



**TURLOCK PUBLIC FINANCING AUTHORITY**

**COMPONENT UNIT FINANCIAL STATEMENTS**

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



**Turlock Public Financing Authority**  
**For the year ended June 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
City of Turlock Public Financing Authority  
Turlock, California

We have audited the accompanying basic financial statements of the City of Turlock Public Financing Authority (Authority), a component unit of the City of Turlock, California, as of and for the year ended June 30, 2008, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2008, and the respective changes in financial position and cash flow for the year then ended in conformity with generally accepted accounting principles in the United States.

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

As described in Note 1 to the basic financial statements, the Authority adopted Statement of Governmental Accounting Standards Board No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

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

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

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

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

To the Board of Directors of the  
City of Turlock Public Financing Authority  
Turlock, California  
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Authority has not presented the management's discussion and analysis, budgetary comparison information and other information required by the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Capricci & Carson*

Oakland, California  
December 17, 2008

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**Turlock Public Financing Authority**  
**Statement of Net Assets**  
**June 30, 2008**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Interest receivable	\$ 463,552	\$ 1,139,362	\$ 1,602,914
Total current assets	463,552	1,139,362	1,602,914
Noncurrent assets:			
Cash and investments with fiscal agent	13,446,430	6,810,795	20,257,225
Leases receivable	26,549,830	90,513,536	117,063,366
Deferred Charges	630,258	577,284	1,207,542
Total noncurrent assets	40,626,518	97,901,615	138,528,133
<b>Total assets</b>	<b>41,090,070</b>	<b>99,040,977</b>	<b>140,131,047</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued interest	463,552	1,139,362	1,602,914
Long-term debt, due within one year	480,000	2,140,000	2,620,000
Total current liabilities	943,552	3,279,362	4,222,914
Noncurrent liabilities:			
Bonds payable, due in more than one year	28,646,310	95,761,615	124,407,925
Total noncurrent liabilities	28,646,310	95,761,615	124,407,925
<b>Total liabilities</b>	<b>29,589,862</b>	<b>99,040,977</b>	<b>128,630,839</b>
<b>NET ASSETS</b>			
Restricted for:			
Debt Service	2,260,170		2,260,170
Capital projects	9,240,038		9,240,038
<b>Total net assets</b>	<b>\$ 11,500,208</b>	<b>\$ -</b>	<b>\$ 11,500,208</b>

See accompanying Notes to Basic Financial Statements.

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

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>					
Interest on long-term debt	\$ 1,412,732	\$ -	\$ (1,412,732)	\$ -	\$ (1,412,732)
<b>Total governmental activities</b>	<u>1,412,732</u>	<u>-</u>	<u>(1,412,732)</u>	<u>-</u>	<u>(1,412,732)</u>
<b>Business-type activities:</b>					
Sewer	3,329,235	3,062,365	-	(266,870)	(266,870)
Water	189,862	-	-	(189,862)	(189,862)
<b>Total business-type activities</b>	<u>3,519,097</u>	<u>3,062,365</u>	<u>-</u>	<u>(456,732)</u>	<u>(456,732)</u>
<b>Total</b>	<u>\$ 4,931,829</u>	<u>\$ 3,062,365</u>	<u>(1,412,732)</u>	<u>(456,732)</u>	<u>(1,869,464)</u>
<b>General revenues:</b>					
Lease revenues			603,834		603,834
Interest and investment earnings			1,401,568	456,732	1,858,300
<b>Total general revenues</b>			<u>2,005,402</u>	<u>456,732</u>	<u>2,462,134</u>
Transfers to City of Turlock			(13,469,983)		(13,469,983)
Total general revenues and transfers			<u>(11,464,581)</u>	<u>456,732</u>	<u>(11,007,849)</u>
Changes in net assets			(12,877,313)	-	(12,877,313)
<b>Net Assets:</b>					
Beginning of year			<u>24,377,521</u>	<u>-</u>	<u>24,377,521</u>
End of year			<u>\$ 11,500,208</u>	<u>\$ -</u>	<u>\$ 11,500,208</u>

See accompanying Notes to Basic Financial Statements.

