CITY OF TURLOCK

FINANCIAL REPORTS

FOR THE YEAR ENDED JUNE 30, 2016

CITY OF TURLOCK

This book contains the following financial statements for the
City of Turlock and related entities for the fiscal year ended June 30, 2016:

City of Turlock
Basic Financial Statements

Turlock Public Financing Authority
Component Unit Financial Statements

City of Turlock
Single Audit

City of Turlock Transportation Development Act (TDA)
Financial Statements

CITY OF TURLOCK, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Prepared by

THE ADMINISTRATIVE SERVICES DEPARTMENT

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FINANCIAL SECTION: (Continued)

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Turlock, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in the financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2016 as discussed in Note 1J to the financial statements:

Statement No. 72, *Fair Value Measurement and application.*

Management early-implemented the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2016 as noted in the Pension-Related Required Supplementary Information:

Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, and No. 73.*

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated March 20, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 20, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis is provided by the management of the City of Turlock (City) for the fiscal year 2015-16 financial statements (with comparative information for 2014-15). 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 2015-16 FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The City's net position (assets and deferred outflows in excess of liabilities and deferred inflows) at June 30, 2016, totaled $449 million. Governmental activities accounted for $268 million of the net position, while $181 million are in the business-type activities.
- Total City revenues, including program and general revenues, were $88 million; while total expenses were $76 million.
- Governmental program revenues were $23 million compared to governmental program expenses of $49 million.
- Program revenues from business-type activities were $36 million, while expenses for business-type activities were $27 million.

Fund Highlights

- Net General Fund revenues exceeded expenditures by $2.8 million as compared to the prior year when expenditures exceeded revenues by $8.4 million. For financial reporting purposes, the "General Fund" includes not only the City's General Fund, but also the Arts Commission, Special Public Safety, and Tourism (2 funds) funds.
- General Fund fund balance of $10.7 million at June 30, 2016 compared to a projected $4.3 million when the 2015-16 budget was originally adopted.

Additional discussion regarding the financial results for fiscal year 2015-16 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

<u>Government-wide Financial Statements</u>

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.

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

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

- ***Governmental activities***—All of the City's basic services are considered to be governmental activities. These services include public safety (police and fire), parks and recreation, streets and highways, public improvements, community development and general administration. General City revenues such as taxes and program-specific revenues such as 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 twenty-nine (29) governmental funds of which three (3) are considered major funds for presentation purposes. Each major fund is presented separately in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. The City's three major funds are – the General Fund, Former LMI Housing Fund, and Gas Tax/Street Improvement Fund. 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 22 in this report.

Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis and include all their assets, liabilities and deferred outflows/inflows of resources, current and long-term. The City's Enterprise Funds account for the financial activity of the City's water, sewer, transportation (fixed route and dial-a-ride) and building/safety services. The Internal Service Funds account for the financial activity of the City's equipment pool, self-insurance, information systems, and engineering services activities. Because these activities primarily benefit the governmental rather than business-type functions, the resulting financial activities of the Internal Service Funds have been included within the governmental activities in the governmental-wide financial statements. The Enterprise and Internal Service Fund Financial Statements can be found starting on page 30.

Fiduciary Fund Financial Statements are used to account for resources held for the benefit of parties outside the government. They are not included in the government-wide financial statements because their resources are not available to support City programs. With the dissolution of the Redevelopment Agency, the activities of the Successor Agency to the former Turlock Redevelopment Agency are reported as a Private Purpose Trust Fund in the Fiduciary Fund Section. Additional information about the dissolution of the Redevelopment Agency can be found in Note 13 on page 83 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 founding starting on page 37.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

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	
	2016	2015	2016	2015	2016	2015
Cash and investments	$ 59,722	$ 54,963	$ 92,252	$ 87,589	$ 151,974	$ 142,552
Other assets	41,030	39,102	4,567	4,024	45,597	43,126
Capital assets, net	225,027	230,218	216,994	220,433	442,021	450,651
Total assets	325,779	324,283	313,813	312,046	639,592	636,329
Deferred outflows of resources	9,476	11,802	1,172	1,421	10,648	13,223
Long-term liabilities	51,628	53,830	122,336	127,742	173,964	181,572
Other liabilities	7,898	9,701	9,797	10,435	17,695	20,136
Total liabilities	59,526	63,531	132,133	138,177	191,659	201,708
Deferred inflows of resources	8,194	9,682	1,474	2,130	9,668	11,812
Net position:						
Net investment in capital assets	224,985	230,164	111,680	110,926	336,665	341,090
Restricted	67,933	62,324			67,933	62,324
Unrestricted	(25,383)	(29,616)	69,698	62,234	44,315	32,618
Total net position	$ 267,535	$ 262,872	$ 181,378	$ 173,160	$ 448,913	$ 436,032

As noted above, the City's primary investment is in its *net investment in capital assets.* Capital assets, which account for approximately 75% 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 and water wells and pump stations; streetlights and traffic signals; and parks. Capital assets also include all vehicles, equipment and buildings used by City employees in the course of their daily activities. By their very nature and use, capital assets are not available for future spending and are therefore not assets available to fund future activities.

Approximately $68 million or 15% of the City's non-capital net position is subject to external restrictions as to their use. The remaining $44 million is unrestricted and available to meet the City's on-going obligations to its citizens and creditors. Of this amount, ($25) million related to governmental activities and $69 million to business-type activities.

During the 2014-15 fiscal year, the City adopted Governmental Accounting Standards Board Statement No. 68 (GASB 68) *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Standard provides the user of these financial statements with information related to the City's net pension liability and related deferred outflows and inflows. More information can be found in footnote #9 "Pension Plans". Without the implementation of GASB 68, governmental net position would have been $303 million ($10 million unrestricted) and business-type net position would have been $192 million ($80 million unrestricted).

The City's overall net position increased by $12.9 million during the 2015-16 fiscal year. Governmental fund activities experienced a $4.7 million increase in net position while the City's business-type funds – those intended to be self-sufficient – experienced an $8.2 million increase in net position. The City's Sewer operations net position increased by $5.8 million and the Water operations reported a $1.5 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
(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	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
Charges for services	$ 10,212	$ 9,832	$ 28,613	$ 28,343	$ 38,825	$ 38,175
Operating grants and contributions	5,074	5,796	1,252	1,264	6,326	7,060
Capital grants and contributions	7,317	5,098	6,440	3,437	13,757	8,535
Total Program Revenues	22,603	20,726	36,305	33,044	58,908	53,770
General Revenues						
Property taxes	4,830	4,434			4,830	4,434
Sales taxes	13,419	12,843			13,419	12,843
Property tax - VLF In Lieu	5,495	5,063			5,495	5,063
Other taxes	3,737	3,380			3,737	3,380
Interest and investment earnings	378	129	432	112	810	241
Other income	578	954			578	954
Gain (loss) on disposal of capital assets	482				482	-
Total General Revenues	28,919	26,803	432	112	29,351	26,915
Total Overall Revenues	51,522	47,529	36,737	33,156	88,259	80,685
Expenses						
General government	5,716	4,442			5,716	4,442
Public safety	27,025	20,589			27,025	20,589
Public ways/facilities/transportation	10,108	8,417			10,108	8,417
Parks and recreation	4,089	3,589			4,089	3,589
Community development	2,223	3,958			2,223	3,958
Interest on long-term debt	1	2			1	2
Water			7,994	7,566	7,994	7,566
Sewer			15,777	15,593	15,777	15,593
Transportation			1,884	1,495	1,884	1,495
Building & Safety			1,334	1,213	1,334	1,213
Total Expenses	49,162	40,997	26,989	25,867	76,151	66,864
Increase (Decrease) in Net Position before Transfers and Extraordinary Item	2,360	6,532	9,748	7,289	12,108	13,821
Transfers	1,530	1,256	(1,530)	(1,256)	-	-
Contribution from private purpose trust	773	485			773	485
Special item - CalPERS side fund payments		(5,424)			-	(5,424)
Change in net position	4,663	2,849	8,218	6,033	12,881	8,882
Net Position, beginning of year	262,872	307,815	173,160	180,516	436,032	488,331
Prior year restatements		(47,792)		(13,389)	-	(61,181)
Net Position, end of year	$ 267,535	$ 262,872	$ 181,378	$ 173,160	$ 448,913	$ 436,032

As the above table shows, $59 million of the City's $88 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.

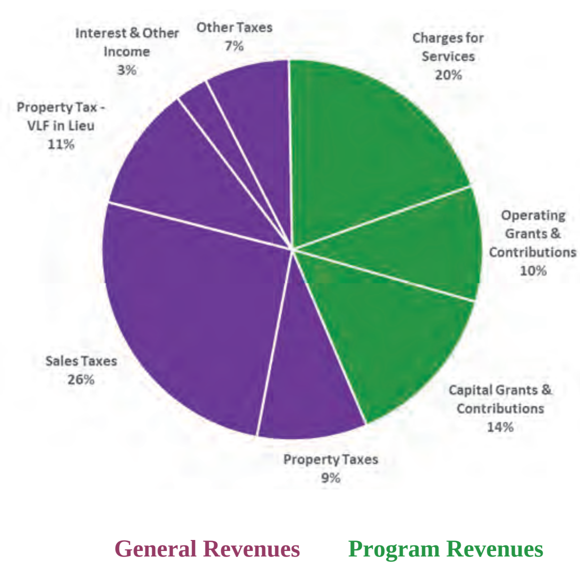
Expenses are presented on a functional basis and represent only current year expenses. As such, they do not include capital outlay expenditures as capital outlay expenditures are included in "capital assets" on the City's *Statement of Net Position*.

Citywide expenses, which totaled $76 million, consisted of $49 million for governmental activities and $27 million for business-type activities. Of the $49 million in governmental activity expenses, $27 million or 55% relate to the provision of public safety (police and fire) services. The next largest component was $10.1 million or 21% 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.

Governmental Activities

Governmental activity revenues totaling $52 million are comprised of various non-dedicated tax revenues as well as revenues received for specific purposes. Specific purpose or "program" revenues are categorized as follows:

- Charges for Services – Revenues for specialized City services which are typically not demanded by the general population – totaled $10.2 million as compared to $9.8 million for 2014-15. 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.

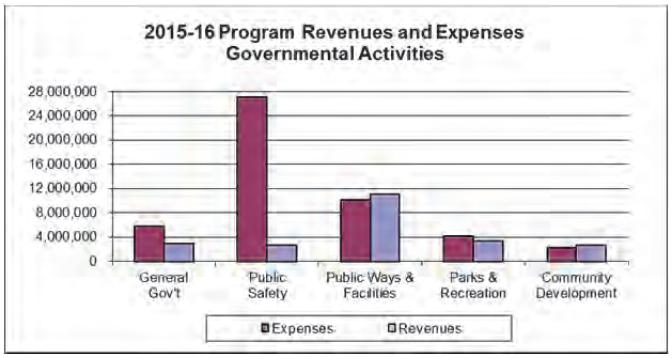


- Operating Grants & Contributions – Revenues received from other governmental agencies which are primarily used for operational needs – totaled $5.1 million, compared to $5.8 million in 2014-15. Operating grants include revenues received from the (1) U.S. Department of Housing and Urban Development (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 in lower income areas of town. 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.

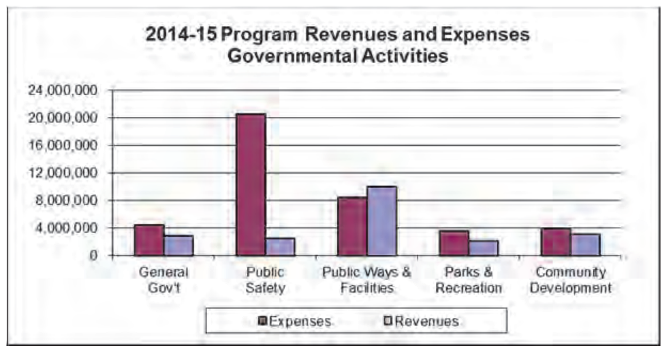
- Capital Grants & Contributions – These are typically development impact related revenues which are collected to finance the cost of new infrastructure as well as federal Department of Transportation revenues – totaled $7.3 million. The Department of Transportation revenues are used for street/road reconstruction and other maintenance that is more extensive than pothole patching and slurry seals.

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 $28.9 million for fiscal 2015-16, $2.1 million more than received in 2014-15. The detail within the revenue did have mixed results. The majority of the increase is due to increased sales and property tax receipts.

Sales tax revenue increased approximately 4.5% reflecting the diversity and strength of the retail sector in Turlock. Fiscal year 2015-16 was the 6th consecutive year of sales tax growth after the decline bottomed out in 2009-10. Sales tax revenue has now exceeded its pre-recession peak for the three consecutive years. Property tax values increased 8.6% between 2014-15 and 2015-16 and the gross assessed value for 2015-16 exceeded the previous high value prior to the recession. The increase in property values and tax revenue is reflective of rebounding real estate assessed values as well as a limited stock of housing units available.



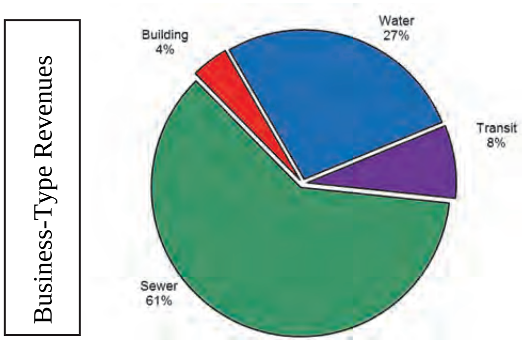
Governmental activity revenues are primarily used to finance governmental activities such as public safety, park maintenance, culture and recreation programs and general government administration. The tables to the left and below graphically depict the typical relationship between program revenues and expenses for Governmental Activities for the past two years. In total, 2015-16 expenses for Governmental Activities exceeded program revenues by $26.6 million whereas in 2014-15 expenses exceeded revenues by $20.3 million.

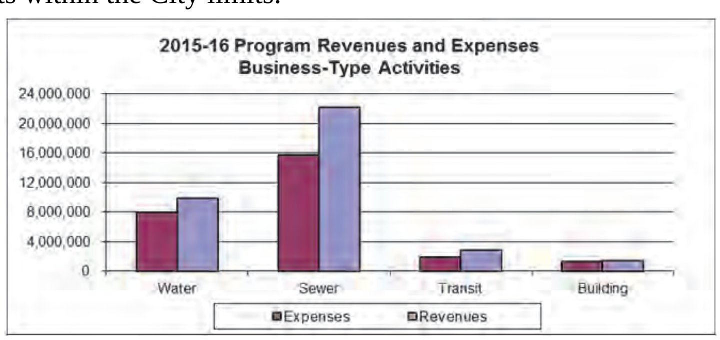


The City continues to work its way through the challenges the current economy presents. Employee concessions, first implemented in fiscal year 2010-11, continued into 2015-16 though, based on current bargaining unit contracts (Memorandum of Understanding or Schedule of Benefits), the concessions are gradually being curtailed. The concessions consisted of either sharing the cost of benefits and/or the elimination of certain benefits. These negotiated concessions were necessary as the cost of employee benefits – mainly health care and pension costs – continue to increase. The results of operations in other operating funds varied during 2015-16 due to available revenue. More information regarding specific funds can be found in the fund section of the document.

Business-Type Activities

Revenues for business-type activities totaled $37 million and related expenses totaled $27 million of which $15.8 million or 58.5% related to the maintenance and operations of the City's wastewater treatment plant and the City's storm drain collection system. Potable water maintenance and operations accounted for $8 million or 29.6% 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 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, 2016, the City's governmental funds reported combined fund balances of $53 million, an $8.5 million increase over the prior year. The General Fund's fund balance is $10.7 million at June 30, 2016. Governmental fund revenues (including transfers in) were $58.9 million this year, of which General Fund revenues totaled $38 million or 65%. Governmental fund expenditures (including transfers out) totaled $50.4 million with the General Fund representing 70% of the total or $35.3 million. The following provides additional information for select governmental funds.

General Fund – As previously mentioned, for financial reporting purposes, the "General Fund" includes not only the City's General Fund, but also the Arts Commission, Special Public Safety, and Tourism (2 funds) funds. At June 30, 2016, the General Fund had a fund balance of $10.7 million with $6.7 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 $2.8 million for 2015-16. Of this amount, $2.6 million represented proceeds from the sale of surplus properties. In the fall of 2013, the Police operations staff as well as Fire administrative personnel moved into the City's new Public Safety Facility on North Broadway and vacated the old police facilities located on Palm Ave. The Palm Avenue facilities along with the War Memorial building which was adjacent to the old police facilities were declared surplus and sold during 2015-16 for $2.4 million. In addition, the City Council determined that City-owned property on East Avenue was surplus and sold that parcel for $243,000. Without the proceeds from the sale of surplus City property, revenues would have exceeded expenditures by just $108,990.

General Fund department directors continued to provide services within their approved budgets which have been status quo for the past few years due to the recession. On-going General Fund revenues increased 5.8% with property tax, VLF property tax in-lieu, and sales tax revenue leading the way. Property tax related revenues increased approximately 10%. This revenue source represents nearly 29% of the City's general fund revenue and the growth reflects the strong residential housing market in Turlock. Sales tax, representing nearly 35% of the City's general fund revenue, grew by 4.6% during 2015-16. This growth is reflective of the City's vibrant and growing retail activity.

The City continues to experience significant interest in the development of vacant parcels at the Turlock Regional Industrial Park as well as other commercial/industrial locations within town and anticipates that this will spur job growth as well as other ancillary economic grow which will be reflected in future property and sales tax growth.

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 2015-16 the fund's expenditures included $81,300 in support of a Mobile Home Rental Subsidy program for income eligible senior citizens, and $19,200 for development costs associated with the second phase of the Avena Bella affordable housing project. Both these programs are enforceable obligations of the Successor Agency to the Turlock Redevelopment Agency, which means they will be funded by future taxes collected by the Successor Agency and transferred to the City.

Gas Tax/Street Improvement – This fund comprises the revenues and related expenditures the City receives from Gas Tax, Local Transportation Fund (LTF), and federal Department of Transportation (DOT) sources. The $2.8 million increase in fund balance represents the receipt in 2015-16 of grant revenues and local matching dollars for federally funded projects for which the expenditures had been incurred in prior years.

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 2015-16 include the rehabilitation of Hawkeye Ave between Dels and Olive; the rehabilitation of Geer Road between Monte Vista Avenue and Taylor Road; preliminary engineering for a traffic signal at Olive and Wayside; and preliminary engineering work for intersection improvements on Fulkerth at Golden State Boulevard.

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.

Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements for business-type activities only in a little more detail. The net position for the City's proprietary funds (exclusive of Internal Service funds) increased $8.2 million during fiscal year 2015-16, which compares to a $6 million increase for fiscal year 2014-15. Overall operating revenues were approximately $269,000 higher than the prior year while operating expenses increased by approximately $470,000. A water rate increase implemented in 2015-16 accounted resulted in $561,000 in higher operating revenues for the City's Water Enterprise fund while the Building & Safety Fund experienced a decrease of $243,000 in operating revenue. Expenses in the Water fund were higher due to costs associated with the City's participation in the Stanislaus Regional Water Authority as well as specialized hydraulic testing related to the City's groundwater system. Expense results for the wastewater system were mixed with declines in personnel costs due to the impact of pension-related adjustments, but higher depreciation expense following the prior year completion of two major capital improvement projects.

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, 2016, the City had $442 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 2015-16 was approximately $1.8 million. This change consisted of $9.4 million in additions primarily related to infrastructure – streets/roads, water, sewer and storm drain pipes, and park – improvements and $7.6 million in deletions – primarily the sale of the former police facilities on Palm Street and the War Memorial building on Canal Drive. Additional information regarding the City's capital assets can be found in Note 6 on page 57 of this report.

It should be noted the Successor Agency to the Turlock Redevelopment Agency capital assets – $8.4 million – are not included in the above numbers.

DEBT ADMINISTRATION

At June 30, 2016, the City had $114 million in debt outstanding as compared to $118.6 million for the prior year. The City did not take on any additional debt obligations during 2015-16.

The City's debt service obligations for 2016-17, totaling approximately $8.4 million, are made up of the following:

	2016-17 Debt Service
2012 Sewer Revenue Bonds	$3,921,200
2008 Water Revenue Bonds	2,030,100
SRF - WQC Upgrade	1,542,400
SRF - Harding Drain By-Pass	937,600
Public Safety Server	12,000
	$8,443,300

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 60.

It should be noted the Successor Agency to the Turlock Redevelopment Agency debt - $39.5 million – is not included in the above numbers.

NEXT YEAR'S BUDGET AND THE ECONOMY

In June 2015, the City Council adopted a two-year budget for fiscal year 2015-16 and 2016-17. During the spring of 2016, Staff and the City Council reviewed the budget adopted for 2016-17 and amended it in June 2016 for changes occurring during the prior 12 months. The 2016-17 Amended General fund budget adopted in June 2016 projected total revenues of just under $36 million and total expenditures of just over $36 million.

Improvements in the local economy are reflected in this budget as property taxes are projected to increase 4% and sales tax is projected to increase 5% over the 2015-16 amended budget. After excluding activity related to the sale of City properties, overall General Fund revenues are projected to increase 3.5% during 2016-17.

The 2015-16 expenditure budget was prepared as a "status quo" budget, thus included employee concessions like prior years. There were personnel costs increases budgeted based on existing MOUs and/or Schedules of Benefits and well as projected increases for retirement and healthcare costs. Even though revenues are improving, the 2016-17 budget still projects a slight deficit.

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.

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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	$59,721,968	$83,569,386	$143,291,354
Restricted cash and investments and			
cash and investments with fiscal agent (Note 3)		8,682,194	8,682,194
Accounts receivable, net (Note 5C)	10,177,648	4,197,277	14,374,925
Interest receivable	50,643	54,945	105,588
Prepaid expenses	6,624		6,624
Due from Developers (Note 5A)	287,284	157,663	444,947
Long-term loans receivable (Note 5B)	29,833,956		29,833,956
Net OPEB asset (Note 10)	674,014	156,745	830,759
Capital assets, not being depreciated (Note 6)	26,755,798	7,270,482	34,026,280
Capital assets, being depreciated (net) (Note 6)	198,271,597	209,723,469	407,995,066
Total Assets	325,779,532	313,812,161	639,591,693
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 9)	9,475,700	1,172,981	10,648,681
LIABILITIES			
Accounts payable	4,822,236	786,733	5,608,969
Payroll payable	1,186,112	176,468	1,362,580
Interest payable	58	1,132,206	1,132,264
Unearned revenue	810,824	2,621,408	3,432,232
Deposits payable	510,157	452,050	962,207
Compensated absences (Note 1I):			
Due within one year	557,350	139,058	696,408
Due in more than one year	2,229,399	556,235	2,785,634
Estimated claims liability (Note 11):			
Due in more than one year	4,057,784		4,057,784
Long-term debt (Note 7):			
Due within one year	11,372	4,488,749	4,500,121
Due in more than one year	31,254	109,507,404	109,538,658
Net pension liability (Note 9)			
Due in more than one year	42,765,863	11,694,844	54,460,707
Net OPEB obligation (Note 10):			
Due in more than one year	2,543,818	577,920	3,121,738
Total Liabilities	59,526,227	132,133,075	191,659,302
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 9)	8,193,852	1,473,696	9,667,548
NET POSITION (Note 8):			
Net investment in capital assets	224,984,769	111,679,992	336,664,761
Restricted for:			
Capital projects	15,924,734		15,924,734
Special projects and programs	52,008,457		52,008,457
Total Restricted Net Position	67,933,191		67,933,191
Unrestricted	(25,382,807)	69,698,379	44,315,572
Total Net Position	$267,535,153	$181,378,371	$448,913,524

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
General government	$5,715,754	$2,797,194	$23,782	$162,739	$2,983,715
Public safety	27,025,099	1,902,540	640,640	107,063	2,650,243
Public ways and facilities/transportation	10,108,492	2,767,824	2,431,654	5,882,059	11,081,537
Parks and recreation	4,088,658	1,624,406	499,527	1,165,219	3,289,152
Community development	2,223,207	1,120,299	1,478,262		2,598,561
Interest and fiscal charges	792				
Total Governmental Activities	49,162,002	10,212,263	5,073,865	7,317,080	22,603,208
Business-type Activities:					
Water	7,993,946	9,179,503	135,844	551,558	9,866,905
Sewer	15,776,629	17,796,564		4,379,650	22,176,214
Transportation	1,884,478	177,092	1,116,715	1,508,442	2,802,249
Building & safety	1,334,067	1,459,226			1,459,226
Total Business-type Activities	26,989,120	28,612,385	1,252,559	6,439,650	36,304,594
Total	$76,151,122	$38,824,648	$6,326,424	$13,756,730	$58,907,802

General revenues:
Taxes:
Property taxes
Sales taxes
Property tax-VLF in Lieu
Other Tax
Total taxes
Other revenue
Interest income
Gain from sale of capital assets
Contributions from private purpose trust
Transfers (Note 4)

Total general revenues and transfers

Change in Net Position

Net Position-Beginning

Net Position-Ending

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
($2,732,039)		($2,732,039)
(24,374,856)		(24,374,856)
973,045		973,045
(799,506)		(799,506)
375,354		375,354
(792)		(792)
(26,558,794)		(26,558,794)
	$1,872,959	1,872,959
	6,399,585	6,399,585
	917,771	917,771
	125,159	125,159
	9,315,474	9,315,474
(26,558,794)	9,315,474	(17,243,320)
4,829,523		4,829,523
13,419,219		13,419,219
5,495,289		5,495,289
3,736,485		3,736,485
27,480,516		27,480,516
578,056		578,056
377,613	432,709	810,322
482,065		482,065
773,796		773,796
1,530,086	(1,530,086)	
31,222,132	(1,097,377)	30,124,755
4,663,338	8,218,097	12,881,435
262,871,815	173,160,274	436,032,089
$267,535,153	$181,378,371	$448,913,524

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MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2016. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

FORMER LMI HOUSING FUND

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

GAS TAX/STREET IMPROVEMENT FUND

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

CITY OF TURLOCK
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General	Former LMI Housing Fund	Gas Tax/ Street Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 3)	$9,572,032	$28,608		$41,095,070	$50,695,710
Accounts receivable (Note 5C)	6,462,526	465	$2,451,785	1,045,881	9,960,657
Interest receivable	23,393		1,197	21,934	46,524
Due from developers (Note 5A)	20,041			267,243	287,284
Loans receivable (Note 5B)	5,078	12,274,645		17,554,233	29,833,956
Prepaid expenditures	6,624				6,624
Total Assets	$16,089,694	$12,303,718	$2,452,982	$59,984,361	$90,830,755
LIABILITIES					
Accounts payable	$3,694,662		$59,018	$348,641	$4,102,321
Payroll payable	1,065,372		17,037	40,721	1,123,130
Due to other funds (Note 4B)			307,996	919,882	1,227,878
Unearned revenue	168,347		642,477		810,824
Deposits payable	510,157				510,157
Total Liabilities	5,438,538		1,026,528	1,309,244	7,774,310
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue (Note 1F and 5B)		$12,274,645		17,554,233	29,828,878
FUND BALANCES					
Fund balance (Note 8):					
Nonspendable	31,743			267,243	298,986
Restricted		29,073	1,426,454	23,860,832	25,316,359
Committed	1,593,510			17,179,284	18,772,794
Assigned	2,323,186				2,323,186
Unassigned	6,702,717			(186,475)	6,516,242
Total Fund Balances	10,651,156	29,073	1,426,454	41,120,884	53,227,567
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$16,089,694	$12,303,718	$2,452,982	$59,984,361	$90,830,755

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, 2016

Total fund balances reported on the Governmental Funds Balance Sheet	$53,227,567
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.	221,358,997
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	9,026,258
Accounts receivable	216,991
Interest receivable	4,119
Due from other funds	2,733,309
Net OPEB asset	311,543
Capital assets, not being depreciated	1,017,411
Capital assets (net of accumulated depreciation)	2,650,987
Accounts payable	(719,915)
Payroll payable	(62,982)
Due to other funds	(1,505,431)
Compensated absences	(297,055)
Estimated claims liability	(4,057,784)
Net pension liability and related deferred outflows and inflows of resources	(4,361,919)
Net OPEB liability	(72,752)
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.	29,828,878
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:	
Long-term debt	(42,626)
Interest payable	(58)
Compensated absences	(2,489,694)
Net pension liability and related deferred outflows and inflows of resources	(37,122,096)
Net OPEB liability	(2,108,595)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$267,535,153

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, 2016

	General	Former LMI Housing Fund	Gas Tax/ Street Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	$20,691,688			$3,373,524	$24,065,212
Licenses and permits	1,713,777			7,593	1,721,370
Fines, forfeitures, and penalties	236,915				236,915
Use of money and property	133,522		$46,263	167,425	347,210
Intergovernmental	5,946,671		5,804,419	3,099,748	14,850,838
Charges for current services	4,191,520		51,837	3,900,714	8,144,071
Other revenue	266,502	$5,983	9,705	933,611	1,215,801
Total Revenues	33,180,595	5,983	5,912,224	11,482,615	50,581,417
EXPENDITURES					
Current:					
General government	3,925,297			322,415	4,247,712
Public safety	25,814,685			761,818	26,576,503
Public ways and facilities/transportation	380,276		2,083,858	2,432,083	4,896,217
Parks and recreation	2,023,355			1,342,691	3,366,046
Community development	758,746	100,475		2,792,888	3,652,109
Capital outlay	275,559		1,588,738	1,799,150	3,663,447
Debt service:					
Principal	11,182				11,182
Interest and fiscal charges	807				807
Total Expenditures	33,189,907	100,475	3,672,596	9,451,045	46,414,023
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,312)	(94,492)	2,239,628	2,031,570	4,167,394
OTHER FINANCING SOURCES (USES)					
Contributions from private purpose trust	244,758	91,127		437,911	773,796
Proceeds from sale of property	2,648,987			556,616	3,205,603
Transfers in (Note 4A)	2,007,806		668,268	1,609,238	4,285,312
Transfers (out) (Note 4A)	(2,134,262)		(154,336)	(1,688,333)	(3,976,931)
Total Other Financing Sources (Uses)	2,767,289	91,127	513,932	915,432	4,287,780
NET CHANGE IN FUND BALANCES	2,757,977	(3,365)	2,753,560	2,947,002	8,455,174
BEGINNING FUND BALANCES (DEFICIT)	7,893,179	32,438	(1,327,106)	38,173,882	44,772,393
ENDING FUND BALANCES	$10,651,156	$29,073	$1,426,454	$41,120,884	$53,227,567

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, 2016

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	$8,455,174
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.	3,712,072
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $324,358 which has already been allocated to serviced funds).	(6,741,970)
Retirements are deducted from the fund balance	(3,893,738)
Capital contributions are added to fund balance	124,520
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	11,182
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Unavailable revenue	1,302,665
Interest payable	15
Compensated absences	(108,605)
Net pension liability and related deferred outflows and inflows of resources	711,455
Net OPEB liability	(178,159)
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Position - All Internal Service Funds	1,268,727
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$4,663,338

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, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Taxes and assessments	$20,532,600	$20,753,200	$20,691,688	($61,512)
Licenses and permits	1,624,250	1,624,250	1,713,777	89,527
Fines and forfeitures	196,500	196,500	236,915	40,415
Use of money and property	66,200	66,200	133,522	67,322
Intergovernmental	5,628,310	5,879,941	5,946,671	66,730
Charges for current services	4,066,807	4,218,197	4,191,520	(26,677)
Other revenue	413,515	201,410	266,502	65,092
Total Revenues	32,528,182	32,939,698	33,180,595	240,897
EXPENDITURES:				
Current:				
General government	9,440,775	9,610,660	3,925,297	5,685,363
Public safety	25,158,381	26,347,671	25,814,685	532,986
Public ways and facilities/transportation	454,993	439,051	380,276	58,775
Parks and recreation	2,225,899	2,348,502	2,023,355	325,147
Community development	962,180	903,071	758,746	144,325
Capital outlay	121,000	431,516	275,559	155,957
Debt service:				
Principal		11,182	11,182	
Interest and fiscal charges		807	807	
Total Expenditures	38,363,228	40,092,460	33,189,907	6,902,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,835,046)	(7,152,762)	(9,312)	7,143,450
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust			244,758	244,758
Proceeds from sale of property	2,405,000	2,372,248	2,648,987	276,739
Transfers in	1,944,361	2,395,511	2,007,806	(387,705)
Transfers (out)	(2,084,972)	(2,579,979)	(2,134,262)	445,717
Total Other Financing Sources (Uses)	2,264,389	2,187,780	2,767,289	579,509
NET CHANGE IN FUND BALANCE	($3,570,657)	($4,964,982)	2,757,977	$7,722,959
BEGINNING FUND BALANCE			7,893,179	
ENDING FUND BALANCE			$10,651,156	

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, 2016

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES:				
Other revenue	$5,000	$5,000	$5,983	$983
Total Revenues	5,000	5,000	5,983	983
EXPENDITURES:				
Current:				
Community development	3,583,000	3,583,000	100,475	3,482,525
Total Expenditures	3,583,000	3,583,000	100,475	3,482,525
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,578,000)	(3,578,000)	(94,492)	3,483,508
OTHER FINANCING SOURCES (USES)				
Contributions from private-purpose trust	3,578,000	3,578,000	91,127	(3,486,873)
Total Other Financing Sources (Uses)	3,578,000	3,578,000	91,127	(3,486,873)
NET CHANGE IN FUND BALANCE			(3,365)	($3,365)
BEGINNING FUND BALANCE			32,438	
ENDING FUND BALANCE			$29,073	

See accompanying notes to basic financial statements

CITY OF TURLOCK
GAS TAX / STREET IMPROVEMENT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Use of money and property	$200	$200	$46,263	$46,063
Intergovernmental	4,632,636	4,114,887	5,804,419	1,689,532
Charges for current services	33,000	33,000	51,837	18,837
Other	6,000	6,000	9,705	3,705
Total Revenues	4,671,836	4,154,087	5,912,224	1,758,137
EXPENDITURES:				
Current:				
Public ways and facilities/transportation	1,998,762	2,116,912	2,083,858	33,054
Capital outlay	2,970,000	3,281,000	1,588,738	1,692,262
Total Expenditures	4,968,762	5,397,912	3,672,596	1,725,316
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(296,926)	(1,243,825)	2,239,628	3,483,453
OTHER FINANCING SOURCES (USES)				
Transfers in	622,200	999,200	668,268	(330,932)
Transfers out	(627,600)	(697,600)	(154,336)	543,264
Total Other Financing Sources (Uses)	(5,400)	301,600	513,932	212,332
NET CHANGE IN FUND BALANCE	($302,326)	($942,225)	2,753,560	$3,695,785
BEGINNING FUND BALANCE (DEFICIT)			(1,327,106)	
ENDING FUND BALANCE			$1,426,454	

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 2016. Individual non-major funds may be found in the Supplemental Section.

