135,167)
Net differences between projected and actual earnings on plan investments		
Total	\$2,319,957	(\$9,314,688)

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
2022	(\$705,487)
2023	(705,487)
2024	(705,487)
2025	(705,487)
2026	(705,487)
Thereafter	(3,467,296)

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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 3% of salary plus
Police	Employees covered by Turlock Associated Police Officers MOU	3% of benefits 4% of salary plus
Fire	Employees covered by Turlock Firefighters Local #2434 MOU	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 2020-21 were as follows:

Plan	Contributions
Management/Confidential	\$125,606
Miscellaneous	180,987
Police	307,052
Fire	199,026

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021 was \$202,462 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:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$100,000)	\$39,000,000
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 \$1,242,542 for coverage during the fiscal year ended June 30, 2021 and did not receive any fiscal year 2020 retrospective refunds. In addition, in fiscal year 2021, the City was issued a credit for prior year payments for the previous five years in the amount of \$458,798. 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:

Type of Coverage (Deductible)
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, 2021

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 accounting principles.

For the Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
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
2021	2,519,875	4,985,693	(5,008,376)	2,497,192

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. *Litigation*

As of June 30, 2021, 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 \$1,287 under the agreement for fiscal year ended June 30, 2021 and has expended \$396,151 to date.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021 was \$40,893,800.

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, 2021:

Projects	Amount
Stanislaus Regional Water Authority	\$19,446,059
Drinking Water Chlorination Project	2,992,328
Water Improvements	2,429,089
Arsenic Mitigation & ICF Treatment	2,165,285
Housing	1,531,232
Other Contracts	1,108,155
PCE Monitoring/Remediation	1,064,641
Improvements - Road Rehabilitation	718,760
Sewer Improvements	438,408
Transit Center	79,406
Various bus, vehicle and equipment purchases	54,708
North Valley Regional Recycled Water Program (NVRWP)	37,999
Traffic Signals	19,775

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021

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, 2021 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2021.

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, 2021 are as follows:

	Original Issue Amount	Balance June 30, 2020	Retirements	Balance June 30, 2021	Due Within One Year	Due in More Than One Year
General Obligation Revenue Bonds:						
2016 Tax Allocation Revenue Bonds	\$35,740,000	\$33,330,000	\$1,100,000	\$32,230,000	\$1,150,000	\$31,080,000
Add: Unamortized bond premium		2,660,018	137,587	2,522,431		2,522,431
Total Successor Agency Debt	<u>\$35,740,000</u>	<u>\$35,990,018</u>	<u>\$1,237,587</u>	<u>\$34,752,431</u>	<u>\$1,150,000</u>	<u>\$33,602,431</u>

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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. *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, 2021

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

4. 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
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	1,400,000	1,047,257
2027-2031	8,125,000	4,085,155
2032-2036	10,130,000	2,109,408
2037-2040	7,610,000	436,177
Total	32,230,000	\$12,518,899
Add: Unamortized Bond Premium	2,522,431	
Net long-term debt	\$34,752,431	

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, 2021

NOTE 14 – SUBSEQUENT EVENTS

A. Sewer Bond Refinancing

On June 22, 2022, the City entered into a direct placement loan agreement in the amount of \$32,924,000. The proceeds of the loan, secured by revenue from the City's Wastewater Treatment operations as defined in the loan agreement, were used to refund and defease the outstanding 2012 Sewer Revenue Bonds. The 2012 Bonds would be repaid in their entirety on September 15, 2022. No new project monies were included in this loan agreement. The loan bears interest of 2.99% and matures in September 2033. Payments of principal are due annually on September 15th and interest is due semi-annually on the September 15th and March 15th. Events of default on the loan include failure to make any loan repayment by the due date or failure to perform the other agreements or covenants required in the loan agreement not cured within sixty days of notice to the City, would make all principal and interest outstanding on the loan immediately due and payable. The City can prepay the loan after September 15, 2024, by paying the prescribed prepayment premium as set forth in the loan agreement.

B. Fire Engine Capital Lease

On April 15, 2022, the City entered into a capital lease/purchase agreement for the purchase of two new Pierce Velocity Pumps. The lease, totaling \$1,755,110, carries an annual interest rate of 3.41% and requires annual principal and interest payments due on the 15th of each month until April 2037 when the lease terminates. The City has pledged the Velocity Pumps 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 thirty days, which would accelerate repayment of the lease. The City can terminate the lease at any time after April 15, 2024 by paying the prescribed prepayment price as set forth in the lease payment schedule.

