

*City of*

**Modesto**

*California*



*Comprehensive Annual Financial Report*

**For the Fiscal Year Ended June 30, 2013**



**CITY OF  
Modesto, California**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2013**

**Prepared by  
Finance Department**



**CITY OF MODESTO**  
 June 30, 2013  
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**DIVIDER**

**INTRODUCTORY  
SECTION**



## **INTRODUCTORY SECTION**





December 18, 2013

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Modesto:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) for the City of Modesto. The City of Modesto City Charter and Municipal Code require that a complete (CAFR) which is comprised of a financial statement and report on the finances of the City be submitted to the City Council at the end of each fiscal year. This report is being submitted to fulfill that requirement for the fiscal year ended June 30, 2013.

City management assumes full responsibility for the completeness and reliability of the information contained in this report. We believe the data fairly represents the financial position and results of operations of the City. The disclosures necessary to enable the reader to understand the City's financial affairs have been included. The City's accounting system has been developed and maintained with due consideration given to the adequacy of internal controls. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The evaluation of the costs and benefits of a particular control requires estimates and judgments by management.

The Modesto City Charter also requires an annual audit be performed by an independent certified public accountant selected by the Modesto City Council. The accounting firm of Brown and Armstrong was selected in 2009 to perform the City's annual financial audits. The auditors have issued an unqualified ("clean") opinion on the financial statements for the fiscal year ended June 30, 2013, which is presented on page 3. In addition to meeting the City Charter audit requirements, the audit was also designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The auditor's reports related specifically to the Single Audit will be presented separately at a later date.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to be read in conjunction with this transmittal letter.

#### **City of Modesto Profile**

Modesto is located in the heart of California's San Joaquin Valley and is the County Seat of Stanislaus County. It is also the retail, service and financial center of Stanislaus County. The City currently occupies a land area of approximately 37 square miles and serves a population of 203,547. Periodically, as allowed by state statute, the City extends its corporate limits by annexation when deemed appropriate by the City Council. Modesto is diverse with a strong sense of community pride.

Incorporated as a municipal city in 1884, the City of Modesto adopted its City Charter on March 12, 1951, with a Council-Manager form of government. The Modesto City Council is the City's legislative body and is made up of seven elected officials. The Mayor is elected at-large by the entire City; while the six Councilmembers are elected by district by the residents within the respective district. Members of the City Council hold office for four year terms and are limited to two terms. Their terms of office expire in alternate odd numbered years, with a maximum of four Council seats up for election at any one time.

*City of Modesto*

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P.O. Box  
Modesto, CA 95353  
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Hearing and Speech  
Impaired Only  
TDD 209/526-9211

The responsibilities of the City Council include setting policy, approving budgets, determining tax rates, passing ordinances and resolutions to govern the City, appointing citizens to advisory boards, committees and commission as well as to appoint and supervise the performance of the City Manager, City Attorney, City Clerk and City Auditor. The City Manager delegates responsibilities to a Deputy City Manager and eight Department Directors.

The City provides the services typically associated with a municipality, including: administrative services; police protection; highway, street, and utility infrastructure construction and maintenance; sanitation; planning and zoning; park and recreational activities and cultural events; parking, airport facilities, water, sewer, storm drainage and bus services. Fire protection services are provided by the Modesto Regional Fire Authority, which is a joint powers agency whose members consist of the City, Stanislaus County and the Salida Fire Protection District.

The City's financial reporting entity includes all funds and activities of the City of Modesto as the primary government and its component units, which are legally separate entities that operate under the auspices of the City and provide services that supplement City services. The City's component units are blended into the City's funds because their governing boards consist of all seven members of the City Council. These component units are the Modesto Municipal Sewer District No. 1, the Modesto Public Financing Authority and the City of Modesto Community Facilities Districts.

The annual operating budget serves as the foundation for Modesto's financial planning and control. The proposed budget is adopted annually prior to July 1, by City Council resolution. The Council's legally adopted budget level is at the fund level. Throughout the fiscal year, the budget may be modified. The City Council has also adopted fiscal policies that delineate the delegated budget control authority to the following parties: the City Council, the City Manager and the Director of Finance.

### **Local Economy**

Agriculture is the backbone of the City's economy and has been so for more than a century. The City and its surrounding areas contain canneries, packing plants and warehouses which ship agricultural products across the nation and even the world. The major sectors for employment are agriculture related industries, healthcare, education, accommodation and food service, social assistance and light manufacturing. Approximately 25% of the workforce is employed in management, professional and related occupations. Stanislaus County consistently ranks among the top 10 California counties in terms of annual agricultural production values with leading commodities being milk, almonds and poultry.

Modesto's economy is bolstered by several prominent wineries including E & J Gallo, which is one of the world's largest wineries. The Gallo Glass Company is one of the largest wine bottle manufacturing companies in the world and provides thousands of manufacturing and office jobs. The food canneries and several steel working facilities also provide numerous jobs in Modesto. The prominent almond factory, the Blue Diamond Growers, and Foster Farms, a major poultry processing plant, are located in the region and provide numerous jobs. In addition, more than 20% of the Modesto workforce is employed outside of the county.

Modesto continues to struggle with the effects of the Great Recession and being the epicenter of the foreclosure crisis. Primary revenue sources of the City, such as sales and property taxes, have been directly impacted by economic influences. However, during 2013, property values finally began to show positive growth, but have not reached pre-recessionary levels. The medium sales price for a home in Modesto is approximately \$178,000 or \$117/square foot, which reflects an increase of approximately 30% when compared to the prior year.

The unemployment rate within the Modesto Metropolitan Statistical Area has increased significantly over the past several years. As of June, 30, 2013, the unemployment rate was recorded at 12.7% as compared to the national average of 7.8%.

Building permit activity bottomed out in the second half of fiscal year 2012 and is slowly and incrementally rising both in numbers and valuation. Encouraging as this is, it is still much lower than the levels of activity experienced in the first decade of the 2000's. Fiscal year 2013 ended with a total of 3,566 permits issued with a valuation of \$81,095,370.

### **Long-Term Financial Planning**

Despite uncertainties surrounding local government, the City continues to prepare multi-year budgets and attempts to project revenues and expenditures five (5) years into the future. In June 2010, the City Council amended its fiscal policies to require the City to maintain at least \$7 million of General Fund expenditures in reserve, which it successfully has done. At the end of Fiscal Year 2013, total General Fund balance was \$16.8 million representing 16.7% of total General Fund expenditures. This fund balance allows the City to respond to unplanned circumstances and maintain adequate working capital to meet its cash flow needs.

The long-term maintenance of a stable fund balance is a direct reflection of the Mayor and Council's leadership and prudent fiscal management. The Mayor and Council have employed expenditure reduction strategies in direct response to declining revenues instead of utilizing fund balance reserves to augment declining revenues. Staff commends them for their long-term vision to ensure the fiscal well-being of the City.

### **SIGNIFICANT EVENTS and ACCOMPLISHMENTS**

#### **State Impacts**

In July of this year the Governor signed legislation establishing the Governor's Economic Development Initiative. This initiative is designed to assist the business community grow and create jobs by creating a sales tax exemption on manufacturing equipment and research and development equipment purchases for biotech and manufacturing companies, hiring credits for businesses in areas with the highest unemployment rate and investment incentives: tax credits available based on jobs created and retained. Funding for this initiative comes from the former Enterprise Zone Program.

#### **Local Initiatives and Accomplishments**

- **State Route 99/Pelandale Reconstruction Project:** The vision for reconstructing the interchange at State Route 99 and Pelandale Avenue is going to become a reality thanks to hard work over the past year by several agencies, including the City of Modesto. Design has been completed and the City recently secured the \$43.8 million in construction funding needed to make this project a reality. All told, this project will total \$56.78 million with \$6 million coming from local funds and more than \$50 million from state and federal funding. The State Route 99/Pelandale Interchange Reconstruction Project will alleviate traffic congestion, improve the operations of both State Route 99 and Pelandale Avenue, and improve access to nearby medical facilities, the regional shopping mall as well as other commercial and retail centers. This project will create 788 full-time equivalent jobs during construction and otherwise create opportunities to bolster the local economy. Improved access will promote business productivity, promote business expansion, and promote job creation. As a bonus, the reconstruction will also improve the overall aesthetics of this intersection by creating a welcoming gateway to visitors and motorists at the north edge of the city limits through enhanced landscaping and topped off with a "Welcome to Modesto" monument sign, the first for the City of Modesto along State Route 99.
- **Mary Grogan Soccer Complex:** The opening of the Mary E. Grogan Community Park was held on Saturday, June 1, just in time for a summer of happy soccer players playing on the new synthetic turf fields in the soccer complex. Mary E. Grogan Community Parks opened with approximately 26 acres of developed area including 20 acres for the soccer area and approximately 6 acres for parking. Grogan Park was developed at a cost of

approximately \$10.5 million and was funded by Village One CFD, Parks CFF and State of California Recycled Tire grant. The project was developed in cooperation with the Modesto Youth Soccer Association (MYSA) who committed to funding the annual and long-term maintenance of the facility while operating the soccer complex. Within 3 months of opening, MYSA hosted a regional soccer tournament that saw 144 teams from across the western United States converge on Modesto for a weekend of soccer.