WATER

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

SEWER

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

CITY OF TURLOCK
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Nonmajor Proprietary Funds	Totals	
ASSETS					
Current assets					
Cash and investments (Note 3)	$35,247,413	$45,683,192	$2,638,781	$83,569,386	$9,026,258
Restricted cash and investments and cash and investments with fiscal agent (Note 3)	2,919,232	5,762,962		8,682,194	
Accounts receivable (Note 5C)	1,145,095	2,400,114	652,068	4,197,277	216,991
Interest receivable	23,221	29,968	1,756	54,945	4,119
Due from developers (Note 5A)		157,663		157,663	
Due from other funds (Note 4B)					2,733,309
Total current assets	39,334,961	54,033,899	3,292,605	96,661,465	11,980,677
Non-current assets					
OPEB asset (Note 10)	156,745			156,745	311,543
Capital assets not being depreciated (Note 6)	753,135	2,413,199	4,104,148	7,270,482	1,017,411
Capital assets being depreciated (Note 6)	42,573,206	161,282,184	5,868,079	209,723,469	2,650,987
Total non-current assets	43,483,086	163,695,383	9,972,227	217,150,696	3,979,941
Total Assets	82,818,047	217,729,282	13,264,832	313,812,161	15,960,618
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions (Note 9)	317,639	689,270	166,072	1,172,981	426,528
LIABILITIES					
Current liabilities					
Accounts payable	72,018	576,248	138,467	786,733	719,915
Payroll payable	46,061	103,656	26,751	176,468	62,982
Interest payable	207,899	924,307		1,132,206	
Due to other funds (Note 4B)					1,505,431
Compensated absences (Note 1I)	31,010	87,317	20,731	139,058	59,411
Bonds and loans payable (Note 7)	755,000	3,733,749		4,488,749	
Unearned revenue			2,621,408	2,621,408	
Deposits payable	452,050			452,050	
Total current liabilities	1,564,038	5,425,277	2,807,357	9,796,672	2,347,739
Long-term liabilities					
Claims liability (Note 11)					4,057,784
Compensated absences (Note 1I)	124,042	349,270	82,923	556,235	237,644
OPEB liability (Note 10)		370,024	207,896	577,920	72,752
Net pension liabilities (Note 9)	3,166,916	6,872,156	1,655,772	11,694,844	4,252,569
Bonds and loans payable (Note 7)	26,458,275	83,049,129		109,507,404	
Total long-term liabilities	29,749,233	90,640,579	1,946,591	122,336,403	8,620,749
Total Liabilities	31,313,271	96,065,856	4,753,948	132,133,075	10,968,488
DEFERRED INFLOWS OF RESOURCES					
Related to pensions (Note 9)	399,072	865,975	208,649	1,473,696	535,878
NET POSITION (Note 8):					
Net investment in capital assets	19,032,298	82,675,467	9,972,227	111,679,992	3,668,398
Unrestricted	32,391,045	38,811,254	(1,503,920)	69,698,379	1,214,382
Total Net Position	$51,423,343	$121,486,721	$8,468,307	$181,378,371	$4,882,780

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, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Nonmajor Enterprise Funds	Totals	
OPERATING REVENUES					
Charges for services	$9,124,125	$17,746,723	$1,635,784	$28,506,632	$13,248,605
Other income	55,378	49,841	534	105,753	902,314
Total Operating Revenues	9,179,503	17,796,564	1,636,318	28,612,385	14,150,919
OPERATING EXPENSES					
Salaries, benefits and insurance	2,176,617	4,144,574	1,279,684	7,600,875	13,158,573
Contractual	1,106,134	1,364,734	1,267,599	3,738,467	211,409
Supplies and maintenance	321,137	707,737	53,022	1,081,896	60,432
Utilities	912,923	1,798,476	27,935	2,739,334	82,287
Fleet expense	95,382	267,739	147,774	510,895	68,216
Depreciation and amortization	1,934,923	4,457,093	389,364	6,781,380	324,358
Other expenses	116,203	247,201	53,167	416,571	232,081
Total Operating Expenses	6,663,319	12,987,554	3,218,545	22,869,418	14,137,356
Operating Income (Loss)	2,516,184	4,809,010	(1,582,227)	5,742,967	13,563
NONOPERATING REVENUES (EXPENSES)					
Operating grants	135,844		1,116,715	1,252,559	
Interest income	182,214	240,978	9,517	432,709	30,403
Interest (expense)	(1,299,384)	(2,739,880)		(4,039,264)	
Gain (loss) on disposal of capital assets	(31,243)	(49,195)		(80,438)	3,056
Net Nonoperating Revenues (Expenses)	(1,012,569)	(2,548,097)	1,126,232	(2,434,434)	33,459
Income (Loss) Before Contributions and Transfers	1,503,615	2,260,913	(455,995)	3,308,533	47,022
Capital Grants			1,508,442	1,508,442	
Capital Contributions	39,810	82,300		122,110	
Capital contributions - connection/impact fees	511,748	4,297,350		4,809,098	
Transfers in (Note 4A)	13,270	146,650		159,920	1,400,954
Transfers out (Note 4A)	(578,304)	(1,032,017)	(79,685)	(1,690,006)	(179,249)
Net Contributions and Transfers	(13,476)	3,494,283	1,428,757	4,909,564	1,221,705
Change in net position	1,490,139	5,755,196	972,762	8,218,097	1,268,727
NET POSITION-BEGINNING	49,933,204	115,731,525	7,495,545	173,160,274	3,614,053
ENDING NET POSITION	$51,423,343	$121,486,721	$8,468,307	$181,378,371	$4,882,780

See accompanying notes to basic financial statements

CITY OF TURLOCK
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Water	Sewer	Nonmajor Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$8,933,742	$17,286,900	$1,635,784	$27,856,426	$14,721,432
Payments to suppliers	(2,601,385)	(4,239,957)	(1,538,780)	(8,380,122)	(3,075,065)
Payments to employees and benefits	(2,362,592)	(5,192,562)	(1,118,252)	(8,673,406)	(13,273,319)
Other	55,378	49,841	534	105,753	902,314
Cash Flows from Operating Activities	4,025,143	7,904,222	(1,020,714)	10,908,651	(724,638)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental receipts - operations	135,844		146,736	282,580	
Interfund receipts (payments)					206,189
Transfers in	13,270	146,650		159,920	1,400,954
Transfers out	(578,304)	(1,032,017)	(79,685)	(1,690,006)	(179,249)
Cash Flows from Noncapital Financing Activities	(429,190)	(885,367)	67,051	(1,247,506)	1,427,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental receipts - capital program			1,693,934	1,693,934	
Acquisition of capital assets, net	(756,806)	(1,416,896)	(1,310,580)	(3,484,282)	(1,933,301)
Proceeds from sale of capital assets		288		288	3,056
Long-term debt payment - principal	(725,000)	(3,640,249)		(4,365,249)	
Long-term debt payment - interest	(1,304,112)	(2,762,604)		(4,066,716)	
Connection / impact fees	511,748	4,297,350		4,809,098	
Cash Flows from Capital and Related Financing Activities	(2,274,170)	(3,522,111)	383,354	(5,412,927)	(1,930,245)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	174,829	230,464	9,444	414,737	29,389
Cash Flows from Investing Activities	174,829	230,464	9,444	414,737	29,389
Net Cash Flows	1,496,612	3,727,208	(560,865)	4,662,955	(1,197,600)
Cash and investments at beginning of period	36,670,033	47,718,946	3,199,646	87,588,625	10,223,858
Cash and investments at end of period	$38,166,645	$51,446,154	$2,638,781	$92,251,580	$9,026,258
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	$2,516,184	$4,809,010	($1,582,227)	$5,742,967	$13,563
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation and amortization	1,934,923	4,457,093	389,364	6,781,380	324,358
Change in assets and liabilities:					
Accounts receivable	(190,383)	(459,823)		(650,206)	1,472,827
OPEB asset	79,399			79,399	95,518
Accounts payable	(67,921)	145,930	(21,937)	56,072	(1,764,731)
Payroll payable	3,796	7,890	8,615	20,301	2,378
Compensated absences	(2,957)	(38,352)		(41,309)	(39,704)
Claims Liability			49,070	49,070	(655,409)
OPEB liability		141,675	45,253	186,928	20,715
Deferred outflows/inflows and net pension liability	(266,213)	(1,159,201)	91,148	(1,334,266)	(193,653)
Deposits payable	18,315			18,315	(500)
Cash Flows from Operating Activities	$4,025,143	$7,904,222	($1,020,714)	$10,908,651	($724,638)
NONCASH TRANSACTIONS:					
Amortization of bond discount	$379	$183,157		$183,536	
Contributed capital assets	39,810	82,300		122,110	
Retirement of capital assets	(31,243)	(49,483)		(80,726)	
Total noncash capital and related financing activities	$8,946	$215,974		$224,920	

See accompanying notes to basic financial statements

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

SUCCESSOR AGENCY TRUST FUND

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

AGENCY FUNDS

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

CITY OF TURLOCK
FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2016

	Successor Agency Private-Purpose Trust Fund	Agency Fund
ASSETS		
Cash and investments (Note 3)	$4,871,223	$757,407
Cash and investments with fiscal agent (Note 3)	3,570,328	113,100
Accounts and interest receivable		1,878
Capital Assets (Note 13B):		
Nondepreciable	1,742,435	
Depreciable, net	6,645,504	
Total Assets	16,829,490	$872,385
LIABILITIES		
Accounts payable		$257,339
Interest payable	739,122	
Long-term debt (Note 13C):		
Due within one year	1,107,044	
Due in more than one year	38,369,555	
Due to stakeholders		615,046
Total Liabilities	40,215,721	$872,385
NET POSITION (DEFICIT)		
Net deficit held in trust for other governments	($23,386,231)	

See accompanying notes to basic financial statements

CITY OF TURLOCK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Successor Agency Private-Purpose Trust Fund
ADDITIONS	
Property taxes	$5,161,067
Net investment income	27,510
Total additions	5,188,577
DEDUCTIONS	
Community development	21,774
Contributions to the City of Turlock	773,796
Depreciation	146,261
Interest and fiscal charges	2,225,007
Total deductions	3,166,838
NET CHANGE IN NET POSITION	2,021,739
NET POSITION (DEFICIT) HELD IN TRUST FOR OTHER GOVERNMENTS	
Beginning of year	(25,407,970)
End of year	($23,386,231)

See accompanying notes to basic financial statements

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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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 is excluded from the City-wide financial statements, but is presented in separate Fiduciary Fund financial statements.

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

D. Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

E. Prepaids, 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.

Prepaids, 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.

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 pensions as discussed in Note 9. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

G. Property Tax Revenue

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

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

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

H. Revenue Recognition for Water and Sewer

All receivables are shown net of an allowance for doubtful accounts. Service charge revenues (water, sewer and refuse collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed monthly, in arrears. The amounts billed in July for June services are accrued as accounts receivable as of June 30.

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, 2016 were as follows:

	Governmental	Business Type	Total
Beginning Balance	$2,717,848	$687,532	$3,405,380
Net Change	68,901	7,761	76,662
Ending Balance	$2,786,749	$695,293	$3,482,042
Current Portion	$557,350	$139,058	$696,408

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. New Fund

The Stanislaus Regional Water Authority Agency Fund was established to account for assets belonging to the Stanislaus Regional Water Authority held as an agent by the City, which maintains the Authority's books and accounts.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Control and Accounting

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

1. The City Manager submits to the City Council a proposed budget for the fiscal year beginning July 1. The budget includes proposed expenditures and the means of financing them.

2. The City Council reviews the proposed budget at meetings which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested citizens.

3. Prior to July 1, the budget is legally adopted through a passage of a resolution.

4. The City Manager is authorized to transfer funds within departmental budgets between major object classifications and between capital projects in the same fund. The City Council must authorize transfers between funds, between departments, and from the fund balances reserved for specific purposes.

5. Formal budgetary accounting is employed as a management tool for all funds, except the Agency funds, which do not have revenues or expenditures. Annual budgets are legally adopted and amended as required for the General Fund, Special Revenue Funds, Capital Projects Funds, Enterprise Funds and Internal Service Funds. All budgets are prepared on a basis consistent with generally accepted accounting principles in the United States.

6. Budgeted amounts are reflected after all applicable amendments are revisions.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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

B. Encumbrances

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

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.

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	$143,291,354
Restricted cash and investments and cash and investments with fiscal agent	8,682,194
Total City Cash and Investments	151,973,548
Cash and investments in Fiduciary Funds (Separate Statement):	
Successor Agency to the Redevelopment Agency Private Purpose Trust Fund:	
Cash available for operations	4,871,223
Cash and investments with fiscal agent	3,570,328
Agency Funds:	
Cash and investments available for operations	757,407
Cash and investments with fiscal agent	113,100
Total Cash and Investments	$161,285,606

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	$5,380
Deposits with financial institutions	55,119,228
Investments	106,160,998
Total Cash and Investments	$161,285,606

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

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 Sponsored Securities	5 years	A	Unlimited	No more than 25%
Negotiable Certificates of Deposit	5 years	N/A	30%	N/A
Certificates of Deposit	5 years	A	Unlimited	N/A
Bankers' Acceptances	180 days	A	40%	No more than 30%
Commercial Paper	270 days	A-1 or Higher	25%	No more than 10%
State of Local Agency Investment Fund (LAIF)	N/A	N/A	Equal to maximum limit set by LAIF	N/A
Repurchase Agreement	1 year	N/A	Unlimited	N/A
Money Market and Mutual Funds	N/A	A	20%	N/A
Corporate Notes	5 years	AA	5%	N/A

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	N/A	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

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	More than 60 Months	Total
Held by City:					
Federal Agency Securities	$5,006,130	$11,045,804	$16,251,715		$32,303,649
California Local Agency Investment Fund	50,031,061				50,031,061
Certificates of Deposit	13,453,680	2,497,701	1,271,701		17,223,082
Held by Trustee:					
California Local Agency Investment Fund	879,931				879,931
Money Market Mutual Funds (U.S. Securities)	5,390,252				5,390,252
Guaranteed Investment Contract				$333,023	333,023
Total Investments	$74,761,054	$13,543,505	$17,523,416	$333,023	$106,160,998

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, 2016 these investments matured in an average of 167 days.

Money Market Mutual funds are available for withdrawal on demand at June 30, 2016 matured in an average of 26 to 52 days.

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, 2016 for each investment type as provided by Standard and Poor's investment rating system:

Investment Type	AAAm	AA+	Total
Federal Agency Securities		$32,303,649	$32,303,649
Money Market Mutual Funds (U.S. Securities)	$4,060,431		4,060,431
Total Rated Investments	$4,060,431	$32,303,649	36,364,080
Not rated:			
California Local Agency Investment Fund			50,910,992
Certificates of Deposit			17,223,082
Money Market Mutual Funds (U.S. Securities)			1,329,821
Guaranteed Investment Contract			333,023
Total Investments			$106,160,998

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, 2016:

	Level 2	Total
Investments by Fair Value Level:		
Held by City:		
Federal Agency Securities	$32,303,649	$32,303,649
California Local Agency Investment Fund	50,031,061	50,031,061
Certificates of Deposit	17,223,082	17,223,082
Held by Trustee:		
California Local Agency Investment Fund	879,931	879,931
Subtotal	$100,437,723	100,437,723
Investments Measured at Amortized Cost:		
Held by Trustee:		
Guaranteed Investment Contract		333,023
Money Market Mutual Funds		5,390,252
Total Investments		$106,160,998

NOTE 3 - CASH AND INVESTMENTS (Continued)

Federal Agency Securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing. Certificate of Deposits classified in the Level 2 of the fair value hierarchy are valued using Bloomberg or IDC pricing. These prices are obtained from various pricing sources by our custodian bank.

The California Local Agency Investment Fund classified in Level 2 of the fair value hierarchy, is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool.

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

H. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2016, the book value of the City's cash with banks and petty cash was $55,119,228 and the associated bank balances were $55,944,994. Of the City's bank balances of $55,944,994 as of June 30, 2016, $1,563 was exposed to custodial credit risk, because it was not FDIC insured or collateralized.

I. Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total Government-wide investments are as follows at June 30, 2016:

Issuer	Type of Investments	Amount
Federal Home Loan Bank	Federal Agency Securities	$10,123,116
Federal National Mortgage Association	Federal Agency Securities	11,100,257

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, 2016 were as follows:

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
General Fund	Non-Major Governmental Funds	$1,153,053	**(A), (B)**
	Internal Service Funds	981,209	**(C)**
Gas Tax/Street Improvement Fund	Non-Major Governmental Funds	25,018	**(B)**
	Internal Service Funds	129,318	**(C)**
Non-Major Governmental Funds	General Fund	599,457	**(A), (B)**
	Gas Tax/Street Improvement Fund	616,445	**(B)**
	Non-Major Governmental Funds	283,029	**(A), (B)**
	Water Enterprise Fund	13,270	**(A)**
	Sewer Enterprise Fund	15,705	**(A)**
	Internal Service Funds	160,427	**(C), (D)**
Water Enterprise Fund	General Fund	411,885	**(D)**
	Non-Major Governmental Funds	10,474	**(A)**
	Sewer Enterprise Fund	130,945	**(B)**
	Internal Service Funds	25,000	**(C)**
Sewer Enterprise Fund	General Fund	832,388	**(A), (D)**
	Gas Tax/Street Improvement Fund	48,823	**(A)**
	Non-Major Governmental Funds	47,806	**(A), (B), (E)**
	Internal Service Funds	103,000	**(C)**
Non-Major Enterprise Funds	General Fund	54,076	**(D)**
	Gas Tax/Street Improvement Fund	3,000	**(A)**
	Non-Major Governmental Funds	22,609	**(A)**
Internal Service Funds	General Fund	110,000	**(D)**
	Non-Major Governmental Funds	67,249	**(A)**
	Internal Service Funds	2,000	**(C)**
		$5,846,186	

(A) To fund operations including computer replacement
(B) To fund capital improvements
(C) To fund the Internal Service Equipment Pool for future vehicle purchases
(D) To fund administrative expenses
(E) To consolidate development impact fee programs

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly, after the end of the fiscal year when revenues are received. Current amounts due to the Internal Service Funds from the funds listed below at June 30, 2016 were as follows:

	Amount Due to Internal Service Fund
Major Special Revenue Fund:	
Gas Tax/Street Improvement	$307,996
Non-major Special Revenue Funds:	
CDBG	204,094
Stanislaus County Housing Consortium	552,788
Non-major Capital Projects Fund:	
East Tuolumne Master Plan	163,000
Internal Service Fund:	
Engineering	1,505,431
Total	$2,733,309

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, 2016, 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	29,828,878		29,828,878
Total	$30,116,162	$157,663	$30,273,825

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

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 Fund.

B. Loans Receivable

Loans receivable at June 30, 2016 consist of the following:

Type of Loan/Borrower	Amount
Central Valley Coalition for Affordable Housing	$9,092,307
First Time Homebuyer Loans	9,626,259
EAH, Inc.	5,152,315
Owner-Occupied Rehabilitation Loans	3,681,687
Cherry Tree Village Loans	1,772,949
Rehabilitation Forgivable Loans for Energy Improvements	4,000
Rental Rehabilitation Loans	29,361
Turlock Gospel Mission Loan	120,000
We Care Program Loan	350,000
Subtotal	$29,828,878
Employee Computer Loans	5,078
Net long-term notes receivable	$29,833,956

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, 2016 was $5,544,030.

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

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, 2016 on these three properties was $1,504,419.

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, 2016 on these three properties was $2,043,858.

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.

On September 10, 2014, the City Manager approved First Time Home Buyer loan to a City employee for $50,000. The 30-year loan bears an interest rate equal to 3% and principal and interest payments are deferred until the maturity date. As of June 30, 2016, the amount outstanding was $49,405 and is included in the balance of loans outstanding.

As of June 30, 2016 the City had 182 loans outstanding.

EAH, Inc.

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

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

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

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

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

Each loan will be memorialized with a Promissory Note and will become a recorded deed of trust against the property. Each pre-development loan (Phase I and Phase II) is interest free for the earlier of: (1) two years from the date of execution, or (2) when the construction loan closes. Both the pre-development and development cost loans for each phase will be rolled into a permanent loan at the completion of construction of the phase. The combined loans will carry a 3% annual interest rate and be repaid using residual receipts over a 55 year period. As of June 30, 2016, EAH had drawn down all the funds associated with the DDA for Phase I of the project and had drawn down $152,315 in funding associated with the DDA for Phase II. Outstanding loans for this project total $5,152,315.

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, 2016 the City had 50 loans outstanding.

Cherry Tree Village Loans

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

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

Rehabilitation Forgivable Loans for Energy Improvements

Using CDBG-R funding, the City has been able to provide forgivable loans for energy improvements made as part of the rehabilitation process for a qualified low/moderate income home owner. 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 $10,000, carry no interest, and are forgiven equally over a five-year period provided the home continues to be the primary residence of the qualified home owner. At June 30, 2016 the City had two loans outstanding.

Rental Rehabilitation Loans

The Rental Rehabilitation Loan program, funded with CDBG funds, is similar to the owner-occupied program except it is for rental properties. To be eligible, the property must be occupied by a qualified low/moderate income tenant based on HUD requirements. These fully amortizing loans are for a maximum of 20 years and carry a 6.5% simple interest rate. The loans are due and payable should the homeowner refinance or sell the property or have a non-qualifying tenant. As of June 30, 2016 the City had one loan outstanding.

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, 2016, 4 employees had loans totaling due to the City.