C. Reduction of CalPERS Discount Rate

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions will be reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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	6/30/2020
Total Pension Liability							
Service Cost	\$2,252,227	\$2,145,944	\$2,113,775	\$2,535,894	\$2,556,275	\$2,302,531	\$2,484,703
Interest	8,152,132	8,394,010	8,879,576	9,300,013	9,710,969	10,263,211	10,837,530
Differences between expected and actual experience		(2,796,579)	704,751	188,828	254,403	2,064,432	2,271,043
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)	(6,967,583)
Net change in total pension liability	6,206,987	1,007,500	6,556,308	14,483,786	5,815,125	7,806,863	8,625,693
Total pension liability - beginning	109,667,670	115,874,657	116,882,157	123,438,465	137,922,251	143,737,376	151,544,239
Total pension liability - ending (a)	\$115,874,657	\$116,882,157	\$123,438,465	\$137,922,251	\$143,737,376	\$151,544,239	\$160,169,932
Plan fiduciary net position							
Contributions - employer	\$2,650,159	\$2,832,416	\$3,259,415	\$3,684,085	\$3,783,927	\$4,359,068	\$4,919,630
Contributions - employee	1,031,498	1,042,224	1,027,004	1,109,929	1,133,810	1,157,716	1,038,613
Net investment income	12,514,268	1,937,886	438,577	9,502,918	7,974,175	6,592,102	5,279,682
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)	(6,967,583)
Plan to Plan Resource Movement		78,472	622	(25)	(230)		
Administrative Expense		(94,994)	(51,446)	(123,941)	(144,433)	(70,664)	(146,949)
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	4,123,393
Plan fiduciary net position - beginning	71,240,464	83,239,017	84,414,108	83,946,486	92,687,790	99,021,817	104,236,958
Plan fiduciary net position - ending (b)	\$83,239,017	\$84,414,108	\$83,946,486	\$92,687,790	\$99,021,817	\$104,236,958	\$108,360,351
Net pension liability - ending (a)-(b)	\$32,635,640	\$32,468,049	\$39,491,979	\$45,234,461	\$44,715,559	\$47,307,281	\$51,809,581
Plan fiduciary net position as a percentage of the total pension liability	71.84%	72.22%	68.01%	67.20%	68.89%	68.78%	67.65%
Covered payroll	\$13,044,287	\$12,730,821	\$13,052,557	\$13,771,230	\$13,489,574	\$14,631,733	\$14,259,962
Net pension liability as percentage of covered payroll	250.19%	255.03%	302.56%	328.47%	331.48%	323.32%	363.32%

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, 2019 and 2020, 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	2021
Actuarially determined contribution	\$3,847,884	\$3,256,514	\$3,684,324	\$3,786,340	\$4,359,068	\$4,919,630	\$5,268,460
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)	(5,268,460)
Contribution deficiency (excess)	\$0	\$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	\$13,930,302
Contributions as a percentage of covered payroll	30.22%	24.95%	26.75%	28.07%	29.79%	34.50%	37.82%
Notes to Schedule							
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
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 2.625% for 2020, and 2.50% for 2021						
Salary increases	Varies by Entry Age and Service						
Investment rate of return	7.50%, for 2015 to 2018, 7.375% for 2019, 7.25% for 2020 and 7.00% for 2021, net of pension plan investment and administrative expenses, includes inflation.						
Retirement age	The probabilities of Retirement are based on the CalPERS Experience Study. 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, 2020 and 2021, 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	Society of Actuaries.						

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Plan's Proportion of the Net Pension Liability (Asset)	0.39%	0.53%	0.55%	0.55%	0.57%	0.58%	0.60%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	<u>\$24,494,695</u>	<u>\$21,992,658</u>	<u>\$28,313,359</u>	<u>\$32,763,059</u>	<u>\$33,256,276</u>	<u>\$36,264,853</u>	<u>\$40,115,075</u>
Plan's Covered Payroll	<u>\$10,003,385</u>	<u>\$9,440,848</u>	<u>\$9,870,904</u>	<u>\$9,994,012</u>	<u>\$10,781,820</u>	<u>\$11,959,999</u>	<u>\$11,776,264</u>
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%	340.64%
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%	75.26%	75.10%

* - 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	2021
Actuarially determined contribution	\$3,951,824	\$2,633,557	\$2,919,564	\$3,335,223	\$3,975,052	\$4,477,269	\$4,811,929
Contributions in relation to the actuarially determined contributions	<u>(3,951,824)</u>	<u>(2,633,557)</u>	<u>(2,919,564)</u>	<u>(3,335,223)</u>	<u>(3,975,052)</u>	<u>(4,477,269)</u>	<u>(4,811,929)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	<u>\$9,440,848</u>	<u>\$9,870,904</u>	<u>\$9,994,012</u>	<u>\$10,781,820</u>	<u>\$11,959,999</u>	<u>\$11,776,264</u>	<u>\$11,203,500</u>
Contributions as a percentage of covered payroll	41.86%	26.68%	29.21%	30.93%	33.24%	38.02%	42.95%