- **Sylvan Avenue from Litt to Claus Road Project:** This \$6.7 million project included the widening of Sylvan Avenue between Litt Road and Claus Road to four lanes and the construction and realignment of Litt Road from Sylvan Avenue to the northern edge of the future Mary Grogan Park. The project included installation of a roundabout at the Sylvan/Litt intersection and at the intersection of Litt Road and the future entrance to Mary Grogan Park. Improvements along Sylvan include the installation of a landscaped median, curb, gutter, and streetlights. Litt Road improvements include installation of curb, gutter, sidewalk, and landscaped parkway strips. The project was funded by Village One CFD and Capital Facilities Fees.
- **Carpenter Road Bridge Seismic Retrofit:** This \$11.3 million project was the seismic retrofitting of the Carpenter Road bridge by adding longitudinal link beams to either side of the deck, increasing the width of the current bridge from 33.5 feet to 69.75 feet. This project was funded by Federal HBRR program and Seismic Prop 1B funds.
- **TRRP Gateway Trails:** The construction of an additional .75 mile of pedestrian trails in the Tuolumne River Regional Park (TRRP) Gateway was completed in March 2013. The \$470,000 project included the development two separate trails, each approximately .375 mile in length and included the installation of a pedestrian bridge in each section of trail and the installation of 12 concrete benches throughout the trail system to provide rest areas along the trail. The construction allows park users to follow the trails into the riparian area and enjoy a closer view of the Tuolumne River since the trails pass over the Riparian Terraces section of the Gateway Parcel.
- **Enslin Park Renovation:** Through the City's Park Partners program and in partnership with the San Francisco Giants Community Fund and the San Francisco Junior Giants program, the renovation of a ball field at Enslin Park occurred this past spring, opening in time for the City's Jr. Giants league to hold games on the field. Over a period of 8 weeks, City staff along with representatives of the Giants Community Fund worked to demolish, re-grade and renovate the existing ball field at Enslin Park into the new Jeremy Affeldt Field at Enslin Park. In addition to the renovation of the existing field, additional improvements included the installation of a concrete pathway to the ball field, the construction of a T-ball backstop, irrigation system improvements and leveling of the entire grass area at Enslin Park. The \$180,000 project was completed using volunteer work and donation from the Giants Community Fund and the Good Tidings Foundation. The renovation will allow the City's Jr. Giants program to expand next year since both fields in Enslin Park can now be used at the same time.
- **Modesto Regional Fire Authority:** On July 1, 2011, the City partnered with Stanislaus County and the Salida Fire Protection District to form the Modesto Regional Fire Authority. The purpose of this Authority is to achieve efficiencies in operations and to take a regionalized approach to fire protection and prevention. During the last fiscal year, the City and Authority continued to work on transition of fire protection and prevention services to the Authority from its parent agencies.
- **Digital City:** The City has once again been ranked as one of the top 10 most technology-advanced cities in the 2012 Digital Cities Survey published by the Center for Digital Government. The national survey examines results achieved by cities, via the use of

technology, in operating efficiencies and realizing strategic objectives despite current fiscal constraints. Modesto has received this award since 2009.

- **Tertiary Wastewater Treatment Facility:** During the summer of 2012, the City started construction of its Phase 2 Tertiary Wastewater Treatment facility. Construction of this project proceeded according to plan and is expected to be completed in May 2016. The City successfully obtained a State of California Revolving Fund loan in the amount of \$128,162,000 to fund construction of this facility.
- **2013 American Graffiti Car Show and Festival Parade:** The legendary film director and producer, George Lucas, was the Grand Marshall for the 15<sup>th</sup> annual Modesto American Graffiti Car Show and Festival Parade. "American Graffiti" is one of George Lucas' milestone films. The characters and places in that film were drawn from Lucas' childhood in Modesto and the film has reached world fame. "American Graffiti" is now listed in the "Top 100 Films" and draws visitors from around the world to Modesto each year to walk the City's famous Modesto Historic Cruise Route.

We also continued to be the home of the Modesto Nuts baseball team, which is affiliated with the Major League team, the Colorado Rockies.

#### **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Modesto for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 29<sup>th</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

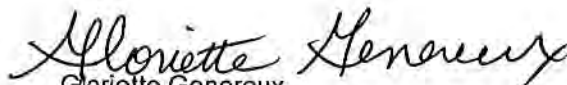
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Comprehensive Annual Financial Report (CAFR) is the result of the cooperative work of many people. We wish to convey our appreciation to all members of the Finance Department team who prepared and contributed to its successful completion. In particular, we commend DeAnna Espinoza, and the staff of the Accounting Division responsible for the preparation of this report. Without their hard work, this report would not be possible.

Finally, we would like to express our appreciation to the City Council. Their leadership and direction throughout the year has allowed the City to look beyond the current economic storm and strive to become something better.

Respectfully submitted,

  
Greg Nynhoff  
City Manager

  
Gioriette Genereux  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Modesto  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# CITY OF MODESTO ORGANIZATIONAL CHART



## Legend

- Elected*
- Council Appointed*
- City Manager Appointed*

**CITIZENS OF MODESTO**

**CITY COUNCIL**

Garrad Marsh, Mayor

John Gunderson, District 1     Joe Muratore, District 4  
 Dave Geer, District 2     Stephanie Burnside, District 5  
 Dave Lopez, District 3     Dave Cogdill, Jr., District 6

**CITY ATTORNEY**  
 Susana Alcalá Wood

**CITY AUDITOR**  
 Contracted Service

**CITY CLERK**  
 Stephanie Lopez

**CITY MANAGER**

Greg Nyhoff

**DEPUTY CITY MANAGER**

Dee Williams-Ridley

**HUMAN RESOURCES**

Joseph Lopez, Director

**INFORMATION TECHNOLOGY**

Bryan Sastokas, CIO

**MODESTO REGIONAL FIRE AUTHORITY**

Randall Bradley, Fire Chief

**COMMUNITY & ECONOMIC DEVELOPMENT**

Brent Sinclair, Director

**FINANCE**

Gloriette Genereux, Director

**PARKS, RECREATION & NEIGHBORHOODS**

Julie Hannon, Director

**POLICE**

Galen Carroll, Chief

**PUBLIC WORKS**

Dennis Turner, Director

**UTILITY PLANNING & PROJECTS**

Rich Ulm, Director

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**DIVIDER**

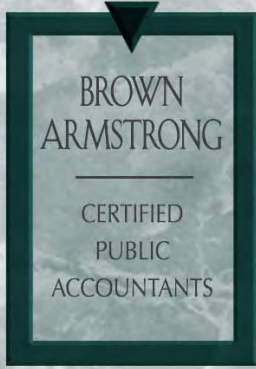
**FINANCIAL**

**SECTION**



## **FINANCIAL SECTION**





# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Honorable City Council  
City of Modesto, California

### Report on the 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 Modesto, California (the City), as of and for the year ended June 30, 2013, 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 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 entity'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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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Modesto, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note I.F to the financial statements, during the year ended June 30, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress of the City's pension plan and other postemployment benefit plan, and budgetary comparison schedules for general fund and major special revenue funds 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 introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

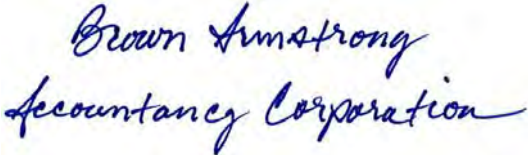
The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
December 18, 2013

# Management's Discussion and Analysis

This section of the City of Modesto (City) comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements following this section.

## FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the 2013 fiscal year by \$1,088,996,929 (*total net position*). Of this amount, \$161,779,641 (*unrestricted net position*) may be used to meet ongoing obligations to citizens and creditors, \$88,953,216 is restricted for a specific purpose (*restricted net position*), and \$838,264,072 is invested in capital assets, net of related debt.
- The City's total net position increased by \$41,308,387 compared to the prior year. The increase is attributable to both Governmental and Business-Type Activities.
- As of June 30, 2013, the City's governmental funds reported combined fund balances of \$94,498,486, a decrease of \$13,845,478 in comparison with the prior year. Approximately 10% of the General fund balances, \$11,758,746 is available to meet the City's current and future needs (*General Fund unassigned fund balance*).
- At the end of the fiscal year, the General Fund balance was \$16,772,366, or 16.7% of total General Fund expenditures. Of this, \$3,713,640 is restricted fund balances. The unassigned fund balance of \$11,758,746 represents 11.7% of total General Fund outflows. The City Council has adopted a goal of maintaining an 8% unreserved fund balance amount.
- The City's total long-term liabilities and deferred inflows of resources showed a net decrease of \$17,674,245 in comparison with the prior year. The decrease is due to a reduction in the deferred inflows of resources for the fair value of hedging for the City's derivatives and a prior year correction for the Net OPEB obligation.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all City assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, community development, highways and streets, public works, parks and recreation, and public safety. The business-type activities of the City include the water, sewer, parking, storm drain, airport, bus, golf, community center and abatement and public nuisance operations.

Component units are included in our basic financial statements and consist of legally separate entities for which the City is financially accountable and that have substantially the same board as the City Council, or provide services entirely to the City. Examples are the Redevelopment Successor Agency of the City of Modesto and the Modesto Public Financing Authority.

**The government-wide financial statements can be found on pages 17-19 of this report.**

## Management's Discussion and Analysis (*continued*)

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City reports 16 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Housing and Community Development, and Capital Facility Fees. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

**The governmental funds financial statements can be found on pages 20-23 of this report**

**Proprietary funds** are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Parking, Storm Drain, Compost, Airport, Bus, Golf, Community Center operations and Abatement and Public Nuisance. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Fleet Management, Central Services, Information and Technology Services, Insurance, Employee Benefits Management and Building Services functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal services benefiting business-type functions have been allocated as "internal balances".

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Water, Sewer and Bus funds are considered to be major funds of the City. The City's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

**The proprietary funds financial statements can be found on pages 24-27 of this report.**

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds except for agency funds.

**The fiduciary fund financial statements can be found on page 28-29 of this report.**

**Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on **pages 30-63** of this report.

**Required Supplementary Information** is also presented. The City adopts an annual appropriated budget. Budgetary comparison schedules for the major governmental funds have been provided to demonstrate compliance with this budget.

**Required supplementary information can be found on pages 67-73 of this report.**

## Management's Discussion and Analysis *(continued)*

The *combining and individual fund statements and schedules* referred to earlier provide information for non-major governmental, enterprise and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on **pages 80-111** of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,088,996,929 at the close of the most recent fiscal year.

#### Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012 *	2013	2012 *	2013	2012
Current and other assets	\$218,755,737	\$222,760,872	\$228,862,464	\$184,700,202	\$447,618,201	\$407,461,074
Capital assets	412,208,979	400,025,255	755,629,953	733,284,420	1,167,838,932	1,133,309,675
Total assets	630,964,716	622,786,127	984,492,417	917,984,622	1,615,457,133	1,540,770,749
Deferred outflows of resources *	10,345,451	15,502,235	31,506,614	48,366,329	41,852,065	63,868,564
Current and other liabilities	64,203,905	46,459,772	25,990,080	14,698,470	90,193,985	\$61,158,242
Long-term liabilities	142,899,876	154,398,666	293,366,343	277,525,299	436,266,219	431,923,965
Total liabilities	207,103,781	200,858,438	319,356,423	292,223,769	526,460,204	493,082,207
Deferred inflows of resources *	10,345,451	15,502,235	31,506,614	48,366,329	41,852,065	63,868,564
Net position:						
Net investment in capital assets	361,582,237	362,755,958	476,681,835	473,757,198	838,264,072	\$836,513,156
Restricted net position	63,381,356	63,498,187	25,571,860	-	88,953,216	\$63,498,187
Unrestricted net position	(1,102,658)	(4,326,456)	162,882,299	152,003,655	161,779,641	147,677,199
Total net position	\$423,860,935	\$421,927,689	\$665,135,994	\$625,760,853	\$1,088,996,929	\$1,047,688,542

\*For comparative purposes, the deferred outflows and inflows of resources are presented in 2012.

The largest portion of the City's net position, \$838,264,072 (76.9 percent), reflects its investment in capital assets (e.g. land, water rights, buildings, improvements, furnishings and equipment, buses and fare boxes, pipelines, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the City's net position represents *unrestricted net position* of \$161,779,641 (14.8 percent), which may be used to meet the City's ongoing obligations to citizens and creditors.

The remaining balance of the City's net position of \$88,953,216 (8.3 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the 2013 fiscal year, the City reported positive balances in all three categories of net position for the City as a whole.

The City's net position increased by \$41,308,387 during the current fiscal year.

## Management's Discussion and Analysis *(continued)*

The following table indicates the changes in net position for governmental and business-type activities, as well as comparative data for the prior year:

### Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$22,005,165	\$24,904,613	\$125,553,073	\$116,871,402	\$147,558,238	141,776,015
Operating grants and contributions	16,477,474	10,270,642	13,766,061	12,694,058	30,243,535	22,964,700
Capital grants and contributions	9,046,762	9,509,584	4,282,549	12,021,793	13,329,311	21,531,377
General revenues:						
Taxes	50,034,153	49,856,697	257,687	253,974	50,291,840	50,110,671
Intergovernment revenue not restricted for specific purposes	51,994,820	50,825,328	-	-	51,994,820	50,825,328
Unrestricted investment earnings	52,893	(411,571)	1,184,422	2,095,947	1,237,315	1,684,376
Settlements and recoveries	-	-	116,711	222,379	116,711	222,379
Connection fees	-	-	1,200,800	-	1,200,800	-
Miscellaneous	1,861,660	1,821,336	-	-	1,861,660	1,821,336
Total revenues	151,472,927	146,776,629	146,361,303	144,159,553	297,834,230	290,936,182
Expenses:						
General government	12,041,953	14,236,573	-	-	12,041,953	14,236,573
Community development	25,162,533	14,206,876	-	-	25,162,533	14,206,876
Highways and streets	20,525,496	21,009,521	-	-	20,525,496	21,009,521
Public works	4,064,497	6,780,882	-	-	4,064,497	6,780,882
Parks and recreation	13,036,579	11,741,352	-	-	13,036,579	11,741,352
Public safety	83,857,207	83,568,633	-	-	83,857,207	83,568,633
Interest on long-term debt	3,193,997	3,066,897	-	-	3,193,997	3,066,897
Parking	-	-	1,252,660	1,482,640	1,252,660	1,482,640
Water	-	-	48,656,862	53,730,665	48,656,862	53,730,665
Sewer	-	-	24,155,935	29,366,025	24,155,935	29,366,025
Storm drain	-	-	4,239,567	6,674,100	4,239,567	6,674,100
Compost	-	-	4,350,079	4,426,031	4,350,079	4,426,031
Airport	-	-	1,534,242	1,640,733	1,534,242	1,640,733
Bus	-	-	18,025,010	16,944,803	18,025,010	16,944,803
Golf	-	-	2,197,368	2,279,650	2,197,368	2,279,650
Community center	-	-	1,864,996	2,352,173	1,864,996	2,352,173
Abatement and Public Nuisance	-	-	42,879	34,609.00	42,879	34,609.00
Total expenses	161,882,262	154,610,734	106,319,598	118,931,429	268,201,860	273,542,163
Increase in net position before transfer:	(10,409,335)	(7,834,105)	40,041,705	25,228,124	29,632,370	17,394,019
Transfers	1,055,670	2,838,873	(1,055,670)	(2,838,873)	-	-
Special item	-	-	(1,143,257)	(826,133)	(1,143,257)	(826,133)
Total transfers and special items	1,055,670	2,838,873	(2,198,927)	(3,665,006)	(1,143,257)	(826,133)
Extraordinary items		14,920,023	-	-		14,920,023
Change in net position	(9,353,665)	9,924,791	37,842,778	21,563,118	28,489,113	31,487,909
Net position - beginning, as restated	421,927,689	411,121,584	625,760,853	619,220,041	1,047,688,542	1,030,341,625
Prior year adjustments	11,286,911	881,314	1,532,363	(15,022,306)	12,819,274	(14,140,992)
Net position - ending	\$423,860,935	\$421,927,689	\$665,135,994	\$625,760,853	\$1,088,996,929	\$1,047,688,542

**Governmental activities.** Governmental activities increased the City's net position by \$1,933,246. Taxes in total increased slightly by \$177,456 compared to 2012 due to a slow increase in the economy. The long term liabilities and deferred inflows or resources decreased by \$16.7 million due to a reduction in compensated absences, Net OPEB and claims liability.

Expenses in total were higher compared to the prior year by \$7,271,528, or 4.7%, due mainly to an increase in capital expenditure and housing and community development activity.

## Management's Discussion and Analysis *(continued)*

**Business-type activities.** Business-type activities increased the City's net assets by \$39,375,141. As detailed in the schedule on **page 12**, a majority of the enterprise funds had an increase in net income due to funds received into the Compost fund for the Waste to Energy contribution, grant contribution and various increases due to water consumption.

Charges for services increased by approximately \$8.7 million due to a 3.1% CPI increase for water rates in this fiscal year. Additionally, there was a significant increase in Capital contribution for the sewer tertiary treatment plan and various operating grants.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The general government functions are contained in the general, special revenue, capital projects, and debt service funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2013, the City's governmental funds reported combined fund balances of \$94,498,486 a decrease of \$13,845,478 from the prior year. The total negative unassigned fund balance of (\$21,206,540) includes a positive \$11,758,746 which represents the General Fund unassigned fund balance that is available to meet the City's current and future needs. The remainder of fund balance is *Non-spendable, restricted, committed and assigned* to indicate that it is *not* available for new spending because it has been committed.

The General Fund is the chief operating fund of the City. At June 30, 2013, unassigned fund balance of the General Fund was \$11,758,746 while total fund balance was \$16,772,366. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.7% of total General Fund expenditures, while total fund balance represents 16.7% of that same amount. The prior year ratios were 11.1% and 15.9%, respectively. The use of the fund balance reserves was planned and budgeted during the year.

Revenues of governmental funds totaled \$151,867,461 in fiscal year 2012-13, which represents an increase of \$6,755,538 from fiscal year 2011-12.

Expenditures of governmental funds totaled \$163,122,899 in fiscal year 2012-13, representing an increase of \$15,758,513 from fiscal year 2011-12.

The following table presents governmental fund revenues from various sources, with comparisons to the prior year:

Revenues Classified by Source – Governmental Funds

Revenues by Source	FY 2013		FY 2012		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	% Change
Taxes	\$50,034,153	32.8%	\$49,856,697	34.4%	\$177,456	0.4%
Licenses and permits	175,720	0.1%	131,302	0.1%	44,418	33.8%
Intergovernmental	75,737,161	49.8%	68,682,778	47.4%	7,054,383	10.3%
Charges for services	19,800,718	13.0%	19,897,159	13.7%	(96,441)	-0.5%
Special assessments	1,781,896	1.2%	1,860,905	1.3%	(79,009)	-4.2%
Interest and rent	835,994	0.6%	1,145,251	0.8%	(309,257)	-27.0%
Net increase (decrease) in fair value	(584,090)	-0.4%	(452,987)	-0.3%	(131,103)	28.9%
Fines and forfeits	2,004,133	1.3%	2,169,482	1.5%	(165,349)	-7.6%
Miscellaneous	2,081,776	1.5%	1,821,336	1.3%	260,440	14.3%
<b>Total</b>	<b>\$151,867,461</b>	<b>100.0%</b>	<b>\$145,111,923</b>	<b>100.0%</b>	<b>\$6,755,538</b>	<b>4.7%</b>

- Taxes – Revenues for utility user taxes, franchise fees and business license came in higher than expected due to a positive upturn in the economy and increased collection and compliance efforts by City staff.

## Management's Discussion and Analysis *(continued)*

- Intergovernmental – State sales taxes increased by over \$1.2 million. Additionally, grant revenues increased due to the Cal Trans funding for several major street-related projects.
- Charges for services – Included in this category are the Capital Facilities and Community Facility District Fees charged to mitigate the impact of new development on City infrastructure needs. Capital Facility Fees collected during the year increased due to a positive outlook in the housing market. The overall decrease was due to the reduce services collected in the Traffic safety fund.
- Investment revenues decreased due to a reduction of cash balances and continuing lower interest rates.