Turlock Gospel Mission Loan

In March 2016, the City, using CDBG funds, executed a loan agreement and promissory note secured by a deed of trust with the Turlock Gospel Mission (a California non-profit public benefit corporation) (TGM) to assist TGM with the purchase of property to be used as the home for TGM's Homeless Assistance Ministry Center (HAM Center). Since 2012 the HAM Center serves as a homeless day center as well as provides case management services to obtain identification, connection to mental health services and benefits, substance abuse programs, and other social service assistance. Their mission is to provide hope and assistance to those currently homeless in an effort to help them obtain jobs, essential services and secure permanent housing opportunities. The loan agreement provides for the note to be forgiven equally over a 10 year period provided TGM continues to use the property for its intended purpose. No interest accrues on the note as long as the borrower is not in default per terms of the loan agreement. As of June 30, 2016, the amount outstanding was $120,000.

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

We Care Program Loan

In September 2015 the City, using both CDBG and HOME funds, executed a loan agreement and two promissory notes each secured by a deed of trust with the We Care Program Turlock (a California non-profit public benefit corporation) to assist We Care with the purchase a fourplex to be used as transitional housing for persons at or below sixty percent (60%) of the median income in Stanislaus County as defined by HUD. The CDBG portion of the loan is for $240,000 and the HOME portion is $110,000. No interest accrues and no periodic payments are due on either note as long as the borrower is not in default and the property continues to be used for its intended purpose. The HOME loan is equally forgivable over a 20 year period provided We Care continues to use the property for its intended purpose and is not otherwise in default as defined by the loan agreement. The CDBG loan is not forgivable and is repayable at the time the borrower ceases to use the property for its intended purpose. The CDBG loan also contains an equity sharing provision which means that if the borrower sells the property for more than the repayment amount required under the CDBG and HOME loan notes, 50% of the excess proceeds will be paid to the City. As of June 30, 2016 the amount outstanding on the CDBG and HOME notes is $240,000 and $110,000, respectively.

C. Accounts Receivable

The following table provides a detailed listing of the City's accounts receivable by type as of June 30, 2016:

	Due from Other Governments	Accounts Receivable	Total
General Fund	$2,914,127	$3,548,399	$6,462,526
Former LMI Housing Fund		465	465
Gas Tax / Street Improvement	2,446,963	4,822	2,451,785
Nonmajor Governmental Funds	947,271	98,610	1,045,881
Water Enterprise Fund	48	1,145,047	1,145,095
Sewer Enterprise Fund	139	2,399,975	2,400,114
Nonmajor Enterprise Funds	647,537	4,531	652,068
Internal Service funds	27	216,964	216,991
Total	$6,956,112	$7,418,813	$14,374,925

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	$5,000
Infrastructure Capital Assets	$5,000

NOTE 6 - CAPITAL ASSETS (Continued)

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

	Years
Land Improvements and Infrastructure	25 - 60
Buildings	30 - 50
Furniture and Equipment	5 - 10
Vehicles	5 - 10

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

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

A. Capital Assets Additions and Retirements

At June 30, 2016 the City's capital assets for governmental activities consisted of the following:

Governmental activities

	Balance at June 30, 2015	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	$13,510,495			$3,072,923	$16,583,418
Construction in progress	49,564,263	$4,623,115	($242,211)	(43,772,787)	10,172,380
Total capital assets not being depreciated	63,074,758	4,623,115	(242,211)	(40,699,864)	26,755,798
Capital assets being depreciated:					
Land improvements	27,831,618		(580,441)	74,899	27,326,076
Buildings	29,038,591		(6,576,402)	30,822,623	53,284,812
Furniture and equipment	10,240,575	370,471	(61,278)	1,701,668	12,251,436
Vehicles	9,391,909	651,786		14,652	10,058,347
Infrastructure	178,922,709	124,521		8,086,022	187,133,252
Total capital assets being depreciated	255,425,402	1,146,778	(7,218,121)	40,699,864	290,053,923
Less accumulated depreciation for:					
Land improvements	(9,802,057)	(876,960)	87,729		(10,591,288)
Buildings	(10,829,023)	(1,351,728)	3,418,863		(8,761,888)
Furniture and equipment	(8,333,345)	(550,401)	60,002		(8,823,744)
Vehicles	(7,282,144)	(534,239)			(7,816,383)
Infrastructure	(52,036,023)	(3,753,000)			(55,789,023)
Total accumulated depreciation	(88,282,592)	(7,066,328)	3,566,594		(91,782,326)
Net capital assets being depreciated	167,142,810	(5,919,550)	(3,651,527)	40,699,864	198,271,597
Governmental activity capital assets, net	$230,217,568	($1,296,435)	($3,893,738)		$225,027,395

The Turlock Police Department moved to its new facility in fiscal year 2014. Included in retirements is the sale of the old police facility with a book value of $3,157,539 at the time of sale.

NOTE 6 - CAPITAL ASSETS (Continued)

Governmental activities depreciation expense for capital assets for the year ended June 30, 2016 was as follows:

Governmental Activities	
General government	$434,086
Public safety	1,505,541
Public works	4,250,710
Parks and recreation	483,506
Community development	68,127
Internal service funds	324,358
Total Governmental Activities	$7,066,328

At June 30, 2016 the City's capital assets for business-type activities consisted of the following:

Business-type activities

	Balance at June 30, 2015	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	$3,712,120				$3,712,120
Construction in progress	37,297,354	$2,472,057	($80,726)	($36,130,323)	3,558,362
Total capital assets not being depreciated	41,009,474	2,472,057	(80,726)	(36,130,323)	7,270,482
Capital assets being depreciated:					
Land improvements	6,522,722			36,673	6,559,395
Buildings and improvements	5,507,916				5,507,916
Furniture and equipment	22,430,772	119,094	(17,316)	161,500	22,694,050
Vehicles	3,010,315	893,132			3,903,447
Infrastructure	289,355,590	122,110		35,932,150	325,409,850
	326,827,315	1,134,336	(17,316)	36,130,323	364,074,658
Less accumulated depreciation for:					
Land improvements	(1,952,022)	(210,666)			(2,162,688)
Buildings and improvements	(2,630,196)	(150,455)			(2,780,651)
Furniture and equipment	(16,581,512)	(915,191)	17,316		(17,479,387)
Vehicles	(1,586,858)	(239,312)			(1,826,170)
Infrastructure	(124,653,000)	(5,449,293)			(130,102,293)
	(147,403,588)	(6,964,917)	17,316		(154,351,189)
Net capital assets being depreciated	179,423,727	(5,830,581)		36,130,323	209,723,469
Total Business-type activity capital assets, net	$220,433,201	($3,358,524)	($80,726)		$216,993,951

NOTE 6 - CAPITAL ASSETS (Continued)

Business-type activities depreciation expense for capital assets for the year ended June 30, 2016 was as follows:

Business-Type Activities	
Water	$1,935,302
Sewer	4,640,251
Transportation	389,364
Total Business-Type Activities	$6,964,917

NOTE 7 - LONG TERM DEBT

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

A. Current Year Governmental Activities Transactions and Balances

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

Governmental Activity Debt:	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
Capital Lease:						
Public Safety Server	$57,500	$53,808	$11,182	$42,626	$11,372	$31,254
Total Governmental Activity Debt	$57,500	$53,808	$11,182	$42,626	$11,372	$31,254

NOTE 7 - LONG TERM DEBT (Continued)

Capital Leases

Public Safety Server

On December 9, 2014 the City Council approved the lease/purchase of an IBM Power S814 replacement server for Public Safety. The lease, totaling $57,500, carries an annual interest rate of 1.65% and requires monthly principal and interest payments due on the first of each month until February 2020 when the lease terminates.

At June 30, 2016, the City's capital lease is related to capital assets with a net book value of $46,869.

Debt Service Requirements

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

For the Year Ending June 30	Governmental Activities Capital Lease Payable Principal	Interest
2017	$11,372	$619
2018	11,561	429
2019	11,752	236
2020	7,941	50
Total	$42,626	$1,334

B. Current Year Business-type 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, 2015	Retirements	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
Revenue Bonds:						
2012 Sewer Revenue	$51,915,000	$48,095,000	$2,010,000	$46,085,000	$2,080,000	$44,005,000
Add: Unamortized bond premium		3,327,353	183,157	3,144,196		3,144,196
2008 Water Revenue	32,365,000	27,930,000	725,000	27,205,000	755,000	26,450,000
Add: Unamortized bond premium		8,654	379	8,275		8,275
Loans Payable:						
State Revolving Fund Loan - Harding Drain By-Pass	15,090,416	14,431,762	620,051	13,811,711	633,691	13,178,020
State Revolving Fund Loan - TRWQCF Upgrade	24,752,169	24,752,169	1,010,198	23,741,971	1,020,058	22,721,913
Total Business-type Activity Debt	$124,122,585	$118,544,938	$4,548,785	$113,996,153	$4,488,749	$109,507,404

NOTE 7 - LONG TERM DEBT (Continued)

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.

Pursuant to an Installment Purchase Agreement between the Authority and the City, the City has pledged the net sewer system revenues (defined as total system revenues excluding certain revenues related to deposits, and proceeds from borrowings less maintenance and operating costs) from the Sewer Enterprise Fund operations for repayment of the 2012 bonds and the State Revolving Fund Loans. Based on fiscal year 2015-16 net system revenues of $13,001,364 annual principal and interest payments (totaling $6,402,855 in 2015-16) were 203% of net system revenues.

2008 Water Revenue Bonds

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

Pursuant to an Installment Purchase Agreement between the Authority and the City, the City has pledged the net water system revenues (defined as total system revenues excluding certain revenues related to deposits, construction/developer revenues, and proceeds from borrowings less maintenance and operating costs) from the Water Enterprise Fund operations for repayment of the bonds. Based on fiscal year 2015-16 net system revenues of $4,156,365, annual principal and interest payments (totaling $2,029,113) were 205% of net system revenues.

Loans Payable

State Revolving Fund Loans

The City entered into two 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 to $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.

NOTE 7 - LONG TERM DEBT (Continued)

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 to $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.

Debt Service Requirements

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

	Business-Type Activities Bonds and Loans Payable	
For the Year Ending June 30	Principal	Interest
2017	$4,488,749	$3,942,468
2018	4,640,132	3,790,986
2019	4,797,314	3,634,003
2020	4,970,315	3,463,153
2021	5,144,153	3,294,114
2022-2026	28,053,887	13,567,752
2027-2031	30,676,279	8,284,397
2032-2036	24,297,853	3,094,949
2037-2038	3,775,000	285,500
Total	110,843,682	$43,357,322
Add: Unamortized Bond Premium	3,152,471	
Net long-term debt	$113,996,153	

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. In fiscal year 2015-2016 the City refunded the 1999 Community Financing District No. 1 Monte Vista Crossings bonds with the 2015 Community Financing District No. 1 Monte Vista Crossings bonds. The principal amount of outstanding debt of the above District was $2,060,000 at June 30, 2016.

NOTE 8 – NET POSITION AND FUND BALANCES

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

A. *Net Position*

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

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

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

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

B. *Fund Balances*

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

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

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

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

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

NOTE 8 – NET POSITION AND FUND BALANCES (Continued)

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

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

		Special Revenue			
Fund Balance Classifications	General Fund	Former LMI Housing Fund	Gas Tax/ Street Improvement	Other Governmental Funds	Total
Nonspendable:					
Items not in spendable form:					
Prepaid expenditures	$6,624				$6,624
Loans receivable	5,078			$267,243	272,321
Due from developers	20,041				20,041
Total Nonspendable Fund Balances	31,743			267,243	298,986
Restricted for:					
Low and moderate income housing		$29,073		1,145,956	1,175,029
Capital expenditures			$1,426,454	9,322,763	10,749,217
Resource conservation				18,675	18,675
Assessment districts				12,778,085	12,778,085
Public safety				515,904	515,904
Development impact fees				79,449	79,449
Total Restricted Fund Balances		29,073	1,426,454	23,860,832	25,316,359
Committed to:					
Public safety	815,288			86,143	901,431
Parks and recreation				10,178	10,178
Resource conservation				888,036	888,036
Tourism	701,438				701,438
Future deficit spending	76,784				76,784
Capital expenditures				16,194,927	16,194,927
Total Committed Fund Balances	1,593,510			17,179,284	18,772,794
Assigned to:					
Compensated absences	2,323,186				2,323,186
Total Assigned Fund Balances	2,323,186				2,323,186
Unassigned:					
General Fund	6,702,717				6,702,717
Other governmental fund deficits				(186,475)	(186,475)
Total Unassigned Fund Balances	6,702,717			(186,475)	6,516,242
Total Fund Balances	$10,651,156	$29,073	$1,426,454	$41,120,884	$53,227,567

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. However the City Council approved Resolution 2015-119 in June 2015 to temporarily suspend Resolution 2011-123 to allow the reserve to fall below that level for the sole purpose of paying the CalPERS Side Funds in fiscal year 2015.

D. Fund Balance/Net Position Deficits

The following funds had deficit fund balances or net position as of June 30, 2016.

Non-major Governmental Funds:	
Stanislaus County Housing Consortium Special Revenue Fund	$23,475
East Tuoloumne Master Plan Capital Projects Fund	163,000
Non-major Enterprise Fund:	
Building & Safety	1,503,920
Internal Service Funds:	
Information Technology	1,015,643
Engineering	3,432,437

The deficits in the Stanislaus County Housing Consortium Special Revenue Funds and the East Tuolumne Master Plan Capital Projects Fund will be eliminated by future revenues.

The deficits in the Building & Safety Enterprise Fund and the Information Technology and Engineering Internal Services Funds were primarily due to the recognition of the net pension obligation and related deferred outflows/inflows of resources. The City will fund the liability over time through annual contributions with a 30 year amortization period to cure the deficits.

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.

NOTE 9 – PENSION PLANS (Continued)

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	$3,256,514	$32,468,049	$4,091,391
Safety (Fire and Police)	7,392,167	21,992,658	5,576,157
Total	$10,648,681	$54,460,707	$9,667,548

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.

NOTE 9 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Tier 1	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	24.398%	24.398%

Employees Covered – As of the June 30, 2014 actuarial valuation date and the June 30, 2015 measurement date, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous	
	June 30, 2014	June 30, 2015
Inactive employees or beneficiaries currently receiving benefits	196	209
Inactive employees entitled to but not yet receiving benefits	282	281
Active employees	211	212
Total	689	702

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

Net Pension Liability - The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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, 2014	$115,874,657	$83,239,017	$32,635,640
Changes in the year:			
Service cost	2,145,944		2,145,944
Interest on the total pension liability	8,394,010		8,394,010
'Differences between actual and expected experience	(2,796,579)		(2,796,579)
Changes in assumptions	(2,114,962)		(2,114,962)
Changes in benefit terms			0
Plan to Plan resource movement		78,472	(78,472)
Contribution - employer		2,832,416	(2,832,416)
Contribution - employee		1,042,224	(1,042,224)
Net investment income		1,937,886	(1,937,886)
Administrative expenses		(94,994)	94,994
Benefit payments, including refunds of employee contributions	(4,620,913)	(4,620,913)	0
Net changes	1,007,500	1,175,091	(167,591)
Balance at June 30, 2015	$116,882,157	$84,414,108	$32,468,049

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City 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	6.65%
Net Pension Liability	$48,644,385
Current Discount Rate	7.65%
Net Pension Liability	$32,468,049
1% Increase	8.65%
Net Pension Liability	$19,144,530

NOTE 9 – PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For the year ended June 30, 2016, the City recognized pension expense of $2,005,798. At June 30, 2016, the City reported deferred outflows of resources 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	$3,256,514	
Differences between actual and expected experience		($1,864,386)
Changes in assumptions		(1,409,975)
Net differences between projected and actual earnings on plan investments		(817,030)
Total	$3,256,514	($4,091,391)

$3,256,514 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, 2017. 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
2017	($2,201,805)
2018	(2,201,806)
2019	(564,627)
2020	876,847
2021	-
Thereafter	-

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

NOTE 9 – PENSION PLANS (Continued)

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.

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, 2016, are summarized as follows:

	Safety - Fire	
	Tier 1	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	18.524%	11.153%

	Safety - Police	
	Tier 1	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	18.524%	11.153%

NOTE 9 – PENSION PLANS (Continued)

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 and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was $854,266 in fiscal year 2016.

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, 2016, the contributions to the Safety Plan were $2,633,557.

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, 2016, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of $21,992,658.

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, 2015, 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, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 was as follows:

	Safety (Fire and Police)
Proportion - June 30, 2014	0.51%
Proportion - June 30, 2015	0.53%
Change - Increase (Decrease)	0.02%

NOTE 9 – PENSION PLANS (Continued)

For the year ended June 30, 2016, the City recognized pension expense of $1,644,898 for the Safety Plan. At June 30, 2016, 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	$2,633,557	
Differences between actual and expected experience	4,758,610	($408,410)
Changes in assumptions		(1,878,425)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(2,337,325)
Net differences between projected and actual earnings on plan investments		(951,997)
Total	$7,392,167	($5,576,157)

$2,633,557 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, 2017. 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
2017	($721,070)
2018	(686,234)
2019	(578,881)
2020	1,168,638
2021	-
Thereafter	-

NOTE 9 – PENSION PLANS (Continued)

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	6.65%
Net Pension Liability	$36,766,441
Current Discount Rate	7.65%
Net Pension Liability	$21,992,658
1% Increase	8.65%
Net Pension Liability	$9,878,428

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

D. Information Common to the Miscellaneous and Safety Plans

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liabilities were determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous and Safety (Fire and Police)
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	(1)
Investment Rate of Return	7.65% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power applies, 2.75% 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 table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

NOTE 9 – PENSION PLANS (Continued)

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of 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. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

NOTE 9 – PENSION PLANS (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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

NOTE 10 – POST-EMPLOYMENT HEALTH CARE BENEFITS

A. Defined Benefit Plans

Plan Description – The City has four post-employment health care plans in place pursuant to negotiated Memoranda of Understanding (MOU) and Schedules of Benefit (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 four plans and the City's funding obligation for each plan are as follows:

Plan	Covered Employee Group	Employer
Management/Confidential	Employees covered by the Management and/or Confidential Employees Schedule of Benefits and Employees covered by Turlock Management Association - Public Safety MOU	2.5% of base salary
Miscellaneous	Employees covered by Turlock City Employees Association MOU	2% of base salary
Police	Employees covered by Turlock Associated Police Officers MOU	3% of salary plus 3% of benefits
Fire	Employees covered by Turlock Firefighters Local #2434 MOU	4% of salary plus 4% of benefits

The administration of benefits for each plan rests with the individual plan administrators. The City, by agreement either through the MOU or Schedule, administers the benefits for the Management/Confidential and Miscellaneous plans. The respective bargaining unit representatives administer the benefits for the Police and Fire plans.

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

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 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. In no case does the retiree receive a benefit greater than the monthly health insurance premium. 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 33 retirees who have chosen to remain on the City's health plan post employment. The health insurance premium assistance described in this paragraph is referred to as the "offset benefit" below.