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**Turlock Public Financing Authority**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

<u>Assets</u>	1999 <u>Revenue Bonds</u>	2006 <u>Tax Allocation Revenue Bonds</u>	<u>Total</u>
Cash and investments with fiscal agent	\$ 373,414	\$ 13,073,016	\$ 13,446,430
Leases receivable	3,301,586	23,248,244	26,549,830
Total Assets	<u>\$ 3,675,000</u>	<u>\$ 36,321,260</u>	<u>\$ 39,996,260</u>
 <u>Liabilities</u>  			
Deferred revenue	\$ 3,301,586	\$ 23,248,244	\$ 26,549,830
Total Liabilities	<u>3,301,586</u>	<u>23,248,244</u>	<u>26,549,830</u>
 <u>Fund Balances</u>  			
Reserved:			
Debt service	373,414	1,886,756	2,260,170
Capital projects		11,186,260	11,186,260
Total Fund Balances	<u>373,414</u>	<u>13,073,016</u>	<u>13,446,430</u>
Total Liabilities and Fund Balance	<u>\$ 3,675,000</u>	<u>\$ 36,321,260</u>	<u>\$ 39,996,260</u>

See accompanying Notes to Basic Financial Statements.

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

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**Total Fund Balances - Total Governmental Funds** **\$ 13,446,430**

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

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet. (463,552)

Interest receivable on long-term loans. 463,552

Deferred revenue on the governmental funds statement is an offset against leases receivable but on the government-wide statement long-term debt is the offset against leases receivable less any restricted cash and the deferred revenue has been eliminated. 26,549,830

Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported as a liability in the Governmental Funds Balance Sheet.

Long-term liabilities - due within one year (480,000)

Long-term liabilities - due in more than one year (28,646,310)

Unamortized cost of issuance included in deferred charges 630,258

Total long-term liabilities, net of deferred charges (28,496,052)

**Net Assets of Governmental Activities** **\$ 11,500,208**

**Turlock Public Financing Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2008**

	1999 Revenue Bonds	2006 Tax Allocation Revenue Bonds	Total
Revenues			
Lease revenue	\$ 129,694	\$ 908,768	\$ 1,038,462
Use of money and property	200,095	1,208,079	1,408,174
Total Revenues	<u>329,789</u>	<u>2,116,847</u>	<u>2,446,636</u>
Expenditures			
Debt service			
Principal	130,000	305,000	435,000
Interest and fiscal charges	200,095	1,208,079	1,408,174
Total Expenditures	<u>330,095</u>	<u>1,513,079</u>	<u>1,843,174</u>
Excess (Deficit) of Revenues over Expenditures	<u>(306)</u>	<u>603,768</u>	<u>603,462</u>
Other Financing Sources (Uses)			
Transfer to Turlock Redevelopment Agency		(13,469,983)	(13,469,983)
Total Other Financing Sources	<u>-</u>	<u>(13,469,983)</u>	<u>(13,469,983)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(306)</u>	<u>(12,866,215)</u>	<u>(12,866,521)</u>
Fund Balances, July 1, 2007	<u>373,720</u>	<u>25,939,231</u>	<u>26,312,951</u>
Fund Balances, June 30, 2008	<u>\$ 373,414</u>	<u>\$ 13,073,016</u>	<u>\$ 13,446,430</u>

See accompanying Notes to Basic Financial Statements.

**Turlock Public Financing Authority**  
**Reconciliation of the Governmental Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Government-Wide Statement of Activities and**  
**Changes in Net Assets**  
**For the year ended June 30, 2008**

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**Net change in fund balances - Total Governmental Funds** \$ (12,866,521)

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

Lease revenue is recognized as revenue on the fund financial statements, (434,628)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments.

Principal payments on long-term debt 435,000

Interest expense is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. The following amount represents the change in accrued interest from the prior year. In addition, governmental funds report the effect of debt issuance costs when the debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the Statement of Activities.

Change in accrued interest payable	6,606	
Amortization of issuance costs	<u>(11,164)</u>	(4,558)

Interest revenue from long-term loans receivable is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. The following amount represents the change in accrued interest from the prior year. (6,606)

**Change in Net Assets of Governmental Activities** \$ (12,877,313)

**Turlock Public Financing Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

<u>Assets</u>	1999 Sewer Bonds	2003A Sewer Bonds	2008 Water Bonds	Total
Cash and investments with fiscal agent	\$ 1,540,924	\$ 3,236,655	\$ 2,033,216	\$ 6,810,795
Interest receivable	291,619	659,661	188,082	1,139,362
Deferred charges		400,391	176,893	577,284
Leases receivable	16,899,008	43,601,209	30,013,319	90,513,536
Total Assets	<u>18,731,551</u>	<u>47,897,916</u>	<u>32,411,510</u>	<u>99,040,977</u>
<u>Liabilities</u>				
Current liabilities:				
Interest payable	291,619	659,661	188,082	1,139,362
Current portion - bonds payable	550,000	980,000	610,000	2,140,000
Total current liabilities	<u>841,619</u>	<u>1,639,661</u>	<u>798,082</u>	<u>3,279,362</u>
Long-term liabilities:				
Bonds payable	17,889,932	46,258,255	31,613,428	95,761,615
Total Liabilities	<u>18,731,551</u>	<u>47,897,916</u>	<u>32,411,510</u>	<u>99,040,977</u>
<u>Net Assets</u>				
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.