The following table presents expenditures by function compared to prior year amounts.

### Expenditures by Function – Governmental Funds

Exp by Function	FY 2013		FY 2012		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	% Change
General government	\$11,169,669	6.8%	\$12,411,413	8.4%	(\$1,241,744)	-10.0%
Community development	23,673,373	14.5%	12,831,734	8.7%	10,841,639	84.5%
Highways and streets	8,560,717	5.2%	8,434,681	5.7%	126,036	1.5%
Public works	2,993,702	1.8%	5,283,123	3.6%	(2,289,421)	-43.3%
Parks and recreation	11,299,979	6.9%	9,756,888	6.6%	1,543,091	15.8%
Public safety	74,094,399	45.5%	72,131,852	48.8%	1,962,547	2.7%
Capital outlay	26,616,638	16.4%	20,839,517	14.1%	5,777,121	27.7%
Debt Service-principal retirement	1,451,000	0.9%	2,397,000	1.6%	(946,000)	-39.5%
Debt Service-interest charges	2,330,962	1.4%	3,229,440	2.2%	(898,478)	-27.8%
Debt Service-other	932,460	0.6%	48,738	0.0%	883,722	1813.2%
<b>Total</b>	<b>\$163,122,899</b>	<b>100.0%</b>	<b>\$147,364,386</b>	<b>100.0%</b>	<b>\$15,758,513</b>	<b>10.7%</b>

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- General government –Expenditures decreased by \$1,241,744 or 10% over the prior year, due to a decrease in the County property tax administration fees, no election fee costs during this fiscal year and savings from vacant positions.
- Community development – Expenditures increased by \$10,841,639 or 84.5% due to an increase in funding expenditures for the neighborhood stabilization projects compared to the prior year.
- Parks and recreation – Expenditures increased by \$1,543,091 or 15.8% over the prior year, due to the cost associated with recovery cost from the McHenry Mansion fire and to account for the parks operation and maintenance areas under parks instead of previously reported public works.
- Public safety –Expenditures increased by \$1,962,547 or 2.7% over the prior year, due to an increase of City funding for the Modesto Regional Fire agency and increase discretionary cost for the police department.
- Capital outlay –Expenditures increased by \$5,777,121 or 27.7% reflects the current cycle that the city is in with respect to the planning and construction of capital improvements.

Other financing sources and uses are presented below to illustrate changes from the prior year:

	FY 2013	FY 2012	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$18,230,774	\$11,384,460	\$6,846,314	60.1%
Transfers out	(18,417,413)	(14,223,663)	(4,193,750)	29.5%
Sale of assets	72,489	-	72,489	100.0%
<b>Net financing sources (uses)</b>	<b>(\$114,150)</b>	<b>(\$2,839,203)</b>	<b>\$2,725,053</b>	<b>-96.0%</b>

Transfers - The City uses interfund transfers to: (1) move resources from a fund to other funds that will utilize them in accordance with statutory and budgetary requirements, (2) utilize unrestricted resources collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to pay debt service to the funds that are responsible for payment as those payments become due.

## Management's Discussion and Analysis *(continued)*

- The net transfers *from* governmental funds for 2013 were \$(186,639) compared to \$(2,839,203) in the prior year. This net transfer is *to* various City funds including transferring funds from the General Fund, Capital Facility Fee funds and the Public Financing Authority to cover the debt service payments and various transfers to cover City grant matches.
- The annual totals for both transfers in and out vary, depending on the nature of the activities that are undertaken each year.

Debt transactions –No new debt was issued for the governmental funds.

The current year excess of revenues and other financing sources over expenditures and other financing uses is presented in the following table:

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds

	Major Funds			Nonmajor Funds			Total
	General Fund	Housing and Community Development	Capital Facility Fees	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	
Revenues	\$105,659,363	\$15,388,425	\$7,844,879	\$18,421,761	\$3,346,806	\$1,206,227	\$151,867,461
Expenditures	(100,159,775)	(15,470,033)	(17,100,242)	(17,574,273)	(8,380,502)	(4,438,074)	(163,122,899)
Other financing sources/(uses), net	(4,126,197)	(1,114,034)	5,876,212	466,690	(4,457,705)	3,240,884	(114,150)
Net change in fund balances	1,373,391	(1,195,642)	(3,379,151)	1,314,178	(9,491,401)	9,037	(11,369,588)
Fund balance-July 1	15,446,762	23,645,142	29,464,174	6,562,621	27,867,148	5,358,117	108,343,964
Prior year adjustment	(47,787)	(2,277,569)	(165,278)	14,744	-	-	(2,475,890)
Fund balance June 30	\$16,772,366	\$20,171,931	\$25,919,745	\$7,891,543	\$18,375,747	\$5,367,154	\$94,498,486

The fund balance of the City's General Fund increased by \$1,325,604 during the fiscal year. This result is consistent with the City Council's budgetary direction to reduce spending and identify additional revenue sources that would allow the General Fund to retain an unrestricted reserve that meets the City Council's adopted 8% level.

Revenues and expenditures increased overall but the net transfers increased by \$3.0 million to help sustain an increase in the General Fund fund balance.

**Proprietary funds.** The City's proprietary fund disclosures provide the same type of information found in the government-wide financial statements, but in more detail.

The following table shows actual revenues, expenses and results of operations of enterprise funds for the current fiscal year:

	Major Funds			Nonmajor Funds							Total
	Water	Sewer	Bus	Parking	Storm Drain	Compost	Airport	Golf	Community Center	Abatement Public Nuisance	
Operating revenues	\$61,474,235	\$43,414,773	\$2,946,937	\$1,169,293	\$5,780,644	\$8,012,611	\$619,904	\$1,568,532	\$263,581	\$302,563	\$125,553,073
Operating expenses	(44,757,338)	(25,007,169)	(18,333,993)	(1,371,989)	(5,531,174)	(4,590,894)	(1,711,234)	(1,989,869)	(2,019,099)	(41,651)	(105,354,410)
Operating income (loss)	16,716,897	18,407,604	(15,387,056)	(202,696)	249,470	3,421,717	(1,091,330)	(421,337)	(1,755,518)	260,912	20,198,663
Non-operating revenues (expenses), net	(6,943,047)	(567,823)	13,421,328	(20,896)	48,997	397,873	490,616	(125,983)	345,391	709	\$7,047,165
Income (loss) before capital contributions, transfers and special items	9,773,850	17,839,781	(1,965,728)	(223,592)	298,467	3,819,590	(600,714)	(547,320)	(1,410,127)	261,621	27,245,828
Contributions, transfers and special items	(1,804,737)	1,460,876	744,382	(2,308)	507,141	(504,486)	528,251	564,717	589,786	-	2,083,622
Net income (loss)	\$7,969,113	\$19,300,657	(\$1,221,346)	(\$225,900)	\$805,608	\$3,315,104	(\$72,463)	\$17,397	(\$820,341)	\$261,621	\$29,329,450

The Water, Sewer, Storm Drain, Compost, Golf and the Abatement and Public Nuisance enterprise funds posted net incomes during the period. It is important to note that while the Water and Sewer funds show rather healthy operating results, capital improvement expenses and debt service principal payments incurred during the year are not reflected in

## Management's Discussion and Analysis *(continued)*

the expenses totals shown above. Net losses were experienced by the other enterprise funds. Golf and Community Center operations continue to receive an operating subsidy from the General Fund in 2013.

The Water utility fund had a 3.1% CPI increase in July 2012 and an additional 2.3% CPI increase which became effective on July 2013. The Sewer utility fund had an increase in revenue due to 7.0% rate increases in July 2012 and an additional 6.0% increase which became effective on July 2013.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the General Fund is presented as Required Supplementary Information, beginning on **page 69-70** of this report.

While the City Council amended the budget several times through the year, the differences between the original budget and the final amended budget for the General Fund were increased overall mainly due to an increase in taxes, intergovernmental revenue, miscellaneous revenue and charges for services. The estimated revenues increased about \$3,568,386 while total appropriations were increased \$4,980,044. These amendments were to adjust the actual beginning balances and carryovers after closing the prior fiscal year, and to reflect adjustments to current estimates based on the periodic monitoring of revenue and expenditures throughout the year.

Revenues came in \$2,336,488 more than final estimates. Variances in Sales tax \$657,604, Utility users tax \$1,399,116, Business Taxes \$718,259 and Franchise taxes \$357,108 were due to an increased in collection and compliance efforts and the insurance reimbursements for the McHenry Fire mansion fire.

Expenditures, overall, were \$4,838,352 under budget, primarily due to efforts of departments to realize savings, and certain purchases being deferred to future periods.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to \$1,167,838,932 (net of accumulated depreciation). The total increase in the City's investment in capital assets compared to 2012 was 3.0%. Capital assets net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year.

