

CITY OF TURLOCK
FINANCIAL REPORTS
FOR THE YEAR ENDED JUNE 30, 2022



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**CITY OF TURLOCK, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

**Prepared by
THE FINANCE DEPARTMENT**

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CITY OF TURLOCK
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 , California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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, 2022, and the respective changes in 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 8E, the City restated the beginning balance of fund balance of the General Fund and net position of the Water and Sewer Enterprise Funds. 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. 87 – *Leases*, which became effective during the year ended June 30, 2022 and required the restatement of fund balance as discussed in Note 8E to the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

Supplementary 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 accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Maye & Associates

Pleasant Hill, California
March 22, 2024

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 2021-2022 financial statements (with comparative information for 2020-2021). 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 2021-2022 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The City’s net position (assets and deferred outflows in excess of liabilities and deferred inflows) at June 30, 2022, totaled \$623.5 million. Governmental activities accounted for \$339.2 million of the net position, while \$284.3 million are in the business-type activities.
- Total City revenues, including program and general revenues, were \$148.7 million, while total expenses were \$89.8 million.
- Governmental program revenues were \$33.5 million compared to governmental program expenses of \$56.7 million.
- Program revenues from business-type activities were \$62.4 million, while expenses for business-type activities were \$33.0 million.

Fund Highlights

- Net General Fund revenues exceeded expenditures and other financing sources (uses) by \$16.7 million as compared to the prior year when revenues exceeded expenditures and other financing sources (uses) by \$10.0 million. 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.
- The fund balance of the General Fund is \$38.6 million at June 30, 2022 compared to a projected \$19.6 million when the 2021-2022 budget was originally adopted.

Additional discussion regarding the financial results for fiscal year 2021-2022 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, 2022**

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, 2022

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 14 on page 88 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		For the FYE June 30		For the FYE June 30	
	2022	2021	2022	2021	2022	2021
Cash and investments	\$ 135,589	\$ 99,717	\$ 66,806	\$ 184,481	\$ 202,395	\$ 284,198
Other assets	52,402	50,148	55,237	62,578	107,639	112,726
Capital assets, net	247,880	247,140	294,976	274,415	542,856	521,555
Total assets	\$ 435,871	\$ 397,005	\$ 417,019	\$ 521,474	\$ 852,890	\$ 918,479
Deferred outflows of resources	\$ 17,121	\$ 17,115	\$ 3,023	\$ 3,687	\$ 20,144	\$ 20,802
Long-term liabilities	58,779	89,058	17,915	247,050	76,694	336,108
Other liabilities	18,403	10,116	109,639	15,678	128,042	25,794
Total liabilities	\$ 77,182	\$ 99,174	\$ 127,554	\$ 262,728	\$ 204,736	\$ 361,902
Deferred inflows of resources	\$ 36,602	\$ 8,825	\$ 8,176	\$ 2,066	\$ 44,778	\$ 10,891
Net position:						
Net Investment in capital assets	244,359	245,119	198,105	147,591	442,464	392,710
Restricted	109,962	100,435			109,962	100,435
Unrestricted	(15,113)	(39,433)	86,207	112,776	71,094	73,343
Total net position	\$ 339,208	\$ 306,121	\$ 284,312	\$ 260,367	\$ 623,520	\$ 566,488

NOTE: 2021 amounts have not been restated for the implementation of GASB Statement No. 87, *Leases*

City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2022

As noted above, the City's primary investment is in its *Net investment in capital assets*. Capital assets, which account for approximately 71.0% of the City's total net position, include all infrastructure such as the street/roadway system; sewer, water and storm drain collection systems as well as retention basins; the wastewater treatment plant, water wells, and pump stations; streetlights and traffic signals; and parks. Capital assets also include all vehicles, equipment and buildings used by City employees in the course of their daily activities. By their very nature and use, capital assets are not available for future spending and are, therefore, not assets available to fund future activities.

Approximately \$110.0 million or 17.6% of the City's non-capital net position is subject to external restrictions as to their use. The remaining \$71.0 million is unrestricted and available to meet the City's on-going obligations to its citizens and creditors. Of this amount, (\$15.1) million is related to governmental activities and \$86.2 million to business-type activities.

The City's overall net position increased by \$57.0 million during the 2021-2022 fiscal year. Governmental activities experienced a \$33.1 million increase in net position while the City's business-type activities – those intended to be self-sufficient – experienced a \$24.0 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, \$95.9 million of the City's \$148.7 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 \$89.8 million, consisted of \$56.7 million for governmental activities and \$33.0 million for business-type activities. Of the \$56.7 million in governmental activity expenses, \$32.9 million or 58.0% relate to the provision of public safety (police and fire) services. The next largest component was \$10.3 million or 18.2% 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, 2022

SUMMARY OF CHANGES IN NET POSITION

(in thousands of dollars)

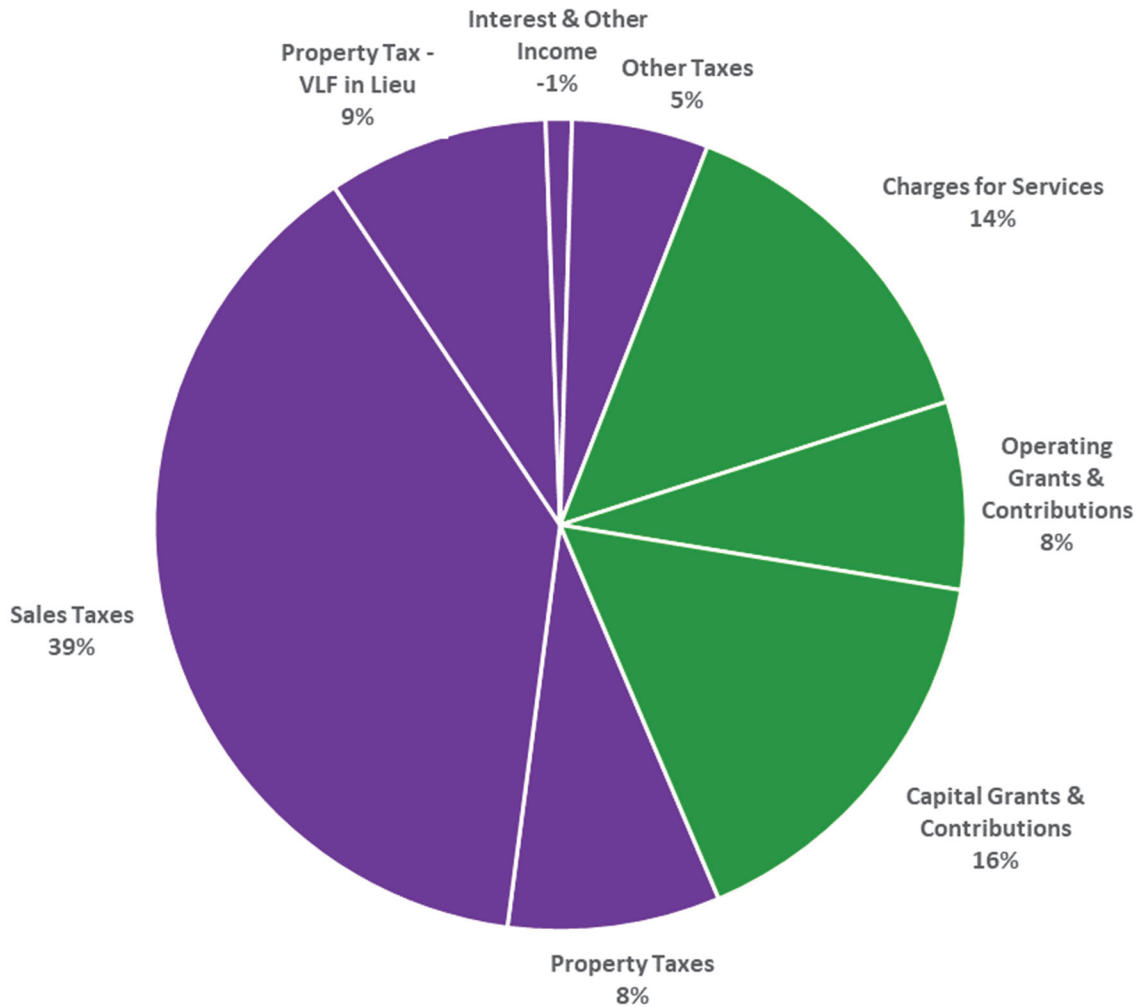
	Governmental Activities		Business-Type Activities		Total	
	For the FYE June 30		For the FYE June 30		For the FYE June 30	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for services	\$ 12,609	\$ 11,575	\$ 52,375	\$ 58,146	\$ 64,984	\$ 69,721
Operating grants and contributions	6,646	10,105	4,682	4,115	11,328	14,220
Capital grants and contributions	14,265	12,835	5,294	10,805	19,559	23,640
Total Program Revenues	\$ 33,520	\$ 34,515	\$ 62,351	\$ 73,066	\$ 95,871	\$ 107,581
General Revenues						
Property taxes	7,528	7,260			7,528	7,260
Sales taxes	34,269	20,889			34,269	20,889
Property taxes - VLF in Lieu	7,829	7,445			7,829	7,445
Other taxes	4,836	4,118			4,836	4,118
Interest and investment earnings	(1,647)	241	(786)	364	(2,433)	605
Other Income	691	1,021			691	1,021
Gain (loss) on disposal of capital assets	27				27	-
Total General Revenues	\$ 53,533	\$ 40,974	\$ (786)	\$ 364	\$ 52,747	\$ 41,338
Total Overall Revenues	\$ 87,053	\$ 75,489	\$ 61,565	\$ 73,430	\$ 148,618	\$ 148,919
Expenses						
General government	7,606	8,071			7,606	8,071
Public safety	32,898	34,677			32,898	34,677
Public ways/facilities/transportation	10,347	9,383			10,347	9,383
Parks and recreation	3,948	3,494			3,948	3,494
Community development	1,836	2,779			1,836	2,779
Interest on long-term debt	93	91			93	91
Water			9,093	12,129	9,093	12,129
Sewer			17,972	19,265	17,972	19,265
Transportation			4,829	5,211	4,829	5,211
Building & Safety			1,137	1,674	1,137	1,674
Total Expenses	\$ 56,728	\$ 58,495	\$ 33,031	\$ 38,279	\$ 89,759	\$ 96,774
Increase (Decrease) in Net Position before Transfers and Contributions	30,325	16,994	28,534	35,151	58,859	52,145
Transfers	2,743	2,098	(2,743)	(2,098)		
Contribution from private purpose trust	108	116			108	116
Change in Net Position	\$ 33,176	\$ 19,208	\$ 25,791	\$ 33,053	\$ 58,967	\$ 52,261
Net Position, beginning of year, as restated	306,032	286,913	258,521	227,314	564,553	514,227
Net Position, end of year	\$ 339,208	\$ 306,121	\$ 284,312	\$ 260,367	\$ 623,520	\$ 566,488

NOTE: 2021 amounts have not been restated for the implementation of GASB Statement No. 87, *Leases*

**City of Turlock
Management’s Discussion and Analysis (continued)
For the Year Ended June 30, 2022**

Governmental Activities Revenue Composition

Governmental activity revenues totaling \$87.1 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:



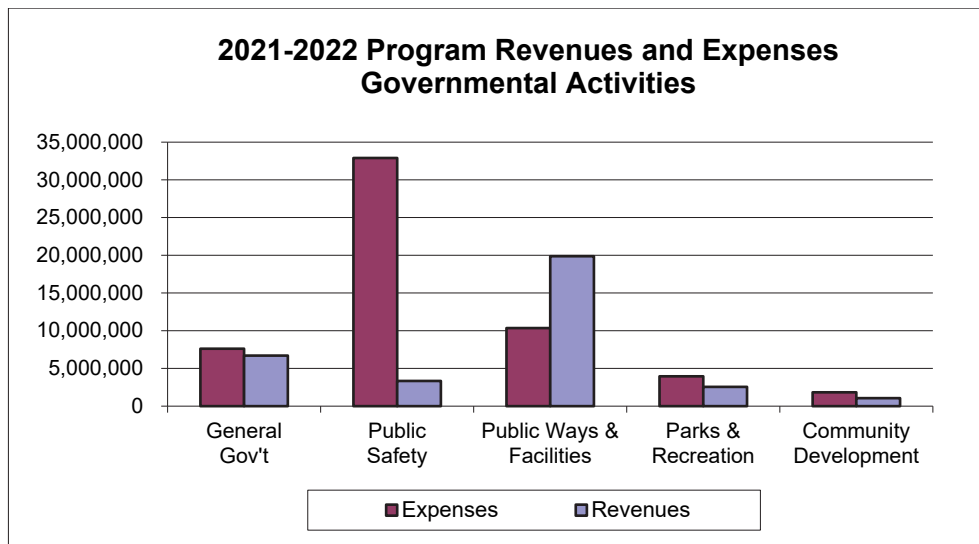
- Charges for Services – Revenues for specialized City services which are typically not demanded by the general population – totaled \$12.6 million. Included in this revenue category are the special assessment revenues charged by the City’s Lighting and Landscape maintenance districts as well as charges 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 \$6.6 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, 2022**

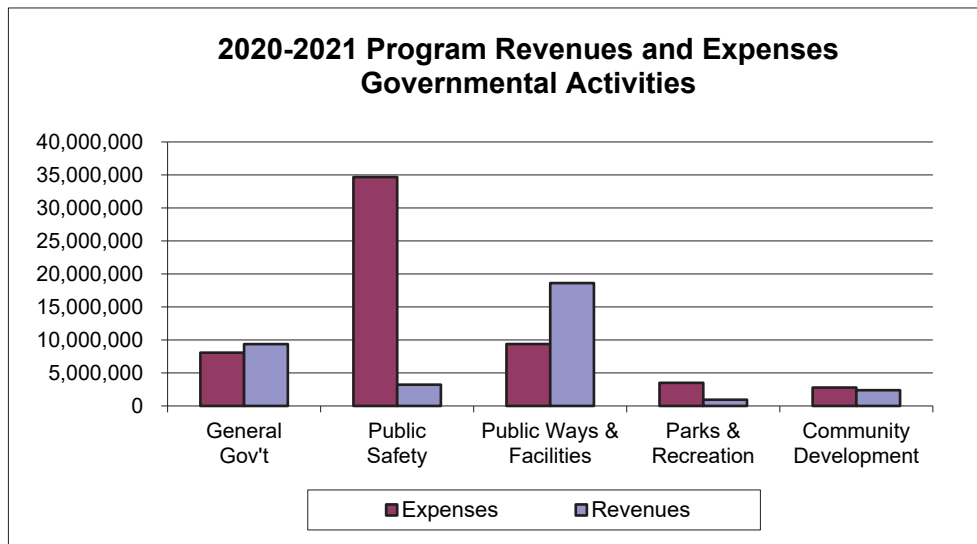
- Capital Grants & Contributions – These are typically development impact related revenues which are collected to finance the cost of new infrastructure as well as federal Department of Transportation revenues. Total revenues for 2021-2022 were \$14.3 million. The Department of Transportation revenues 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 \$53.6 million for fiscal 2021-2022. Property tax assessed values increased 4.75% or \$356.0 million between 2020-2021 and 2021-2022 to a total of \$7.8 billion in assessed value for parcels within the City of Turlock. This resulted in a \$268,000 increase in assessed value related revenues. Sales taxes increased \$13.4 million from 2020-2021. The increase in Sales Tax can be primarily attributed to the Measure A sales tax in conjunction with increased sales from the local Amazon facility.