**Turlock Public Financing Authority**  
**Statement of Activities and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2008**

	1999	2003A	2008	
	Sewer Bonds	Sewer Bonds	Water Bonds	Total
<b>Operating Revenue</b>				
Lease Revenue	\$ 932,400	\$ 2,129,965		\$ 3,062,365
<b>Total Operating Revenue</b>	<u>932,400</u>	<u>2,129,965</u>	<u>-</u>	<u>3,062,365</u>
<b>Operating Income (Loss)</b>	<u>932,400</u>	<u>2,129,965</u>	<u>-</u>	<u>3,062,365</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest income	96,290	170,580	189,862	456,732
Interest expense	(1,028,690)	(2,300,545)	(189,862)	(3,519,097)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(932,400)</u>	<u>(2,129,965)</u>	<u>-</u>	<u>(3,062,365)</u>
<b>Net Income (Loss)</b>	-	-	-	-
<b>Net assets, July 1, 2007</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets, June 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**Turlock Public Financing Authority**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2008**

	1999	2003A	2008	
	Sewer Bonds	Sewer Bonds	Water Bonds	Total
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 1,436,221	\$ 3,057,629	\$ -	\$ 4,493,850
Net Cash Provided (Used) by Operating Activities	<u>1,436,221</u>	<u>3,057,629</u>	<u>-</u>	<u>4,493,850</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal payments on long-term debt	(525,000)	(955,000)	-	(1,480,000)
Proceeds from issuance of long-term debt			32,365,000	32,365,000
Proceeds transferred to City of Turlock			(30,000,000)	(30,000,000)
Issuance costs for Water Revenue Bonds			(320,244)	(320,244)
Interest paid (purchased interest)	(1,014,762)	(2,281,872)	(15,477)	(3,312,111)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,539,762)</u>	<u>(3,236,872)</u>	<u>2,029,279</u>	<u>(2,747,355)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest received	103,159	178,216	3,937	285,312
Net Cash Provided (Used) by Investing Activities	<u>103,159</u>	<u>178,216</u>	<u>3,937</u>	<u>285,312</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(382)	(1,027)	2,033,216	2,031,807
Cash and Cash Equivalents, July 1, 2007	<u>1,541,306</u>	<u>3,237,682</u>	<u>-</u>	<u>4,778,988</u>
Cash and Cash Equivalents, June 30, 2008	<u>\$ 1,540,924</u>	<u>\$ 3,236,655</u>	<u>\$ 2,033,216</u>	<u>\$ 6,810,795</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Cash Flows from Operating Activities:				
Operating income (loss)	\$ 932,400	\$ 2,129,965	\$ -	\$ 3,062,365
Changes in assets and liabilities				
Deferred Charges				-
Leases Receivable	503,821	927,664		1,431,485
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,436,221</u>	<u>\$ 3,057,629</u>	<u>\$ -</u>	<u>\$ 4,493,850</u>

See accompanying Notes to Basic Financial Statements.

# **Turlock Public Financing Authority**

## **Notes to Basic Financial Statements**

**For the year ended June 30, 2008**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### ***A. Reporting Entity***

The Authority, a blended component unit of the City of Turlock (City), 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 Turlock Redevelopment Agency. The members of the City Council serve as the governing board for the Authority. All powers of the Authority are vested in the governing board.

The financial transactions of the Authority are also included in the City's Basic Financial Statements and can be obtained from the City's Finance Department located at 156 South Broadway, Turlock, CA 95380.

A component unit, the Authority, is a legally separate organization for which the primary government, the City, is financially accountable; and which the nature and significance of the Authority's relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

#### ***B. Basis of Accounting/Management Focus***

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

#### **Government - Wide Financial Statements**

The Authority's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the Authority.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Authority are reported as charges for services.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

**Turlock Public Financing Authority**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***B. Basis of Accounting/Management Focus (continued)***

*Governmental Fund Financial Statements*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Authority has presented all funds as major funds.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue source which has been treated as susceptible to accrual by the Authority is investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

*Proprietary Fund Financial Statements*

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

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

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

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

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

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

**Turlock Public Financing Authority**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

***E. Long-Term Liabilities***

*Government-Wide Financial Statements*

Long-term debt and other financed obligations are reported as liabilities in the appropriate activities.