Funding Policy – Funding varies with each Plan. For Management/Confidential and Miscellaneous plans the City pays the expenses for the plans on a pay-as-you-go basis and the retirees that participate in the plans pay the premiums on a monthly basis.

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 personnel 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.

Annual OPEB Cost and Net OPEB Obligation – The City's annual post-employment health benefit cost is calculated based on the annual required contribution (ARC). The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The ARC for the Police and Fire offset plans are based on the contributions required under each MOU and the amounts contributed for the 2015-16 fiscal year.

The ARC amounts reported for the healthcare plans are based on actuarial valuations dated July 1, 2015 using the attained age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.50% investment rate of return and (b) a healthcare trend of declining annual increases ranging from 8.0% in 2016 to 4.5% for years starting 2021. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll, on a closed basis, using a 30 year amortization period with 22 years remaining as of July 1, 2015.

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

The following table presents the components of the City's annual OPEB cost, amounts actually contributed for the 2015-16 fiscal year and changes in the City's Net OPEB Obligation for the year. The table is broken out between the offset benefit and the City's health care plan.

OFFSET PLAN	Police	Fire	Total
Annual required contribution	$277,244	$172,179	$449,423
Interest on net OPEB obligation			
Adjustments			
Annual OPEB cost (expense)	277,244	172,179	449,423
Contributions to irrevocable trust	(277,244)	(172,179)	(449,423)
Increase (decrease) in NOO			
Net OPEB obligation (asset) - beginning			
Net OPEB obligation (asset) - ending			

HEALTH CARE PLAN	Management/ Confidential	Miscellaneous	Police	Fire	Total
Annual required contribution	$107,943	$637,673	$270,953	$204,256	$1,220,825
Interest on net OPEB obligation	(38,156)	102,812	22,362	(9,156)	77,862
Adjustments	58,863	(158,608)	(34,497)	14,125	(120,117)
Annual OPEB cost (expense)	128,650	581,877	258,818	209,225	1,178,570
Benefits payments (net of recoveries)	(50,521)	(69,363)	(623,631)	(234,533)	(978,048)
Stop Loss premium	(27,840)	(48,082)	(49,783)	(41,634)	(167,339)
Retiree contributions	89,063	157,943	132,327	148,203	527,536
Increase (decrease) in NOO	139,352	622,375	(282,269)	81,261	560,719
Net OPEB obligation (asset) - beginning	(847,905)	2,284,706	496,926	(203,467)	1,730,260
Net OPEB obligation (asset) - ending	($708,553)	$2,907,081	$214,657	($122,206)	$2,290,979

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for the last three fiscal years are as follows:

OFFSET PLAN	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
Police			
2013-14	$266,198	100.00%	$0
2014-15	$263,956	100.00%	$0
2015-16	$277,244	100.00%	$0
Fire			
2013-14	$168,557	100.00%	$0
2014-15	$167,592	100.00%	$0
2015-16	$172,179	100.00%	$0

HEALTH CARE PLAN	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
Management/Confidential			
2013-14	$86,067	99.98%	($880,686)
2014-15	$87,496	62.53%	($847,905)
2015-16	$128,650	-8.32%	($708,553)
Miscellaneous			
2013-14	$538,541	30.44%	$1,722,297
2014-15	$527,873	-6.54%	$2,284,706
2015-16	$581,877	-6.96%	$2,907,081
Police			
2013-14	$228,314	39.09%	$423,400
2014-15	$224,705	67.28%	$496,926
2015-16	$258,818	209.06%	$214,657
Fire			
2013-14	$188,630	12.89%	($181,708)
2014-15	$185,472	111.73%	($203,467)
2015-16	$209,225	61.16%	($122,206)

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

B. Defined Contribution Plans

Plan Description – The City has two post-employment health care defined contribution plans in place pursuant to negotiated Memoranda of Understanding (MOU) and Schedules of Benefit (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:

		Funding Obligation	
Plan	Covered Employee Group	Employer	Employee
Management/Confidential	Employees covered by the Management and/or Confidential Employees Schedule of Benefits and Employees covered by Turlock Management Association	2.5% of base salary	$0
Miscellaneous	Employees covered by Turlock City Employees Association MOU	2% of base salary	0.5% of gross salary

The administration of benefits for each plan rests with the individual plan administrators. The administrator for each plan is ICMA.

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 2015-16 were as follows:

	Contributions	
Plan	Employer	Employee
Management/Confidential	$132,206	$0
Miscellaneous	165,839	41,465

NOTE 11 - RISK MANAGEMENT

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

The City uses a reinsurance agreement to reduce its exposure to large losses under the workers' compensation program. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the City as direct insurer of the risks reinsured. The City does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Premiums paid to reinsurers during the year ended June 30, 2016 were $94,518, 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 58 cities. The purpose of CSJVRMA is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expense. The City participates in the following pooled coverages through CSJVRMA:

Type of Coverage (Deductible)	Coverage Limits
Liability ($1,000,000)	$29,000,000
Property ($2,500 to $50,000)	Various sublimits to $50,000,000
Automobile - for vehicles with values more than $25,000 ($500)	10,000
Automobile - for vehicles with values less than $25,000 ($500)	25,000

The City contributes its pro rata share of anticipated losses to a pool administered by CSJVRMA. Should actual losses among participants be greater than the anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. The City paid CSJVRMA premiums of $720,288 during the fiscal year ended June 30, 2016. 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 following commercial policy coverage for vehicles and equipment up to the value of the vehicles and equipment as provided to the insurance company:

Type of Coverage (Deductible)
Vehicles with values of $25,000 to $100,000 ($10,000)
Vehicles with values of $100,000 to $200,000 ($25,000)
Vehicles with values over $200,000 ($50,000)
Equipment with values of less than $25,000 ($2,500)
Equipment with values over $25,000 ($10,000)

NOTE 11 - RISK MANAGEMENT (Continued)

All unpaid claims that were probable liabilities that occurred prior to the year-end and that were estimated based on actuarial studies or historical data were recorded in accordance with GASB No. 10.

For the Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30
2014	$3,911,709	$5,946,352	($5,144,868)	$4,713,193
2015	4,713,193	7,689,748	(7,689,748)	4,713,193
2016	4,713,193	6,142,294	(6,797,703)	4,057,784

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Litigation

As of June 30, 2016, the City is a party to various lawsuits. There are certain personal injury lawsuits which have been denied by the City Council. The outcome and eventual liability to the City, if any, in these cases is not known at this time. After reviewing these lawsuits with legal counsel, management estimates that the potential claims against the City, not covered by insurance, resulting from such litigation would not materially affect the financial statements of the City.

B. Federal and State Grant Programs

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

C. North Valley Regional Recycled Water Program

On January 26, 2016, the City entered into a Cost-Sharing Agreement to defray expenses associated with the proposed North Valley Regional Recycled Water Program between the City of Modesto and the Del Puerto Water District for expenses associated with the Phase 4 Implementation Support for the North Valley Regional Recycled Water Project. The purpose of the Project is to provide recycled water from the Turlock and Modesto wastewater treatment facilities to the Del Puerto Water District (DPWD) for agricultural irrigation. The cost sharing under this Agreement will provide up to $932,121 toward implementation support of the Project and the City of Turlock's share is $396,151. The City expended $210,857 under the agreement for fiscal year ended June 30, 2016.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

D. Stanislaus Regional Water Authority

The Stanislaus Regional Water Authority (the Authority) was established by the Cities of Ceres, Modesto, and Turlock on September 26, 2011. In November 2015, the City of Modesto formally withdrew from membership in the Authority. In December 2015 the Joint Powers Authority Agreement and the Authority's Bylaws were amended to reflect that the Cities of Ceres and Turlock (Participants) were now the only participating members of the Authority. The amendments also updated administrative functional assignments to reflect the membership changes. The Participants are interested in finding and evaluating surface water supply options and facilities to supply water to the municipal and industrial customers within their service areas. Each of the Participants is authorized to develop, obtain, and serve a municipal and industrial water supply, pursuant to California law. The Participants are working with the Turlock Irrigation District (TID) to develop a Regional Surface Water Supply Project (RSWSP) that will provide a safe and reliable high quality surface water supply for the long-term drinking water needs of each participating city. The Participants formed the Authority as a Joint Powers Authority (JPA) for the purpose of making responsible decisions related to the development and operation of the future RSWSP. The City is responsible for 50% of the expenditures incurred by the Authority during a fiscal year. The City contributed $347,488 under the agreement during the fiscal year ended June 30, 2016.

E. Construction and Other Commitments

The City had the following outstanding significant commitments at June 30, 2016:

Projects	Amount
Fulkerth & 99 Interchange Design	$559,265
Montana Neighborhood Park	188,857
North Valley Regional Recycled Water Program (NVRRWP)	
Feasibility Study	185,294
Various vehicles and equipment	282,504
Other contracts	264,906

NOTE 13 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. REDEVELOPMENT DISSOLUTION

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

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

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).

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

The Bill directs the California State Controller (SCO) to review the proprietary 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.

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, 2016 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2016.

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

B. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding $5,000 and with useful lives exceeding five years.

Capital assets at June 30, 2016 were comprised of:

	Balance at June 30, 2015	Additions	Balance at June 30, 2016
Capital assets not being depreciated:			
Land	$1,742,435		$1,742,435
Total capital assets not being depreciated	1,742,435		1,742,435
Capital assets being depreciated:			
Land improvements	8,647,404		8,647,404
Furniture and equipment	40,361		40,361
Infrastructure	62,624		62,624
Total capital assets being depreciated	8,750,389		8,750,389
Less accumulated depreciation for:			
Land improvements	(1,886,071)	($144,174)	(2,030,245)
Furniture and equipment	(40,361)		(40,361)
Infrastructure	(32,192)	(2,087)	(34,279)
Total accumulated depreciation	(1,958,624)	(146,261)	(2,104,885)
Net capital assets being depreciated	6,791,765	(146,261)	6,645,504
Governmental activity capital assets, net	$8,534,200	($146,261)	$8,387,939

C. 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, 2016 are as follows:

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

	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Due Within One Year	Due in More Than One Year
Revenue Bonds:						
1999 Revenue Bonds	$4,970,000	$2,550,000	$195,000	$2,355,000	$210,000	$2,145,000
2006 Tax Allocation Revenue Bonds	25,440,000	22,375,000	470,000	21,905,000	490,000	21,415,000
Add: Unamortized bond premium		327,088	15,453	311,635		311,635
2011 Tax Allocation Revenue Bonds	15,300,000	14,750,000	270,000	14,480,000	280,000	14,200,000
Less: Unamortized bond discount		(86,738)	(3,528)	(83,210)		(83,210)
Loan Payable:						
Economic Development Bank	889,305	635,218	127,044	508,174	127,044	381,130
Total Successor Agency Debt	$46,599,305	$40,550,568	$1,073,969	$39,476,599	$1,107,044	$38,369,555

2. 1999 Revenue Bonds

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

3. 2006 Tax Revenue Allocation Bonds

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

4. 2011 Tax Revenue Allocation Bonds

In February 2011, the Turlock Public Financing Authority (Authority) authorized the issuance of $15,300,000 in Tax Allocation Revenue Bonds and loaned the proceeds to the former Agency to be used to provide financing assistance for the construction of a new public safety facility in the City's downtown area. As with the bond issuances noted above, the Agency's tax increment revenue is pledged for repayment of these bonds. The bonds, which carry coupon interest rates ranging from 2.5% - 7.55%, have semi-annual principal and interest payments on the first of March and September through September 2039.

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

5. *Economic Development Bank Loan*

In an effort to spur economic development through infrastructure assistance, the Stanislaus County Economic Development Bank provides County cities funding assistance for qualifying projects. The City entered into a loan agreement with the County for the construction of a new traffic signal at West Main Street and Fransil Lane. The agreement is for $889,305 and as of June 30, 2011 the City had drawn down the entire amount. In accordance with loan agreement, repayment of equal installments will begin 3 years after the project is complete and continue for seven years. The project was completed in September 2011 and repayment began in January 2014.

6. *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 deferred charge on refunding, is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter. The deferred charge 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.

7. *Debt Service Requirements*

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

	Successor Agency								
	1999 Revenue Bonds		2006 Tax Allocation Revenue Bonds		2011 Tax Allocation Revenue Bonds		Economic Development Bank Loan Payable	Total	
For the Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	$210,000	$122,624	$490,000	$1,046,066	$280,000	$1,038,269	$127,044	$1,107,044	$2,206,959
2018	220,000	110,907	510,000	1,026,066	295,000	1,023,340	127,044	1,152,044	2,160,313
2019	230,000	98,645	530,000	1,005,266	310,000	1,006,500	127,044	1,197,044	2,110,411
2020	245,000	85,702	550,000	983,116	325,000	987,838	127,042	1,247,042	2,056,656
2021	260,000	71,940	575,000	959,347	345,000	967,306		1,180,000	1,998,593
2022-2026	1,190,000	133,798	3,600,000	4,381,158	1,640,000	4,481,201		6,430,000	8,996,157
2027-2031			6,085,000	3,181,875	1,450,000	3,969,149		7,535,000	7,151,024
2032-2036			7,770,000	1,458,250	2,385,000	3,310,687		10,155,000	4,768,937
2037-2040			1,795,000	44,875	7,450,000	1,126,875		9,245,000	1,171,750
Total	$2,355,000	$623,616	$21,905,000	$14,086,019	$14,480,000	$17,911,165	$508,174	39,248,174	$32,620,800
					Add: Unamortized Bond Premium			311,635	
					Less: Unamortized Bond (Discount)			(83,210)	
					Net long-term debt			$39,476,599	

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

D. 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.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office conducted a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011. The City received the results of the review in February 2015 which indicate assets of $402,582, comprised of salaries for two City employees paid with the former Redevelopment Agency's cash of $75,327 and the purchase of 301 Star Avenue from the City in the amount of $327,255, should be returned to the Successor Agency. However, the City disputes the finding and management is determining how to respond to the matter, and the amount if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

NOTE 14 – SUBSEQUENT EVENTS

A. 2016 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 will 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.

B. CalPers' Change in Discount Rate

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities.

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
Total Pension Liability		
Service Cost	$2,252,227	$2,145,944
Interest	8,152,132	8,394,010
Differences between expected and actual experience		(2,796,579)
Changes in assumptions		(2,114,962)
Changes in benefits		
Benefit payments, including refunds of employee contributions	(4,197,372)	(4,620,913)
Net change in total pension liability	6,206,987	1,007,500
Total pension liability - beginning	109,667,670	115,874,657
Total pension liability - ending (a)	$115,874,657	$116,882,157
Plan fiduciary net position		
Contributions - employer	$2,650,159	$2,832,416
Contributions - employee	1,031,498	1,042,224
Net investment income	12,514,268	1,937,886
Benefit payments, including refunds of employee contributions	(4,197,372)	(4,620,913)
Plan to Plan Resource Movement		78,472
Administrative Expense		(94,994)
Net change in plan fiduciary net position	11,998,553	1,175,091
Plan fiduciary net position - beginning	71,240,464	83,239,017
Plan fiduciary net position - ending (b)	$83,239,017	$84,414,108
Net pension liability - ending (a)-(b)	$32,635,640	$32,468,049
Plan fiduciary net position as a percentage of the total pension liability	71.84%	72.22%
Covered payroll	$13,044,287	$12,730,821
Net pension liability as percentage of covered payroll	250.19%	255.03%

Notes to Schedule:

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

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

* - 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**
Actuarially determined contribution	$3,847,884	$3,256,514
Contributions in relation to the actuarially determined contributions	(3,847,884)	(3,256,514)
Contribution deficiency (excess)	$0	$0
Covered payroll	$12,730,821	$13,052,557
Contributions as a percentage of covered payroll	30.22%	24.95%

Notes to Schedule

Valuation date:	6/30/2012	6/30/2013

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	28 years as of valuation date
Asset valuation method	15 year Smoothed Market value
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Retirement age	The probability of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

Safety Plan, Cost Sharing Multiple-Employer Defined 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**
Plan's Proportion of the Net Pension Liability (Asset)	0.39365%	0.53%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$24,494,695	$21,992,658
Plan's Covered Payroll	$10,003,385	$9,440,848
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	244.86%	232.95%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	76.71%	79.59%

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

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

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	**2015**	**2016**
Actuarially determined contribution	$3,951,824	$2,633,557
Contributions in relation to the actuarially determined contributions	(3,951,824)	(2,633,557)
Contribution deficiency (excess)	$0	$0
Covered payroll	$9,440,848	$9,870,904
Contributions as a percentage of covered payroll	41.86%	26.68%

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

REQUIRED SUPPLEMENTARY INFORMATION

POST RETIREMENT HEALTH CARE BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Valuation of Assets	Entry Age Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
7/1/2011	$0	$9,103,763	($9,103,763)	0.00%	$21,062,526	(43.2%)
7/1/2013	0	8,474,362	(8,474,362)	0.00%	20,561,218	(41.2%)
7/1/2015	0	9,240,299	(9,240,299)	0.00%	21,138,924	(43.7%)

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Annual OPEB Cost	Actual Contribution	% of OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$1,041,552	$849,984	82%	$1,038,303
6/30/2015	1,025,546	803,327	78%	1,730,260
6/30/2016	1,627,993	1,067,274	66%	2,290,979

NON-MAJOR GOVERNMENTAL FUNDS

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

Integrated Waste Management (AB939)
This fund is used to account for revenues received from recycling-related efforts. These revenues are used to fund recycling education programs as well as the City's "Take-Pride-In-Turlock" community cleanup.

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

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

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

CDBG, State HOME Program, and Housing Stimulus Funds
This group of funds, when combined with the Stanislaus County Housing Consortium (see major funds), accounts for the various federal funding sources the City receives on an annual basis to assist in the preservation and production of affordable housing within the City.

Stanislaus County Housing Consortium
When combined with the CDBG, State HOME programs and Housing Stimulus Funds (see non-major funds), accounts for the various federal funding sources the City receives on an annual basis to assist in the preservation and production of affordable housing within the City. The Consortium specifically is a collaboration of six cities in Stanislaus County and the County who together use Federal HOME monies to provide assistance for affordable housing within the County and the participating City jurisdictions.