Governmental Activities Revenues and Expenses

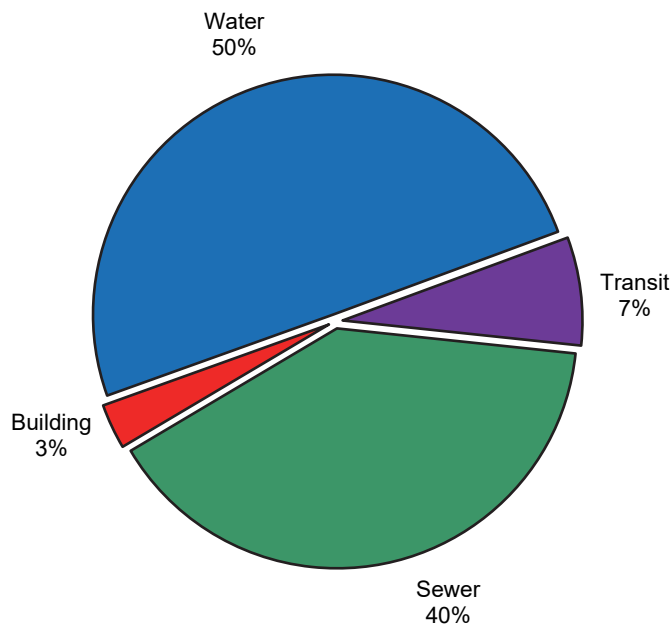
Governmental activity revenues are primarily used to finance governmental activities such as public safety, park maintenance, culture and recreation programs, and general government administration. The tables below graphically depict the typical relationship between program revenues and expenses for Governmental Activities for the past two years. In total, 2021-2022 expenses for Governmental Activities exceeded program revenues by \$23.2 million whereas in 2020-2021 expenses exceeded revenues by \$24.0 million.



**City of Turlock
 Management’s Discussion and Analysis (continued)
 For the Year Ended June 30, 2022**



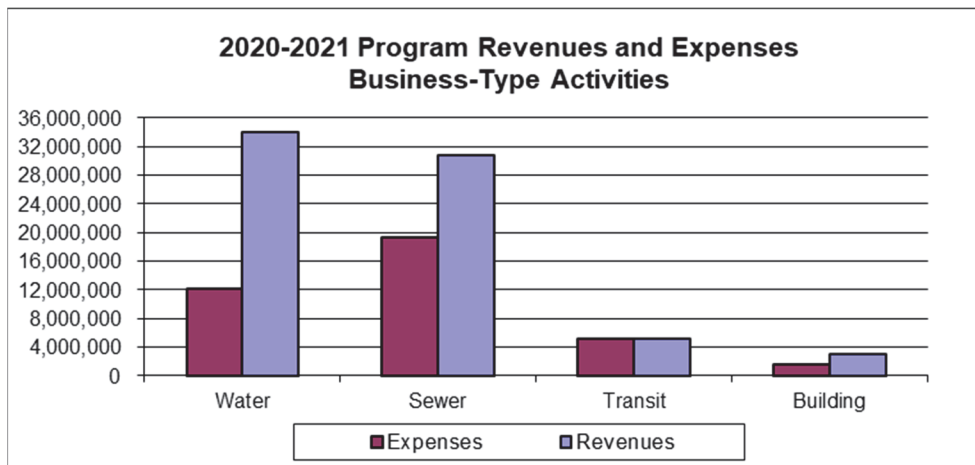
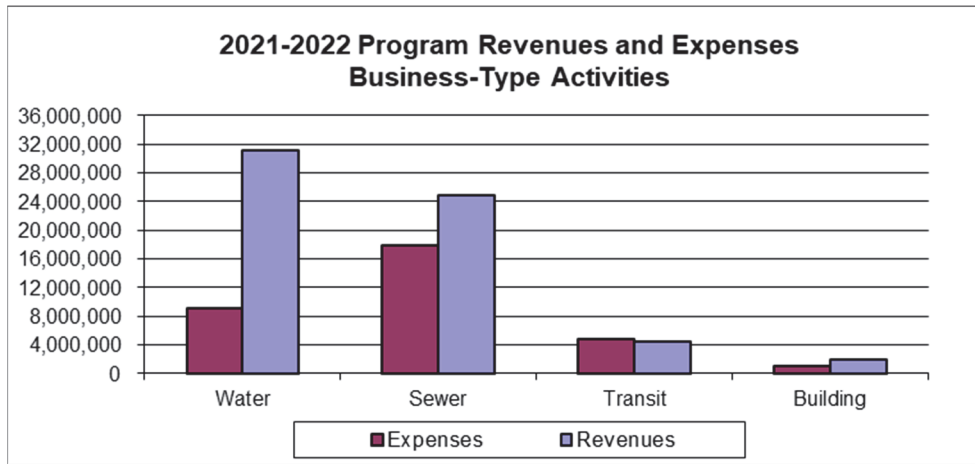
**Business-Type Activities
Revenues by Service Sector**



Revenues for business-type activities totaled \$62.4 million and related expenses totaled \$33.0 million of which \$18.0 million or 54.4% 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 \$9.1 million or 27.4% 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 2021-2022 and 2020-2021 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, 2022**



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, 2022, the City’s governmental funds reported combined fund balances of \$118.8 million, a \$28.3 million increase over the prior year. The General Fund’s fund balance is \$38.6 million at June 30, 2022. Governmental fund revenues (including transfers in) were \$94.8 million this year, of which General Fund revenues totaled \$63.6 million or 67.0%. Governmental fund expenditures (including transfers out) totaled \$68.3 million with the General Fund representing 71.3% of the total or \$48.7 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, 2022

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, 2022, the General Fund had a fund balance of \$38.6 million with \$33.4 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 \$16.7 million for 2021-2022. On-going General Fund revenues increased from \$49.0 million in 2020-2021 to \$60.4 million in 2021-2022.

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 2021-2022 was due to increases in tax revenues, particularly with Measure A sales tax in the amount of \$15.2 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 2021-2022 the fund’s expenditures included \$46,325 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 2021-2022 totaled \$13.4 million while expenditures (including transfers out) totaled \$9.4 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 2021-2022 include: Active Transportation Program improvements for West Linwood Avenue rehabilitation of Golden State Boulevard, Hedstrom Road and Southeast Quadrant Road, and intersection improvements for the intersection of Monte Vista Avenue & Fosberg Street and the intersection of Tully Road and Tuolumne Road.

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, 2022**

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 \$25.8 million during fiscal year 2021-2022, which compares to a \$33.1 million increase for fiscal year 2020-2021. Overall operating revenues were approximately \$5.8 million lower than the prior year while operating expenses decreased by \$911,423. A decrease of \$5.2 million from a settlement for well remediation accounts for most of the decrease in operating revenues. 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 13 to the financial statements. Net operating income at the City’s wastewater facility was \$3.6 million compared to \$5.2 in 2020-2021. 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, 2022, the City had \$542.9 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 2021-2022 was approximately \$38.6 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 59.

DEBT ADMINISTRATION

At June 30, 2022 the City had \$103.7 million in debt outstanding as compared to \$230.5 million for the prior year. During the fiscal year, the City issued a lease for the purchase of fire trucks in the amount of \$1.7 million and issued a sewer loan of \$32.9 million to refund and defease the 2012 Sewer Revenue Bonds, The City also retired the 2020 Water Revenue Bond Anticipation Notes with a principal balance of \$117.8 million.

The City’s principal debt service obligations for 2021-22, totaling approximately \$156.0 million, are made up of the following:

	2021-22
	<u>Debt Service</u>
2012 Sewer Revenue Bonds	\$34,785,000
2017 Water Revenue Bonds	755,000
2020 Water Revenue Bonds	117,750,000
SRF - WQC Upgrade	1,137,311
SRF - Harding Drain By-Pass	706,533
SRF - North Valley Water Program	589,623
Motorola Equipment Lease/IBM	255,022
	<u>\$155,978,489</u>

**City of Turlock
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2022**

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 62.

NEXT YEAR'S BUDGET AND THE ECONOMY

In June 2022, the City Council adopted the budget for fiscal year 2022-2023. The 2022-2023 General Fund (Fund 110) budget projected a balanced budget with revenues equaling expenses of just over \$51.7 million. The 2022-2023 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 and property tax revenue.

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, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$135,588,642	\$63,449,191	\$199,037,833
Restricted cash and investments and cash and investments with fiscal agent (Note 3)		3,356,601	3,356,601
Accounts receivable, net (Note 5C)	13,079,043	24,406,728	37,485,771
Interest receivable	293,557	84,471	378,028
Prepays	1,758,320		1,758,320
Due from Developers (Note 5A)	287,284	157,663	444,947
Long-term loans receivable (Note 5B)	35,899,361		35,899,361
Investment in affordable housing property (Note 1K)	327,184		327,184
Investment in joint venture (Note 13D)		30,588,214	30,588,214
Leases receivable (Note 15)	757,788		757,788
Capital assets, not being depreciated (Note 6)	48,923,462	45,281,023	94,204,485
Capital assets, being depreciated (net) (Note 6)	198,956,863	249,694,710	448,651,573
Total Assets	<u>435,871,504</u>	<u>417,018,601</u>	<u>852,890,105</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 9)	15,415,420	2,549,068	17,964,488
Related to OPEB (Note 10)	1,705,499	473,940	2,179,439
Total Deferred Outflows of Resources	<u>17,120,919</u>	<u>3,023,008</u>	<u>20,143,927</u>
LIABILITIES			
Accounts payable	7,786,067	6,893,634	14,679,701
Payroll payable	1,450,561	185,458	1,636,019
Interest payable	30,408	611,300	641,708
Unearned revenue	7,227,564	3,775,193	11,002,757
Deposits payable	914,062	665,472	1,579,534
Compensated absences (Note 11):			
Due within one year	637,333	126,515	763,848
Due in more than one year	2,549,331	506,059	3,055,390
Estimated claims liability (Note 12):			
Due in more than one year	2,530,659		2,530,659
Long-term debt (Note 7):			
Due within one year	357,094	5,657,408	6,014,502
Due in more than one year	3,164,583	94,570,503	97,735,086
Net pension liability (Note 9):			
Due in more than one year	44,212,546	12,796,108	57,008,654
Total OPEB Liability (Note 10):			
Due in more than one year	6,321,823	1,766,254	8,088,077
Total Liabilities	<u>77,182,031</u>	<u>127,553,904</u>	<u>204,735,935</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 9)	24,749,210	5,072,366	29,821,576
Related to OPEB (Note 10)	11,108,227	3,103,531	14,211,758
Related to leases (Note 15)	744,889		744,889
Total Deferred Inflows of Resources	<u>36,602,326</u>	<u>8,175,897</u>	<u>44,778,223</u>
NET POSITION (Note 8):			
Net investment in capital assets	<u>244,358,648</u>	<u>198,104,423</u>	<u>442,463,071</u>
Restricted for:			
Capital projects	21,751,643		21,751,643
Special projects and programs	88,210,741		88,210,741
Total Restricted Net Position	<u>109,962,384</u>		<u>109,962,384</u>
Unrestricted	<u>(15,112,966)</u>	<u>86,207,385</u>	<u>71,094,419</u>
Total Net Position	<u>\$339,208,066</u>	<u>\$284,311,808</u>	<u>\$623,519,874</u>

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General government	\$7,606,235	\$4,705,447	\$1,665,867	\$329,583	\$6,700,897
Public safety	32,897,838	2,328,474	584,473	428,255	3,341,202
Public ways and facilities/transportation	10,347,072	3,508,349	3,359,019	13,005,960	19,873,328
Parks and recreation	3,947,875	1,165,796	881,102	501,470	2,548,368
Community development	1,835,984	901,066	155,487		1,056,553
Interest and fiscal charges	93,160				
Total Governmental Activities	56,728,164	12,609,132	6,645,948	14,265,268	33,520,348
Business-type Activities:					
Water	9,092,696	29,967,928	312,077	806,936	31,086,941
Sewer	17,971,619	20,338,965		4,486,408	24,825,373
Transportation	4,829,048	173,315	4,369,867		4,543,182
Building & safety	1,137,251	1,895,099			1,895,099
Total Business-type Activities	33,030,614	52,375,307	4,681,944	5,293,344	62,350,595
Total	\$89,758,778	\$64,984,439	\$11,327,892	\$19,558,612	\$95,870,943

General revenues:

Taxes:

Property taxes
Sales taxes
Property tax-VLF in Lieu
Other Tax

Total taxes

Other revenue

Interest income (loss)

Contributions from private purpose trust

Gain from sale of capital assets

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	(\$905,338)		(\$905,338)
Public safety	(29,556,636)		(29,556,636)
Public ways and facilities/transportation	9,526,256		9,526,256
Parks and recreation	(1,399,507)		(1,399,507)
Community development	(779,431)		(779,431)
Interest and fiscal charges	(93,160)		(93,160)
Total Governmental Activities	(23,207,816)		(23,207,816)
Business-type Activities:			
Water		\$21,994,245	21,994,245
Sewer		6,853,754	6,853,754
Transportation		(285,866)	(285,866)
Building & safety		757,848	757,848
Total Business-type Activities		29,319,981	29,319,981
Total	(23,207,816)	29,319,981	6,112,165
General revenues:			
Taxes:			
Property taxes	7,527,601		7,527,601
Sales taxes	34,268,587		34,268,587
Property tax-VLF in Lieu	7,829,457		7,829,457
Other Tax	4,836,266		4,836,266
Total taxes	54,461,911		54,461,911
Other revenue	690,944		690,944
Interest income (loss)	(1,647,343)	(785,740)	(2,433,083)
Contributions from private purpose trust	107,768		107,768
Gain from sale of capital assets	26,776		26,776
Transfers (Note 4)	2,743,594	(2,743,594)	
Total general revenues and transfers	56,383,650	(3,529,334)	52,854,316
Change in Net Position	33,175,834	25,790,647	58,966,481
Net Position-Beginning, As Restated (Note 8E)	306,032,232	258,521,161	564,553,393
Net Position-Ending	<u>\$339,208,066</u>	<u>\$284,311,808</u>	<u>\$623,519,874</u>

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 2022. 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 FUND

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, 2022

	General	Former LMI Housing Fund	Gas Tax/ Street Improvement	Facility Fees	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 3)	\$35,595,673	\$2,044,728	\$16,389,462	\$12,386,780	\$53,870,875	\$120,287,518
Accounts receivable (Note 5C)	9,279,830	450	2,659,087		837,965	12,777,332
Interest receivable	179,868	2,816	21,166	18,052	55,675	277,577
Due from developers (Note 5A)	20,041			267,243		287,284
Loans receivable (Note 5B)	3,549	17,432,061			18,463,751	35,899,361
Prepays	1,758,320					1,758,320
Investment in affordable housing property (Note 1K)		327,184				327,184
Leases receivable (Note 15)	504,825				252,963	757,788
Total Assets	\$47,342,106	\$19,807,239	\$19,069,715	\$12,672,075	\$73,481,229	\$172,372,364
LIABILITIES						
Accounts payable	\$5,501,385		\$1,289,623		\$330,830	\$7,121,838
Payroll payable	1,321,440		15,637		50,654	1,387,731
Due to other funds (Note 4B)					75,797	75,797
Unearned revenue	297,631				6,929,933	7,227,564
Deposits payable	907,696		116		6,250	914,062
Total Liabilities	8,028,152		1,305,376		7,393,464	16,726,992
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue (Note 1F and 5B)	193,863	\$17,432,061			18,463,751	36,089,675
Related to leases (Note 15)	497,525				247,364	744,889
Total Deferred Inflows of Resources	691,388	17,432,061			18,711,115	36,834,564
FUND BALANCES						
Fund balance (Note 8):						
Nonspendable	1,789,210			\$267,243		2,056,453
Restricted		2,375,178	17,764,339	12,404,832	26,245,714	58,790,063
Committed	2,874,296				21,157,610	24,031,906
Assigned	529,862					529,862
Unassigned	33,429,198				(26,674)	33,402,524
Total Fund Balances	38,622,566	2,375,178	17,764,339	12,672,075	47,376,650	118,810,808
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$47,342,106	\$19,807,239	\$19,069,715	\$12,672,075	\$73,481,229	\$172,372,364

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, 2022

Total fund balances reported on the Governmental Funds Balance Sheet \$118,810,808

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.