*Fund Financial Statements*

The Governmental Fund Financial Statements do not include long-term debt, as this liability is not payable in the current period. Long-term debt activity is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

In the proprietary fund financial statements, long-term debt and other financed obligations are reported as liabilities in the appropriate funds.

***F. Net Assets and Fund Equity***

*Government-Wide Financial Statements*

*Restricted for Debt Service* – This amount represents funds required by bond covenants to 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 issued during 2006-07 that will be used to finance capital improvement projects.

*Fund Financial Statements*

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

***G. Use of Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosed contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**Turlock Public Financing Authority**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*H. Implementation of New GASB Pronouncements*

In 2007-08 the Authority adopted one new accounting standard in order to conform to the following Governmental Accounting Standards Board Statements:

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

**2. CASH AND INVESTMENTS**

All the Authority's cash at June 30, 2008 was held and invested by third-party trustees pursuant to indenture and investment agreements entered into when the related debt was issued. The cash balance with the third party trustees at June 30, 2008 was \$20,257,225. All cash and investments held by third party trustees are reported at cost which approximates fair value.

**3. LEASES RECEIVABLE AND DEFERRED REVENUE**

The Authority has recorded leases receivable in the amount of \$117,063,366 pursuant to the lease agreements between the Authority and the City in relation to the bonded indebtedness. The leases receivable along with investments held by fiscal agents secure the repayment of the different debt issues. The lease revenue is equal to the Authority's debt service requirements and is used for that purpose.

In the fund financial statements a corresponding amount is recorded as deferred revenue since the assets are not current financial resources. In the Government-Wide Financial Statements the assets are offset by long-term debt with any remaining amounts being reflected in Net Assets.

**Turlock Public Financing Authority**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2008**

**4. LONG-TERM DEBT**

*Government-Wide Financial Statements*

Following is a summary of the Authority's long-term debt transactions during the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due within one year	Due in more than one year
<b><u>Governmental Activities</u></b>						
1999 Revenue Bonds	\$ 3,805,000		\$ (130,000)	\$ 3,675,000	\$ 135,000	\$ 3,540,000
2006 Tax Allocation Revenue Bonds	25,440,000		(305,000)	25,135,000	345,000	24,790,000
Add: Unamortized Bond Premium	327,540		(11,230)	316,310		316,310
Total Governmental activities	<u>29,572,540</u>	<u>-</u>	<u>(446,230)</u>	<u>29,126,310</u>	<u>480,000</u>	<u>28,646,310</u>
<b><u>Business-type Activities</u></b>						
1999 Sewer Revenues Bonds	19,355,000		(525,000)	18,830,000	550,000	18,280,000
Less: Unamortized Bond Discount	(410,865)		20,797	(390,068)		(390,068)
2003A Sewer Revenue Bonds	48,455,000		(955,000)	47,500,000	980,000	46,520,000
Less: Unamortized Bond Discount	(272,144)		10,399	(261,745)		(261,745)
2008 Water Revenue Bonds		32,365,000		32,365,000	610,000	31,755,000
Less: Unamortized Bond Discount		(142,363)	791	(141,572)		(141,572)
Total Business-type activities	<u>67,126,991</u>	<u>32,222,637</u>	<u>(1,448,013)</u>	<u>97,901,615</u>	<u>2,140,000</u>	<u>95,761,615</u>
Total long-term debt	<u>\$ 96,699,531</u>	<u>\$32,222,637</u>	<u>\$ (1,894,243)</u>	<u>\$ 127,027,925</u>	<u>\$ 2,620,000</u>	<u>\$ 124,407,925</u>

**1999 Revenue Bonds**

*Turlock Public Financing Authority Revenue Bonds, Series 1999*

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

**2006 Tax Revenue Allocation Bonds**

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

In August 2006 the Authority authorized the issuance of \$25,440,000 in Tax Allocation Revenue Bonds the proceeds of which were loaned to the 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.