* - 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	<u>6/30/18</u>	<u>6/30/19</u>	<u>6/30/20</u>	<u>6/30/2021</u>
Total OPEB Liability				
Service Cost	\$1,155,061	\$1,135,358	\$638,020	\$797,780
Interest	637,175	713,835	716,143	292,875
Changes in benefit terms				
Differences between expected and actual experience	(222,909)	(55,000)	(4,650,595)	(105,340)
Changes of assumptions	(600,396)	854,724	(3,897,028)	205,992
Benefit payments	(107,347)	(231,516)	(115,029)	(91,631)
Net change in total OPEB liability	<u>861,584</u>	<u>2,417,401</u>	<u>(7,308,489)</u>	<u>1,099,676</u>
Total OPEB liability - beginning	<u>16,544,233</u>	<u>17,405,817</u>	<u>19,823,218</u>	<u>12,514,729</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>	<u><u>\$13,614,405</u></u>
Covered-employee payroll	<u>\$24,603,348</u>	<u>\$28,959,337</u>	<u>\$28,058,863</u>	<u>\$25,133,575</u>
Total OPEB liability as a percentage of covered payroll	<u>70.75%</u>	<u>68.45%</u>	<u>44.60%</u>	<u>54.17%</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 and from 2.20% to 2.10% in 2021. The inflation rate was also modified from 1.85% to 1.50% in 2019 and from 1.50% to 0.70% in 2020 and from 0.70% to 0.6% in 2021.

* Fiscal year 2018 was the first year of implementation.

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, 2021

	SPECIAL REVENUE FUNDS			
	Asset Forfeitures	Integrated Waste Mgmt (AB939)	Bicycle Safety	Sports Facilities
ASSETS				
Cash and investments	\$78,333	\$1,299,635	\$62,164	\$26,417
Accounts receivable		4,377	15	685
Interest receivable		1,621		
Loans receivable				
Total Assets	\$78,333	\$1,305,633	\$62,179	\$27,102
LIABILITIES				
Accounts payable	\$832	\$173		\$14,712
Payroll payable		721		12,390
Deposits payable				
Unearned revenue				
Due to other funds				
Total Liabilities	832	894		27,102
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCE				
Fund balance:				
Restricted		1,304,739		
Committed	77,501		\$62,179	
Unassigned				
Total Fund Balances (Deficit)	77,501	1,304,739	62,179	
Total Liabilities and Fund Balances	\$78,333	\$1,305,633	\$62,179	\$27,102

SPECIAL REVENUE FUNDS

	Animal Fees Forfeiture	Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee
ASSETS				
Cash and investments	\$31,794	\$5,103,510	\$5,188,883	\$498,165
Accounts receivable		610	26,812	
Interest receivable		6,322		634
Loans receivable				
Total Assets	<u>\$31,794</u>	<u>\$5,110,442</u>	<u>\$5,215,695</u>	<u>\$498,799</u>
LIABILITIES				
Accounts payable	\$5,224		\$212,555	
Payroll payable				
Deposits payable				
Unearned revenue				
Due to other funds				
Total Liabilities	<u>5,224</u>		<u>212,555</u>	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCE				
Fund balance:				
Restricted	26,570			
Committed		\$5,110,442	5,003,140	\$498,799
Unassigned				
Total Fund Balances (Deficit)	<u>26,570</u>	<u>5,110,442</u>	<u>5,003,140</u>	<u>498,799</u>
Total Liabilities and Fund Balances	<u>\$31,794</u>	<u>\$5,110,442</u>	<u>\$5,215,695</u>	<u>\$498,799</u>

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	SPECIAL REVENUE FUNDS			
	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District	Northeast Turlock CFD #2
ASSETS				
Cash and investments	\$666,490	\$17,077,605	\$16,446	\$70,007
Accounts receivables		68,900		5,544
Interest receivable	853	21,313		
Loans receivable				
	<u>667,343</u>	<u>17,167,818</u>	<u>16,446</u>	<u>75,551</u>
Total Assets	<u>\$667,343</u>	<u>\$17,167,818</u>	<u>\$16,446</u>	<u>\$75,551</u>
LIABILITIES				
Accounts payable		\$90,372		
Payroll payable		17,364		
Deposits payable				
Unearned revenue				
Due to other funds				
		<u>107,736</u>		
Total Liabilities		<u>107,736</u>		
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCE				
Fund balance:				
Restricted		17,060,082	\$16,446	\$75,551
Committed	\$667,343			
Unassigned				
	<u>667,343</u>	<u>17,060,082</u>	<u>16,446</u>	<u>75,551</u>
Total Fund Balances (Deficit)	<u>667,343</u>	<u>17,060,082</u>	<u>16,446</u>	<u>75,551</u>
Total Liabilities and Fund Balances	<u>\$667,343</u>	<u>\$17,167,818</u>	<u>\$16,446</u>	<u>\$75,551</u>