	Governmental		Business type		Total		Increase (decrease)	
	2013	2012	2013	2012	2013	2012	Percent Change	\$ change
Land	\$33,632,095	\$33,462,515	\$30,073,929	\$30,073,929	\$63,706,024	\$63,536,444	0.3%	\$169,580
Capitalized Interest	-	-	12,147,655	10,912,480	12,147,655	10,912,480	11%	1,235,175
Buildings	16,526,576	15,198,962	47,186,431	33,560,643	63,713,007	48,759,605	31%	14,953,402
Improvements	35,560,128	36,416,274	111,719,201	101,635,875	147,279,329	138,052,149	7%	9,227,180
Furnishings and equipment	2,896,815	3,300,053	4,649,477	4,131,564	7,546,292	7,431,617	2%	114,675
Intangible Assets	5,226,281	190,953	-	-	5,226,281	190,953	2637%	5,035,328
Equipment pool	11,557,150	10,224,902	-	-	11,557,150	10,224,902	13%	1,332,248
Service Animals	20,877	-	-	-	20,877	-	-	20,877
Water Rights	-	-	322,404,022	335,323,673	322,404,022	335,323,673	-4%	(12,919,651)
Streets	227,910,317	237,046,421	-	-	227,910,317	237,046,421	-4%	(9,136,104)
Signalization	2,174,636	2,292,727	-	-	2,174,636	2,292,727	-5%	(118,091)
Bridges	21,145,820	21,669,963	-	-	21,145,820	21,669,963	-2%	(524,143)
Buses & fareboxes	-	-	4,896,166	5,886,168	4,896,166	5,886,168	-17%	(990,002)
Pipelines	-	-	117,854,932	119,343,998	117,854,932	119,343,998	-1%	(1,489,066)
Construction in progress	55,558,284	40,222,485	104,698,140	92,416,090	160,256,424	132,638,575	21%	27,617,849
<b>Total</b>	<b>\$412,208,979</b>	<b>\$400,025,255</b>	<b>\$755,629,953</b>	<b>\$733,284,420</b>	<b>\$1,167,838,932</b>	<b>\$1,133,309,675</b>	<b>3.0%</b>	<b>\$34,529,257</b>

## Management's Discussion and Analysis (continued)

Major capital asset events during the current fiscal year included the following:

- Buildings, Intangible Assets, and Construction in progress – Business activities had a significant increase in buildings due to the capitalization of the new bus maintenance facility. Governmental activities had an increase in intangible assets due to the capitalization of the new ERP financial system. Construction in progress increased for both governmental and business type activities due to the additional cost for the tertiary treatment plant and Pelandale interchange project.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements. Depreciation expense is recorded using the straight-line method, based on estimated useful life of the asset. Additional information on the City's capital assets can be found in note II.B on **pages 40-41** of this report.

### Long-term debt and deferred inflows of resources

At June 30, 2013, the City had total long-term liabilities and deferred inflows of resources outstanding of \$478,118,284, net of unamortized discounts and deferred amounts on refunding, as compared to \$495,792,529 in the prior year. This amount was comprised of \$60,870,000 of lease revenue bonds, \$49,681,357 of certificates of participation, \$187,251,865 of revenue bonds payable, \$10,241,074 of estimated compensated absences, \$57,897,614 of OPEB obligation, \$22,682,685 of claims liability, \$42,420,146 of loans payable, \$1,517,856 of developer advances, \$502,622 of capital leases, \$3,201,000 of notes payable and \$41,852,065 of deferred inflows of resources due to fair value of hedging for derivatives. The long-term debt increase was mainly due to an increase in OPEB liability and the state revolving loan. Additional information on the City's long-term debt can be found in note II.C on pages **42-51** of this report.

Modesto maintains an Employee Benefits internal service fund (EBF) to pay a portion of retiree health benefits and other employee related expenses. As of June 30, 2013, the net OPEB obligation amounts to approximately \$57.9 million. This contributes significantly to the Employee Benefit Fund's \$54.2 million deficit net assets. A prior year adjustment was reported to reduce the net OPEB obligation to account for the actual contributions collected through 2009. Additional information on the City's EBF can be found in Notes II-H and III-G.

### Economic Factors and Next Year's Budget and Rates

- *Consumer Price Index* – Growth in the CPI has been relatively stable during the past nine years and serves as a measure for the growth in the cost for supplies and services used by the city. In the year ending June 30, 2013, the CPI-Western Urban Index increased by 1.9%.
- *Taxable Sales* – With the unemployment rate at 12.7%, sales tax revenues are continually increasing. The City continues to take action to address the City's financial situation and implement the necessary budget reductions as part of presenting the budget strategies for FY 13/14.
- *Utility Service Charges* - Water utility rates were increased by 3.1% for the annual CPI increase in this fiscal year and are currently have implemented another increase of 2.3 in July 2013. For the Sewer utility rates, the City Council adopted a resolution approving and implementing 5 annual rate increases for Wastewater beginning with a 3% rate increase on July 1, 2010 and subsequent rate increases which for July 2012 was 7% and July 2013 was a 6% increase.

All of these factors were considered in preparing the City's budget for fiscal year 2014.

During the current fiscal year, fund balance in the General Fund increased by \$1,325,604, to \$16,772,366 which represents 16.7% of total General Fund outflows which equals City Council's target value of 8%. The budget adopted for fiscal year 2012-2013 reflects a planned reduction in the reserve level on a temporary basis, from 8% to a flat reserve amount of \$7 million.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's financial condition. Questions concerning any of the information provided in this report and requests for additional financial information should be addressed to the City of Modesto, Attention: Finance Department, P.O. Box 642, Modesto, CA 95353

## **BASIC FINANCIAL STATEMENTS**



**CITY OF MODESTO**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	<u>Governmental</u> Activities	<u>Business-type</u> Activities	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 122,720,086	\$ 199,188,465	\$ 321,908,551
Accounts receivable, net	2,547,625	653,843	3,201,468
Interest receivable	304,093	528,098	832,191
Utility billings receivable, net	1,199,559	12,130,171	13,329,730
Taxes receivable	10,552,812	-	10,552,812
Due from governments, net	9,360,344	13,039,148	22,399,492
Notes and Loan receivable, net	55,154,599	2,441,426	57,596,025
Prepaid expenses	520,913	1,459,704	1,980,617
Property held for resale	784,000	630,000	1,414,000
Internal balances	2,800,755	(2,800,755)	-
Inventories	433,901	-	433,901
Unamortized costs of debt issuance	-	1,592,364	1,592,364
Investments in joint ventures	12,377,050	-	12,377,050
Capital assets:			
Land and construction in progress	89,190,379	134,772,069	223,962,448
Other capital assets, net of accumulated depreciation	323,018,600	620,857,884	943,876,484
<b>Total assets</b>	<b>630,964,716</b>	<b>984,492,417</b>	<b>1,615,457,133</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Accumulated decrease in fair value of hedging derivatives	10,345,451	31,506,614	41,852,065
<b>Total assets and deferred outflows of resources</b>	<b>641,310,167</b>	<b>1,015,999,031</b>	<b>1,657,309,198</b>
<u>LIABILITIES</u>			
Accounts payable	9,419,170	10,652,484	20,071,654
Accrued salaries and benefits	1,808,960	649,549	2,458,509
Approved loans payable	3,301,923	-	3,301,923
Interest payable	81,963	2,617,378	2,699,341
Due to other governments	894,965	7,984	902,949
Advances from grantors and third parties	45,687,957	10,123,954	55,811,911
Refundable deposits	3,008,967	1,938,731	4,947,698
Long-term liabilities:			
Due within one year	11,552,575	10,190,305	21,742,880
Due in more than one year	131,347,301	283,176,038	414,523,339
<b>Total liabilities</b>	<b>207,103,781</b>	<b>319,356,423</b>	<b>526,460,204</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Accumulated increase in fair value of hedging derivatives	10,345,451	31,506,614	41,852,065
<b>Total liabilities and deferred inflows of resources</b>	<b>217,449,232</b>	<b>350,863,037</b>	<b>568,312,269</b>
<u>NET POSITION</u>			
Net investment in capital assets	361,582,237	476,681,835	838,264,072
Restricted for:			
Capital projects	32,074,956	-	32,074,956
Housing and community development	20,171,931	-	20,171,931
Debt Service	443,665	-	443,665
Other purposes	10,690,804	25,571,860	36,262,664
Unrestricted	(1,102,658)	162,882,299	161,779,641
<b>Total net position</b>	<b>\$ 423,860,935</b>	<b>\$ 665,135,994</b>	<b>\$ 1,088,996,929</b>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2013**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
General government	\$ 12,041,953	\$ 6,262,963	\$ -	\$ 68,589
Community development	25,162,533	4,123,811	15,681,737	253,655
Highways and streets	20,525,496	761,394	19,453	8,103,368
Public works	4,064,497	3,565,048	-	-
Parks and recreation	13,036,579	3,623,647	-	762
Public safety	83,857,207	3,668,302	776,284	620,388
Interest on long-term debt	3,193,997	-	-	-
Total governmental activities	<u>161,882,262</u>	<u>22,005,165</u>	<u>16,477,474</u>	<u>9,046,762</u>
Business-type activities:				
Parking	1,252,660	1,169,293	-	-
Water	48,656,862	61,474,235	84,914	-
Sewer	24,155,935	43,414,773	-	3,000,000
Storm Drain	4,239,567	5,780,644	-	-
Compost	4,350,079	8,012,611	329,799	-
Airport	1,534,242	619,904	55,330	530,497
Bus	18,025,010	2,946,937	13,296,018	752,052
Golf	2,197,368	1,568,532	-	-
Community Center	1,864,996	263,581	-	-
Abatement and Public Nuisance Fund	42,879	302,563	-	-
Total business-type activities	<u>106,319,598</u>	<u>125,553,073</u>	<u>13,766,061</u>	<u>4,282,549</u>
<b>Total</b>	<b>\$ 268,201,860</b>	<b>\$ 147,558,238</b>	<b>\$ 30,243,535</b>	<b>\$ 13,329,311</b>

General revenues:

Taxes:

Utility users tax

Property taxes, levied for general purposes

Property taxes, generated by and allocated to the airport

Transient occupancy tax

Franchise tax

Business license tax, levied for general purposes

Business license tax, levied for downtown improvement district

Sales tax

Motor vehicle license fee

Other

Unrestricted investment earnings

Connection fees

Miscellaneous

Settlements

Transfers, net

Special item - PCE legal fees

Total general revenues, transfers and special item

Change in net position

Net position, July 1

Prior year adjustments

Net position, June 30

The notes to basic financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (5,710,401)	\$ -	\$ (5,710,401)
(5,103,330)	-	(5,103,330)
(11,641,281)	-	(11,641,281)
(499,449)	-	(499,449)
(9,412,170)	-	(9,412,170)
(78,792,233)	-	(78,792,233)
(3,193,997)	-	(3,193,997)
<u>(114,352,861)</u>	<u>-</u>	<u>(114,352,861)</u>
\$ -	\$ (83,367)	(83,367)
-	12,902,287	12,902,287
-	22,258,838	22,258,838
-	1,541,077	1,541,077
-	3,992,331	3,992,331
-	(328,511)	(328,511)
-	(1,030,003)	(1,030,003)
-	(628,836)	(628,836)
-	(1,601,415)	(1,601,415)
-	259,684	259,684
<u>-</u>	<u>37,282,085</u>	<u>37,282,085</u>
<u>(114,352,861)</u>	<u>37,282,085</u>	<u>(77,070,776)</u>
20,399,116	-	20,399,116
11,618,481	-	11,618,481
-	257,687	257,687
1,884,188	-	1,884,188
5,785,355	-	5,785,355
10,176,791	-	10,176,791
170,222	-	170,222
27,110,911	-	27,110,911
12,038,983	-	12,038,983
12,844,926	-	12,844,926
52,893	1,184,422	1,237,315
-	1,200,800	1,200,800
1,861,660	-	1,861,660
-	116,711	116,711
1,055,670	(1,055,670)	-
-	(1,143,257)	(1,143,257)
<u>104,999,196</u>	<u>560,693</u>	<u>105,559,889</u>
(9,353,665)	37,842,778	28,489,113
421,927,689	625,760,853	1,047,688,542
<u>11,286,911</u>	<u>1,532,363</u>	<u>12,819,274</u>
<u>\$ 423,860,935</u>	<u>\$ 665,135,994</u>	<u>\$ 1,088,996,929</u>

**CITY OF MODESTO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2013**

	<u>General</u>	<u>Housing and Community Development</u>	<u>Capital Facility Fees</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,913,407	\$ 367,296	\$ 25,463,992	\$ 27,979,138	\$ 62,723,833
Cash and cash equivalents with fiscal agent	-	-	-	14,268,860	14,268,860
Receivables:					
Accounts	1,596,794	-	-	269,419	1,866,213
Interest	45,703	5,577	65,999	94,044	211,323
Utilities, net	1,162,952	-	-	36,607	1,199,559
Taxes	10,297,206	-	-	255,606	10,552,812
Due from governments	681,025	2,152,148	2,924,773	3,602,398	9,360,344
Due from other funds	808,362	-	-	-	808,362
Notes receivable, net	-	52,873,420	-	2,281,179	55,154,599
Prepaid expenditures	126,603	-	-	746	127,349
Property held for resale	-	-	-	784,000	784,000
Restricted assets:					
Cash and cash equivalents	1,336,456	-	-	-	1,336,456
Advances to other funds	2,529,429	-	-	-	2,529,429
<b>Total assets</b>	<b>\$ 27,497,937</b>	<b>\$ 55,398,441</b>	<b>\$ 28,454,764</b>	<b>\$ 49,571,997</b>	<b>\$ 160,923,139</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 3,241,065	\$ 849,617	\$ 1,476,021	\$ 1,754,385	\$ 7,321,088
Accrued salaries and benefits	1,420,429	24,510	-	197,069	1,642,008
Accrued interest payable	-	-	-	899	899
Approved loans payable	-	2,726,923	-	575,000	3,301,923
Due to other governments	228,583	4	-	666,378	894,965
Due to other funds	-	-	-	233,119	233,119
Advances from grantors and third parties	151,173	31,625,456	-	14,308,592	46,085,221
Refundable deposits	2,952,583	-	-	56,384	3,008,967
Advances from other funds	2,731,738	-	1,058,998	145,727	3,936,463
<b>Total liabilities</b>	<b>10,725,571</b>	<b>35,226,510</b>	<b>2,535,019</b>	<b>17,937,553</b>	<b>66,424,653</b>
<b>Fund balances:</b>					
Non-spendable	126,603	-	-	746	127,349
Restricted	3,713,640	52,899,027	25,919,745	27,906,037	110,438,449
Assigned	1,173,377	-	-	3,965,851	5,139,228
Unassigned	11,758,746	(32,727,096)	-	(238,190)	(21,206,540)
<b>Total fund balances</b>	<b>16,772,366</b>	<b>20,171,931</b>	<b>25,919,745</b>	<b>31,634,444</b>	<b>94,498,486</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,497,937</b>	<b>\$ 55,398,441</b>	<b>\$ 28,454,764</b>	<b>\$ 49,571,997</b>	<b>\$ 160,923,139</b>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**June 30, 2013**

Total fund balances - total governmental funds \$ 94,498,486

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

General capital assets:

Nondepreciable	\$ 87,576,226	
Depreciable	115,569,122	
Accumulated depreciation on general capital assets	(62,644,566)	

Infrastructure:

Depreciable	537,855,437	
Accumulated depreciation on infrastructure	<u>(286,624,666)</u>	391,731,553

Other long-term assets are not available to pay for current-period expenditures and, therefore, are:

Deferred in the governmental funds, or	\$ 397,264	
Investments in joint ventures	<u>12,377,050</u>	12,774,314

Internal service funds are used by management to charge the costs of activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

(10,355,521)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable and other long-term debt	\$ (64,711,993)	
Accrued interest	<u>(75,904)</u>	<u>(64,787,897)</u>

Net position of governmental activities \$ 423,860,935

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year ended June 30, 2013**

	<u>General</u>	<u>Housing and Community Development</u>	<u>Capital Facility Fees</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>REVENUES:</b>					
Taxes	\$ 48,340,574	\$ -	\$ -	\$ 1,693,579	\$ 50,034,153
Licenses and permits	83,564	-	-	92,156	175,720
Intergovernmental	42,138,899	14,847,029	6,789,777	11,961,456	75,737,161
Charges for services	12,518,117	398,191	1,027,548	5,856,862	19,800,718
Special assessments levied	-	-	-	1,781,896	1,781,896
Interest and rent	151,290	113,474	218,204	353,026	835,994
Net increase in fair value of investments	(152,711)	25,607	(190,650)	(266,336)	(584,090)
Fines and forfeits	860,476	-	-	1,143,657	2,004,133
Miscellaneous	1,719,154	4,124	-	358,498	2,081,776
Total revenues	<u>105,659,363</u>	<u>15,388,425</u>	<u>7,844,879</u>	<u>22,974,794</u>	<u>151,867,461</u>
<b>EXPENDITURES:</b>					
Current:					
General government	10,717,817	-	-	451,852	11,169,669
Community development	5,395,322	15,092,127	38,803	3,147,121	23,673,373
Highways and streets	-	-	-	8,560,717	8,560,717
Public works	-	-	-	2,993,702	2,993,702
Parks and recreation	10,806,291	-	-	493,688	11,299,979
Public safety	71,715,803	-	-	2,378,596	74,094,399
Capital outlay	1,524,542	-	17,061,439	8,030,657	26,616,638
Debt service:					
Principal retirement	-	191,000	-	1,260,000	1,451,000
Interest	-	186,906	-	2,144,056	2,330,962
Other	-	-	-	932,460	932,460
Total expenditures	<u>100,159,775</u>	<u>15,470,033</u>	<u>17,100,242</u>	<u>30,392,849</u>	<u>163,122,899</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,499,588</u>	<u>(81,608)</u>	<u>(9,255,363)</u>	<u>(7,418,055)</u>	<u>(11,255,438)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	2,357,030	-	6,395,468	9,478,276	18,230,774
Transfers out	(6,483,227)	(1,114,034)	(519,256)	(10,300,896)	(18,417,413)
Sale of assets	-	-	-	72,489	72,489
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(4,126,197)</u>	<u>(1,114,034)</u>	<u>5,876,212</u>	<u>(750,131)</u>	<u>(114,150)</u>
<b>NET CHANGE IN FUND BALANCES</b>					
FUND BALANCES, July 1	15,446,762	\$ 23,645,142	\$ 29,464,174	\$ 39,787,886	\$ 108,343,964
PRIOR PERIOD ADJUSTMENT	(47,787)	(2,277,569)	(165,278)	14,744	(2,475,890)
<b>FUND BALANCES, June 30</b>	<u>\$ 16,772,366</u>	<u>\$ 20,171,931</u>	<u>\$ 25,919,745</u>	<u>\$ 31,634,444</u>	<u>\$ 94,498,486</u>

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -GOVERNMENTAL ACTIVITIES**  
**Year Ended June 30, 2013**

Net change in fund balances - total governmental funds \$ (11,369,588)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 26,616,638	
Depreciation expense	<u>(15,231,687)</u>	11,384,951

In the statement of activities, only the gain or loss on the sales of capital assets is reported, whereas in the governmental funds, the proceeds from such sales increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the assets sold.

(292,610)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in advances from grantors and third parties	\$ 24,594	
Change in investment in joint venture	<u>(436,555)</u>	(411,961)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Principal retirement	1,451,000	
Capitalized interest	<u>65,478</u>	1,516,478

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest		3,943
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.