**Turlock Public Financing Authority**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2008**

**4. LONG-TERM DEBT, continued**

Annual debt service requirements are shown below for governmental activity long-term debt:

For the Years Ending June 30,	1999 Revenue Bonds		2006 Tax Allocation Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 135,000	\$ 193,800	\$ 345,000	\$ 1,193,454	\$ 480,000	\$ 1,387,254
2010	145,000	186,754	360,000	1,177,591	505,000	1,364,345
2011	150,000	179,009	375,000	1,161,054	525,000	1,340,063
2012	160,000	170,872	390,000	1,143,841	550,000	1,314,713
2013	170,000	162,210	410,000	1,125,841	580,000	1,288,051
2014-2018	990,000	663,462	2,350,000	5,332,655	3,340,000	5,996,117
2019-20023	1,300,000	355,614	2,875,000	4,789,938	4,175,000	5,145,552
2024-2028	625,000	34,472	4,635,000	3,992,575	5,260,000	4,027,047
2029-2033			6,710,000	2,542,500	6,710,000	2,542,500
2034-2038			6,685,000	688,877	6,685,000	688,877
	<u>\$ 3,675,000</u>	<u>\$ 1,946,193</u>	<u>\$ 25,135,000</u>	<u>\$ 23,148,326</u>	<u>\$ 28,810,000</u>	<u>\$ 25,094,519</u>

**1999 Sewer Revenue Bonds**

In August 1999 the Authority issued \$22,400,000 in Sewer Revenue Bonds Series 1999 to (1) finance improvements to the City’s wastewater treatment facility, and (2) advance refund (defease) the Series 1994A Sewer Revenue Bonds. Pursuant to an Installment Purchase Agreement between the Authority and the City, the City has pledged net system revenues from the Sewer Enterprise Fund operations for repayment of the bonds. The bonds, which carry coupon interest rates ranging from 4.25% - 6.25%, have semi-annual principal and interest payments on the fifteenth of March and September through September 2029.

**2003A Sewer Revenue Bonds**

In August 2003 the Authority issued \$51,185,000 in Sewer Revenue Bonds Series 2003A to finance capital improvements to the City’s tertiary wastewater treatment facility. The improvements are designed to meet wastewater discharge requirements imposed by the Water Quality Control Board. Pursuant to an Installment Purchase Agreement between the Authority and the City, the City has pledged net system revenues from the Sewer Enterprise Fund operations for repayment of the bonds. The bonds, which carry coupon interest rates ranging from 2.00% - 5.00%, have semi-annual principal and interest payments on the fifteenth of March and September through September 2033 and are on parity with the bonds issued in 1999.

**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. Pursuant to an Installment Purchase Agreement between the Authority and the City, the City has pledged the net water system revenues from the Water Enterprise Fund operations for repayment of the bonds. 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.



**Turlock Public Financing Authority**  
**Notes to Basic Financial Statements, continued**  
**For the year ended June 30, 2008**

**4. LONG-TERM DEBT, continued**

Annual debt service requirements are shown below for all business-type activity long-term debt:

For the Years Ending June 30,	Sewer Revenue Bonds		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,530,000	\$ 3,244,271	\$ 610,000	\$ 1,421,869	\$ 2,140,000	\$ 4,666,140
2010	1,590,000	3,185,434	580,000	1,450,737	2,170,000	4,636,171
2011	1,650,000	3,119,703	600,000	1,427,538	2,250,000	4,547,241
2012	1,735,000	3,042,015	625,000	1,403,537	2,360,000	4,445,552
2013	1,810,000	2,959,140	650,000	1,381,663	2,460,000	4,340,803
2014-2018	10,460,000	13,406,805	3,635,000	6,515,163	14,095,000	19,921,968
2019-2023	13,325,000	10,523,627	4,450,000	5,693,762	17,775,000	16,217,389
2024-2028	15,550,000	6,718,813	5,505,000	4,642,488	21,055,000	11,361,301
2029-2033	15,525,000	2,664,547	6,920,000	3,232,700	22,445,000	5,897,247
2034-2038	3,155,000	78,874	8,790,000	1,361,499	11,945,000	1,440,373
<b>Total</b>	<b>\$ 66,330,000</b>	<b>\$ 48,943,229</b>	<b>\$ 32,365,000</b>	<b>\$ 28,530,956</b>	<b>\$ 98,695,000</b>	<b>\$ 77,474,185</b>

**5. RISK MANAGEMENT**

The Authority participates in the City's risk management program. All claims are accounted for in the City's general and workers' compensation claims. All claims that were probable liabilities that occurred prior to the year-end and that were estimable were recorded in accordance with GASB Statement No. 10.

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