SPECIAL REVENUE FUNDS

	CDBG	State HOME Funds	Housing Stimulus Funds	Stanislaus County Housing Consortium
ASSETS				
Cash and investments	\$609,555	\$3,662,259	\$41,051	\$231,578
Accounts receivables	205,223			110,839
Interest receivable		5,724		
Loans receivable	6,511,095	4,112,247	5,500	9,258,622
Total Assets	<u>\$7,325,873</u>	<u>\$7,780,230</u>	<u>\$46,551</u>	<u>\$9,601,039</u>
LIABILITIES				
Accounts payable	\$15,930	\$4,000		\$9,346
Payroll payable	5,903			2,182
Deposits payable				2,650
Unearned revenue				
Due to other funds				
Total Liabilities	<u>21,833</u>	<u>4,000</u>		<u>14,178</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	6,511,095	4,112,247	\$5,500	9,258,622
FUND BALANCE				
Fund balance:				
Restricted	792,945	3,663,983	41,051	328,239
Committed				
Unassigned				
Total Fund Balances (Deficit)	<u>792,945</u>	<u>3,663,983</u>	<u>41,051</u>	<u>328,239</u>
Total Liabilities and Fund Balances	<u>\$7,325,873</u>	<u>\$7,780,230</u>	<u>\$46,551</u>	<u>\$9,601,039</u>

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECTS FUNDS</u>	
	<u>Grant Funds</u>	<u>Traffic Safety</u>	<u>Capital Improvement</u>	<u>Street Light Installation</u>
ASSETS				
Cash and investments	\$524,908	\$57,501	\$712,904	\$146,533
Accounts receivable	385,742		1,000	
Interest receivable			875	188
Loans receivable				
Total Assets	<u>\$910,650</u>	<u>\$57,501</u>	<u>\$714,779</u>	<u>\$146,721</u>
LIABILITIES				
Accounts payable	\$168,324	\$835	\$57,217	
Payroll payable				
Deposits payable				
Unearned revenue	250,018			
Due to other funds				
Total Liabilities	<u>418,342</u>	<u>835</u>	<u>57,217</u>	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCE				
Fund balance:				
Restricted	492,308	56,666		
Committed			657,562	\$146,721
Unassigned				
Total Fund Balances (Deficit)	<u>492,308</u>	<u>56,666</u>	<u>657,562</u>	<u>146,721</u>
Total Liabilities and Fund Balances	<u>\$910,650</u>	<u>\$57,501</u>	<u>\$714,779</u>	<u>\$146,721</u>

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	CAPITAL PROJECTS FUNDS			
	Downtown Improvement Project	North Turlock Master Plan	North East Turlock Master Plan	Turlock Regional Industrial Park
ASSETS				
Cash and investments	\$241,006	\$2,220,752	\$3,592,846	\$722,480
Accounts receivables				
Interest receivable		2,832	4,564	815
Loans receivable				
Total Assets	\$241,006	\$2,223,584	\$3,597,410	\$723,295
LIABILITIES				
Accounts payable			\$177	
Payroll payable				
Deposits payable				
Unearned revenue				
Due to other funds				
Total Liabilities			177	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCE				
Fund balance:				
Restricted				
Committed	\$241,006	\$2,223,584	3,597,233	\$723,295
Unassigned				
Total Fund Balances (Deficit)	241,006	2,223,584	3,597,233	723,295
Total Liabilities and Fund Balances	\$241,006	\$2,223,584	\$3,597,410	\$723,295

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	CAPITAL PROJECTS FUNDS		
	East Tuolumne Master Plan	Airport	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments		\$47,717	\$42,930,539
Accounts receivable		10,000	819,747
Interest receivable			45,741
Loans receivable			19,887,464
Total Assets	\$57,717	\$57,717	\$63,683,491
LIABILITIES			
Accounts payable			\$579,697
Payroll payable			38,560
Deposits payable			2,650
Unearned revenue			250,018
Due to other funds	\$111,228		111,228
Total Liabilities	111,228		982,153
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			19,887,464
FUND BALANCE			
Fund balance:			
Restricted			23,858,580
Committed		\$57,717	19,066,522
Unassigned	(111,228)		(111,228)
Total Fund Balances (Deficit)	(111,228)	57,717	42,813,874
Total Liabilities and Fund Balances	\$57,717	\$57,717	\$63,683,491

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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, 2021