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

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

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

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	Asset Forfeitures	Integrated Waste Mgmt (AB939)	Bicycle Safety	Sports Facilities
ASSETS				
Cash and investments	$7,072	$907,110	$79,071	$29,373
Accounts receivable		2,268		3,662
Interest receivable		577		
Due from developers				
Loans receivable				
Total Assets	$7,072	$909,955	$79,071	$33,035
LIABILITIES				
Accounts payable		$1,692		$12,439
Payroll payable		1,552		10,418
Due to other funds				
Total Liabilities		3,244		22,857
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
FUND BALANCE				
Fund balance:				
Nonspendable				
Restricted		18,675		
Committed	$7,072	888,036	$79,071	10,178
Unassigned				
Total Fund Balances (Deficit)	7,072	906,711	79,071	10,178
Total Liabilities and Fund Balances	$7,072	$909,955	$79,071	$33,035

SPECIAL REVENUE FUNDS

Animal Fees Forfeiture	Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District
$19,404	$4,291,541	$4,680,659	$300,137	$641,892	$12,754,453	$55,081
		31,062			31,048	
	2,711		184	404	7,967	
$19,404	$4,294,252	$4,711,721	$300,321	$642,296	$12,793,468	$55,081
$2,841	$11,768	$76,623			$49,333	
					21,131	
2,841	11,768	76,623			70,464	
16,563					12,723,004	$55,081
	4,282,484	4,635,098	$300,321	$642,296		
16,563	4,282,484	4,635,098	300,321	642,296	12,723,004	55,081
$19,404	$4,294,252	$4,711,721	$300,321	$642,296	$12,793,468	$55,081

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	SPECIAL REVENUE FUNDS				
	Northeast Turlock CFD #2	CDBG	State HOME Funds	Housing Stimulus Funds	Stanislaus County Housing Consortium
ASSETS					
Cash and investments	$75,010		$1,123,079	$21,910	
Accounts receivables	4,439	$211,060		573	$534,802
Interest receivable			394		
Due from developers					
Loans receivable		6,610,578	4,841,523	126,239	5,975,893
Total Assets	$79,449	$6,821,638	$5,964,996	$148,722	$6,510,695
LIABILITIES					
Accounts payable		$1,429			$3,406
Payroll payable		5,537			2,083
Due to other funds		204,094			552,788
Total Liabilities		211,060			558,277
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		6,610,578	$4,841,523	$126,239	5,975,893
FUND BALANCE					
Fund balance:					
Nonspendable					
Restricted	$79,449		1,123,473	22,483	
Committed					
Unassigned					(23,475)
Total Fund Balances (Deficit)	79,449		1,123,473	22,483	(23,475)
Total Liabilities and Fund Balances	$79,449	$6,821,638	$5,964,996	$148,722	$6,510,695

SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS					
Grant Funds	Capital Improvement	Street Light Installation	Downtown Improvement Project	North Turlock Master Plan	North East Turlock Master Plan	Turlock Regional Industrial Park
$342,551	$470,066	$149,660	$245,050	$2,212,548	$3,048,722	$223,069
168,269						
	301	94		1,440	1,926	
$510,820	$470,367	$149,754	$245,050	$2,213,988	$3,050,648	$223,069
$11,479	$5,761		$136	$71,823		
11,479	5,761		136	71,823		
499,341						
	464,606	$149,754	244,914	2,142,165	$3,050,648	$223,069
499,341	464,606	149,754	244,914	2,142,165	3,050,648	223,069
$510,820	$470,367	$149,754	$245,050	$2,213,988	$3,050,648	$223,069

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	CAPITAL PROJECTS FUNDS			
	East Tuolumne Master Plan	Airport	Facility Fees	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments		$9,702	$9,407,910	$41,095,070
Accounts receivables		58,698		1,045,881
Interest receivable			5,936	21,934
Due from developers			267,243	267,243
Loans receivable				17,554,233
Total Assets		$68,400	$9,681,089	$59,984,361
LIABILITIES				
Accounts payable		$8,828	$91,083	$348,641
Payroll payable				40,721
Due to other funds	$163,000			919,882
Total Liabilities	163,000	8,828	91,083	1,309,244
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				17,554,233
Fund Balance				
Fund balance:				
Nonspendable			267,243	267,243
Restricted			9,322,763	23,860,832
Committed		59,572		17,179,284
Unassigned	(163,000)			(186,475)
Total Fund Balances (Deficit)	(163,000)	59,572	9,590,006	41,120,884
Total Liabilities and Fund Balances		$68,400	$9,681,089	$59,984,361

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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, 2016

	SPECIAL REVENUE FUNDS			
	Asset Forfeitures	Integrated Waste Mgmt (AB939)	Bicycle Safety	Sports Facilities
REVENUES				
Taxes and assessments				
Licenses and permits			$3,908	
Use of money and property		$2,862		
Intergovernmental		23,782		
Charges for current services		119,281		$254,832
Other				1,433
Total Revenues		145,925	3,908	256,265
EXPENDITURES				
Current:				
General government		137,592		
Public safety	$5,000		491	
Public ways and facilities/transportation				
Parks and recreation				660,072
Community development				
Capital outlay				15,635
Total Expenditures	5,000	137,592	491	675,707
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,000)	8,333	3,417	(419,442)
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust				
Proceeds from sale of property				
Transfers in				447,939
Transfers (out)				(19,031)
Total Other Financing Sources (Uses)				428,908
NET CHANGE IN FUND BALANCES	(5,000)	8,333	3,417	9,466
BEGINNING FUND BALANCES (DEFICITS)	12,072	898,378	75,654	712
ENDING FUND BALANCES (DEFICITS)	$7,072	$906,711	$79,071	$10,178

SPECIAL REVENUE FUNDS

	Animal Fees Forfeiture	Development Impact Fees	Equipment Replacement	NW Triangle Plan Fee	Development Benefit	Lighting & Landscaping Assessment Districts	Downtown Assessment District
			$112,187			$2,683,664	
		$20,800		$873	$2,002	62,442	
			13,064				
	$26,513	743,365	240,768	42,130	12,461	539	
	36		12,538			401	
	26,549	764,165	378,557	43,003	14,463	2,747,046	
			68,342				$7
	18,804		107,544				
		34,682	27,535	33		2,120,808	
			11,434				
			214,514				
		324,927	537,068				
	18,804	359,609	966,437	33		2,120,808	7
	7,745	404,556	(587,880)	42,970	14,463	626,238	(7)
		238,966					
			656,033				
		(282,000)	(4,961)	(150)		(67,220)	
		(43,034)	651,072	(150)		(67,220)	
	7,745	361,522	63,192	42,820	14,463	559,018	(7)
	8,818	3,920,962	4,571,906	257,501	627,833	12,163,986	55,088
	$16,563	$4,282,484	$4,635,098	$300,321	$642,296	$12,723,004	$55,081

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS				
	Northeast Turlock CFD #2	CDBG	State HOME Funds	Housing Stimulus Funds	Stanislaus County Housing Consortium
REVENUES					
Taxes and assessments	$577,673				
Licenses and permits					
Use of money and property	1,313		$2,174		
Intergovernmental		$674,225	49,500		$754,537
Charges for current services					
Other		155,124	269,431	$9,475	453,688
Total Revenues	578,986	829,349	321,105	9,475	1,208,225
EXPENDITURES					
Current:					
General government	17,625				
Public safety					
Public ways and facilities/transportation					
Parks and recreation					
Community development		1,096,757	352,110	4,237	1,125,098
Capital outlay					
Total Expenditures	17,625	1,096,757	352,110	4,237	1,125,098
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	561,361	(267,408)	(31,005)	5,238	83,127
OTHER FINANCING SOURCES (USES)					
Contributions from private purpose trust		4,615			1,247
Proceeds from sale of property		261,237	56,413		
Transfers in				43,365	
Transfers (out)	(561,400)	(1,029)			
Total Other Financing Sources (Uses)	(561,400)	264,823	56,413	43,365	1,247
NET CHANGE IN FUND BALANCES	(39)	(2,585)	25,408	48,603	84,374
BEGINNING FUND BALANCES (DEFICITS)	79,488	2,585	1,098,065	(26,120)	(107,849)
ENDING FUND BALANCES (DEFICITS)	$79,449		$1,123,473	$22,483	($23,475)

SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS					
Grant Funds	Capital Improvement	Street Light Installation	Downtown Improvement Project	North Turlock Master Plan	North East Turlock Master Plan	Turlock Regional Industrial Park
	$3,685					
	1,575	$455		$11,539	$15,021	
$1,429,057						
7,795	6,868	6,582		79,612	623,749	$30,740
28,485						
1,465,337	12,128	7,037		91,151	638,770	30,740
629,800						
	82,530		$462	277	343	
671,185						
			172			
473,832		2,500		230,105	14,064	
1,774,817	82,530	2,500	634	230,382	14,407	
(309,480)	(70,402)	4,537	(634)	(139,231)	624,363	30,740
321,185	135,333					5,383
(5,435)					(216,665)	
315,750	135,333				(216,665)	5,383
6,270	64,931	4,537	(634)	(139,231)	407,698	36,123
493,071	399,675	145,217	245,548	2,281,396	2,642,950	186,946
$499,341	$464,606	$149,754	$244,914	$2,142,165	$3,050,648	$223,069

(Continued)

CITY OF TURLOCK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	CAPITAL PROJECTS FUNDS			
	East Tuolumne Master Plan	Airport	Facility Fees	Total Nonmajor Funds
REVENUES				
Taxes and assessments				$3,373,524
Licenses and permits				7,593
Use of money and property			$46,369	167,425
Intergovernmental		$155,583		3,099,748
Charges for current services			1,705,479	3,900,714
Other		3,000		933,611
Total Revenues		158,583	1,751,848	11,482,615
Current:				
General government			98,849	322,415
Public safety			179	761,818
Public ways and facilities/transportation		165,146	267	2,432,083
Parks and recreation				1,342,691
Community development				2,792,888
Capital outlay			201,019	1,799,150
Total Expenditures		165,146	300,314	9,451,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		(6,563)	1,451,534	2,031,570
OTHER FINANCING SOURCES (USES)				
Contributions from private purpose trust			432,049	437,911
Proceeds from sale of property				556,616
Transfers in				1,609,238
Transfers (out)		(10,662)	(519,780)	(1,688,333)
Total Other Financing Sources (Uses)		(10,662)	(87,731)	915,432
NET CHANGE IN FUND BALANCES		(17,225)	1,363,803	2,947,002
BEGINNING FUND BALANCES (DEFICITS)	($163,000)	76,797	8,226,203	38,173,882
ENDING FUND BALANCES (DEFICITS)	($163,000)	$59,572	$9,590,006	$41,120,884

(Concluded)

NONMAJOR ENTERPRISE FUNDS

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

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

CITY OF TURLOCK
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Transportation	Building & Safety	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and investments	$2,421,416	$217,365	$2,638,781
Accounts receivable	652,068		652,068
Interest receivable	1,636	120	1,756
Total current assets	3,075,120	217,485	3,292,605
Non-current assets			
Capital assets not being depreciated	4,104,148		4,104,148
Capital assets being depreciated	5,868,079		5,868,079
Total non-current assets	9,972,227		9,972,227
Total Assets	13,047,347	217,485	13,264,832
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	25,354	140,718	166,072
LIABILITIES			
Current liabilities			
Accounts payable	125,063	13,404	138,467
Payroll payable	5,077	21,674	26,751
Compensated absences	7,175	13,556	20,731
Unearned revenue	2,621,408		2,621,408
Total current liabilities	2,758,723	48,634	2,807,357
Long-term liabilities			
Compensated absences	28,701	54,222	82,923
OPEB liability	28,413	179,483	207,896
Net pension liabilities	252,783	1,402,989	1,655,772
Total long-term liabilities	309,897	1,636,694	1,946,591
Total Liabilities	3,068,620	1,685,328	4,753,948
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	31,854	176,795	208,649
NET POSITION (DEFICIT)			
Net investment in capital assets	9,972,227		9,972,227
Unrestricted		(1,503,920)	(1,503,920)
Total Net Position (Deficit)	$9,972,227	($1,503,920)	$8,468,307

CITY OF TURLOCK
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Transportation	Building & Safety	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	$177,092	$1,458,692	$1,635,784
Other income		534	534
Total Operating Revenues	177,092	1,459,226	1,636,318
OPERATING EXPENSES			
Salaries, benefits and insurance	198,742	1,080,942	1,279,684
Contractual	1,052,178	215,421	1,267,599
Supplies and maintenance	49,313	3,709	53,022
Utilities	16,763	11,172	27,935
Fleet expense	140,916	6,858	147,774
Depreciation and amortization	389,364		389,364
Other expenses	37,202	15,965	53,167
Total Operating Expenses	1,884,478	1,334,067	3,218,545
Operating Income (Loss)	(1,707,386)	125,159	(1,582,227)
NONOPERATING REVENUES (EXPENSES)			
Operating grants	1,116,715		1,116,715
Interest income	9,445	72	9,517
Net Nonoperating Revenues (Expenses)	1,126,160	72	1,126,232
Income (Loss) Before Capital Grants and Transfers	(581,226)	125,231	(455,995)
Capital grants	1,508,442		1,508,442
Transfers out	(6,000)	(73,685)	(79,685)
Net Capital Grants and Transfers	1,502,442	(73,685)	1,428,757
Change in net position	921,216	51,546	972,762
NET POSITION-BEGINNING (DEFICIT)	9,051,011	(1,555,466)	7,495,545
ENDING NET POSITION (DEFICIT)	$9,972,227	($1,503,920)	$8,468,307

CITY OF TURLOCK
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Transportation	Building & Safety	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$177,092	$1,458,692	$1,635,784
Payments to suppliers	(1,236,484)	(302,296)	(1,538,780)
Payments to employees	(109,513)	(1,008,739)	(1,118,252)
Other		534	534
Cash Flows from Operating Activities	(1,168,905)	148,191	(1,020,714)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental receipts - operations	146,736		146,736
Transfers out	(6,000)	(73,685)	(79,685)
Cash Flows from Noncapital Financing Activities	140,736	(73,685)	67,051
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental receipts - capital program	1,693,934		1,693,934
Acquisition of capital assets, net	(1,310,580)		(1,310,580)
Cash Flows from Capital and Related Financing Activities	383,354		383,354
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	9,251	193	9,444
Cash Flows from Investing Activities	9,251	193	9,444
Net Cash Flows	(635,564)	74,699	(560,865)
Cash and investments at beginning of period	3,056,980	142,666	3,199,646
Cash and investments at end of period	$2,421,416	$217,365	$2,638,781
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:			
Operating income (loss)	($1,707,386)	$125,159	($1,582,227)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation	389,364		389,364
Change in assets and liabilities:			
Accounts payable and other accrued expenses	59,888	(81,825)	(21,937)
Payroll payable	2,878	5,737	8,615
Claims Liability	16,416	32,654	49,070
OPEB liability	5,463	39,790	45,253
Deferred outflows/inflows and net pension liability	64,472	26,676	91,148
Cash Flows from Operating Activities	($1,168,905)	$148,191	($1,020,714)

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 introduced by GASB 34 does not apply to Internal Service Funds because, in general, they do not do business with outside parties. GASB 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the City department(s) which benefit(s) from the services the internal service fund provides. The balance sheet items are consolidated with the Governmental Funds in the Statement of Net 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, 2016

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
ASSETS					
Current Assets:					
Cash and investments	$2,458,583	$6,371,825	$195,850		$9,026,258
Accounts receivable	25,501	191,490			216,991
Interest receivable	550	3,569			4,119
Due from other funds	2,733,309				2,733,309
Total Current Assets	5,217,943	6,566,884	195,850		11,980,677
Noncurrent Assets:					
OPEB asset	162,897			$148,646	311,543
Capital assets not being depreciated	1,017,411				1,017,411
Capital assets being depreciated	1,665,296			985,691	2,650,987
Total Non-Current Assets	2,845,604			1,134,337	3,979,941
Total Assets	8,063,547	6,566,884	195,850	1,134,337	15,960,618
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	48,856		101,129	276,543	426,528
LIABILITIES					
Current Liabilities:					
Accounts payable	57,179	637,381	19,141	6,214	719,915
Payroll payable	9,394		16,076	37,512	62,982
Due to other funds				1,505,431	1,505,431
Compensated absences	7,641		13,864	37,906	59,411
Deposits payable					
Total Current Liabilities	74,214	637,381	49,081	1,587,063	2,347,739
Long-term Liabilities:					
Estimated claims liability		4,057,784			4,057,784
Compensated absences	30,566		55,455	151,623	237,644
OPEB liability			72,752		72,752
Net pension liabilities	487,101		1,008,278	2,757,190	4,252,569
Total Long-Term Liabilities	517,667	4,057,784	1,136,485	2,908,813	8,620,749
Total Liabilities	591,881	4,695,165	1,185,566	4,495,876	10,968,488
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	61,381		127,056	347,441	535,878
NET POSITION (DEFICIT)					
Net investment in capital assets	2,682,707			985,691	3,668,398
Unrestricted	4,776,434	1,871,719	(1,015,643)	(4,418,128)	1,214,382
Total Net Position (Deficit)	$7,459,141	$1,871,719	($1,015,643)	($3,432,437)	$4,882,780

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
OPERATING REVENUES					
Charges for services	$793,836	$9,930,221	$848,646	$1,675,902	$13,248,605
Refunds & other income	6	900,221		2,087	902,314
Total Operating Revenues	793,842	10,830,442	848,646	1,677,989	14,150,919
OPERATING EXPENSES					
Salaries, benefits and insurance	238,376	10,300,783	752,272	1,867,142	13,158,573
Contractual	27,688	22,982	50,597	110,142	211,409
Supplies and maintenance	31,060		3,926	25,446	60,432
Utilities	34,401		20,834	27,052	82,287
Fleet expense	52,861		1,083	14,272	68,216
Depreciation and amortization	269,343			55,015	324,358
Other expenses	9,333	191,785	19,157	11,806	232,081
Total Operating Expenses	663,062	10,515,550	847,869	2,110,875	14,137,356
Total Operating Income (Loss)	130,780	314,892	777	(432,886)	13,563
NONOPERATING REVENUES (EXPENSES)					
Interest income	2,568	27,835			30,403
Gain (loss) on disposal of capital assets	2,701			355	3,056
Total Nonoperating Revenues (Expenses)	5,269	27,835		355	33,459
Income (Loss) Before Transfers	136,049	342,727	777	(432,531)	47,022
Transfers in	1,297,804			103,150	1,400,954
Transfers (out)	(6,148)		(10,277)	(162,824)	(179,249)
Change in Net Position	1,427,705	342,727	(9,500)	(492,205)	1,268,727
NET POSITION-BEGINNING (DEFICIT)	6,031,436	1,528,992	(1,006,143)	(2,940,232)	3,614,053
ENDING NET POSITION (DEFICIT)	$7,459,141	$1,871,719	($1,015,643)	($3,432,437)	$4,882,780