(10,780,141)

Change in net position of governmental activities \$ (9,353,665)

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2013**

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 72,150,766	\$ 48,541,165	\$ 11,341,136	\$ 11,725,911	\$ 143,758,978	\$ 31,741,641
Cash and cash equivalents with fiscal agent	23,216,393	4,099,353	-	603,150	27,918,896	403,234
Receivables:						
Accounts	14,216	11,265	43,026	585,336	653,843	681,412
Interest	272,158	196,262	23,255	36,423	528,098	92,770
Utilities, net	7,184,690	4,312,839	-	632,642	12,130,171	-
Loan	-	2,441,426	-	-	2,441,426	-
Prepaid expenses	1,450,896	3,846	4,572	390	1,459,704	393,564
Due from governments	24,476	10,467,021	2,394,226	153,425	13,039,148	-
Inventories	-	-	-	-	-	433,901
Property held for resale	-	-	-	630,000	630,000	-
Advances to other funds	300,000	-	-	-	300,000	2,431,738
Total current assets	<u>104,613,595</u>	<u>70,073,177</u>	<u>13,806,215</u>	<u>14,367,277</u>	<u>202,860,264</u>	<u>36,178,260</u>
Noncurrent assets:						
Restricted assets-cash and cash equivalents	14,612,886	12,897,705	-	-	27,510,591	12,246,062
Unamortized costs of issuance	976,788	615,576	-	-	1,592,364	-
Land and construction in progress	22,896,142	96,723,931	4,080,111	11,071,885	134,772,069	1,614,153
Other capital assets, net of accumulated depreciation	432,159,999	123,556,660	28,063,447	37,077,778	620,857,884	18,863,273
Total noncurrent assets	<u>470,645,815</u>	<u>233,793,872</u>	<u>32,143,558</u>	<u>48,149,663</u>	<u>784,732,908</u>	<u>32,723,488</u>
Total assets	<u>575,259,410</u>	<u>303,867,049</u>	<u>45,949,773</u>	<u>62,516,940</u>	<u>987,593,172</u>	<u>68,901,748</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Accumulated decrease in fair value of hedging derivatives	31,506,614	-	-	-	31,506,614	-
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 2,607,698	\$ 6,628,154	\$ 979,192	\$ 437,440	\$ 10,652,484	\$ 2,098,082
Accrued salaries and benefits	258,341	243,437	43,565	104,206	649,549	166,952
Interest payable	2,241,793	335,947	-	39,638	2,617,378	5,160
Due to other funds	-	-	-	575,243	575,243	-
Due to other governments	-	-	-	7,984	7,984	-
Current portion - compensated absences	-	-	-	-	-	6,064,616
Current portion - claims liability	-	-	-	-	-	5,167,875
Current portion - capital lease	-	-	-	-	-	176,381
Current portion - long-term debt	5,737,238	2,050,000	-	290,000	8,077,238	-
Current portion - developer advances	93,112	-	-	-	93,112	-
Advances from grantors and third parties	18,835	-	9,997,174	107,945	10,123,954	-
Total current liabilities	<u>10,957,017</u>	<u>9,257,538</u>	<u>11,019,931</u>	<u>1,562,456</u>	<u>32,796,942</u>	<u>13,679,066</u>
Noncurrent liabilities:						
Payable from restricted assets - refundable deposits	1,124,882	813,849	-	-	1,938,731	-
Compensated absences	-	-	-	-	-	4,176,458
Net OPEB obligation	-	-	-	-	-	57,897,614
Claims liability	-	-	-	-	-	17,514,810
Long-term debt:						
Revenue bonds payable	141,635,000	39,391,865	-	-	181,026,865	-
Loan payable	2,376,718	38,292,828	-	-	40,669,546	-
Notes payable	-	-	-	-	-	-
Obligations under capital leases	-	-	-	-	-	183,609
Certificates of participation	45,186,357	-	-	3,895,000	49,081,357	-
Developer advances	1,424,744	-	-	-	1,424,744	-
Advances from other funds	-	-	-	1,324,704	1,324,704	-
Total noncurrent liabilities	<u>191,747,701</u>	<u>78,498,542</u>	<u>-</u>	<u>5,219,704</u>	<u>275,465,947</u>	<u>79,772,491</u>
Total liabilities	<u>202,704,718</u>	<u>87,756,080</u>	<u>11,019,931</u>	<u>6,782,160</u>	<u>308,262,889</u>	<u>93,451,557</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Accumulated increase in fair value of hedging derivatives	31,506,614	-	-	-	31,506,614	-
<b>NET POSITION</b>						
Net investment in capital assets	273,515,720	152,629,754	32,143,558	43,964,663	476,681,835	20,293,817
Restricted	13,488,004	12,083,856	-	-	25,571,860	12,246,062
Unrestricted	85,550,968	51,397,359	2,786,284	11,770,117	177,076,588	(57,089,688)
Total net position	<u>\$ 372,554,692</u>	<u>\$ 216,110,969</u>	<u>\$ 34,929,842</u>	<u>\$ 55,734,780</u>	<u>679,330,283</u>	<u>\$ (24,549,809)</u>
Adjustment to reflect the consolidation of internal service fund activities					(14,194,289)	
Net position of business-type activities					<u>\$ 665,135,994</u>	

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**Year ended June 30, 2013**

	Enterprise				Total Enterprise	Internal Service
	Water	Sewer	Bus	Other Enterprise		
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 61,223,992	\$ 43,405,632	\$ 2,945,048	\$ 17,688,876	\$ 125,263,548	\$ 41,333,609
Sales	-	-	-	-	-	4,555,538
Cost of sales	-	-	-	-	-	(3,801,868)
Miscellaneous	250,243	9,141	1,889	28,252	289,525	-
Total operating revenues	<u>61,474,235</u>	<u>43,414,773</u>	<u>2,946,937</u>	<u>17,717,128</u>	<u>125,553,073</u>	<u>42,087,279</u>
<b>OPERATING EXPENSES:</b>						
Salaries and wages	6,822,570	6,216,451	1,097,234	3,328,990	17,465,245	4,125,720
Contractual services	6,240,338	3,154,173	11,915,564	2,941,593	24,251,668	4,297,190
Utilities	2,360,834	1,506,799	153,766	529,178	4,550,577	242,151
Maintenance and supplies	2,744,924	2,204,893	1,845,348	3,719,083	10,514,248	3,194,885
Water purchases	4,457,664	-	-	-	4,457,664	-
Insurance	260,683	443,783	46,158	261,441	1,012,065	15,881,721
Claims expense	-	-	-	-	-	5,875,242
Employee benefits	2,247,157	2,488,856	446,762	1,277,480	6,460,255	7,030,754
Administration services	1,784,902	1,944,809	724,254	2,056,862	6,510,827	1,450,964
Allocated indirect administrative costs	938,786	999,819	131,566	322,300	2,392,471	254,750
Depreciation	16,899,480	6,047,586	1,973,341	2,818,983	27,739,390	3,371,761
Total operating expenses	<u>44,757,338</u>	<u>25,007,169</u>	<u>18,333,993</u>	<u>17,255,910</u>	<u>105,354,410</u>	<u>45,725,138</u>
OPERATING INCOME (LOSS)	<u>16,716,897</u>	<u>18,407,604</u>	<u>(15,387,056)</u>	<u>461,218</u>	<u>20,198,663</u>	<u>(3,637,859)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Operating grants	84,914	-	13,296,018	385,129	13,766,061	-
Gain (Loss) on disposition of capital assets	49,681	92,403	(1,879)	143,369	283,574	(108,811)
Tax revenue	-	-	-	257,687	257,687	-
Tax expense	(92,356)	(151,015)	-	(23,041)	(266,412)	-
Interest income	586,006	563,512	55,140	57,379	1,262,037	501,575
Net increase in fair value of investments	(752,140)	(474,865)	(45,276)	(87,970)	(1,360,251)	(264,027)
Connection fees	98,332	1,102,468	-	-	1,200,800	-
Rental income	42,675	497,700	117,325	624,937	1,282,637	-
Settlements and recoveries	-	116,711	-	-	116,711	-
Interest expense	(6,909,760)	(2,254,307)	-	(217,983)	(9,382,050)	-
Trustee fees	(1,600)	(2,800)	-	(2,800)	(7,200)	-
Amortization of costs of issuance	(48,799)	(57,630)	-	-	(106,429)	-
Total nonoperating revenues (expenses)	<u>(6,943,047)</u>	<u>(567,823)</u>	<u>13,421,328</u>	<u>1,136,707</u>	<u>7,047,165</u>	<u>128,737</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>9,773,850</u>	<u>17,839,781</u>	<u>(1,965,728)</u>	<u>1,597,925</u>	<u>27,245,828</u>	<u>(3,509,122)</u>
Capital contributions	-	3,000,000	752,052	530,497	4,282,549	-
Transfers in	3,500	-	1,500	1,859,245	1,864,245	1,499,889
Transfers out	(1,166,218)	(1,037,886)	(9,170)	(706,641)	(2,919,915)	(257,580)
Special item	(642,019)	(501,238)	-	-	(1,143,257)	-
CHANGE IN NET POSITION	<u>7,969,113</u>	<u>19,300,657</u>	<u>(1,221,346)</u>	<u>3,281,026</u>	<u>29,329,450</u>	<u>(2,266,813)</u>
NET POSITION, July 1	364,946,852	197,551,001	33,593,030	52,377,587		(35,227,311)
PRIOR YEAR ADJUSTMENTS	<u>(361,273)</u>	<u>(740,689)</u>	<u>2,558,158</u>	<u>76,167</u>		<u>12,944,315</u>
NET POSITION, June 30	<u>\$ 372,554,692</u>	<u>\$ 216,110,969</u>	<u>\$ 34,929,842</u>	<u>\$ 55,734,780</u>		<u>\$ (24,549,809)</u>
Adjustment to reflect the consolidation of internal service fund					8,513,328	
Change in net position of business-type activities					<u>\$ 37,842,778</u>	