	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		\$6,498		
Intergovernmental	\$971	22,377		
Charges for current services		238,812		\$35,401
Other				646
Total Revenues	971	267,687	432	36,047
EXPENDITURES				
Current:				
General government		118,746		
Public safety	11,578		7,249	
Public ways and facilities/transportation				
Parks and recreation				782,425
Community development				
Capital outlay				
Total Expenditures	11,578	118,746	7,249	782,425
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(10,607)	148,941	(6,817)	(746,378)
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in				771,798
Transfers (out)				(25,420)
Total Other Financing Sources (Uses)				746,378
NET CHANGE IN FUND BALANCES	(10,607)	148,941	(6,817)	
BEGINNING FUND BALANCES (DEFICITS)	88,108	1,155,798	68,996	
ENDING FUND BALANCES (DEFICITS)	\$77,501	\$1,304,739	\$62,179	

SPECIAL REVENUE FUNDS

	Animal Fees Forfeiture	Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee
REVENUES				
Taxes and assessments			\$88,896	
Licenses and permits				
Use of money and property		(\$1,552)		\$2,565
Intergovernmental			44,951	
Charges for current services	\$27,832	305,097	388,851	13,803
Other			15,748	
Total Revenues	27,832	303,545	538,446	16,368
EXPENDITURES				
Current:				
General government			87,782	
Public safety	22,550		384,762	
Public ways and facilities/transportation		5,279	8,619	343
Parks and recreation			6,302	
Community development			197,414	
Capital outlay			246,492	
Total Expenditures	22,550	5,279	931,371	343
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,282	298,266	(392,925)	16,025
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in			715,462	
Transfers (out)				
Total Other Financing Sources (Uses)			715,462	
NET CHANGE IN FUND BALANCES	5,282	298,266	322,537	16,025
BEGINNING FUND BALANCES (DEFICITS)	21,288	4,812,176	4,680,603	482,774
ENDING FUND BALANCES (DEFICITS)	\$26,570	\$5,110,442	\$5,003,140	\$498,799

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS			
	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District	Northeast Turlock CFD #2
REVENUES				
Taxes and assessments		\$3,552,814		\$902,739
Licenses and permits				
Use of money and property	\$3,491	(18,336)		2,998
Intergovernmental				
Charges for current services				
Other		2,732		
Total Revenues	<u>3,491</u>	<u>3,537,210</u>		<u>905,737</u>
EXPENDITURES				
Current:				
General government				27,424
Public safety				
Public ways and facilities/transportation		2,436,265		
Parks and recreation				
Community development				
Capital outlay				
Total Expenditures		<u>2,436,265</u>		<u>27,424</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,491</u>	<u>1,100,945</u>		<u>878,313</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in		38,635		
Transfers (out)		(166,331)	(\$38,635)	(878,313)
Total Other Financing Sources (Uses)		<u>(127,696)</u>	<u>(38,635)</u>	<u>(878,313)</u>
NET CHANGE IN FUND BALANCES	3,491	973,249	(38,635)	
BEGINNING FUND BALANCES (DEFICITS)	<u>663,852</u>	<u>16,086,833</u>	<u>55,081</u>	<u>75,551</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$667,343</u>	<u>\$17,060,082</u>	<u>\$16,446</u>	<u>\$75,551</u>

	SPECIAL REVENUE FUNDS			Stanislaus County Housing Consortium
	CDBG	State HOME Funds	Housing Stimulus Funds	
REVENUES				
Taxes and assessments				
Licenses and permits				
Use of money and property		\$19,785		
Intergovernmental	\$378,410	600,942		\$154,182
Charges for current services				30,080
Other	1,280,820	848,175		419,825
Total Revenues	1,659,230	1,468,902		604,087
EXPENDITURES				
Current:				
General government				
Public safety				
Public ways and facilities/transportation				
Parks and recreation				
Community development	1,537,976	521,472		759,927
Capital outlay	47,236			
Total Expenditures	1,585,212	521,472		759,927
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	74,018	947,430		(155,840)
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust	10,000			
Proceeds from sale of property	556,817			
Transfers in				
Transfers (out)	(1,339)			
Total Other Financing Sources (Uses)	565,478			
NET CHANGE IN FUND BALANCES	639,496	947,430		(155,840)
BEGINNING FUND BALANCES (DEFICITS)	153,449	2,716,553	\$41,051	484,079
ENDING FUND BALANCES (DEFICITS)	\$792,945	\$3,663,983	\$41,051	\$328,239