CITY OF TURLOCK
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Equipment Pool	Self Insurance	Information Technology	Engineering	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$790,347	$11,406,537	$848,646	$1,675,902	$14,721,432
Payments to suppliers	(220,817)	(2,560,843)	(103,649)	(189,756)	(3,075,065)
Payments to employees	(397,846)	(10,300,783)	(733,699)	(1,840,991)	(13,273,319)
Other	6	900,221		2,087	902,314
Cash Flows from (used by) Operating Activities	171,690	(554,868)	11,298	(352,758)	(724,638)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts (payments)	(1,318,589)	1,112,701		412,077	206,189
Transfers in	1,297,804			103,150	1,400,954
Transfers (out)	(6,148)		(10,277)	(162,824)	(179,249)
Cash Flows from Noncapital Financing Activities	(26,933)	1,112,701	(10,277)	352,403	1,427,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(1,933,301)				(1,933,301)
Proceeds from sale of capital assets	2,701			355	3,056
Cash Flows from (used by) Capital and Related Financing Activities	(1,930,600)			355	(1,930,245)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	2,310	27,079			29,389
Cash Flows from Investing Activities	2,310	27,079			29,389
Net Cash Flows	(1,783,533)	584,912	1,021		(1,197,600)
Cash and investments at beginning of period	4,242,116	5,786,913	194,829		10,223,858
Cash and investments at end of period	$2,458,583	$6,371,825	$195,850		$9,026,258
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	$130,780	$314,892	$777	($432,886)	$13,563
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	269,343			55,015	324,358
Change in assets and liabilities:					
Accounts receivable	(3,489)	1,476,316			1,472,827
OPEB asset	9,228			86,290	95,518
Accounts payable	(65,474)	(1,690,667)	(8,052)	(538)	(1,764,731)
Payroll payable	1,859		1,975	(1,456)	2,378
Deposits payable				(500)	(500)
Compensated absences	(2,013)		(13,617)	(24,074)	(39,704)
Claims liability		(655,409)			(655,409)
OPEB liability			20,715		20,715
Deferred outflows/inflows and net pension liability	(168,544)		9,500	(34,609)	(193,653)
Cash Flows from (used by) Operating Activities	$171,690	($554,868)	$11,298	($352,758)	($724,638)

AGENCY FUNDS

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

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

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

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

CITY OF TURLOCK
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Northwest Triangle - Mello Roos Assessments				
Assets				
Cash and investments	$689,929	$2,367,782	$2,810,239	$247,472
Cash and investments with fiscal agents	406,616		293,516	113,100
Accounts and interest receivable	319	1,559	319	1,559
Total Assets	$1,096,864	$2,369,341	$3,104,074	$362,131
Liabilities				
Accounts payable	$40		$40	
Due to others	1,096,824	$2,369,341	3,104,034	$362,131
Total Liabilities	$1,096,864	$2,369,341	$3,104,074	$362,131
Property & Business Improvement District #2				
Assets				
Cash and investments	$58,739	$152,901	$194,851	$16,789
Accounts and interest receivable	7,785		7,785	
Total Assets	$66,524	$152,901	$202,636	$16,789
Liabilities				
Accounts payable	$47,685		$47,685	
Due to others	18,839	$152,901	154,951	$16,789
Total Liabilities	$66,524	$152,901	$202,636	$16,789
Stanislaus Regional Water Authority				
Assets				
Cash and investments		$727,340	$234,194	$493,146
Accounts and interest receivable		319		319
Total Assets		$727,659	$234,194	$493,465
Liabilities				
Accounts payable		$257,339		$257,339
Due to others		470,320	$234,194	236,126
Total Liabilities		$727,659	$234,194	$493,465

CITY OF TURLOCK
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Total - All Agency Funds				
Assets				
Cash and investments	$748,668	$3,248,023	$3,239,284	$757,407
Cash and investments with fiscal agents	406,616		293,516	113,100
Accounts and interest receivable	8,104	1,878	8,104	1,878
Total Assets	$1,163,388	$3,249,901	$3,540,904	$872,385
Liabilities				
Accounts payable	$47,725	$257,339	$47,725	$257,339
Due to others	1,115,663	2,992,562	3,493,179	615,046
Total Liabilities	$1,163,388	$3,249,901	$3,540,904	$872,385

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CITY OF TURLOCK INC. 1908

TURLOCK PUBLIC FINANCING AUTHORITY

COMPONENT UNIT FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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TURLOCK PUBLIC FINANCING AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Turlock Public Financing Authority (Authority), component unit of the City of Turlock, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic component unit financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Pleasant Hill, CA 94523

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Authority as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1D to the financial statements.

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

Other Matters

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 20, 2017

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

TURLOCK PUBLIC FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments with fiscal agent (Note 2)	$3,570,328	$2,039,847	$5,610,175
Interest receivable	739,122	755,336	1,494,458
Leases receivable (Note 3)	35,398,097	74,402,624	109,800,721
Total Assets	39,707,547	77,197,807	116,905,354
LIABILITIES			
Interest payable	739,122	755,336	1,494,458
Long-term debt (Note 4):			
Due within one year	980,000	2,835,000	3,815,000
Due in more than one year	37,988,425	73,607,471	111,595,896
Total Liabilities	39,707,547	77,197,807	116,905,354
NET POSITION (Note 5):			
Restricted for:			
Debt service			
Total Net Position			

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-type Activities	Total
Governmental Activities:					
Interest and fiscal charges	$2,225,006	$2,221,465	($3,541)		($3,541)
Total Governmental Activities	2,225,006	2,221,465	(3,541)		(3,541)
Business-type Activities:					
Sewer	1,712,235	1,712,235			
Water	1,299,005	1,298,881		($124)	(124)
Total Business-type Activities	3,011,240	3,011,116		(124)	(124)
Total	$5,236,246	$5,232,581	(3,541)	(124)	(3,665)
General revenues:					
Interest income			3,541	124	3,665
Total general revenues			3,541	124	3,665
Change in Net Position					
Net Position-Beginning					
Net Position-Ending					

See accompanying notes to basic financial statements

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TURLOCK PUBLIC FINANCING AUTHORITY

FUND FINANCIAL STATEMENTS

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

TURLOCK PUBLIC FINANCING AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	1999 Revenue Bonds	2006 Tax Allocation Revenue Bonds	2011 Tax Allocation Revenue Bonds	Total
ASSETS				
Cash and investments with fiscal agent (Note 2)	$381,653	$1,858,854	$1,329,821	$3,570,328
Leases receivable (Note 3)	1,973,348	20,357,781	13,066,968	35,398,097
Total Assets	$2,355,001	$22,216,635	$14,396,789	$38,968,425
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue (Notes 1C and 3)	$1,973,348	$20,357,781	$13,066,968	$35,398,097
FUND BALANCES				
Fund balance (Note 5):				
Restricted:				
Debt service	381,653	1,858,854	1,329,821	3,570,328
Total Fund Balances	381,653	1,858,854	1,329,821	3,570,328
Total Deferred Inflows of Resources and Fund Balances	$2,355,001	$22,216,635	$14,396,789	$38,968,425

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
Reconciliation of the
GOVERNMENTAL FUNDS-- BALANCE SHEET
with the
GOVERNMENTAL ACTIVITIES NET POSITION
JUNE 30, 2016

Total fund balances reported on the Governmental Funds Balance Sheet	$3,570,328
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:	
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.	35,398,097
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:	
Interest receivable	739,122
Long-term debt	(38,968,425)
Interest payable	(739,122)
NET POSITION OF GOVERNMENTAL ACTIVITIES	

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	1999 Revenue Bonds	2006 Tax Allocation Revenue Bonds	2011 Tax Allocation Revenue Bonds	Total
REVENUES				
Lease revenue	$311,131	$1,536,327	$1,321,547	$3,169,005
Use of money and property	17,383	115	700	18,198
Total Revenues	328,514	1,536,442	1,322,247	3,187,203
EXPENDITURES				
Debt service:				
Principal	195,000	470,000	270,000	935,000
Interest and fiscal charges	133,466	1,066,441	1,051,681	2,251,588
Total Expenditures	328,466	1,536,441	1,321,681	3,186,588
NET CHANGE IN FUND BALANCES	48	1	566	615
BEGINNING FUND BALANCES	381,605	1,858,853	1,329,255	3,569,713
ENDING FUND BALANCES	$381,653	$1,858,854	$1,329,821	$3,570,328

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
Reconciliation of the
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
with the
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	$615
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	935,000
Amortization of bond premium/discount is added back to fund balance	11,925
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):	
Interest receivable	(14,657)
Unavailable revenue	(947,540)
Interest payable	14,657
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	2012 Sewer Bonds	2008 Water Bonds	Total
ASSETS			
Cash and investments with fiscal agent (Note 2)		$2,039,847	$2,039,847
Interest receivable	$547,437	207,899	755,336
Leases receivable (Note 3)	49,229,196	25,173,428	74,402,624
Total Assets	49,776,633	27,421,174	77,197,807
LIABILITIES			
Current liabilities:			
Interest payable	547,437	207,899	755,336
Bonds payable (Note 4)	2,080,000	755,000	2,835,000
Total current liabilities	2,627,437	962,899	3,590,336
Long-term liabilities:			
Bonds payable (Note 4)	47,149,196	26,458,275	73,607,471
Total Liabilities	49,776,633	27,421,174	77,197,807
NET POSITION (Note 5):			
Restricted			
Total Net Position			

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	2012 Sewer Bonds	2008 Water Bonds	Total
OPERATING REVENUES			
Lease revenue	$1,712,235	$1,298,881	$3,011,116
Total Operating Revenues	1,712,235	1,298,881	3,011,116
Operating Income (Loss)	1,712,235	1,298,881	3,011,116
OPERATING REVENUES (EXPENSES)			
Interest expense	(1,712,235)	(1,299,005)	(3,011,240)
Net Operating Revenues (Expenses)	(1,712,235)	(1,299,005)	(3,011,240)
NONOPERATING REVENUES (EXPENSES)			
Interest income		124	124
Net Nonoperating Revenues (Expenses)		124	124
Change in net position			
BEGINNING NET POSITION			
ENDING NET POSITION			

See accompanying notes to basic financial statements

TURLOCK PUBLIC FINANCING AUTHORITY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	2012 Sewer Bonds	2008 Water Bonds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$3,922,925	$2,029,051	$5,951,976
Cash Flows from Operating Activities	3,922,925	2,029,051	5,951,976
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Long-term debt payment - principal	(2,010,000)	(725,000)	(2,735,000)
Long-term debt payment - interest	(1,912,925)	(1,304,112)	(3,217,037)
Cash Flows from Noncapital and Related Financing Activities	(3,922,925)	(2,029,112)	(5,952,037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest		124	124
Cash Flows from Investing Activities		124	124
Net Cash Flows		63	63
Cash and investments at beginning of period		2,039,784	2,039,784
Cash and investments at end of period		$2,039,847	$2,039,847
Reconciliation of Operating Income to Cash Flows from Operating Activities:			
Operating income	$1,712,235	$1,298,881	$3,011,116
Change in assets and liabilities:			
Interest receivable	17,533	4,728	22,261
Leases receivable	2,193,157	725,442	2,918,599
Cash Flows from Operating Activities	$3,922,925	$2,029,051	$5,951,976

See accompanying notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Turlock Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital improvements within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The Turlock Public Financing Authority was created on December 15, 1998, pursuant to Article 1, Chapter 5, of Division 7 of Title 1 of the Government Code of the State of California as a Joint Powers Authority between the City and the former Turlock Redevelopment Agency.

The Turlock Redevelopment Agency was dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012, including the liabilities payable to the Authority.

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

B. Basis of Presentation

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Authority-Wide financial statements.

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

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally ninety days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the Authority are leases and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally ninety days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Authority-Wide Financial Statements are provided to explain the differences between the two approaches.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to 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 will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 Authority has only 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 one source: leases receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

D. Fair Value Measurements

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

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

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

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

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

E. Estimates and Assumptions

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

NOTE 2 - INVESTMENTS HELD BY FISCAL AGENT

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

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

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

A. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
U.S. Treasury Notes, Bonds and/or Bills	5 years	N/A	No maximum
U.S. Government Sponsored Securities	5 years	N/A	No maximum
State Obligations	N/A	A	No maximum
Pre-refunded Municipal Obligations	N/A	AAA	No maximum
Certificates of Deposit	30 days	N/A	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

NOTE 2 - INVESTMENTS HELD BY FISCAL AGENT (Continued)

B. Interest Rate Risk

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

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

Investment Type	12 Months or less	More than 36 Months	Total
Held by Fiscal Agent:			
Money Market Mutual Funds (U.S. Securities)	$5,277,152		$5,277,152
Guaranteed Investment Contract		$333,023	333,023
	$5,277,152	$333,023	$5,610,175

C. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual rating as of June 30, 2016 for the Money Market Mutual Funds was AAAm as provided by Standard & Poor's investment rating system. Money market mutual funds are available for withdrawal on demand and at June 30, 2016, have an average maturity of 26-56 days.

D. Fair Value Hierarchy

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

The Authority's investment in money market funds and the investment agreement are measured at amortized cost as of June 30 2016.

NOTE 2 - INVESTMENTS HELD BY FISCAL AGENT (Continued)

E. *Concentration Risk*

Significant investments in the securities of any individual issuers, other than U.S. Treasury Securities and Mutual Funds, are set forth below:

Issuer	Investment Type	Amount
NationsBank	Guaranteed Investment Contract	$333,023

NOTE 3 – LEASES RECEIVABLE FROM THE CITY OF TURLOCK AND SUCCESSOR AGENCY

The Authority has recorded leases receivable in the amount of $109,800,721 pursuant to the lease agreements between the Authority and the City and Successor Agency in relation to the bonded indebtedness. The leases receivable along with investments held by fiscal agents secure the repayment of the different debt issues. The lease revenue is equal to the Authority's debt service requirements and is used for that purpose.

In the Fund Financial Statements a corresponding amount is recorded as unavailable revenue since the assets are not current financial resources. In the Authority-wide Financial Statements the assets are offset by long-term debt with any remaining amounts being reflected in net position.

NOTE 4 – LONG TERM DEBT

A. *Current Year Activity*

Following is a summary of the Authority's long-term debt transactions during the fiscal year ended June 30, 2016:

	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Current Portion	Due in More Than One Year
Governmental Activity Debt:						
1999 Revenue Bonds	$4,970,000	$2,550,000	($195,000)	$2,355,000	$210,000	$2,145,000
2006 Tax Allocation Revenue Bonds	25,440,000	22,375,000	(470,000)	21,905,000	490,000	21,415,000
Add: Unamortized bond premium		327,088	(15,453)	311,635		311,635
2011 Tax Allocation Revenue Bonds	15,300,000	14,750,000	(270,000)	14,480,000	280,000	14,200,000
Less: Unamortized bond discount		(86,738)	3,528	(83,210)		(83,210)
Total Governmental Activities	45,710,000	39,915,350	(946,925)	38,968,425	980,000	37,988,425
Business-type Activities Debt:						
Revenue Bonds:						
2012 Sewer	51,915,000	48,095,000	(2,010,000)	46,085,000	2,080,000	44,005,000
Add: Unamortized bond premium		3,327,353	(183,157)	3,144,196		3,144,196
2008 Water	32,365,000	27,930,000	(725,000)	27,205,000	755,000	26,450,000
Less: Unamortized bond premium		8,654	(379)	8,275		8,275
Total Business Type Activities	84,280,000	79,361,007	(2,918,536)	76,442,471	2,835,000	73,607,471
Total Long-Term Debt	$129,990,000	$119,276,357	($3,865,461)	$115,410,896	$3,815,000	$111,595,896

NOTE 4 – LONG TERM DEBT (Continued)

B. 1999 Revenue Bonds

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

For the Year Ending June 30	Principal	Interest	Total
2017	$210,000	$122,624	$332,624
2018	220,000	110,907	330,907
2019	230,000	98,645	328,645
2020	245,000	85,702	330,702
2021	260,000	71,940	331,940
2022-2025	1,190,000	133,798	1,323,798
Total	$2,355,000	$623,616	$2,978,616

C. 2006 Tax Allocation Revenue Bonds

In August 2006 the Authority authorized the issuance of $25,440,000 in Tax Allocation Revenue Bonds the proceeds of which were loaned to the former Agency to be used to finance various infrastructure projects to be constructed within the Agency's project area boundaries. Agency tax increment revenue is pledged for repayment of these bonds. The bonds, which carry coupon interest rates ranging from 4.0% - 5.0%, have semi-annual principal and interest payments on the first of March and September through September 2036. The annual debt service requirements are as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	$490,000	$1,046,066	$1,536,066
2018	510,000	1,026,066	1,536,066
2019	530,000	1,005,266	1,535,266
2020	550,000	983,116	1,533,116
2021	575,000	959,347	1,534,347
2022-2026	3,600,000	4,381,158	7,981,158
2027-2031	6,085,000	3,181,875	9,266,875
2032-2036	7,770,000	1,458,250	9,228,250
2037	1,795,000	44,875	1,839,875
Total	$21,905,000	$14,086,019	$35,991,019

NOTE 4 – LONG TERM DEBT (Continued)

D. 2011 Tax Allocation Revenue Bonds

In February 2011, the Authority authorized the issuance of $15,300,000 in Tax Allocation Revenue Bonds and loaned the proceeds to the former Agency to be used to provide financing assistance for the construction of a new public safety facility in the City's downtown area. As with the bond issuances noted above, the Agency's tax increment revenue is pledged for repayment of these bonds. The bonds, which carry coupon interest rates ranging from 2.5% - 7.55%, have semi-annual principal and interest payments on the first of March and September through September 2039. The annual debt service requirements are as follows:

For the Year Ending June 30	Principal	Interest	Total
2017	$280,000	$1,038,269	$1,318,269
2018	295,000	1,023,340	1,318,340
2019	310,000	1,006,500	1,316,500
2020	325,000	987,838	1,312,838
2021	345,000	967,306	1,312,306
2022-2026	1,640,000	4,481,201	6,121,201
2027-2031	1,450,000	3,969,149	5,419,149
2032-2036	2,385,000	3,310,687	5,695,687
2037-2040	7,450,000	1,126,875	8,576,875
Total	$14,480,000	$17,911,165	$32,391,165

E. 2012 Sewer Revenue Bonds

On September 6, 2012, the Authority issued $51,915,000 in Sewer Revenue Bonds, Series 2012. The proceeds of these Bonds, secured by revenue from the City's Wastewater Treatment operations as defined in the bond documents, are being used to refund the Authority's outstanding 1999 and 2003A Sewer Revenue Bonds. The 1999 Sewer Revenue Bonds were refunded in their entirety on September 15, 2012, their next payment date. Funds to refund the 2003A Sewer Revenue Bonds were placed in escrow upon the closing of the 2012 Bond issuance and then the 2003A Bonds were refunded 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. The annual debt service requirements are as follows:

NOTE 4 – LONG TERM DEBT (Continued)

For the Year Ending June 30	Principal	Interest	Total
2017	$2,080,000	$1,841,175	$3,921,175
2018	2,165,000	1,756,275	3,921,275
2019	2,255,000	1,667,875	3,922,875
2020	2,350,000	1,575,775	3,925,775
2021	2,450,000	1,479,775	3,929,775
2022-2026	13,375,000	5,698,451	19,073,451
2027-2031	13,625,000	2,784,588	16,409,588
2032-2034	7,785,000	475,500	8,260,500
Total	$46,085,000	$17,279,414	$63,364,414

F. 2008 Water Revenue Bonds

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

For the Year Ending June 30	Principal	Interest	Total
2017	$755,000	$1,275,112	$2,030,112
2018	785,000	1,244,913	2,029,913
2019	815,000	1,213,512	2,028,512
2020	855,000	1,172,763	2,027,763
2021	890,000	1,138,562	2,028,562
2022-2026	5,045,000	5,103,538	10,148,538
2027-2031	6,310,000	3,841,438	10,151,438
2032-2036	7,975,000	2,175,137	10,150,137
2037-2038	3,775,000	285,500	4,060,500
Total	$27,205,000	$17,450,475	$44,655,475

NOTE 4 – LONG TERM DEBT (Continued)

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

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

NOTE 5 – NET POSITION AND FUND BALANCES

A. Net Position

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis.