243,596,452

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	15,301,124
Accounts receivable	495,574
Interest receivable	15,980
Due from other funds	1,424,504
Capital assets (net of accumulated depreciation)	4,283,873
Accounts payable	(664,229)
Payroll payable	(62,830)
Due to other funds	(1,348,707)
Compensated absences	(315,962)
Estimated claims liability	(2,530,659)
Net pension liability and related deferred outflows and inflows of resources	(5,281,107)
Total OPEB liability and related deferred inflows of resources	(1,463,000)

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.

36,089,675

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	(3,521,677)
Interest payable	(30,408)
Compensated absences	(2,870,702)
Net pension liability and related deferred outflows and inflows of resources	(48,265,229)
Total OPEB liability and related deferred inflows of resources	<u>(14,261,551)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$339,208,066

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, 2022

	General	Former LMI Housing Fund	Gas Tax/ Street Improvement	Facility Fees	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	\$29,735,857				\$4,410,337	\$34,146,194
Measure A sales tax	15,166,113					15,166,113
Licenses and permits	2,274,420				25,324	2,299,744
Fines, forfeitures, and penalties	97,365					97,365
Use of money and property	(854,099)	\$8,617	(\$186,795)	(\$176,333)	(322,296)	(1,530,906)
Intergovernmental	8,149,588		12,585,508		3,002,208	23,737,304
Charges for current services	5,718,403		55,962	3,186,440	2,898,804	11,859,609
Other revenue	161,015	735,275	5,985		1,409,950	2,312,225
Total Revenues	60,448,662	743,892	12,460,660	3,010,107	11,424,327	88,087,648
EXPENDITURES						
Current:						
General government	7,645,832			2,493	1,227,197	8,875,522
Public safety	33,612,827			224	943,303	34,556,354
Public ways and facilities/transportation	391,022		2,393,330	818	2,661,587	5,446,757
Parks and recreation	2,158,114				1,710,589	3,868,703
Community development	705,911	46,325			1,092,579	1,844,815
Capital outlay	39,084		6,716,647	126,436	476,872	7,359,039
Debt service:						
Principal	255,022					255,022
Interest and fiscal charges	83,289					83,289
Total Expenditures	44,891,101	46,325	9,109,977	129,971	8,112,127	62,289,501
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,557,561	697,567	3,350,683	2,880,136	3,312,200	25,798,147
OTHER FINANCING SOURCES (USES)						
Issuance of debt	1,755,110					1,755,110
Contributions from private purpose trust	58,738	40,829			8,201	107,768
Proceeds from sale of property	24,985				1,108	26,093
Transfers in (Note 4A)	3,121,380		975,303		2,647,554	6,744,237
Transfers (out) (Note 4A)	(3,811,101)		(254,401)	(588,000)	(1,406,287)	(6,059,789)
Total Other Financing Sources (Uses)	1,149,112	40,829	720,902	(588,000)	1,250,576	2,573,419
NET CHANGE IN FUND BALANCES	16,706,673	738,396	4,071,585	2,292,136	4,562,776	28,371,566
BEGINNING FUND BALANCES, AS RESTATED (Note 8E)	21,915,893	1,636,782	13,692,754	10,379,939	42,813,874	90,439,242
ENDING FUND BALANCES	\$38,622,566	\$2,375,178	\$17,764,339	\$12,672,075	\$47,376,650	\$118,810,808

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, 2022

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 \$28,371,566

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.	8,671,446
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$913,057 which has already been allocated to serviced funds).	(7,504,009)
Retirements are deducted from the fund balance	(27,929)

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.

Issuance of debt is deducted from fund balance	(1,755,110)
Repayment of debt principal is added back to fund balance	255,022

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	(908,185)
Interest payable	(9,871)
Compensated absences	(63,984)
Net pension liability and related deferred outflows and inflows of resources	4,151,541
Total OPEB liability and related deferred outflows and inflows of resources	325,647

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	<u>1,669,700</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$33,175,834</u></u>
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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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes and assessments	\$25,837,867	\$28,756,293	\$29,735,857	\$979,564
Measure A sales tax	11,219,000	13,236,824	15,166,113	1,929,289
Licenses and permits	1,885,230	1,885,230	2,274,420	389,190
Fines and forfeitures	119,000	119,000	97,365	(21,635)
Use of money and property	257,000	257,000	(854,099)	(1,111,099)
Intergovernmental	8,133,413	8,133,413	8,149,588	16,175
Charges for current services	5,427,338	5,439,339	5,718,403	279,064
Other revenue	153,317	153,317	161,015	7,698
	<u>53,032,165</u>	<u>57,980,416</u>	<u>60,448,662</u>	<u>2,468,246</u>
EXPENDITURES:				
Current:				
General government	5,785,757	10,525,687	7,645,832	2,879,855
Public safety	32,829,198	36,551,052	33,612,827	2,938,225
Public ways and facilities/transportation	364,488	461,874	391,022	70,852
Parks and recreation	2,369,508	2,614,482	2,158,114	456,368
Community development	881,638	971,554	705,911	265,643
Capital outlay	5,612,600	5,033,820	39,084	4,994,736
Debt service:				
Principal	255,022	255,022	255,022	
Interest and fiscal charges	83,290	83,290	83,289	1
	<u>48,181,501</u>	<u>56,496,781</u>	<u>44,891,101</u>	<u>11,605,680</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,850,664</u>	<u>1,483,635</u>	<u>15,557,561</u>	<u>14,073,926</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt			1,755,110	1,755,110
Contributions from private purpose trust	54,175	54,175	58,738	4,563
Proceeds from sale of property	5,000	5,000	24,985	19,985
Transfers in	2,867,670	2,482,554	3,121,380	638,826
Transfers (out)	(2,076,694)	(6,354,130)	(3,811,101)	2,543,029
	<u>850,151</u>	<u>(3,812,401)</u>	<u>1,149,112</u>	<u>4,961,513</u>
NET CHANGE IN FUND BALANCE	<u>\$5,700,815</u>	<u>(\$2,328,766)</u>	16,706,673	<u>\$19,035,439</u>
BEGINNING FUND BALANCE, AS RESTATED (Note 8E)			<u>21,915,893</u>	
ENDING FUND BALANCE			<u>\$38,622,566</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, 2022

	<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	\$1,500	\$1,500	\$8,617	\$7,117
Other revenue			735,275	735,275
Total Revenues	<u>1,500</u>	<u>1,500</u>	<u>743,892</u>	<u>742,392</u>
EXPENDITURES:				
Current:				
Community development	1,323,816	1,323,816	46,325	1,277,491
Total Expenditures	<u>1,323,816</u>	<u>1,323,816</u>	<u>46,325</u>	<u>1,277,491</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,322,316)</u>	<u>(1,322,316)</u>	<u>697,567</u>	<u>2,019,883</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private-purpose trust	64,000	64,000	40,829	(23,171)
Total Other Financing Sources (Uses)	<u>64,000</u>	<u>64,000</u>	<u>40,829</u>	<u>(23,171)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$1,258,316)</u></u>	<u><u>(\$1,258,316)</u></u>	738,396	<u><u>\$1,996,712</u></u>
BEGINNING FUND BALANCE			<u>1,636,782</u>	
ENDING FUND BALANCE			<u><u>\$2,375,178</u></u>	

See accompanying notes to basic financial statements

CITY OF TURLOCK
GAS TAX / STREET IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2022

	<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	\$40,000	\$40,000	(\$186,795)	(\$226,795)
Intergovernmental	13,302,974	13,440,456	12,585,508	(854,948)
Charges for current services	46,600	46,600	55,962	9,362
Other	5,000	5,000	5,985	985
Total Revenues	<u>13,394,574</u>	<u>13,532,056</u>	<u>12,460,660</u>	<u>(1,071,396)</u>
EXPENDITURES:				
Current:				
Public ways and facilities/transportation	2,754,527	2,933,422	2,393,330	540,092
Capital outlay	12,292,000	13,734,579	6,716,647	7,017,932
Total Expenditures	<u>15,046,527</u>	<u>16,668,001</u>	<u>9,109,977</u>	<u>7,558,024</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,651,953)</u>	<u>(3,135,945)</u>	<u>3,350,683</u>	<u>6,486,628</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,402,000	1,724,572	975,303	(749,269)
Transfers out	(964,382)	(1,101,864)	(254,401)	847,463
Total Other Financing Sources (Uses)	<u>437,618</u>	<u>622,708</u>	<u>720,902</u>	<u>98,194</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$1,214,335)</u></u>	<u><u>(\$2,513,237)</u></u>	4,071,585	<u><u>\$6,584,822</u></u>
BEGINNING FUND BALANCE			<u>13,692,754</u>	
ENDING FUND BALANCE			<u><u>\$17,764,339</u></u>	

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 2022, 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, 2022

	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)	\$24,476,861	\$35,478,114	\$904,933	\$2,589,283	\$63,449,191	\$15,301,124
Restricted cash and investments and cash and investments with fiscal agent (Note 3)	3	3,356,598			3,356,601	
Accounts receivable (Note 5C)	16,991,797	2,765,001	4,649,930		24,406,728	495,574
Interest receivable	24,717	54,724	1,528	3,502	84,471	15,980
Due from developers (Note 5A)		157,663			157,663	
Due from other funds (Note 4B)						1,424,504
Total current assets	41,493,378	41,812,100	5,556,391	2,592,785	91,454,654	17,237,182
Non-current assets						
Investment in Joint Venture (Note 12D)	30,588,214				30,588,214	
Capital assets not being depreciated (Note 6)	34,652,913	6,392,328	4,235,782		45,281,023	
Capital assets being depreciated (Note 6)	34,973,538	198,726,579	15,994,593		249,694,710	4,283,873
Total non-current assets	100,214,665	205,118,907	20,230,375		325,563,947	4,283,873
Total Assets	141,708,043	246,931,007	25,786,766	2,592,785	417,018,601	21,521,055
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions (Note 9)	739,498	1,365,585	204,218	239,767	2,549,068	878,749
Related to OPEB (Note 10)	139,010	254,405	36,656	43,869	473,940	158,469
Total deferred outflows of resources	878,508	1,619,990	240,874	283,636	3,023,008	1,037,218
LIABILITIES						
Current liabilities						
Accounts payable	3,461,123	2,348,079	943,158	141,274	6,893,634	664,229
Payroll payable	54,741	98,290	17,199	15,228	185,458	62,830
Interest payable	276,504	334,796			611,300	
Due to other funds (Note 4B)						1,348,707
Compensated absences (Note 11)	35,440	69,197	14,184	7,694	126,515	63,193
Bonds and loans payable (Note 7)	795,000	4,862,408			5,657,408	
Unearned revenue			3,775,193		3,775,193	
Deposits payable	665,472				665,472	
Total current liabilities	5,288,280	7,712,770	4,749,734	164,196	17,914,980	2,138,959
Long-term liabilities						
Claims liability (Note 12)						2,530,659
Compensated absences (Note 11)	141,761	276,786	56,734	30,778	506,059	252,769
Total OPEB liability (Note 10)	515,878	944,121	136,032	170,223	1,766,254	588,102
Net pension liabilities (Note 9)	3,712,214	6,855,131	1,025,156	1,203,607	12,796,108	4,411,243
Bonds and loans payable (Note 7)	20,291,191	74,279,312			94,570,503	
Total long-term liabilities	24,661,044	82,355,350	1,217,922	1,404,608	109,638,924	7,782,773
Total Liabilities	29,949,324	90,068,120	5,967,656	1,568,804	127,553,904	9,921,732
DEFERRED INFLOWS OF RESOURCES						
Related to pensions (Note 9)	1,471,519	2,717,368	406,370	477,109	5,072,366	1,748,613
Related to OPEB (Note 10)	906,463	1,658,937	239,028	299,103	3,103,531	1,033,367
Total deferred inflows of resources	2,377,982	4,376,305	645,398	776,212	8,175,897	2,781,980
NET POSITION (Note 8):						
Net investment in capital assets	48,540,263	129,333,785	20,230,375		198,104,423	4,283,873
Unrestricted	61,718,982	24,772,787	(815,789)	531,405	86,207,385	5,570,688
Total Net Position	\$110,259,245	\$154,106,572	\$19,414,586	\$531,405	\$284,311,808	\$9,854,561

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, 2022

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Transportation	Nonmajor Fund Building & Safety		
OPERATING REVENUES						
Charges for services	\$23,795,025	\$20,287,334	\$152,962	\$1,893,091	\$46,128,412	\$12,936,160
Other income	6,172,903	51,631	20,353	2,008	6,246,895	293,715
Total Operating Revenues	29,967,928	20,338,965	173,315	1,895,099	52,375,307	13,229,875
OPERATING EXPENSES						
Salaries, benefits and insurance	2,745,444	4,235,167	871,034	793,201	8,644,846	11,924,275
Contractual	2,070,293	2,399,023	2,043,599	316,017	6,828,932	476,971
Supplies and maintenance	359,426	2,167,402	335,847	2,335	2,865,010	41,486
Utilities	1,209,223	2,033,188	38,798	10,626	3,291,835	74,228
Fleet expense	98,387	279,474	222,537	6,055	606,453	49,315
Depreciation and amortization	1,241,760	5,410,294	1,126,841		7,778,895	913,057
Other expenses	373,156	219,756	178,985	9,017	780,914	57,388
Total Operating Expenses	8,097,689	16,744,304	4,817,641	1,137,251	30,796,885	13,536,720
Operating Income (Loss)	21,870,239	3,594,661	(4,644,326)	757,848	21,578,422	(306,845)
NONOPERATING REVENUES (EXPENSES)						
Operating grants	312,077		4,124,939		4,437,016	
Interest income	(292,952)	(510,918)	6,609	11,521	(785,740)	(116,437)
Interest (expense)	(955,634)	(569,716)			(1,525,350)	
Gain (loss) on disposal of capital assets	(39,373)	(657,599)	(11,407)		(708,379)	33,836
Net Nonoperating Revenues (Expenses)	(975,882)	(1,738,233)	4,120,141	11,521	1,417,547	(82,601)
Income (Loss) Before Contributions and Transfers	20,894,357	1,856,428	(524,185)	769,369	22,995,969	(389,446)
Capital grants			244,928		244,928	
Capital contributions - connection/impact fees	806,936	4,486,408			5,293,344	
Transfers in (Note 4A)	8,287	1,692	88,693		98,672	2,199,376
Transfers out (Note 4A)	(1,002,088)	(1,171,648)	(80,805)	(587,725)	(2,842,266)	(140,230)
Net Contributions and Transfers	(186,865)	3,316,452	252,816	(587,725)	2,794,678	2,059,146
Change in net position	20,707,492	5,172,880	(271,369)	181,644	25,790,647	1,669,700
NET POSITION-BEGINNING, AS RESTATED (Note 8E)	89,551,753	148,933,692	19,685,955	349,761	258,521,161	8,184,861
ENDING NET POSITION	\$110,259,245	\$154,106,572	\$19,414,586	\$531,405	\$284,311,808	\$9,854,561