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECTS FUNDS</u>	
	<u>Grant Funds</u>	<u>Traffic Safety</u>	<u>Capital Improvement</u>	<u>Street Light Installation</u>
REVENUES				
Taxes and assessments				
Licenses and permits			\$26,674	
Use of money and property			3,667	\$763
Intergovernmental	\$822,723			
Charges for current services	27,500	\$33,312		2,657
Other	27,567			
	<u>877,790</u>	<u>33,312</u>	<u>30,341</u>	<u>3,420</u>
EXPENDITURES				
Current:				
General government				
Public safety	258,272	14,885		
Public ways and facilities/transportation			65,932	
Parks and recreation	566,526			
Community development	525			
Capital outlay	28,066		16,400	
	<u>853,389</u>	<u>14,885</u>	<u>82,332</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>24,401</u>	<u>18,427</u>	<u>(51,991)</u>	<u>3,420</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in	224,484		103,747	
Transfers (out)	(124,056)			
	<u>100,428</u>		<u>103,747</u>	
NET CHANGE IN FUND BALANCES	124,829	18,427	51,756	3,420
BEGINNING FUND BALANCES (DEFICITS)	<u>367,479</u>	<u>38,239</u>	<u>605,806</u>	<u>143,301</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$492,308</u>	<u>\$56,666</u>	<u>\$657,562</u>	<u>\$146,721</u>

CAPITAL PROJECTS FUNDS

	Downtown Improvement Project	North Turlock Master Plan	North East Turlock Master Plan	Turlock Regional Industrial Park
REVENUES				
Taxes and assessments				
Licenses and permits				
Use of money and property		(\$2,988)	(\$4,620)	\$2,778
Intergovernmental				
Charges for current services			54,000	260,626
Other				
Total Revenues		(2,988)	49,380	263,404
EXPENDITURES				
Current:				
General government				
Public safety				
Public ways and facilities/transportation		376	3,688	2,189
Parks and recreation				
Community development	\$16			
Capital outlay			2,274	
Total Expenditures	16	376	5,962	2,189
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16)	(3,364)	43,418	261,215
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in				
Transfers (out)				
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	(16)	(3,364)	43,418	261,215
BEGINNING FUND BALANCES (DEFICITS)	241,022	2,226,948	3,553,815	462,080
ENDING FUND BALANCES (DEFICITS)	\$241,006	\$2,223,584	\$3,597,233	\$723,295

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL PROJECTS FUNDS

	<u>East Tuolumne Master Plan</u>	<u>Airport</u>	<u>Total Nonmajor Funds</u>
REVENUES			
Taxes and assessments			\$4,544,449
Licenses and permits			27,106
Use of money and property			15,049
Intergovernmental		\$10,000	2,034,556
Charges for current services	\$50,927		1,468,898
Other			2,595,513
	<u>50,927</u>	<u>10,000</u>	<u>10,685,571</u>
EXPENDITURES			
Current:			
General government			233,952
Public safety			699,296
Public ways and facilities/transportation		11	2,522,702
Parks and recreation			1,355,253
Community development			3,017,330
Capital outlay			340,468
	<u>50,927</u>	<u>11</u>	<u>8,169,001</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>50,927</u>	<u>9,989</u>	<u>2,516,570</u>
OTHER FINANCING SOURCES (USES)			
Contributions from private purpose trust			10,000
Proceeds from sale of property			556,817
Transfers in			1,854,126
Transfers (out)		(10,000)	(1,244,094)
	<u>(10,000)</u>	<u>(10,000)</u>	<u>1,176,849</u>
NET CHANGE IN FUND BALANCES	50,927	(11)	3,693,419
BEGINNING FUND BALANCES (DEFICITS)	<u>(162,155)</u>	<u>57,728</u>	<u>39,120,455</u>
ENDING FUND BALANCES (DEFICITS)	<u>(\$111,228)</u>	<u>\$57,717</u>	<u>\$42,813,874</u>