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 two captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Authority-wide level, and are described below:

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

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

B. Fund Balances

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

The Authority's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Authority 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:

NOTE 5 – NET POSITION AND FUND BALANCES (Continued)

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Assets not expected to be converted to cash, such as prepaids, notes receivable, and property held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category. As of June 30, 2016 the Authority did not have any nonspendable fund balances.

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 Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to Board of Director commitments are included along with spendable resources. As of June 30, 2016 the Authority did not have any committed fund balances.

Assigned fund balances are amounts constrained by the Authority's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee and may be changed at the discretion of the Board of Directors or its designee, the City Manager. This category includes: encumbrances; nonspendables, when it is the Board of Director'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. As of June 30, 2016 the Authority did not have any assigned fund balances.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. As of June 30, 2016 the Authority did not have any unassigned fund balances.

NOTE 6 – SUBSEQUENT EVENT

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 will be used to repay the Authority's loans to the Successor Agency and refund and defease the outstanding balance of the Authority's 1999 Revenue Bonds, 2006 Tax Allocation Bonds and 2011 Tax Allocation Revenue Bonds.

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CITY OF TURLOCK

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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CITY OF TURLOCK

SINGLE AUDIT REPORT
For The Year Ended June 30, 2016

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CITY OF TURLOCK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?	X	Yes		No
• Significant deficiency(ies) identified?	X	Yes		None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified			
Internal control over major programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		Yes	X	No

Identification of major programs:

CFDA#(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?		Yes	X	No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did disclose significant deficiencies and material weaknesses, but no instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated March 20, 2017, which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

CITY OF TURLOCK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Programs:				
Community Development Block Grants/State's Program				
Program expenditures	14.228			$619,531
Subgrants	14.228		$54,695	54,695
Program income	14.228			178,944
Program subtotal			54,695	853,170
HOME Investment Partnerships Program				
Program Expenditures	14.239			754,537
Program Income	14.239			357,645
Program subtotal				1,112,182
Total U.S. Department of Housing and Development			54,695	1,965,352
U.S. Department of Justice **Direct** Programs:				
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738			27,016
Public Safety Partnership and Community Policing Grants				
COPS Hiring Grant	16.710			209,598
Total U.S. Department of Justice				236,614
U.S. Department of Transportation				
Direct Programs:				
Federal Transit - Formula Grants (Urbanized Area Formula Program)				
Operating Assistance	20.507			518,698
Operating and Capital Assistance	20.507			47,725
Program subtotal				566,423
Federal Aviation Administration	20.106			145,583
Pass-through programs from:				
California Department of Transportation				
Highway Planning and Construction (Federal-Aid Highway Program)				
Congestion Mitigation and Air Quality Improvement Program	20.205	CML-5165		75,741
STP (Federal) (via Cal Trans)	20.205	RSTP-5165		76,748
Surface Transportation Program (STIP)	20.205	HISPL-5165		1,129
Program subtotal				153,618
State of California Office of Traffic Safety				
State and Community Highway Safety				
Selective Traffic Enforcement Program (STEP)	20.600	PT1627		16,753
Minimum Penalties for Repeat Offenders for Driving While Intoxicated				
Selective Traffic Enforcement Program (STEP)	20.608	PT1627		10,591
Total U.S. Department of Transportation				892,968
Total Expenditures of Federal Awards			$54,695	$3,094,934

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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CITY OF TURLOCK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016

NOTE 1 – REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the City of Turlock, California, and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Turlock as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control, we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated March 20, 2017 which is an integral part of our audits and should be read in conjunction with this report.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control, we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies and items 2015-005 and 2014-003 on the Status of Prior Year Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated March 20, 2017 which is an integral part of our audits and should be read in conjunction with this report.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated March 20 2017 which is an integral part of our audits and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Maze & Associates

Pleasant Hill, California
March 20, 2017

MAZE
& ASSOCIATES

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited City of Turlock's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 20, 2017 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maze & Associates

Pleasant Hill, California
March 20, 2017

CITY OF TURLOCK

TRANSPORTATION DEVELOPMENT ACT FUNDS

BASIC FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2016 AND 2015**

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CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT FUNDS
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds (TDA Funds) which are included in the Streets Special Revenue Fund and the Transportation Enterprise Fund of the City of Turlock (City), California, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the TDA Funds' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Funds as of June 30, 2016 and 2015, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds and do not purport to, and do not present fairly the financial position of the City as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1E to the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the TDA Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Funds' internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 20, 2017

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT PROGRAM
GOVERNMENTAL FUND - STREETS SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
JUNE 30, 2016 AND 2015

	2016	**2015**
ASSETS		
Cash and investments (Note 2)	$427,835	$480,342
Accounts receivable	252,485	545,233
Total Assets	$680,320	$1,025,575
LIABILITIES		
Accounts and salaries payable	$14,541	$57,608
Unearned revenue (Note 4)	642,477	967,967
Total Liabilities	657,018	1,025,575
FUND BALANCES (Note 5)		
Unassigned	23,302	
Total Liabilities and Fund Balance	$680,320	$1,025,575

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT PROGRAM
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND - STREETS SPECIAL REVENUE FUND
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
REVENUES		
Intergovernmental revenues	$709,741	$604,597
Charges for services	39,926	17,611
Interest income and other revenues	1,200	535
Other		30,507
Total Revenues	750,867	653,250
EXPENDITURES		
Public ways and facilities / transportation	784,565	639,409
Total Expenditures	784,565	639,409
Excess of Revenues over Expenditures	(33,698)	13,841
OTHER FINANCING SOURCES (USES)		
Transfers in from Transportation Enterprise Fund	3,000	3,000
Transfers in from other City funds	54,000	
Transfers out to other City funds		(16,841)
Total Other Financing Sources (Uses)	57,000	(13,841)
Net Change in Fund Balance	23,302	
Fund Balance, Beginning of Year		
Fund Balance, End of Year	$23,302	

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION DEVELOPMENT ACT PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL FUND - STREETS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Intergovernmental revenues	$902,000	$384,251	$709,741	$325,490
Charges for services	25,000	25,000	39,926	14,926
Interest income and other revenues	200	200	1,200	1,000
Total Revenues	927,200	409,451	750,867	341,416
EXPENDITURES:				
Public ways and facilities / transportation	743,750	807,750	784,565	23,185
Total Expenditures	743,750	807,750	784,565	23,185
Excess (Deficiency) of Revenues over Expenditures	183,450	(398,299)	(33,698)	364,601
OTHER FINANCING SOURCES (USES):				
Transfers in from Transportation Enterprise Fund	3,000	3,000	3,000	
Transfers in from other City funds		54,000	54,000	
Transfers (out) to other City funds		(4,000)		4,000
Total Other Financing Sources (Uses)	3,000	53,000	57,000	4,000
Net Change in Fund Balance	$186,450	($345,299)	23,302	$368,601
Fund Balance, Beginning of Year				
Fund Balance, End of Year			$23,302	

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Cash and investments (Note 2)	$2,421,416	$3,056,980
Accounts receivable, grants	652,068	698,322
Interest receivable	1,636	1,442
Total current assets	3,075,120	3,756,744
Noncurrent assets:		
Capital assets (Note 3):		
Nondepreciable	4,104,148	4,095,378
Depreciable, net	5,868,079	4,955,633
Total noncurrent assets	9,972,227	9,051,011
Total Assets	13,047,347	12,807,755
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions (Note 9)	25,354	21,606
LIABILITIES		
Current liabilities:		
Accounts payable and accruals	125,063	65,175
Salaries payable	5,077	2,199
Unearned revenue (Note 4)	2,621,408	3,452,149
Compensated absences - due in one year	7,175	3,893
Total current liabilities	2,758,723	3,523,416
Long-term liabilities		
Compensated absences	28,701	15,567
Net OPEB obligation (Note 10)	28,413	22,950
Net pension liabilities (Note 9)	252,783	184,043
Total long-term liabilities	309,897	222,560
Total Liabilities	3,068,620	3,745,976
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 9)	31,854	32,374
NET POSITION (Note 5)		
Net investment in capital assets	9,972,227	9,051,011
Total Net Position	$9,972,227	$9,051,011

CITY OF TURLOCK
TRANSPORTATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Charges for services	$177,092	$144,959
Other income		6,913
Total operating revenues	177,092	151,872
OPERATING EXPENSES		
Salaries, benefits and insurance	198,742	120,274
Contractual	1,052,178	831,711
Supplies and maintenance	49,313	33,616
Utilities	16,763	15,941
Fleet expense	140,916	127,808
Depreciation (Note 3)	389,364	348,112
Other expenses	37,202	17,131
Total operating expenses	1,884,478	1,494,593
Operating loss	(1,707,386)	(1,342,721)
NON-OPERATING REVENUES (EXPENSES)		
Operating grants	1,116,715	1,176,864
Loss from sale of capital assets		(7,300)
Investment income	9,445	6,174
Total nonoperating revenues (expenses)	1,126,160	1,175,738
INCOME (LOSS) BEFORE CAPITAL GRANTS AND TRANSFERS	(581,226)	(166,983)
Capital grants	1,508,442	350,706
Transfers out to the Streets Special Revenue Fund	(3,000)	(3,000)
Transfers out to other City funds	(3,000)	(3,000)
Change in Net Position	921,216	177,723
Net Position - Beginning	9,051,011	8,873,288
Net Position - Ending	$9,972,227	$9,051,011

See accompanying notes to financial statements

CITY OF TURLOCK
TRANSPORTATION ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$177,092	$151,872
Payments to suppliers	(1,236,484)	(1,026,953)
Payments to employees	(109,513)	(116,245)
Other		
Cash Flows from Operating Activities	(1,168,905)	(991,326)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out	(6,000)	(6,000)
Intergovernmental receipts - operations	146,736	1,042,026
Cash Flows from Noncapital Financing Activities	140,736	1,036,026
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Intergovernmental receipts - capital program	1,693,934	61,614
Proceeds from sale of capital assets		3,951
Purchases of capital assets	(1,310,580)	(340,647)
Cash Flows from Capital and Related Financing Activities	383,354	(275,082)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	9,251	6,285
Cash Flows from Investing Activities	9,251	6,285
Net Cash Flows	(635,564)	(224,097)
CASH AND CASH EQUIVALENTS		
Cash and investments at beginning of period	3,056,980	3,281,077
Cash and investments at end of period	$2,421,416	$3,056,980
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	($1,707,386)	($1,342,721)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Depreciation	389,364	348,112
Change in assets and liabilities:		
Accounts payable	59,888	(746)
Salaries payable	2,878	179
Compensated absences	16,416	2,496
Net OPEB obligation	5,463	2,982
Deferred outflows/inflows and net pension liability	64,472	(1,628)
Cash Flows from Operating Activities	($1,168,905)	($991,326)
NONCASH TRANSACTIONS		
Retirement of capital assets		($11,251)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

B. Fund Accounting

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

Governmental Fund Type

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

Proprietary Fund Type

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting and Measurement Focus

Streets Special Revenue Fund

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

The Streets Special Revenue Fund is used to account for the City's share of the Transportation Development Act (TDA) allocations that are legally restricted for street maintenance and capital improvements.

Transportation Enterprise Fund

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

The Transportation Enterprise Fund is accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Change in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Deferred Inflows and Deferred Outflows of Resources

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

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

E. Fair Value Measurements

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

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
>
> Level 3 inputs are unobservable inputs for an asset or liability.

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

F. Use of Estimates

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

NOTE 2 – CASH AND INVESTMENTS

The TDA Funds participate in the City's cash and investment pool. The City pools surplus cash from all sources and all funds, except cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity. Investment income is allocated among funds on the basis of the average month-end cash and investment balances in these funds. As of June 30, 2016 and June 30, 2015, the TDA Funds had cash and investment balances of $2,849,251 and $3,537,322 respectively.

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

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

The City's investment policy authorizes the following investments:

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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Fair Value Hierarchy

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

The fair value of the TDA Funds' investment in the City's investment pool, classified in level 2 of the fair value hierarchy, is valued using the TDA Funds' share of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period.

NOTE 3 – CAPITAL ASSETS

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

NOTE 3 – CAPITAL ASSETS (Continued)

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

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

General Capital Assets	$5,000
Infrastructure Capital Assets	$5,000

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

Transportation Enterprise Fund

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

	Balance at June 30, 2015	Additions	Transfers	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	$1,823,738			$1,823,738
Construction in progress	2,271,640	$437,994	($429,224)	2,280,410
Total capital assets not being depreciated	4,095,378	437,994	(429,224)	4,104,148
Capital assets being depreciated:				
Land improvements	2,070,214		36,673	2,106,887
Buildings	1,904,615			1,904,615
Furniture and equipment	409,186		161,500	570,686
Vehicles	2,772,017	872,586		3,644,603
Infrastructure			231,051	231,051
Total capital assets being depreciated	7,156,032	872,586	429,224	8,457,842
Less accumulated depreciation for:				
Land improvements	(141,264)	(71,248)		(212,512)
Buildings	(431,087)	(63,487)		(494,574)
Furniture and equipment	(235,522)	(24,031)		(259,553)
Vehicles	(1,392,526)	(227,068)		(1,619,594)
Infrastructure		(3,530)		(3,530)
Total accumulated depreciation	(2,200,399)	(389,364)		(2,589,763)
Net capital assets being depreciated	4,955,633	483,222	429,224	5,868,079
Capital assets, net	$9,051,011	$921,216		$9,972,227

NOTE 4 - UNEARNED REVENUE – CAPITAL PROGRAMS

The TDA Funds received grants from the State of California Department of Transportation for projects financed with Public Transportation Modernization, Improvement, and Service Enhancement Account (Proposition 1B), and had received Local Transportation Fund and State Transit Assistance funds in advance of costs being incurred. As of June 30, 2016 and 2015, unearned revenue related to those programs is as follows:

	2016	2015
Streets Special Revenue Fund:		
State Transit Assistance and Local Transportation Fund	$642,477	$967,967
Transportation Enterprise Fund:		
Proposition 1B	$1,147,812	$2,252,004
State Transit Assistance and Local Transportation Fund	1,473,596	1,200,145
Total Transit Enterprise Fund	$2,621,408	$3,452,149

NOTE 5 – NET POSITION AND FUND BALANCES

A. *Net Position*

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

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

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

B. *Fund Balances*

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

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

NOTE 5 – NET POSITION AND FUND BALANCES (Continued)

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

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

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

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

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

NOTE 6 – TRANSPORTATION DEVELOPMENT ACT

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

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

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

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

In fiscal years 2008 through 2016, the Program received a total of $4,997,243 from Proposition 1B funds and expended $3,886,725 including the expense of interest on the unspent funds. For fiscal year 2016, the Program did not receive additional Proposition 1B funding and expended $1,108,440 including the expense of interest on unspent funds. Unspent grant receipts have been reported as unearned revenue in the accompanying financial statements and the schedule below delineates the funds received and the spending of these funds along with the interest earned on the unexpended funds.

Project Name	Grant Amount	Interest	Expended through 6/30/2016	Transfers to Other Projects	Unearned Revenue
Bus LED Designation Signs and Brochure Holders	$12,975	$163	($13,138)		
Construction of Timed Fill Compressed Natural Gas (CNG) Bus Fueling Station	315,495	6,889	(279,853)	($42,531)	
Compressed Natural Gas Transit Bus (35-foot)	495,495	14,112	(507,333)	(2,274)	
Transit Transfer Center	1,265,574	5,539	(1,549,015)	277,902	
Transit Transfer Center Phase II	532,437	4,378	(112,406)	275,148	$699,557
CNG Slow Fill Compressor	350,000	392	(350,392)		
Electronic Farebox System	200,000	1,016	(201,016)		
Dispatch Office	130,000	183		(130,183)	
Operations and Bus Storage	377,740	322		(378,062)	
Paratransit Bus	900,000	3,105	(872,586)		30,519
Bus Parking Expansion	267,527	765	(986)		267,306
Bus Stop Improvements	150,000	430			150,430
Total	$4,997,243	$37,294	($3,886,725)		$1,147,812

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 – PENSION PLAN

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

NOTE 10 - OTHER EMPLOYEE BENEFITS

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

NOTE 11 - MAJOR CONTRACTOR

On October 25, 2011, the City renewed its contract agreement with First Transit Inc. to operate and maintain the DART and BLAST programs. The term is from December 1, 2011, to November 30, 2014, with an option to extend for an additional three years. In October 2014, the City exercised the option and extended the contract to November 30, 2017. First Transit Inc. is paid monthly based on a fixed fee plus a fee calculated at a fixed rate per vehicle multiplied by the number of service hours. Expenses incurred under this contract amounted to $578,952 for the fiscal year ended June 30, 2016.

NOTE 12 – CONTINGENT LIABILITIES

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Transportation Development Act Funds (TDA Funds) of the City of Turlock (City), California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017. Our report included emphasis of a matter paragraphs disclosing the implementation of a new accounting principle.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated March 20, 2017, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

This report is intended solely for the information and use of the Stanislaus Council of Governments, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
March 20, 2017

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

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

Report on Compliance for TDA Funds

We have audited the City of Turlock, California's (City), Streets Special Revenue Fund and the Transportation Enterprise Fund (TDA Funds) compliance with the types of compliance requirements described in Section 6666 and 6667 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987* (the Act) and the allocation instructions and resolutions of the Stanislaus Council of Governments (StanCOG) that could have a direct and material effect on the TDA Funds for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on TDA Funds

In our opinion, the TDA Funds complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TDA Funds for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

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

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

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

We have also issued a separate Memorandum on Internal Control dated March 20, 2017, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

This report is intended solely for the information and use of the Stanislaus Council of Governments, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
March 20, 2017

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON TDA FUNDS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH RULES AND REGULATIONS OF THE PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

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

Report on Compliance for PTMISEA Projects

We have audited the revenues and expenses of the City of Turlock, California's (City), Public Transportation Modernization, Improvement and Service Enhancement Account Projects, as disclosed in Note 7 to the accompanying financial statements, a program of the Transportation Enterprise Fund, (the Projects) compliance with the rules and regulations of the *Public Transportation Modernization, Improvement and Service Enhancement Account* (PTMISEA) that could have a direct and material effect on the Projects for the year ended June 30, 2016.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the PTMISEA Projects

In our opinion, the Projects complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Projects for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

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

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

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

We have also issued a separate Memorandum on Internal Control dated March 20, 2017, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

This report is intended solely for the information and use of the State of California Department of Transportation, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
March 20, 2017