See accompanying notes to basic financial statements

CITY OF TURLOCK
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2022

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Water	Sewer	Transportation	Nonmajor Fund Building & Safety		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$23,165,082	\$19,975,153	\$155,312	\$1,893,091	\$45,188,638	\$13,080,156
Payments to suppliers	(2,356,591)	(5,923,487)	(2,159,157)	(207,142)	(10,646,377)	(673,368)
Payments to employees and benefits	(3,164,841)	(5,546,679)	(806,225)	(976,768)	(10,494,513)	(12,048,893)
Other	6,172,903	51,631	20,353	2,008	6,246,895	293,715
Cash Flows from Operating Activities	23,816,553	8,556,618	(2,789,717)	711,189	30,294,643	651,610
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental receipts - operations	312,077		1,122,395		1,434,472	
Interfund receipts (payments)						35,431
Transfers in	8,287	1,692	88,693		98,672	2,199,376
Transfers out	(1,002,088)	(1,171,648)	(80,805)	(587,725)	(2,842,266)	(140,230)
Cash Flows from Noncapital Financing Activities	(681,724)	(1,169,956)	1,130,283	(587,725)	(1,309,122)	2,094,577
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental receipts - capital program			1,236,978		1,236,978	
Acquisition of capital assets, net	(23,252,030)	(5,250,049)	(944,640)		(29,446,719)	(513,617)
Proceeds from sale of capital assets		12,801	45,932		58,733	33,836
Charges for joint project contributions	(3,673,156)				(3,673,156)	
Proceeds from issuance of debt		46,716,200			46,716,200	
Payment to bond escrow agent		(32,773,243)			(32,773,243)	
Cost of issuance		(150,757)			(150,757)	
Long-term debt payment - principal	(118,505,000)	(4,978,467)			(123,483,467)	
Long-term debt payment - interest	(5,614,854)	(2,303,314)			(7,918,168)	
Connection / impact fees	806,936	4,486,408			5,293,344	
Cash Flows from Capital and Related Financing Activities	(150,238,104)	5,759,579	338,270		(144,140,255)	(479,781)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	(173,822)	(519,774)	7,791	10,759	(675,046)	(118,632)
Cash Flows from Investing Activities	(173,822)	(519,774)	7,791	10,759	(675,046)	(118,632)
Net Cash Flows	(127,277,097)	12,626,467	(1,313,373)	134,223	(115,829,780)	2,147,774
Cash and investments at beginning of period, as restated (Note 8E)	151,753,961	26,208,245	2,218,306	2,455,060	182,635,572	13,153,350
Cash and investments at end of period	<u>\$24,476,864</u>	<u>\$38,834,712</u>	<u>\$904,933</u>	<u>\$2,589,283</u>	<u>\$66,805,792</u>	<u>\$15,301,124</u>
Reconciliation of Operating Income (Loss) to Cash Flows						
from Operating Activities:						
Operating income (loss)	\$21,870,239	\$3,594,661	(\$4,644,326)	\$757,848	\$21,578,422	(\$306,845)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:						
Depreciation and amortization	1,241,760	5,410,294	1,126,841		7,778,895	913,057
Change in assets and liabilities:						
Accounts receivable	(629,943)	(312,181)	2,350		(939,774)	143,996
Accounts payable	1,601,675	1,175,356	660,609	136,908	3,574,548	106,599
Payroll payable	(412)	6,535	7,532	(3,035)	10,620	9,947
Compensated absences	(18,993)	10,854	25,453	(8,238)	9,076	46,675
Claims liability						33,467
Deferred outflows/inflows and total OPEB liability	(23,958)	(183,096)	33,283	(3,911)	(177,682)	14,589
Deferred outflows/inflows and net pension liability	(376,034)	(1,145,805)	(1,459)	(168,383)	(1,691,681)	(309,875)
Deposits payable	152,219				152,219	
Cash Flows from Operating Activities	\$23,816,553	\$8,556,618	(\$2,789,717)	\$711,189	\$30,294,643	\$651,610
NONCASH TRANSACTIONS:						
Amortization of bond premium	\$3,233,709	\$2,228,411			\$3,564,032	
Retirement of capital assets	(39,373)	(670,400)	(\$57,339)		(767,112)	
Total Noncash Capital and Related Financing Activities	\$3,194,336	\$1,558,011	(\$57,339)		\$2,796,920	

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, 2022

	Successor Agency Private-Purpose Trust Fund	Custodial Funds	
		Custodial Funds	External Investment Pool Fund
ASSETS			
Cash and investments (Note 3)	\$2,588,786	\$388,175	\$40,452,050
Cash and investments with fiscal agent (Note 3)	17	103,819	
Accounts receivable		4,604	
Interest receivable		441	
Total Assets	<u>2,588,803</u>	<u>497,039</u>	<u>40,452,050</u>
LIABILITIES			
Accounts payable	2,620		
Interest payable	418,570		
Long-term debt (Note 14B):			
Due within one year	1,210,000		
Due in more than one year	<u>32,254,843</u>		
Total Liabilities	<u>33,886,033</u>		
NET POSITION (DEFICIT)			
Restricted for:			
Other organizations		497,039	
Pool participant			40,452,050
Net deficit held in trust for other governments	<u>(31,297,230)</u>		
Total Net Position (Deficit)	<u><u>(\$31,297,230)</u></u>	<u><u>\$497,039</u></u>	<u><u>\$40,452,050</u></u>

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Successor Agency Private-Purpose Trust Fund	Custodial Funds	
		Custodial Funds	External Investment Pool Fund
ADDITIONS			
Property taxes	\$2,590,543		
Assessments		\$445,786	
Net investment income	18	1,656	(\$475,719)
Other receipts			185,498,674
	<u>2,590,561</u>	<u>447,442</u>	<u>185,022,955</u>
DEDUCTIONS			
Community development	13,962		
Contributions to the City of Turlock	107,768		
Administration expense		26,800	247,758
Recipient payments		148,033	150,506,761
Interest and fiscal charges	1,145,263	257,895	
	<u>1,266,993</u>	<u>432,728</u>	<u>150,754,519</u>
NET CHANGE IN NET POSITION	1,323,568	14,714	34,268,436
NET POSITION (DEFICIT)			
Beginning of year	<u>(32,620,798)</u>	<u>482,325</u>	<u>6,183,614</u>
End of year	<u><u>(\$31,297,230)</u></u>	<u><u>\$497,039</u></u>	<u><u>\$40,452,050</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, 2022

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, 2022

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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Facility Fees Fund – 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 Fund – 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, 2022

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, including lease liabilities, 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, including entering into contracts giving the City the right to use leased assets, are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and financing through 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, 2022

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 assets 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 assets 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 and leases receivable as discussed in Note 15. 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, 2022

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, 2022 were as follows:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Beginning Balance	\$3,076,005	\$623,498	\$3,699,503
Net Change	110,659	9,076	119,735
Ending Balance	<u>\$3,186,664</u>	<u>\$632,574</u>	<u>\$3,819,238</u>
Current Portion	<u>\$637,333</u>	<u>\$126,515</u>	<u>\$763,848</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, 2022

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, 2022 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, 2022

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).

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, 2022

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	\$199,037,833
Restricted cash and investments and cash and investments with fiscal agent	3,356,601
Total City Cash and Investments	202,394,434
Cash and investments in Fiduciary Funds (Separate Statement):	
Successor Agency to the Redevelopment	
Agency Private Purpose Trust Fund:	
Cash available for operations	2,588,786
Cash and investments with fiscal agent	17
Custodial Funds:	
Cash and investments available for operations	388,175
Cash and investments with fiscal agent	103,819
Custodial Fund - External investment pool	40,452,050
Total Cash and Investments	\$245,927,281

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$9,920
Deposits with financial institutions	88,768,169
Investments	157,149,192
Total Cash and Investments	\$245,927,281

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, 2022

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	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%	30%
Commercial Paper	270 days	A-1 or Higher	25%	10%
State of California 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, 2022

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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	\$9,935,231	\$11,633,281	\$27,244,569	\$48,813,081
U.S. Government Agency Securities	973,306	5,805,675	10,476,182	17,255,163
Certificates of Deposit	12,795,948	2,285,481	1,861,274	16,942,703
California Local Agency Investment Fund	74,034,406			74,034,406
<i>Held by Trustee:</i>				
Money Market Mutual Funds	103,839			103,839
Total Investments	\$97,842,730	\$19,724,437	\$39,582,025	\$157,149,192

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, 2022 these investments matured in an average of 311 days.

Money Market Mutual funds are available for withdrawal on demand at June 30, 2022 matured in an average of 23 days.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022 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		\$17,255,163	\$17,255,163
<i>Held by Trustee:</i>			
Money Market Mutual Funds	\$103,839		103,839
Total Rated Investments	<u>\$103,839</u>	<u>\$17,255,163</u>	17,359,002
<i>Not rated:</i>			
Certificates of Deposit			16,942,703
California Local Agency Investment Fund			74,034,406
<i>Exempt from credit rating disclosure:</i>			
U.S. Treasury Notes			<u>48,813,081</u>
Total Investments			<u><u>\$157,149,192</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, 2022:

	Level 1	Level 2	Total
Investments by Fair Value Level:			
<i>Held by City:</i>			
U.S. Treasury Notes		\$48,813,081	\$48,813,081
U.S. Government Agency Securities		17,255,163	17,255,163
Certificates of Deposit	\$11,068,020	5,874,683	16,942,703
Subtotal	<u>\$11,068,020</u>	<u>\$71,942,927</u>	83,010,947
Investments Measured at Amortized Cost:			
<i>Held by Trustee:</i>			
Money Market Mutual Funds			103,839
Investment Exempt from Fair Value Hierarchy:			
California Local Agency Investment Fund			<u>74,034,406</u>
Total Investments			<u><u>\$157,149,192</u></u>

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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 the City’s 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, 2022 were as follows:

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred
General Fund	Gas Tax/Street Improvement Fund	\$322,572 (A)
	Non-Major Governmental Funds	1,869,397 (A), (B)
	Internal Service Funds	1,619,132 (C)
Gas Tax/Street Improvement Fund	Non-Major Governmental Funds	36,390 (A)
	Transportation Enterprise Fund	88,693 (D)
	Internal Service Funds	129,318 (C)
Facility Fees Capital Projects Fund	Gas Tax/Street Improvement Fund	588,000 (A)
	Non-Major Governmental Funds	1,142,110 (B)
Non-Major Governmental Funds	Non-Major Governmental Funds	183,272 (A), (B)
	Water Enterprise Fund	8,287 (A)
	Sewer Enterprise Fund	1,692 (A)
	Internal Service Funds	70,926 (C)
Water Enterprise Fund	General Fund	703,455 (B), (E)
	Non-Major Governmental Funds	3,633 (A), (B)
	Internal Service Funds	295,000 (C)
Sewer Enterprise Fund	General Fund	998,577 (B), (E)
	Gas Tax/Street Improvement Fund	64,731 (B)
	Non-Major Governmental Funds	25,840 (A), (B)
	Internal Service Funds	82,500 (C)
Transportation Enterprise Fund	General Fund	80,805 (B)
Non-Major Enterprise Fund	General Fund	83,317 (B)
	Non-Major Governmental Funds	504,408 (A), (B)
Internal Service Funds	General Fund	113,116 (B), (E)
	Non-Major Governmental Funds	24,614 (B)
	Internal Service Funds	2,500 (C)
	Total Transfers	<u>\$9,042,285</u>

- (A) To fund capital improvements or equipment
- (B) To fund operations, including computer replacement
- (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, 2022

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, 2022 were as follows:

	Amount Due to Equipment Pool Internal Service Fund
Non-major Special Revenue Fund:	
Housing Stimulus Funds	\$49,123
Non-major Capital Projects Fund:	
East Tuolumne Master Plan	26,674
Internal Service Fund:	
Engineering	1,348,707
Total	\$1,424,504

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, 2022, 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	35,899,361		35,899,361
Total	\$36,186,645	\$157,663	\$36,344,308

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, 2022

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

B. Loans Receivable

Loans receivable at June 30, 2022 consist of the following:

Type of Loan/Borrower	Amount
Central Valley Coalition for Affordable Housing	\$10,539,547
First Time Homebuyer Loans	7,392,136
EAH, Inc. (Avena Bella)	13,428,068
Owner-Occupied Rehabilitation Loans	2,790,456
Rehabilitation Forgivable Loans for Energy Improvements	59,005
Rental Rehabilitation Loans	5,500
Turlock Gospel Mission Loans	345,000
We Care Program Loan	278,000
Haven Women's Center Loan	183,750
United Samaritans Foundation	175,000
Housing Authority of the County of Stanislaus	411,350
Greater Modesto Interfaith Hospitality Network Loan	288,000
Subtotal	35,895,812
Employee Computer Loans	3,549
Total long-term notes receivable	\$35,899,361

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, 2022 was \$6,291,551.

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, 2022 on these three properties was \$1,809,817.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022 on these three properties was \$2,438,179.

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, 2022, the City had 153 loans outstanding, totaling to \$7,392,136.

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, 2022

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 \$13,428,068, as of June 30, 2022.

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, 2022, the City had 32 loans outstanding, totaling to \$2,790,456.

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, 2022 the City had 5 loans outstanding with principal and accrued interest of \$59,005.

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, 2022, the City had one loan outstanding totaling to \$5,500.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

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, 2022, the amount outstanding was \$48,000.

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. As of June 30, 2022, the amount outstanding was \$297,000.

We Care Program Loan

In September 2015 the City, using both CDBG and HOME funds, executed a loan agreement and two promissory notes each secured by a deed of trust with the We Care Program Turlock (a California non-profit public benefit corporation) to assist We Care with the purchase a fourplex to be used as transitional housing for persons at or below sixty percent (60%) of the median income in Stanislaus County as defined by HUD. The CDBG portion of the loan is for \$240,000 and the HOME portion is \$110,000. No interest accrues and no periodic payments are due on either note as long as the borrower is not in default and the property continues to be used for its intended purpose. The HOME loan is equally forgivable over a 20 year period provided We Care continues to use the property for its intended purpose and is not otherwise in default as defined by the loan agreement. The CDBG loan is not forgivable and is repayable at the time the borrower ceases to use the property for its intended purpose. The CDBG loan also contains an equity sharing provision which means that if the borrower sells the property for more than the repayment amount required under the CDBG and HOME loan notes, 50% of the excess proceeds will be paid to the City. As of June 30, 2022, the amounts outstanding on the CDBG and HOME notes were \$168,000 and \$110,000, respectively.

Haven Women's Center

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

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

The CDBG loan is equally forgivable over a 20 year period provided Haven Women’s Center is not otherwise in default as defined by the loan agreement. The HOME loan is not forgivable and is repayable at the time the borrower ceases to use the property for its intended purpose. The HOME loan also contains an equity sharing provision which means that if the borrower sells the property for more than the repayment amount required under the CDBG and HOME loan notes, 50% of the excess proceeds will be paid to the City. As of June 30, 2022, the amounts outstanding on the CDBG and HOME loans were \$78,750 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.

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, 2022, the amount outstanding on the HOME note was \$411,350.

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, 2022, the amount outstanding on the CDBG note was \$288,000.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

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, 2022, 1 employee had a loan due to the City totaling \$3,549.

C. Accounts Receivable

The following table provides a detailed listing of the City’s accounts receivable by type as of June 30, 2022:

	Due from Other Governments	Accounts Receivable	Total
General Fund	\$6,237,729	\$3,042,101	\$9,279,830
Former LMI Housing Special Revenue Fund		450	450
Gas Tax/Street Improvement Special Revenue Fund	2,649,622	9,465	2,659,087
Nonmajor Governmental Funds	573,198	264,767	837,965
Water Enterprise Fund	58,780	16,933,017	16,991,797
Sewer Enterprise Fund	384,782	2,380,219	2,765,001
Transportation Enterprise Fund	1,954,026	2,695,904	4,649,930
Internal Service Fund	20,110	475,464	495,574
Total	11,878,247	25,801,387	37,679,634
Less allowance for collectability	(193,863)		(193,863)
Total, Net	<u>\$11,684,384</u>	<u>\$25,801,387</u>	<u>\$37,485,771</u>

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

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 6 – CAPITAL ASSETS (Continued)

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.