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, 2021

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
ASSETS					
Current Assets:					
Cash and investments	\$2,893,235	\$9,616,860	\$643,255		\$13,153,350
Accounts receivable	32,109	607,161		\$300	639,570
Interest receivable	1,376	12,409			13,785
Due from other funds	2,237,727				2,237,727
Total Current Assets	<u>5,164,447</u>	<u>10,236,430</u>	<u>643,255</u>	<u>300</u>	<u>16,044,432</u>
Noncurrent Assets:					
Capital assets not being depreciated					
Capital assets being depreciated	3,972,699			710,614	4,683,313
Total Non-Current Assets	<u>3,972,699</u>			<u>710,614</u>	<u>4,683,313</u>
Total Assets	<u>9,137,146</u>	<u>10,236,430</u>	<u>643,255</u>	<u>710,914</u>	<u>20,727,745</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	157,427		355,066	530,888	1,043,381
Deferred outflows related to OPEB	26,515		55,218	81,312	163,045
Total Deferred Outflows of Resources	<u>183,942</u>		<u>410,284</u>	<u>612,200</u>	<u>1,206,426</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	89,712	437,319	22,320	8,279	557,630
Payroll payable	7,040		17,708	28,135	52,883
Due to other funds				2,126,499	2,126,499
Compensated absences	5,664		22,817	25,376	53,857
Total Current Liabilities	<u>102,416</u>	<u>437,319</u>	<u>62,845</u>	<u>2,188,289</u>	<u>2,790,869</u>
Long-term Liabilities:					
Estimated claims liability		2,497,192			2,497,192
Compensated absences	22,658		91,266	101,506	215,430
Total OPEB Liability	155,598		324,043	477,179	956,820
Net pension liabilities	1,001,004		2,257,696	3,375,663	6,634,363
Total Long-Term Liabilities	<u>1,179,260</u>	<u>2,497,192</u>	<u>2,673,005</u>	<u>3,954,348</u>	<u>10,303,805</u>
Total Liabilities	<u>1,281,676</u>	<u>2,934,511</u>	<u>2,735,850</u>	<u>6,142,637</u>	<u>13,094,674</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions					
Deferred inflows related to OPEB	106,457		221,704	326,475	654,636
Total Deferred Outflows of Resources	<u>106,457</u>		<u>221,704</u>	<u>326,475</u>	<u>654,636</u>
NET POSITION (DEFICIT)					
Net investment in capital assets	3,972,699			710,614	4,683,313
Unrestricted	3,960,256	7,301,919	(1,904,015)	(5,856,612)	3,501,548
Total Net Position (Deficit)	<u>\$7,932,955</u>	<u>\$7,301,919</u>	<u>(\$1,904,015)</u>	<u>(\$5,145,998)</u>	<u>\$8,184,861</u>

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Equipment Pool</u>	<u>Self Insurance</u>	<u>Information Technology</u>	<u>Engineering</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$637,864	\$8,590,385	\$1,483,018	\$2,421,259	\$13,132,526
Refunds & other income	99,331	1,217,957		16,159	1,333,447
Total Operating Revenues	<u>737,195</u>	<u>9,808,342</u>	<u>1,483,018</u>	<u>2,437,418</u>	<u>14,465,973</u>
OPERATING EXPENSES					
Salaries, benefits and insurance	660,869	8,008,137	1,072,498	1,489,326	11,230,830
Contractual	45,633	29,226	174,866	143,854	393,579
Supplies and maintenance	20,045		5,905	36,198	62,148
Utilities	27,792		26,519	21,359	75,670
Fleet expense	22,557		2,464	14,040	39,061
Depreciation and amortization	879,822			55,015	934,837
Other expenses	5,227	3,248	24,178	12,513	45,166
Total Operating Expenses	<u>1,661,945</u>	<u>8,040,611</u>	<u>1,306,430</u>	<u>1,772,305</u>	<u>12,781,291</u>
Total Operating Income (Loss)	<u>(924,750)</u>	<u>1,767,731</u>	<u>176,588</u>	<u>665,113</u>	<u>1,684,682</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	5,678	(4,522)			1,156
Gain (loss) on disposal of capital assets	13,707			300	14,007
Total Nonoperating Revenues (Expenses)	<u>19,385</u>	<u>(4,522)</u>		<u>300</u>	<u>15,163</u>
Income (Loss) Before Contributions and Transfers	<u>(905,365)</u>	<u>1,763,209</u>	<u>176,588</u>	<u>665,413</u>	<u>1,699,845</u>
Transfers in	509,416			19,383	528,799
Transfers (out)	(8,585)		(19,851)	(125,363)	(153,799)
Change in Net Position	<u>(404,534)</u>	<u>1,763,209</u>	<u>156,737</u>	<u>559,433</u>	<u>2,074,845</u>
NET POSITION-BEGINNING (DEFICIT)	<u>8,337,489</u>	<u>5,538,710</u>	<u>(2,060,752)</u>	<u>(5,705,431)</u>	<u>6,110,016</u>
ENDING NET POSITION (DEFICIT)	<u>\$7,932,955</u>	<u>\$7,301,919</u>	<u>(\$1,904,015)</u>	<u>(\$5,145,998)</u>	<u>\$8,184,861</u>