A. Capital Assets Additions and Retirements

At June 30, 2022 the City’s capital assets for governmental activities consisted of the following:

Governmental activities

	Balance at June 30, 2021	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2022
Capital assets not being depreciated:					
Land	\$17,574,358				\$17,574,358
Construction in progress	26,180,129	\$8,271,730	(\$27,246)	(\$3,075,509)	31,349,104
Total capital assets not being depreciated	<u>43,754,487</u>	<u>8,271,730</u>	<u>(27,246)</u>	<u>(3,075,509)</u>	<u>48,923,462</u>
Capital assets being depreciated:					
Land improvements	38,163,767				38,163,767
Buildings	55,541,278	12,675			55,553,953
Furniture and equipment	17,267,586	138,599			17,406,185
Vehicles	13,068,121	762,059	(419,500)		13,410,680
Infrastructure	209,822,531			3,075,509	212,898,040
Total capital assets being depreciated	<u>333,863,283</u>	<u>913,333</u>	<u>(419,500)</u>	<u>3,075,509</u>	<u>337,432,625</u>
Less accumulated depreciation for:					
Land improvements	(17,737,140)	(995,143)			(18,732,283)
Buildings	(15,883,290)	(1,471,798)			(17,355,088)
Furniture and equipment	(11,540,218)	(591,287)			(12,131,505)
Vehicles	(9,451,102)	(853,059)	418,817		(9,885,344)
Infrastructure	(75,865,763)	(4,505,779)			(80,371,542)
Total accumulated depreciation	<u>(130,477,513)</u>	<u>(8,417,066)</u>	<u>418,817</u>		<u>(138,475,762)</u>
Net capital assets being depreciated	<u>203,385,770</u>	<u>(7,503,733)</u>	<u>(683)</u>	<u>3,075,509</u>	<u>198,956,863</u>
Governmental activity capital assets, net	<u>\$247,140,257</u>	<u>\$767,997</u>	<u>(\$27,929)</u>		<u>\$247,880,325</u>

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 6 – CAPITAL ASSETS (Continued)

Governmental activities depreciation expense for capital assets for the year ended June 30, 2022 was as follows:

Governmental Activities	
General government	\$648,907
Public safety	1,298,739
Public ways and facilities/transportation	4,998,238
Parks and recreation	448,288
Community development	109,837
Internal service funds	913,057
Total Governmental Activities	\$8,417,066

At June 30, 2022 the City’s capital assets for business-type activities consisted of the following:

Business-type activities

	Balance at June 30, 2021	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2022
Capital assets not being depreciated:					
Land	\$5,144,541				\$5,144,541
Construction in progress	71,865,540	\$28,700,815	(\$742,679)	(\$59,687,194)	40,136,482
Total capital assets not being depreciated	77,010,081	28,700,815	(742,679)	(59,687,194)	45,281,023
Capital assets being depreciated:					
Land improvements	10,283,313				10,283,313
Buildings and improvements	13,020,830				13,020,830
Furniture and equipment	23,559,519	157,747	(129,843)	23,453,355	47,040,778
Vehicles	9,591,366	588,157	(432,738)		9,746,785
Infrastructure	329,245,805			36,233,839	365,479,644
	385,700,833	745,904	(562,581)	59,687,194	445,571,350
Less accumulated depreciation for:					
Land improvements	(3,254,073)	(280,478)			(3,534,551)
Buildings and improvements	(3,875,141)	(399,125)			(4,274,266)
Furniture and equipment	(20,950,380)	(594,645)	129,542		(21,415,483)
Vehicles	(2,912,826)	(716,726)	408,606		(3,220,946)
Infrastructure	(157,303,416)	(6,127,978)			(163,431,394)
	(188,295,836)	(8,118,952)	538,148		(195,876,640)
Net capital assets being depreciated	197,404,997	(7,373,048)	(24,433)	59,687,194	249,694,710
Total Business-type activity capital assets, net	\$274,415,078	\$21,327,767	(\$767,112)		\$294,975,733

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 6 – CAPITAL ASSETS (Continued)

Business-type activities depreciation expense for capital assets for the year ended June 30, 2022 was as follows:

Business-Type Activities		
Water		\$1,398,660
Sewer		5,593,451
Transportation		1,126,841
Total Business-Type Activities		\$8,118,952

NOTE 7 – LONG TERM DEBT

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

A. Current Year Governmental Activities Transactions and Balances

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

	Original Issue Amount	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Due within One Year	Due in More than One Year
Governmental Activities:							
Direct Borrowing							
Lease Financings:							
Motorola Equipment Lease	\$2,727,690	\$2,021,589		\$255,022	\$1,766,567	\$265,529	\$1,501,038
PNC Lease - Fire Trucks	1,755,110		1,755,110		1,755,110	91,565	1,663,545
Total Governmental Activity Debt	\$4,482,800	\$2,021,589	\$1,755,110	\$255,022	\$3,521,677	\$357,094	\$3,164,583

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 – LONG TERM DEBT (Continued)

Lease Financing

Motorola Equipment Lease Purchase Agreement

On March 22, 2018, the City Council approved the lease financing/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.

Fire Engine Lease Purchase Agreement

On April 15, 2022, the City entered into a lease financing/purchase agreement for the purchase of two new Pierce Velocity Pumpers. 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 Pumpers 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 to comply with other lease covenants or conditions included in the lease agreement that are 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.

Debt Service Requirements

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

For the Year Ending June 30	Governmental Activities - Direct Borrowing	
	Lease Financing Payable	
	Principal	Interest
2023	\$357,094	\$132,632
2024	371,156	118,570
2025	385,775	103,950
2026	400,974	88,752
2027	416,773	72,950
2028-2032	904,518	190,863
2033-2037	685,387	71,681
Total	<u>\$3,521,677</u>	<u>\$779,398</u>

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 – LONG TERM DEBT (Continued)

B. Current Year Business-type Activities Transactions and Balances

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

Business-type Activity Debt:	Original Issue Amount	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022	Within One Year	More Than One Year
General Obligation Revenue Bonds:							
2012 Sewer Revenue	\$51,915,000	\$34,785,000		\$34,785,000			
Add: Unamortized bond premium		2,228,411		2,228,411			
2017 Water Revenue	22,405,000	19,370,000		755,000	\$18,615,000	\$795,000	\$17,820,000
Add: Unamortized bond premium		2,628,092		156,901	2,471,191		2,471,191
2020 Water Revenue Bond							
Anticipation Notes	117,750,000	117,750,000		117,750,000			
Add: Unamortized bond premium		3,076,808		3,076,808			
Loans Payable - Direct Borrowing:							
State Revolving Fund Loan - Harding Drain By-Pass	15,090,416	10,500,740		706,533	9,794,207	722,076	9,072,131
State Revolving Fund Loan - TRWQCF Upgrade	24,752,169	18,412,281		1,137,311	17,274,970	1,162,332	16,112,638
State Revolving Fund Loan - NVRWP	28,907,112	19,738,166		589,623	19,148,543		19,148,543
2022 Sewer Loan (Webster Bank)	32,924,000		\$32,924,000		32,924,000	2,978,000	29,946,000
Total Business-type Activity Debt	\$293,743,697	\$228,489,498	\$32,924,000	\$161,185,587	\$100,227,911	\$5,657,408	\$94,570,503

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.

On June 22, 2022, the City entered into a loan agreement with Webster Bank (see below) in the amount of \$32,924,000 to refund the 2012 Sewer Revenue Bonds. As of June 30, 2022, the balance of the defeased 2012 Bonds was \$32,240,000.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 – LONG TERM DEBT (Continued)

2022 Sewer Loan

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 will be repaid in their entirety on September 15, 2022. No new project monies were included in this loan agreement. The refunding resulted in an overall debt service savings of \$1,440,968. The net present value of the debt service savings is called an economic gain and amounted to \$1,231,964. 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.

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 2022 Loan and the State Revolving Fund Loans. Based on fiscal year 2021-22 net system revenues of \$11,810,489 annual principal and interest payments (totaling \$7,281,781 in fiscal year 2021-22) were 162% 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 2021-22 net system revenues of \$22,819,047, annual principal and interest payments (totaling \$1,633,688 in fiscal year 2021-22) were 1,397% of net water system revenues.

On April 12, 2023, S&P Global Ratings withdrew its ratings on the Bonds due to the City's delay in issuing the audited financial statements.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 – LONG TERM DEBT (Continued)

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. The Notes were redeemed on March 3, 2022.

Loans Payable

State Revolving Fund Loans

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

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

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

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

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 – LONG TERM DEBT (Continued)

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

After the loan documents were executed in August 2018, it took until December 2019 for the State to finally approve the Final Budget Document which is a document required before the City could submit a reimbursement request on the loan funds. In December 2019, the City submitted the first reimbursement request in the amount of \$1,417,418 for pre-construction costs. The City submitted the second reimbursement request in the amount of \$9,740,230 in November 2020 and the final reimbursement request in the amount of \$13,816,579 in August 2021. The full amount of the original loan was not needed due to a combination of lower than expected design and construction costs and the loan forgiveness provisions that were added to the agreement after the original loan was approved. Principal and interest payments on the loan began in fiscal year 2022 and the outstanding balance of the loan is \$19,148,543 as of June 30, 2022. The funding for this project comes from two primary sources (in addition to City Sewer Fund resources for costs which are not reimbursable under either the SRF loan or the Department of the Interior grant). The SRF reimbursement requests are coordinated with the funding received from the Department of the Interior grant.

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

Debt Service Requirements

Annual debt service requirements for business-type activities debt are shown below:

For the Year Ending June 30	Revenue Bonds		Direct Borrowing – Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$3,773,000	\$1,515,596	\$2,416,373	\$940,195	\$6,189,373	\$2,455,791
2024	3,802,000	1,652,216	2,467,405	889,163	6,269,405	2,541,379
2025	3,943,000	1,520,317	2,519,521	837,046	6,462,521	2,357,363
2026	3,534,000	1,391,445	2,572,747	783,821	6,106,747	2,175,266
2027	3,672,000	1,265,972	2,627,101	729,466	6,299,101	1,995,438
2028-2032	19,094,000	4,292,803	13,992,157	2,790,682	33,086,157	7,083,485
2033-2037	12,146,000	1,332,068	9,541,583	1,343,845	21,687,583	2,675,913
2038-2042	1,575,000	63,000	3,603,321	779,867	5,178,321	842,867
2043-2047			3,939,509	906,167	3,939,509	906,167
2048-2050			2,538,003	91,910	2,538,003	91,910
Total	51,539,000	\$13,033,417	46,217,720	\$10,092,162	97,756,720	\$23,125,579
Add: Unamortized Bond Premium	2,471,191				2,471,191	
Net long-term debt	\$54,010,191		\$46,217,720		\$100,227,911	

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 – LONG TERM DEBT (Continued)

C. *Debt With No City Commitment*

The City of Turlock has no legal liability with respect to the payment of any indebtedness of the Community Financing District No. 1 Monte Vista Crossings. The City acts solely as an agent for the bondholders in collecting and forwarding the special assessment. Accordingly, no liability for these bonds has been recorded in the City's basic financial statements. The principal amount of outstanding debt of the above District was \$745,000 at June 30, 2022.

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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

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

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

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

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

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	\$1,758,320					\$1,758,320
Loans receivable	3,549					3,549
Due from developers	20,041			\$267,243		287,284
Leases receivable	7,300					7,300
Total Nonspendable Fund Balances	1,789,210			267,243		2,056,453
Restricted for:						
Low and moderate income housing		\$2,375,178			\$5,582,997	7,958,175
Capital expenditures			\$17,764,339	12,404,832		30,169,171
Assessment districts					18,512,264	18,512,264
Resource conservation					1,428,999	1,428,999
Public safety					641,818	641,818
Sports facilities					4,085	4,085
Development impact fees					75,551	75,551
Total Restricted Fund Balances		2,375,178	17,764,339	12,404,832	26,245,714	58,790,063
Committed to:						
Public safety	1,272,054				122,061	1,394,115
Tourism	1,602,242					1,602,242
Capital expenditures					21,035,549	21,035,549
Total Committed Fund Balances	2,874,296				21,157,610	24,031,906
Assigned to:						
Compensated absences	529,862					529,862
Total Assigned Fund Balances	529,862					529,862
Unassigned:						
General Fund	33,429,198					33,429,198
Other governmental fund deficits					(26,674)	(26,674)
Total Unassigned Fund Balances	33,429,198				(26,674)	33,402,524
Total Fund Balances	\$38,622,566	\$2,375,178	\$17,764,339	\$12,672,075	\$47,376,650	\$118,810,808

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

C. Emergency/Contingency Reserve

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

D. Fund Balance/Net Position Deficits

The following funds had deficit fund balances or net position as of June 30, 2022:

	Amount
Non-major Governmental Fund:	
East Tuolumne Master Plan Capital Projects Fund	\$26,674
Internal Service Funds:	
Information Technology	1,806,439
Engineering	4,230,524

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 Fund Balance and Net Position

During fiscal year 2022, the City discovered that the balances of cash and revenue had been overstated as of June 30, 2021 and understated as of July 1, 2021 due to the misposting of a prior year-end closing entry. Therefore, beginning balances of cash and fund balance in the General Fund in the amount of \$89,115 were restated and decreased and the beginning balances of cash and net position in the Water Enterprise Fund and Sewer Enterprise Fund were restated and decreased in the amounts of \$1,126,121 and \$719,526, respectively.

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, during the year ended June 30, 2022. As a result, the City determined that beginning the balances of leases receivable and deferred inflows of resources related to leases were \$785,646 as of July 1, 2021 and restated and increased the balances in that amount, and the net effect on beginning fund balance and net position was zero. See the Leases disclosure in Note 11.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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.

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

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

	Deferred Outflows of Resources	Net Pension Liability/ Proportionate Share of Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	\$6,642,624	\$33,345,362	\$13,218,073
Safety (Fire and Police)	11,321,864	23,663,292	16,603,503
Total	<u>\$17,964,488</u>	<u>\$57,008,654</u>	<u>\$29,821,576</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, 2022

NOTE 9 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.000%	6.25%
Required employer contribution rates	10.060%	10.060%
Required UAL contribution	\$4,460,312	

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 \$4,460,312 for the year-ended June 30, 2022, which was made under the lump sum payment option.

Employees Covered – As of the June 30, 2020 actuarial valuation date and the June 30, 2021 measurement date, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous	
	June 30, 2020	June 30, 2021
Inactive employees or beneficiaries currently receiving benefits	262	273
Inactive employees entitled to but not yet receiving benefits	319	327
Active employees	204	198
Total	785	798

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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2022

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	\$160,169,932	\$108,360,351	\$51,809,581
Changes in the year:			
Service cost	2,350,368		2,350,368
Interest on the total pension liability	11,195,286		11,195,286
Differences between actual and expected experience	(889,500)		(889,500)
Changes in assumptions			
Changes in benefit terms			
Plan to Plan resource movement			
Contribution - employer		5,268,466	(5,268,466)
Contribution - employee		1,037,625	(1,037,625)
Net investment income		24,922,527	(24,922,527)
Administrative expenses		(108,245)	108,245
Benefit payments, including refunds of employee contributions	(7,756,380)	(7,756,380)	
Other Miscellaneous Income/Expense			
Net changes	<u>4,899,774</u>	<u>23,363,993</u>	<u>(18,464,219)</u>
Balance at June 30, 2020	<u>\$165,069,706</u>	<u>\$131,724,344</u>	<u>\$33,345,362</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	\$55,696,003
Current Discount Rate	7.15%
Net Pension Liability	\$33,345,362
1% Increase	8.15%
Net Pension Liability	\$14,907,065

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 9 – PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2022, the City recognized pension expense of \$2,144,892. At June 30, 2022, 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	\$5,885,609	
Differences between actual and expected experience	757,015	(\$582,776)
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		(12,635,297)
Total	\$6,642,624	(\$13,218,073)

\$5,885,609 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, 2023. 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
2023	(\$2,772,020)
2024	(3,215,746)
2025	(3,024,830)
2026	(3,448,462)
2027	-
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, 2022

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, 2022 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	23.710%	13.130%
Required UAL contribution	\$1,157,371	\$2,485

	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	23.710%	13.130%
Required UAL contribution	\$1,717,224	\$5,301

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 \$2,882,381 in fiscal year 2022, as shown in the table above.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022, the employer contributions to the Safety Plan were \$5,308,585.

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, 2022, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$23,663,292.

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 was as follows:

	Safety (Fire and Police)
Proportion - June 30, 2020	0.60%
Proportion - June 30, 2021	0.67%
Change - Increase (Decrease)	0.07%

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 9 – PENSION PLANS (Continued)

For the year ended June 30, 2022, the City recognized pension expense of \$2,896,205 for the Safety Plan. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Safety Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$5,308,585	
Differences between actual and expected experience	4,042,853	
Differences in actual and proportional contribution		
Changes in assumptions		\$0
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,970,426	(\$2,519,295)
Net differences between projected and actual earnings on plan investments	0	(14,084,208)
Total	<u>\$11,321,864</u>	<u>(\$16,603,503)</u>

\$5,308,585 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, 2023. 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
2023	(\$1,625,615)
2024	(2,139,557)
2025	(2,949,275)
2026	(3,875,777)
2027	-
Thereafter	-

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

	Safety
1% Decrease	6.15%
Net Pension Liability	\$45,042,403
Current Discount Rate	7.15%
Net Pension Liability	\$23,663,292
1% Increase	8.15%
Net Pension Liability	\$6,102,992

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, 2022

NOTE 9 – PENSION PLANS (Continued)

D. Information Common to the Miscellaneous and Safety Plans

Actuarial Assumptions – For the measurement period ended June 30, 2021, the total pension liabilities were determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous and Safety (Fire and Police)</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study 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 Plans was 7.15%. The projection of cash flows used to determine the discount rate for the Plans 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, 2022

NOTE 9 – PENSION PLANS (Continued)

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

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

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+(c)
Public 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 Annual Comprehensive 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, 2022

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, 2021:

	Valuation Date
	July 1, 2021
Active employees	319
Inactive employees or beneficiaries currently receiving benefit payments	16
Inactive employees entitled to but not yet receiving benefit payments	0
Total	335

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated July 1, 2021 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2022, based on the following actuarial methods and assumptions:

	Actuarial Assumptions		
Valuation Date		July 01, 2021	
Measurement Date		June 30, 2022	
Actuarial Cost Method		Entry Age	
Actuarial Assumptions:			
Discount Rate		4.09%	
Inflation		2.59%	
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 4.09%, 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 (S&P Municipal 20 Year High Grade Rate Index).

Changes in Assumptions – The discount rate was modified from 2.10% to 4.09% and the inflation rate was modified from 0.60% to 2.59%.

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

	Total OPEB Liability
Balance at July 1, 2021	\$13,614,405
Changes Recognized for the Measurement Period:	
Service Cost	581,088
Interest on the total OPEB liability	298,105
Changes in benefit terms	
Differences between expected and actual experience	(2,661,954)
Changes of assumptions	(3,559,711)
Contributions from the employer	
Net investment income	
Administrative expenses	
Benefit payments	(183,856)
Net changes	(5,526,328)
Balance at June 30, 2022	\$8,088,077

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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%
3.09%	4.09%	5.09%
\$9,419,374	\$8,088,077	\$6,998,613

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%
\$6,934,717	\$8,088,077	\$9,419,374

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2022, the City recognized OPEB expense of (\$304,884). At June 30, 2022, 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		(\$6,300,218)
Changes of assumptions	\$2,179,439	(7,911,540)
Net differences between projected and actual earnings on plan investments		
Total	\$2,179,439	(\$14,211,758)

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
2023	(\$1,184,077)
2024	(1,184,077)
2025	(1,184,077)
2026	(1,184,077)
2027	(1,184,077)
Thereafter	(6,111,934)

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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	2.5% of base salary
Management/Confidential	Employees covered by Turlock Management Association - Public Safety MOU	3% of base salary
Miscellaneous	Employees covered by Turlock City Employees Association MOU	2.0% of base salary 3% of salary plus 3% of
Police	Employees covered by Turlock Associated Police Officers MOU	benefits (1) 4% of salary plus 4% of
Fire	Employees covered by Turlock Firefighters Local #2434 MOU	benefits

(1) Effective 7/1/2021, benefits is calculated based on 56% of base salary

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 2021-22 were as follows:

Plan	Contributions
Management/Confidential	\$120,010
Miscellaneous	192,994
Police	336,721
Fire	201,146

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

Deferred Compensation Plans

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Sections 401 and 457. Under the Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, and death or in an emergency as defined by the Plans.

The Plans are part of the public agency agent multiple-employer defined contribution plans that are administered by Mission Square Retirement (formerly ICMA RC). Benefit provisions under the Plans are established by City resolution. The City has no liability for any losses incurred by the Plans and does not participate in any gains, but does have the duty of due care that would be required of an ordinary prudent investor. The City has a contract with Mission Square to manage and invest the assets of the Plans. The administrator pools the assets of the Plan with those of other participants and does not make separate investments for the City. The assets in the Plans are the sole property of the participants or their beneficiaries. Since the assets held under the Plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements. The Plans require investments to be stated at fair market value and it requires all gains and losses on Plan investments to accrue directly to participant accounts. A summary of eligibility and employer contribution requirements for the City's Plans are shown below by bargaining unit:

TCEA

Employees with Less than 15 Years of Service - Match of up to 0.5% of the employee's base salary each pay period in which the employee contributes to the 401a Plan.

Employees with More than 15 Years of Service - Match of up to 1.0% of the employee's base salary each pay period in which the employee contributes to the 401a Plan. The increase in the City's match is effective the 1st day of the month following the employee's 15th anniversary.

Employees that waive the City's medical insurance receive \$475 per month to the RHS 457 Plan.

TAPO

Employees that waive the City's medical insurance receive \$475 per month to the RHS 457 Plan.

Fire

Employees that waive the City's medical insurance receive \$475 per month to the RHS 457 Plan.

TMAPS

2.5% of base salary for each pay period, provided the employee contributes 6.0% of base salary to the 401a Plan.

Employees that waive the City's medical insurance receive \$475 per month to the RHS 457 Plan.

Confidential (Unrepresented)

0.5% of base salary for each pay period, provided the employee contributes 0.5% of base salary to the 401a Plan.

Employees that waive the City's medical insurance receive \$475 per month to the RHS 457 Plan.

Management (Unrepresented)

Directors - 3.5% of base salary for each pay period, provided the employee contributes 3.5% of base salary to the 401a Plan.

Managers - 2.5% of base salary for each pay period, provided the employee contributes 2.5% to the 401a Plan.

Employees that waive the City's medical insurance receive \$475 per month.

The City's required contributions for the year ended June 30, 2022 totaled \$448,196.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 12 – 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, 2022 was \$206,914 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)	\$29,500,000
Automobile - for vehicles with values less than \$25,000 (\$500)	25,000

Effective July 1, 2021, the liability coverage declined from \$39,000,000 to \$29,500,000.

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 \$1,451,665 for coverage during the fiscal year ended June 30, 2022 and did not receive any fiscal year 2022 retrospective refunds. In addition, in fiscal year 2022, the City was invoiced for prior year payments for the previous five years in the amount of \$68,880. 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, 2022

NOTE 12 – 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
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
2022	2,497,192	5,792,618	(5,759,151)	2,530,659

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. *Litigation*

As of June 30, 2022, 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. *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.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

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, 2022 was \$30,588,214.

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, 2022:

Projects	Amount
Stanislaus Regional Water Authority	\$20,750,236
Water Improvements	7,500,142
Sewer Improvements	2,996,629
Other Contracts	2,348,063
Well Rehabilitation Services	1,074,298
Improvements - Road Rehabilitation	706,704
Housing	696,747
Roads - Measure A	608,213
Arsenic Mitigation & ICF Treatment	346,395
PCE Monitoring/Remediation	220,892
Drinking Water Chlorination Project	181,431
Various bus, vehicle and equipment purchases	82,858
Traffic Signals	57,763
Transit Center	38,304
Columbia Pool	30,723

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 14 – 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, 2022

NOTE 14 – 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, 2022 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2022.

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, 2022 are as follows:

	Original Issue Amount	Balance June 30, 2021	Retirements	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
General Obligation Revenue Bonds:						
2016 Tax Allocation Revenue Bonds	\$35,740,000	\$32,230,000	\$1,150,000	\$31,080,000	\$1,210,000	\$29,870,000
Add: Unamortized bond premium		2,522,431	137,588	2,384,843		2,384,843
Total Successor Agency Debt	\$35,740,000	\$34,752,431	\$1,287,588	\$33,464,843	\$1,210,000	\$32,254,843

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 14 – 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, 2022

NOTE 14 – 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
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	1,470,000	975,506
2028-2032	8,530,000	3,668,780
2033-2037	10,485,000	1,768,090
2038-2040	5,380,000	218,364
Total	31,080,000	\$11,217,143
Add: Unamortized Bond Premium	2,384,843	
Net long-term debt	\$33,464,843	

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, 2022

NOTE 15 – LEASES

A. Policies

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivables or liabilities with an initial, individual value of \$100,000 or more.

Lessee – The City does not have any noncancellable leases of nonfinancial assets as of June 30, 2022. If there were such leases outstanding, the City would recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor – The City is a lessor for noncancellable leases of communication sites. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 15 – LEASES (Continued)

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

B. Leases Receivable

The balances related to leases receivable and deferred inflows of resources as of June 30, 2022 were:

Leases Receivable (Lessor)	Leases Receivable	Deferred Inflows of Resources
<i>General Fund</i>		
Communication Site Lease	\$504,825	\$497,525
<i>Nonmajor Governmental Funds</i>		
Communication Site Lease	252,963	247,364
Total	\$757,788	\$744,889

Communication Site Leases – The City leases various locations to third parties for the provisions of mobile/wireless communications services. During the year ended June 30, 2022, the City had two leases with original lease terms ranging from 10 to 30 years, including the optional extension periods, and as of June 30, 2022, the leases had 10-30 years remaining. The City recognized \$40,716 in lease revenue and \$11,594 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

CITY OF TURLOCK
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 16 – SUBSEQUENT EVENTS

A. 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	6/30/2021
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	\$2,350,368
Interest	8,152,132	8,394,010	8,879,576	9,300,013	9,710,969	10,263,211	10,837,530	11,195,286
Differences between expected and actual experience		(2,796,579)	704,751	188,828	254,403	2,064,432	2,271,043	(889,500)
Changes in assumptions		(2,114,962)		7,890,713	(567,581)			
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)	(7,756,380)
Net change in total pension liability	<u>6,206,987</u>	<u>1,007,500</u>	<u>6,556,308</u>	<u>14,483,786</u>	<u>5,815,125</u>	<u>7,806,863</u>	<u>8,625,693</u>	<u>4,899,774</u>
Total pension liability - beginning	<u>109,667,670</u>	<u>115,874,657</u>	<u>116,882,157</u>	<u>123,438,465</u>	<u>137,922,251</u>	<u>143,737,376</u>	<u>151,544,239</u>	<u>160,169,932</u>
Total pension liability - ending (a)	<u>\$115,874,657</u>	<u>\$116,882,157</u>	<u>\$123,438,465</u>	<u>\$137,922,251</u>	<u>\$143,737,376</u>	<u>\$151,544,239</u>	<u>\$160,169,932</u>	<u>\$165,069,706</u>
Plan fiduciary net position								
Contributions - employer	\$2,650,159	\$2,832,416	\$3,259,415	\$3,684,085	\$3,783,927	\$4,359,068	\$4,919,630	\$5,268,466
Contributions - employee	1,031,498	1,042,224	1,027,004	1,109,929	1,133,810	1,157,716	1,038,613	1,037,625
Net investment income	12,514,268	1,937,886	438,577	9,502,918	7,974,175	6,592,102	5,279,682	24,922,527
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)	(7,756,380)
Plan to Plan Resource Movement		78,472	622	(25)	(230)			
Administrative Expense		(94,994)	(51,446)	(123,941)	(144,433)	(70,664)	(146,949)	(108,245)
Other Miscellaneous Income/Expense					(274,281)	230		
Net change in plan fiduciary net position	<u>11,998,553</u>	<u>1,175,091</u>	<u>(467,622)</u>	<u>8,741,304</u>	<u>6,334,027</u>	<u>5,215,141</u>	<u>4,123,393</u>	<u>23,363,993</u>
Plan fiduciary net position - beginning	<u>71,240,464</u>	<u>83,239,017</u>	<u>84,414,108</u>	<u>83,946,486</u>	<u>92,687,790</u>	<u>99,021,817</u>	<u>104,236,958</u>	<u>108,360,351</u>
Plan fiduciary net position - ending (b)	<u>\$83,239,017</u>	<u>\$84,414,108</u>	<u>\$83,946,486</u>	<u>\$92,687,790</u>	<u>\$99,021,817</u>	<u>\$104,236,958</u>	<u>\$108,360,351</u>	<u>\$131,724,344</u>
Net pension liability - ending (a)-(b)	<u>\$32,635,640</u>	<u>\$32,468,049</u>	<u>\$39,491,979</u>	<u>\$45,234,461</u>	<u>\$44,715,559</u>	<u>\$47,307,281</u>	<u>\$51,809,581</u>	<u>\$33,345,362</u>
Plan fiduciary net position as a percentage of the total pension liability	71.84%	72.22%	68.01%	67.20%	68.89%	68.78%	67.65%	79.80%
Covered payroll	<u>\$13,044,287</u>	<u>\$12,730,821</u>	<u>\$13,052,557</u>	<u>\$13,771,230</u>	<u>\$13,489,574</u>	<u>\$14,631,733</u>	<u>\$14,259,962</u>	<u>\$14,305,346</u>
Net pension liability as percentage of covered payroll	250.19%	255.03%	302.56%	328.47%	331.48%	323.32%	363.32%	233.10%

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, 2020 and 2021, 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	2022
Actuarially determined contribution	\$3,847,884	\$3,256,514	\$3,684,324	\$3,786,340	\$4,359,068	\$4,919,630	\$5,268,460	\$5,885,609
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)	(5,885,609)
Contribution deficiency (excess)	\$0	\$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	\$12,586,207
Contributions as a percentage of covered payroll	30.22%	24.95%	26.75%	28.07%	29.79%	34.50%	37.82%	46.76%

Notes to Schedule

Valuation date:

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age normal

Amortization method

Level percentage of payroll, closed

Average remaining amortization period

15 years as of valuation date

Asset valuation method

Market value of assets

Inflation

2.75% for 2015 to 2019, and 2.625% for 2020, and 2.50% for 2021 and 2022

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 and 2022, net of pension plan investment and administrative expenses, includes inflation.

Retirement age

The probabilities of Retirement are based on the CalPERS Experience Study.