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$610,668	\$8,201,179	\$1,483,018	\$2,420,959	\$12,715,824
Payments to suppliers	(46,572)	(55,157)	(213,228)	(225,849)	(540,806)
Payments to employees	(536,543)	(8,302,814)	(1,027,536)	(1,684,954)	(11,551,847)
Other	99,331	1,217,957		16,159	1,333,447
Cash Flows from (used by) Operating Activities	<u>126,884</u>	<u>1,061,165</u>	<u>242,254</u>	<u>526,315</u>	<u>1,956,618</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts (payments)	683,438			(420,635)	262,803
Transfers in	509,416			19,383	528,799
Transfers (out)	(8,585)		(19,851)	(125,363)	(153,799)
Cash Flows from Noncapital Financing Activities	<u>1,184,269</u>		<u>(19,851)</u>	<u>(526,615)</u>	<u>637,803</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(568,188)				(568,188)
Proceeds from sale of capital assets	37,225			300	37,525
Cash Flows from (used by) Capital and Related Financing Activities	<u>(530,963)</u>			<u>300</u>	<u>(530,663)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	6,593	(838)			5,755
Cash Flows from Investing Activities	<u>6,593</u>	<u>(838)</u>			<u>5,755</u>
Net Cash Flows	786,783	1,060,327	222,403		2,069,513
Cash and investments at beginning of period	<u>2,106,452</u>	<u>8,556,533</u>	<u>420,852</u>		<u>11,083,837</u>
Cash and investments at end of period	<u>\$2,893,235</u>	<u>\$9,616,860</u>	<u>\$643,255</u>		<u>\$13,153,350</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$924,750)	\$1,767,731	\$176,588	\$665,113	\$1,684,682
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	879,822			55,015	934,837
Change in assets and liabilities:					
Accounts receivable	(27,196)	(389,206)		(300)	(416,702)
Accounts payable	74,682	(294,677)	20,704	2,115	(197,176)
Payroll payable	(909)		293	(2,915)	(3,531)
Compensated absences	(2,796)		10,055	(10,708)	(3,449)
Claims liability		(22,683)			(22,683)
Deferred outflows/inflows and total OPEB liability	26,176		(1,803)	(62,054)	(37,681)
Deferred outflows/inflows and net pension liability	101,855		36,417	(119,951)	18,321
Cash Flows from (used by) Operating Activities	<u>\$126,884</u>	<u>\$1,061,165</u>	<u>\$242,254</u>	<u>\$526,315</u>	<u>\$1,956,618</u>
NONCASH TRANSACTIONS:					
Retirement of capital assets	(\$23,518)				(\$23,518)
Total Noncash Capital and Related Financing Activities	<u>(\$23,518)</u>				<u>(\$23,518)</u>

CUSTODIAL FUNDS

Custodial 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 Custodial Funds:

Turlock Community Facilities District (CFD) #1 – Northwest Triangle Mello Roos Assessment District – This district was established as a funding mechanism to partially pay for the infrastructure improvements installed in the Monte Vista Crossings shopping area. These improvements were in part funded with the proceeds of a bond issuance which is being retired through annual assessments to the owners of the parcels within the District's boundaries.

Turlock Downtown Property and Business Improvement District (PBID) #2 – This is a successor District to one originally established to fund maintenance efforts in downtown Turlock. The current district was established in June 2003 via a vote of the affected property owners. The District has a ten year life and through annual assessments funds prescribed maintenance efforts within the District's boundaries as well as promotional activities for the downtown area.

CITY OF TURLOCK
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	<u>Northwest Triangle Mello Roos Assessments</u>	<u>Property & Business Improvement District #2</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$266,054	\$84,904	\$350,958
Restricted cash and investments with fiscal agent	103,798		103,798
Accounts receivable	64,406	12,516	76,922
Interest receivable	327		327
	<u>434,585</u>	<u>97,420</u>	<u>532,005</u>
LIABILITIES			
Current Liabilities:			
Accounts payable		49,680	49,680
		<u>49,680</u>	<u>49,680</u>
NET POSITION			
Restricted for:			
Other organizations	<u>434,585</u>	<u>47,740</u>	<u>482,325</u>
	<u>\$434,585</u>	<u>\$47,740</u>	<u>\$482,325</u>

CITY OF TURLOCK
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Northwest Triangle Mello Roos Assessments	Property & Business Improvement District #2	Total
ADDITIONS:			
Assessments	\$290,896	\$157,149	\$448,045
Investment income	2,027		2,027
Total Contributions	<u>292,923</u>	<u>157,149</u>	<u>450,072</u>
DEDUCTIONS:			
Administration expense	31,610		31,610
Recipient payments	230,000	150,660	380,660
Interest and fiscal agent expenses	28,760		28,760
Total Operating Expenses	<u>290,370</u>	<u>150,660</u>	<u>441,030</u>
Change in Net Position	2,553	6,489	9,042
NET POSITION-BEGINNING, AS RESTATED	<u>432,032</u>	<u>41,251</u>	<u>473,283</u>
ENDING NET POSITION	<u><u>\$434,585</u></u>	<u><u>\$47,740</u></u>	<u><u>\$482,325</u></u>

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