Mortality Rate Table

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, 2021 and 2022, 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.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Plan's Proportion of the Net Pension Liability (Asset)	0.39%	0.53%	0.55%	0.55%	0.57%	0.58%	0.60%	0.67%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$24,494,695	\$21,992,658	\$28,313,359	\$32,763,059	\$33,256,276	\$36,264,853	\$40,115,075	\$23,663,292
Plan's Covered Payroll	\$10,003,385	\$9,440,848	\$9,870,904	\$9,994,012	\$10,781,820	\$11,959,999	\$11,776,264	\$11,203,500
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%	211.21%
Plan's 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%	88.29%

* - 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	2022
Actuarially determined contribution	\$3,951,824	\$2,633,557	\$2,919,564	\$3,335,223	\$3,975,052	\$4,477,269	\$4,811,929	\$5,308,585
Contributions in relation to the actuarially determined contributions	(3,951,824)	(2,633,557)	(2,919,564)	(3,335,223)	(3,975,052)	(4,477,269)	(4,811,929)	(5,308,585)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$9,440,848	\$9,870,904	\$9,994,012	\$10,781,820	\$11,959,999	\$11,776,264	\$11,203,500	\$12,092,479
Contributions as a percentage of covered payroll	41.86%	26.68%	29.21%	30.93%	33.24%	38.02%	42.95%	43.90%

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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS**
Last 10 fiscal years*

Measurement Date	6/30/18	6/30/19	6/30/20	6/30/2021	6/30/2022
Total OPEB Liability					
Service Cost	\$1,155,061	\$1,135,358	\$638,020	\$797,780	\$581,088
Interest	637,175	713,835	716,143	292,875	298,105
Changes in benefit terms					
Differences between expected and actual experience	(222,909)	(55,000)	(4,650,595)	(105,340)	(2,661,954)
Changes of assumptions	(600,396)	854,724	(3,897,028)	205,992	(3,559,711)
Benefit payments	(107,347)	(231,516)	(115,029)	(91,631)	(183,856)
Net change in total OPEB liability	861,584	2,417,401	(7,308,489)	1,099,676	(5,526,328)
Total OPEB liability - beginning	16,544,233	17,405,817	19,823,218	12,514,729	13,614,405
Total OPEB liability - ending (a)	\$17,405,817	\$19,823,218	\$12,514,729	\$13,614,405	\$8,088,077
Covered-employee payroll	\$24,603,348	\$28,959,337	\$28,058,863	\$25,133,575	\$24,299,988
Total OPEB liability as a percentage of covered payroll	70.75%	68.45%	44.60%	54.17%	33.28%

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, from 2.20% to 2.10% in 2021 and from 2.10% to 4.09 in 2022. The inflation rate was also modified from 1.85% to 1.50% in 2019 and from 1.50% to 0.70% in 2020, from 0.70% to 0.6% in 2021 and from 0.6% to 2.59% in 2022.

* Fiscal year 2018 was the first year of implementation.

SUPPLEMENTAL INFORMATION

CITY OF TURLOCK
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2022

	General Purpose	Measure A	Total General Fund
ASSETS			
Cash and investments	\$24,273,027	\$11,322,646	\$35,595,673
Accounts receivable	6,588,426	2,691,404	9,279,830
Interest receivable	179,868		179,868
Due from developers	20,041		20,041
Loans receivable	3,549		3,549
Prepays	3,210	1,755,110	1,758,320
Leases receivable	504,825		504,825
	<u>\$31,572,946</u>	<u>\$15,769,160</u>	<u>\$47,342,106</u>
Total Assets			
LIABILITIES			
Accounts payable	\$4,228,425	\$1,272,960	\$5,501,385
Payroll payable	1,321,440		1,321,440
Unearned revenue	297,631		297,631
Deposits payable	907,696		907,696
	<u>6,755,192</u>	<u>1,272,960</u>	<u>8,028,152</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	193,863		193,863
Related to leases	497,525		497,525
	<u>691,388</u>		<u>691,388</u>
Total Deferred Inflows of Resources			
FUND BALANCES			
Fund balance:			
Nonspendable	34,100	1,755,110	1,789,210
Restricted			
Committed	2,874,296		2,874,296
Assigned	529,862		529,862
Unassigned	20,688,108	12,741,090	33,429,198
	<u>24,126,366</u>	<u>14,496,200</u>	<u>38,622,566</u>
Total Fund Balances			
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$31,572,946</u>	<u>\$15,769,160</u>	<u>\$47,342,106</u>

CITY OF TURLOCK
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2022

	General Purpose	Measure A	Intrafund Eliminations	Total General Fund
REVENUES:				
Taxes and assessments	\$29,735,857			\$29,735,857
Measure A sales tax		\$15,166,113		15,166,113
Licenses and permits	2,274,420			2,274,420
Fines and forfeitures	97,365			97,365
Use of money and property	(854,099)			(854,099)
Intergovernmental	8,149,588			8,149,588
Charges for current services	5,718,403			5,718,403
Other revenue	161,015			161,015
Total Revenues	45,282,549	15,166,113		60,448,662
EXPENDITURES:				
Current:				
General government	5,336,915	2,308,917		7,645,832
Public safety	33,587,214	25,613		33,612,827
Public ways and facilities/transportation	391,022			391,022
Parks and recreation	2,158,114			2,158,114
Community development	705,911			705,911
Capital outlay	9,874	29,210		39,084
Debt service:				
Principal	255,022			255,022
Interest and fiscal charges	83,289			83,289
Total Expenditures	42,527,361	2,363,740		44,891,101
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,755,188	12,802,373		15,557,561
OTHER FINANCING SOURCES (USES)				
Issuance of debt		1,755,110		1,755,110
Contributions from private purpose trust	58,738			58,738
Proceeds from sale of property	24,985			24,985
Transfers in	5,510,567		(\$2,389,187)	3,121,380
Transfers (out)	(3,238,529)	(2,961,759)	2,389,187	(3,811,101)
Total Other Financing Sources (Uses)	2,355,761	(1,206,649)		1,149,112
NET CHANGE IN FUND BALANCE	5,110,949	11,595,724		16,706,673
BEGINNING FUND BALANCE, AS RESTATED	19,015,417	2,900,476		21,915,893
ENDING FUND BALANCE	\$24,126,366	\$14,496,200		\$38,622,566

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.

ARPA

This fund accounts for American Rescue Plan Act funding.

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, 2022

	SPECIAL REVENUE FUNDS			
	Asset Forfeitures	Integrated Waste Mgmt (AB939)	Bicycle Safety	Sports Facilities
ASSETS				
Cash and investments	\$74,075	\$1,328,580	\$47,986	\$10,443
Accounts receivable		99,118		231
Interest receivable		1,868		
Loans receivable				
Leases receivable				252,963
	<u>\$74,075</u>	<u>\$1,429,566</u>	<u>\$47,986</u>	<u>\$263,637</u>
Total Assets	<u>\$74,075</u>	<u>\$1,429,566</u>	<u>\$47,986</u>	<u>\$263,637</u>
LIABILITIES				
Accounts payable				\$1,967
Payroll payable		\$567		10,221
Deposits payable				
Unearned revenue				
Due to other funds				
	<u></u>	<u></u>	<u></u>	<u></u>
Total Liabilities	<u></u>	<u>567</u>	<u></u>	<u>12,188</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue Related to leases				247,364
	<u></u>	<u></u>	<u></u>	<u>247,364</u>
Total Deferred Inflows of Resources	<u></u>	<u></u>	<u></u>	<u>247,364</u>
FUND BALANCE				
Fund balance:				
Restricted		1,428,999		4,085
Committed	\$74,075		\$47,986	
Unassigned				
	<u>\$74,075</u>	<u>1,428,999</u>	<u>\$47,986</u>	<u>4,085</u>
Total Fund Balances (Deficit)	<u>74,075</u>	<u>1,428,999</u>	<u>47,986</u>	<u>4,085</u>
Total Liabilities and Fund Balances	<u>\$74,075</u>	<u>\$1,429,566</u>	<u>\$47,986</u>	<u>\$263,637</u>

SPECIAL REVENUE FUNDS

	Animal Fees Forfeiture	Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee
ASSETS				
Cash and investments	\$32,194	\$4,576,882	\$6,148,404	\$553,032
Accounts receivable	29		28,221	
Interest receivable		6,366		782
Loans receivable				
Leases receivable				
Total Assets	<u>\$32,223</u>	<u>\$4,583,248</u>	<u>\$6,176,625</u>	<u>\$553,814</u>
LIABILITIES				
Accounts payable	\$2,538		\$25,974	
Payroll payable			2,307	
Deposits payable				
Unearned revenue				
Due to other funds				
Total Liabilities	<u>2,538</u>		<u>28,281</u>	
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Related to leases				
Total Deferred Inflows of Resources				
FUND BALANCE				
Fund balance:				
Restricted	29,685			
Committed		\$4,583,248	6,148,344	\$553,814
Unassigned				
Total Fund Balances (Deficit)	<u>29,685</u>	<u>4,583,248</u>	<u>6,148,344</u>	<u>553,814</u>
Total Liabilities and Fund Balances	<u>\$32,223</u>	<u>\$4,583,248</u>	<u>\$6,176,625</u>	<u>\$553,814</u>

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	SPECIAL REVENUE FUNDS			
	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District	Northeast Turlock CFD #2
ASSETS				
Cash and investments	\$669,628	\$18,508,398	\$16,446	\$64,019
Accounts receivables		49,437		11,532
Interest receivable	947	25,922		
Loans receivable				
Leases receivable				
Total Assets	\$670,575	\$18,583,757	\$16,446	\$75,551
LIABILITIES				
Accounts payable		\$67,544		
Payroll payable		20,395		
Deposits payable				
Unearned revenue				
Due to other funds				
Total Liabilities		87,939		
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue Related to leases				
Total Deferred Inflows of Resources				
FUND BALANCE				
Fund balance:				
Restricted		18,495,818	\$16,446	\$75,551
Committed	\$670,575			
Unassigned				
Total Fund Balances (Deficit)	670,575	18,495,818	16,446	75,551
Total Liabilities and Fund Balances	\$670,575	\$18,583,757	\$16,446	\$75,551

SPECIAL REVENUE FUNDS

	CDBG	State HOME Funds	Housing Stimulus Funds	Stanislaus County Housing Consortium
ASSETS				
Cash and investments	\$451,149	\$4,259,471		\$548,976
Accounts receivables	142,721		\$94,120	170,822
Interest receivable		7,294		
Loans receivable	5,490,576	3,665,177	5,500	9,302,498
Leases receivable				
Total Assets	<u>\$6,084,446</u>	<u>\$7,931,942</u>	<u>\$99,620</u>	<u>\$10,022,296</u>
LIABILITIES				
Accounts payable	\$18,746		\$3,946	\$5,071
Payroll payable	6,029			2,391
Deposits payable	3,600			2,650
Unearned revenue				
Due to other funds			49,123	
Total Liabilities	<u>28,375</u>		<u>53,069</u>	<u>10,112</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue Related to leases	5,490,576	\$3,665,177	5,500	9,302,498
Total Deferred Inflows of Resources	<u>5,490,576</u>	<u>3,665,177</u>	<u>5,500</u>	<u>9,302,498</u>
FUND BALANCE				
Fund balance:				
Restricted	565,495	4,266,765	41,051	709,686
Committed				
Unassigned				
Total Fund Balances (Deficit)	<u>565,495</u>	<u>4,266,765</u>	<u>41,051</u>	<u>709,686</u>
Total Liabilities and Fund Balances	<u>\$6,084,446</u>	<u>\$7,931,942</u>	<u>\$99,620</u>	<u>\$10,022,296</u>

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECTS FUND</u>
	<u>Grant Funds</u>	<u>Traffic Safety</u>	<u>ARPA</u>	<u>Capital Improvement</u>
ASSETS				
Cash and investments	\$662,286	\$79,453	\$6,725,071	\$771,289
Accounts receivable	230,562			1,172
Interest receivable				1,050
Loans receivable				
Leases receivable				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$892,848</u></u>	<u><u>\$79,453</u></u>	<u><u>\$6,725,071</u></u>	<u><u>\$773,511</u></u>
LIABILITIES				
Accounts payable	\$124,297	\$656	\$21,609	\$58,482
Payroll payable	8,744			
Deposits payable				
Unearned revenue	226,471		6,703,462	
Due to other funds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>359,512</u></u>	<u><u>656</u></u>	<u><u>6,725,071</u></u>	<u><u>58,482</u></u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue Related to leases				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE				
Fund balance:				
Restricted	533,336	78,797		
Committed				715,029
Unassigned				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficit)	<u><u>533,336</u></u>	<u><u>78,797</u></u>	<u> </u>	<u><u>715,029</u></u>
Total Liabilities and Fund Balances	<u><u>\$892,848</u></u>	<u><u>\$79,453</u></u>	<u><u>\$6,725,071</u></u>	<u><u>\$773,511</u></u>

CAPITAL PROJECTS FUNDS

	<u>Street Light Installation</u>	<u>Downtown Improvement Project</u>	<u>North Turlock Master Plan</u>	<u>North East Turlock Master Plan</u>
ASSETS				
Cash and investments	\$148,268	\$241,006	\$2,222,521	\$3,562,550
Accounts receivables				
Interest receivable	210		3,144	5,119
Loans receivable				
Leases receivable				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$148,478</u>	<u>\$241,006</u>	<u>\$2,225,665</u>	<u>\$3,567,669</u>
LIABILITIES				
Accounts payable				
Payroll payable				
Deposits payable				
Unearned revenue				
Due to other funds				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue Related to leases				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE				
Fund balance:				
Restricted				
Committed	\$148,478	\$241,006	\$2,225,665	\$3,567,669
Unassigned				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances (Deficit)	<u>148,478</u>	<u>241,006</u>	<u>2,225,665</u>	<u>3,567,669</u>
Total Liabilities and Fund Balances	<u>\$148,478</u>	<u>\$241,006</u>	<u>\$2,225,665</u>	<u>\$3,567,669</u>

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2022

	CAPITAL PROJECTS FUNDS			
	Turlock Regional Industrial Park	East Tuolumne Master Plan	Airport	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$2,121,036		\$47,712	\$53,870,875
Accounts receivable			10,000	837,965
Interest receivable	2,973			55,675
Loans receivable				18,463,751
Leases receivable				252,963
Total Assets	\$2,124,009		\$57,712	\$73,481,229
LIABILITIES				
Accounts payable				\$330,830
Payroll payable				50,654
Deposits payable				6,250
Unearned revenue				6,929,933
Due to other funds		\$26,674		75,797
		26,674		7,393,464
Total Liabilities		26,674		7,393,464
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				18,463,751
Related to leases				247,364
				18,711,115
Total Deferred Inflows of Resources				18,711,115
FUND BALANCE				
Fund balance:				
Restricted				26,245,714
Committed	\$2,124,009		\$57,712	21,157,610
Unassigned		(26,674)		(26,674)
		(26,674)		
Total Fund Balances (Deficit)	2,124,009	(26,674)	57,712	47,376,650
Total Liabilities and Fund Balances	\$2,124,009		\$57,712	\$73,481,229

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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, 2022

	SPECIAL REVENUE FUNDS			
	Asset Forfeitures	Integrated Waste Mgmt (AB939)	Bicycle Safety	Sports Facilities
REVENUES				
Taxes and assessments				
Licenses and permits			\$155	
Use of money and property		\$6,512		\$3,943
Intergovernmental	\$10,565	116,734		
Charges for current services		198,626		215,469
Other				1,492
Total Revenues	10,565	321,872	155	220,904
EXPENDITURES				
Current:				
General government		197,612		
Public safety	13,991		15,456	
Public ways and facilities/transportation				
Parks and recreation				866,784
Community development				
Capital outlay				
Total Expenditures	13,991	197,612	15,456	866,784
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,426)	124,260	(15,301)	(645,880)
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property			1,108	
Transfers in				675,385
Transfers (out)				(25,420)
Total Other Financing Sources (Uses)			1,108	649,965
NET CHANGE IN FUND BALANCES	(3,426)	124,260	(14,193)	4,085
BEGINNING FUND BALANCES (DEFICITS)	77,501	1,304,739	62,179	
ENDING FUND BALANCES (DEFICITS)	\$74,075	\$1,428,999	\$47,986	\$4,085

SPECIAL REVENUE FUNDS

	Animal Fees Forfeiture	Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee
REVENUES				
Taxes and assessments			\$88,163	
Licenses and permits				
Use of money and property		(\$62,820)		\$2,605
Intergovernmental			258,610	
Charges for current services	\$25,071	512,769	293,179	52,474
Other	120		20,418	
Total Revenues	25,191	449,949	660,370	55,079
EXPENDITURES				
Current:				
General government			12,532	
Public safety	22,076		240,610	
Public ways and facilities/transportation		977,143	14,224	64
Parks and recreation			2,182	
Community development			186,117	
Capital outlay			227,575	
Total Expenditures	22,076	977,143	683,240	64
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,115	(527,194)	(22,870)	55,015
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in			1,168,074	
Transfers (out)				
Total Other Financing Sources (Uses)			1,168,074	
NET CHANGE IN FUND BALANCES	3,115	(527,194)	1,145,204	55,015
BEGINNING FUND BALANCES (DEFICITS)	26,570	5,110,442	5,003,140	498,799
ENDING FUND BALANCES (DEFICITS)	\$29,685	\$4,583,248	\$6,148,344	\$553,814

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUNDS			
	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District	
REVENUES				
Taxes and assessments		\$3,347,064		\$975,110
Licenses and permits				
Use of money and property	\$3,232	(271,085)		4,763
Intergovernmental				
Charges for current services				
Other		3,619		
Total Revenues	<u>3,232</u>	<u>3,079,598</u>		<u>979,873</u>
EXPENDITURES				
Current:				
General government				29,663
Public safety				
Public ways and facilities/transportation		1,592,787		
Parks and recreation				
Community development				
Capital outlay				
Total Expenditures		<u>1,592,787</u>		<u>29,663</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,232</u>	<u>1,486,811</u>		<u>950,210</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in		567		
Transfers (out)		(51,642)		(950,210)
Total Other Financing Sources (Uses)		<u>(51,075)</u>		<u>(950,210)</u>
NET CHANGE IN FUND BALANCES	3,232	1,435,736		
BEGINNING FUND BALANCES (DEFICITS)	<u>667,343</u>	<u>17,060,082</u>	<u>\$16,446</u>	<u>75,551</u>
ENDING FUND BALANCES (DEFICITS)	<u><u>\$670,575</u></u>	<u><u>\$18,495,818</u></u>	<u><u>\$16,446</u></u>	<u><u>\$75,551</u></u>

	SPECIAL REVENUE FUNDS			
	CDBG	State HOME Funds	Housing Stimulus Funds	Stanislaus County Housing Consortium
REVENUES				
Taxes and assessments				
Licenses and permits				
Use of money and property		\$24,954		
Intergovernmental			\$94,120	\$61,367
Charges for current services	\$22,961			27,300
Other	350,900			429,464
	<u>373,861</u>	<u>603,399</u>	<u>94,120</u>	<u>518,131</u>
EXPENDITURES				
Current:				
General government				
Public safety				
Public ways and facilities/transportation				
Parks and recreation				
Community development	606,609	617	94,120	137,356
Capital outlay				
	<u>606,609</u>	<u>617</u>	<u>94,120</u>	<u>137,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(232,748)</u>	<u>602,782</u>		<u>380,775</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust	7,529			672
Proceeds from sale of property				
Transfers in				
Transfers (out)	(2,231)			
	<u>5,298</u>			<u>672</u>
NET CHANGE IN FUND BALANCES	(227,450)	602,782		381,447
BEGINNING FUND BALANCES (DEFICITS)	<u>792,945</u>	<u>3,663,983</u>	<u>41,051</u>	<u>328,239</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$565,495</u>	<u>\$4,266,765</u>	<u>\$41,051</u>	<u>\$709,686</u>

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND
	Grant Funds	Traffic Safety	ARPA	Capital Improvement
REVENUES				
Taxes and assessments				
Licenses and permits				\$25,169
Use of money and property				3,515
Intergovernmental	\$1,277,679		\$1,173,133	
Charges for current services		\$51,800		
Other	25,492			
Total Revenues	1,303,171	51,800	1,173,133	28,684
EXPENDITURES				
Current:				
General government			987,390	
Public safety	621,501	29,669		
Public ways and facilities/transportation				75,666
Parks and recreation	841,623			
Community development	67,760			
Capital outlay	108,440			140,857
Total Expenditures	1,639,324	29,669	987,390	216,523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(336,153)	22,131	185,743	(187,839)
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in	558,222			245,306
Transfers (out)	(181,041)		(185,743)	
Total Other Financing Sources (Uses)	377,181		(185,743)	245,306
NET CHANGE IN FUND BALANCES	41,028	22,131		57,467
BEGINNING FUND BALANCES (DEFICITS)	492,308	56,666		657,562
ENDING FUND BALANCES (DEFICITS)	\$533,336	\$78,797		\$715,029

CAPITAL PROJECTS FUNDS

	Street Light Installation	Downtown Improvement Project	North Turlock Master Plan	North East Turlock Master Plan
REVENUES				
Taxes and assessments				
Licenses and permits				
Use of money and property	\$714		\$2,355	(\$52,558)
Intergovernmental				
Charges for current services	1,043			24,001
Other				
Total Revenues	<u>1,757</u>		<u>2,355</u>	<u>(28,557)</u>
EXPENDITURES				
Current:				
General government				
Public safety				
Public ways and facilities/transportation			274	1,007
Parks and recreation				
Community development				
Capital outlay				
Total Expenditures			<u>274</u>	<u>1,007</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,757</u>		<u>2,081</u>	<u>(29,564)</u>
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	1,757		2,081	(29,564)
BEGINNING FUND BALANCES (DEFICITS)	<u>146,721</u>	<u>\$241,006</u>	<u>2,223,584</u>	<u>3,597,233</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$148,478</u>	<u>\$241,006</u>	<u>\$2,225,665</u>	<u>\$3,567,669</u>

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>CAPITAL PROJECTS FUNDS</u>			
	<u>Turlock Regional Industrial Park</u>	<u>East Tuolumne Master Plan</u>	<u>Airport</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Taxes and assessments				\$4,410,337
Licenses and permits				25,324
Use of money and property	\$11,574			(322,296)
Intergovernmental			\$10,000	3,002,208
Charges for current services	1,389,557	\$84,554		2,898,804
Other				1,409,950
	<u>1,401,131</u>	<u>84,554</u>	<u>10,000</u>	<u>11,424,327</u>
EXPENDITURES				
Current:				
General government				1,227,197
Public safety				943,303
Public ways and facilities/transportation	417		5	2,661,587
Parks and recreation				1,710,589
Community development				1,092,579
Capital outlay				476,872
	<u>417</u>	<u></u>	<u>5</u>	<u>8,112,127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,400,714</u>	<u>84,554</u>	<u>9,995</u>	<u>3,312,200</u>
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				8,201
Proceeds from sale of property				1,108
Transfers in				2,647,554
Transfers (out)			(10,000)	(1,406,287)
	<u></u>	<u></u>	<u>(10,000)</u>	<u>1,250,576</u>
NET CHANGE IN FUND BALANCES	1,400,714	84,554	(5)	4,562,776
BEGINNING FUND BALANCES (DEFICITS)	<u>723,295</u>	<u>(111,228)</u>	<u>57,717</u>	<u>42,813,874</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$2,124,009</u>	<u>(\$26,674)</u>	<u>\$57,712</u>	<u>\$47,376,650</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, 2022

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
ASSETS					
Current Assets:					
Cash and investments	\$4,515,593	\$10,001,926	\$783,605		\$15,301,124
Accounts receivable	20,110	475,464			495,574
Interest receivable	1,594	14,386			15,980
Due from other funds	1,424,504				1,424,504
Total Current Assets	<u>5,961,801</u>	<u>10,491,776</u>	<u>783,605</u>		<u>17,237,182</u>
Noncurrent Assets:					
Capital assets being depreciated	3,628,274			\$655,599	4,283,873
Total Non-Current Assets	<u>3,628,274</u>			<u>655,599</u>	<u>4,283,873</u>
Total Assets	<u>9,590,075</u>	<u>10,491,776</u>	<u>783,605</u>	<u>655,599</u>	<u>21,521,055</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	129,103		315,871	433,775	878,749
Deferred outflows related to OPEB	25,038		56,550	76,881	158,469
Total Deferred Outflows of Resources	<u>154,141</u>		<u>372,421</u>	<u>510,656</u>	<u>1,037,218</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	64,403	551,365	1,980	46,481	664,229
Payroll payable	9,701		22,716	30,413	62,830
Due to other funds				1,348,707	1,348,707
Compensated absences	5,433		28,993	28,767	63,193
Total Current Liabilities	<u>79,537</u>	<u>551,365</u>	<u>53,689</u>	<u>1,454,368</u>	<u>2,138,959</u>
Long-term Liabilities:					
Estimated claims liability		2,530,659			2,530,659
Compensated absences	21,732		115,971	115,066	252,769
Total OPEB Liability	92,918		209,861	285,323	588,102
Net pension liabilities	648,087		1,585,644	2,177,512	4,411,243
Total Long-Term Liabilities	<u>762,737</u>	<u>2,530,659</u>	<u>1,911,476</u>	<u>2,577,901</u>	<u>7,782,773</u>
Total Liabilities	<u>842,274</u>	<u>3,082,024</u>	<u>1,965,165</u>	<u>4,032,269</u>	<u>9,921,732</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	256,901		628,548	863,164	1,748,613
Deferred inflows related to OPEB	163,269		368,752	501,346	1,033,367
Total Deferred Outflows of Resources	<u>420,170</u>		<u>997,300</u>	<u>1,364,510</u>	<u>2,781,980</u>
NET POSITION (DEFICIT)					
Net investment in capital assets	3,628,274			655,599	4,283,873
Unrestricted	4,853,498	7,409,752	(1,806,439)	(4,886,123)	5,570,688
Total Net Position (Deficit)	<u>\$8,481,772</u>	<u>\$7,409,752</u>	<u>(\$1,806,439)</u>	<u>(\$4,230,524)</u>	<u>\$9,854,561</u>

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
OPERATING REVENUES					
Charges for services	\$680,061	\$8,809,054	\$1,562,455	\$1,884,590	\$12,936,160
Refunds and other income	21,146	259,069		13,500	293,715
Total Operating Revenues	701,207	9,068,123	1,562,455	1,898,090	13,229,875
OPERATING EXPENSES					
Salaries, benefits and insurance	446,286	8,802,563	1,214,828	1,460,598	11,924,275
Contractual	52,359	32,737	190,934	200,941	476,971
Supplies and maintenance	8,088		2,328	31,070	41,486
Utilities	28,085		25,895	20,248	74,228
Fleet expense	34,703		1,126	13,486	49,315
Depreciation and amortization	858,042			55,015	913,057
Other expenses	4,020	2,978	33,611	16,779	57,388
Total Operating Expenses	1,431,583	8,838,278	1,468,722	1,798,137	13,536,720
Total Operating Income (Loss)	(730,376)	229,845	93,733	99,953	(306,845)
NONOPERATING REVENUES (EXPENSES)					
Interest income	5,575	(122,012)			(116,437)
Gain (loss) on disposal of capital assets	33,836				33,836
Total Nonoperating Revenues (Expenses)	39,411	(122,012)			(82,601)
Income (Loss) Before Contributions and Transfers	(690,965)	107,833	93,733	99,953	(389,446)
Transfers in	1,242,282		3,843	953,251	2,199,376
Transfers (out)	(2,500)			(137,730)	(140,230)
Change in Net Position	548,817	107,833	97,576	915,474	1,669,700
NET POSITION-BEGINNING (DEFICIT)	7,932,955	7,301,919	(1,904,015)	(5,145,998)	8,184,861
ENDING NET POSITION (DEFICIT)	\$8,481,772	\$7,409,752	(\$1,806,439)	(\$4,230,524)	\$9,854,561

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$692,060	\$8,940,751	\$1,562,455	\$1,884,890	\$13,080,156
Payments to suppliers	(152,564)	(2,248)	(274,234)	(244,322)	(673,368)
Payments to employees	(516,865)	(8,688,517)	(1,151,714)	(1,691,797)	(12,048,893)
Other	21,146	259,069		13,500	293,715
Cash Flows from (used by) Operating Activities	<u>43,777</u>	<u>509,055</u>	<u>136,507</u>	<u>(37,729)</u>	<u>651,610</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts (payments)	813,223			(777,792)	35,431
Transfers in	1,242,282		3,843	953,251	2,199,376
Transfers (out)	(2,500)			(137,730)	(140,230)
Cash Flows from Noncapital Financing Activities	<u>2,053,005</u>		<u>3,843</u>	<u>37,729</u>	<u>2,094,577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(513,617)				(513,617)
Proceeds from sale of capital assets	33,836				33,836
Cash Flows from (used by) Capital and Related Financing Activities	<u>(479,781)</u>				<u>(479,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	5,357	(123,989)			(118,632)
Cash Flows from Investing Activities	<u>5,357</u>	<u>(123,989)</u>			<u>(118,632)</u>
Net Cash Flows	1,622,358	385,066	140,350		2,147,774
Cash and investments at beginning of period	<u>2,893,235</u>	<u>9,616,860</u>	<u>643,255</u>		<u>13,153,350</u>
Cash and investments at end of period	<u>\$4,515,593</u>	<u>\$10,001,926</u>	<u>\$783,605</u>		<u>\$15,301,124</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$730,376)	\$229,845	\$93,733	\$99,953	(\$306,845)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	858,042			55,015	913,057
Change in assets and liabilities:					
Accounts receivable	11,999	131,697		300	143,996
Accounts payable	(25,309)	114,046	(20,340)	38,202	106,599
Payroll payable	2,661		5,008	2,278	9,947
Compensated absences	(1,157)		30,881	16,951	46,675
Claims liability		33,467			33,467
Deferred outflows/inflows and total OPEB liability	(4,391)		31,534	(12,554)	14,589
Deferred outflows/inflows and net pension liability	(67,692)		(4,309)	(237,874)	(309,875)
Cash Flows from (used by) Operating Activities	<u>\$43,777</u>	<u>\$509,055</u>	<u>\$136,507</u>	<u>(\$37,729)</u>	<u>\$651,610</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, 2022

	<u>Northwest Triangle Mello Roos Assessments</u>	<u>Property & Business Improvement District #2</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and investments	\$333,784	\$54,391	\$388,175
Restricted cash and investments with fiscal agent	103,819		103,819
Accounts receivable	2,440	2,164	4,604
Interest receivable	441		441
	<u>440,484</u>	<u>56,555</u>	<u>497,039</u>
NET POSITION			
Restricted for:			
Other organizations	<u>440,484</u>	<u>56,555</u>	<u>497,039</u>
Total Net Position	<u><u>\$440,484</u></u>	<u><u>\$56,555</u></u>	<u><u>\$497,039</u></u>

CITY OF TURLOCK
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Northwest Triangle Mello Roos Assessments	Property & Business Improvement District #2	Total
ADDITIONS:			
Assessments	\$288,938	\$156,848	\$445,786
Investment income	1,656		1,656
Total Contributions	<u>290,594</u>	<u>156,848</u>	<u>447,442</u>
DEDUCTIONS:			
Administration expense	26,800		26,800
Recipient payments		148,033	148,033
Payments to bondholders	257,895		257,895
Total Operating Expenses	<u>284,695</u>	<u>148,033</u>	<u>432,728</u>
Change in Net Position	5,899	8,815	14,714
NET POSITION-BEGINNING	<u>434,585</u>	<u>47,740</u>	<u>482,325</u>
ENDING NET POSITION	<u><u>\$440,484</u></u>	<u><u>\$56,555</u></u>	<u><u>\$497,039</u></u>

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