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
Year ended June 30, 2013

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users	\$ 60,704,900	\$ 32,267,110	\$ 3,042,045	\$ 18,536,610	\$ 114,550,665	\$ 5,565,685
Receipts from interfund services provided	57,955	562,242	-	16,745	636,942	37,254,041
Payments to suppliers	(12,199,317)	(203,818)	(13,768,449)	(4,921,389)	(31,092,973)	(23,194,541)
Payment of insurance claims	-	-	-	-	-	(6,552,590)
Payments to employees	(9,115,698)	(8,742,906)	(1,548,524)	(4,653,128)	(24,060,256)	(23,959,139)
Payments for interfund services used	(6,471,969)	(6,543,696)	(1,490,735)	(4,817,018)	(19,323,418)	(2,679,381)
Net cash provided (used) by operating activities	<u>32,975,871</u>	<u>17,338,932</u>	<u>(13,765,663)</u>	<u>4,161,820</u>	<u>40,710,960</u>	<u>(13,565,925)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Operating grants received	84,914	-	20,583,818	330,646	20,999,378	-
Taxes received	-	-	-	257,687	257,687	-
Settlements and recoveries	-	116,711	-	-	116,711	-
Interest paid	-	-	-	-	-	3,182
Transfers in	3,500	-	1,500	1,859,245	1,864,245	1,499,889
Transfers out	(1,166,218)	(1,037,886)	(9,170)	(706,641)	(2,919,915)	(257,580)
Advances from (to) other funds	50,000	-	-	-	50,000	-
Due from other funds	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(1,027,804)</u>	<u>(921,175)</u>	<u>20,576,148</u>	<u>1,740,937</u>	<u>20,368,106</u>	<u>1,245,491</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets	(13,196,452)	(33,592,641)	(3,304,576)	(495,554)	(50,589,223)	(3,049,398)
Gain/Loss from sale of capital assets	-	-	-	143,369	143,369	(108,811)
Proceeds of debt issues	-	33,680,997	-	-	33,680,997	-
Payment to bond escrow agent	-	-	-	-	-	-
Costs of issuance paid	42,469	46,220	-	-	88,689	-
Principal repayments	(2,411,953)	(7,491,189)	-	(275,000)	(10,178,142)	(174,837)
Interest paid	(7,026,777)	(2,328,229)	-	(219,540)	(9,574,546)	-
Trustee fees	(1,600)	(2,800)	-	(2,800)	(7,200)	-
Capital grants received	-	-	752,052	92,541	844,593	-
Connection fees for capital purposes	98,332	1,102,468	-	-	1,200,800	-
Net cash provided (used) by capital and related financing activities	<u>(22,495,981)</u>	<u>(8,585,174)</u>	<u>(2,552,524)</u>	<u>(756,984)</u>	<u>(34,390,663)</u>	<u>(3,333,046)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Interest received	540,631	520,667	38,369	41,952	1,141,619	483,396
Net increase in the fair value of investments	(752,140)	(474,865)	(45,276)	(87,970)	(1,360,251)	(264,027)
Net cash provided (used) by investing activities	<u>(211,509)</u>	<u>45,802</u>	<u>(6,907)</u>	<u>(46,018)</u>	<u>(218,632)</u>	<u>219,369</u>
Net increase (decrease) in cash and cash equivalents	9,240,577	7,878,385	4,251,054	5,099,755	26,469,771	(15,434,111)
CASH AND CASH EQUIVALENTS, JULY 1	101,100,741	58,400,527	4,531,924	7,153,139	171,186,331	46,880,733
PRIOR PERIOD ADJUSTMENT	<u>(361,273)</u>	<u>(740,689)</u>	<u>2,558,158</u>	<u>76,167</u>	<u>1,532,363</u>	<u>12,944,315</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 109,980,045</u>	<u>\$ 65,538,223</u>	<u>\$ 11,341,136</u>	<u>\$ 12,329,061</u>	<u>\$ 199,188,465</u>	<u>\$ 44,390,937</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>						
Cash and cash equivalents	\$ 72,150,766	\$ 48,541,165	\$ 11,341,136	\$ 11,725,911	\$ 143,758,978	\$ 31,741,641
Cash and cash equivalents with fiscal agent	23,216,393	4,099,353	-	603,150	27,918,896	403,234
Restricted assets-cash and cash equivalents	<u>14,612,886</u>	<u>12,897,705</u>	<u>-</u>	<u>-</u>	<u>27,510,591</u>	<u>12,246,062</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 109,980,045</u>	<u>\$ 65,538,223</u>	<u>\$ 11,341,136</u>	<u>\$ 12,329,061</u>	<u>\$ 199,188,465</u>	<u>\$ 44,390,937</u>

(continued)

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)**  
Year ended June 30, 2013

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>						
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 16,716,897	\$ 18,407,604	\$ (15,387,056)	\$ 461,218	\$ 20,198,663	\$ (3,637,859)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	16,899,480	6,047,586	1,973,341	2,818,983	27,739,390	3,371,761
Rental income	42,675	497,700	117,325	624,937	1,282,637	-
Taxes paid	(92,356)	(151,015)	-	(23,041)	(266,412)	-
Special item	(642,019)	(501,238)	-	-	(1,143,257)	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(12,606)	33,935	(22,217)	275,456	274,568	105,951
(Increase) decrease in utilities receivable	(748,833)	(238,398)	-	(64,878)	(1,052,109)	-
(Increase) decrease in loans receivable	-	(2,441,426)	-	-	(2,441,426)	-
(Increase) decrease in due from governments	(12,459)	(8,469,209)	-	-	(8,481,668)	8,422
(Increase) decrease in prepaid expenses	(525,421)	(2,914)	(4,572)	952	(531,955)	(203,779)
(Increase) decrease in inventories	-	-	-	-	-	17,378
Increase (decrease) in accounts payable and accrued expenses	1,376,641	4,161,929	(437,956)	184,524	5,285,138	108,012
Increase (decrease) in accrued salaries and benefits	(45,971)	(37,599)	(4,528)	(46,658)	(134,756)	(41,524)
Increase (decrease) in compensated absences and OPEB	-	-	-	-	-	(12,761,065)
Increase (decrease) in claims liability	-	-	-	-	-	(533,222)
Increase (decrease) in due to other governments	-	-	-	7,984	7,984	-
Increase (decrease) in due to other funds	-	-	-	(78,292)	(78,292)	-
Increase (decrease) in deferred revenues	18,835	-	-	635	19,470	-
Increase (decrease) in refundable deposits	1,008	31,977	-	-	32,985	-
Total adjustments	<u>16,258,974</u>	<u>(1,068,672)</u>	<u>1,621,393</u>	<u>3,700,602</u>	<u>20,512,297</u>	<u>(9,928,066)</u>
Net cash provided (used) by operating activities	<u>\$ 32,975,871</u>	<u>\$ 17,338,932</u>	<u>\$ (13,765,663)</u>	<u>\$ 4,161,820</u>	<u>\$ 40,710,960</u>	<u>\$ (13,565,925)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>						
Capital assets transferred in	\$	\$ 3,000,000	\$ 752,052	\$ 530,497	\$ 4,282,549	\$
Developer infrastructure contributions						
Amortization of bonds discount and deferred amount on refunding						

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF FIDUCIARY NET POSITION -FIDUCIARY FUNDS**  
**June 30, 2013**

	<u>Private Purpose</u> <u>Trust Fund</u>	<u>Agency</u> <u>Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 520,911	\$ 9,210,537
Cash and cash equivalents held with fiscal agent	1,977,050	3,644,781
Interest receivable	985	-
Other assets	439,467	-
Capital assets	1,105,743	-
Restricted cash and investments		-
Total assets	<u>\$ 4,044,156</u>	<u>\$ 12,855,318</u>
<u>LIABILITIES</u>		
Due to special district bondholders	\$ -	\$ 8,264,740
Deposits held as agent for others	-	4,590,578
Other payables	1,668	-
Due to other agencies	1,192,004	-
Notes payable	15,140,000	-
Total liabilities	<u>\$ 16,333,672</u>	<u>\$ 12,855,318</u>
<u>NET POSITION</u>		
Net position held in trust	<u>\$ (12,289,516)</u>	

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
Year ended June 30, 2013

	Private Purpose Trust Fund
<b><u>ADDITIONS:</u></b>	
Contributions:	
Redevelopment Agency Property Tax Trust Fund	\$ 3,545,183
Total contributions	3,545,183
Interest and Investment Revenue:	
Use of money and property	44,179
Total interest and investment revenue	44,179
Total additions	3,589,362
<b><u>DEDUCTIONS:</u></b>	
Benefits paid:	
Affected taxing entities	1,234,627
Total benefits paid	1,234,627
Obligation retirements:	
Interest on note payable	786,700
Total obligation retirements	786,700
Administrative expenses:	
City administrative expenses	277,934
Depreciation Expense	103,572
Total administrative expenses	381,506
Total deductions	2,402,833
Change in net position	1,186,529
Net position held in trust - beginning	(13,396,101)
Prior year adjustment	(79,944)
Net position held in trust - ending	\$ (12,289,516)

The notes to basic financial statements are an integral part of this statement.

**CITY OF MODESTO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. THE FINANCIAL REPORTING ENTITY**

The City of Modesto (the City) was incorporated in 1884 and operates under a Council-Manager form of government as authorized by its charter adopted in 1951. The City Council consists of seven elected members. The following services are provided by the City to its citizens: public safety (police), highways and streets, drinking water, wastewater collection and treatment, storm drainage, public transit, recreation and social services, public improvements, community development, planning and zoning, and general administrative services.

These financial statements present the financial status of the City and its component units. The component units discussed in the following paragraphs are included in the City's reporting entity because the City is financially accountable for their operations.

1. The Modesto Public Financing Authority was established as a separate legal entity whose sole purpose is to provide financing for various City capital projects.
2. The Modesto Municipal Sewer District is a separate legal entity formed under the Municipal Sewer and Water Facilities Law of 1911. The purpose of the District is to provide financing for needed sewerage facilities in the Modesto urban area.
3. The City of Modesto has established several Community Facilities Districts to provide funding and reimbursement mechanisms for public facilities and services required by each District Specific Plan. These Districts are the vehicles used to ensure that all landowners in the Districts contribute to the cost of public improvements. There are currently nine active Districts, which are combined for presentation in these financial statements. Individual component unit financial statements are prepared for each District.

The Redevelopment Successor Agency (Successor Agency) operates under the auspices of a legislatively formed Oversight Board comprised of representatives of the local agencies that serve the development project area. The Oversight Board, in its fiduciary capacity, and has authority over the operations and the timely dissolution of the former RDA. It is tasked with fulfilling the obligations of the former RDA, and is also responsible for revenue collection, maintaining necessary bond reserves and disposing of excess property. This agency is reported as a private-purpose trust fund based on the statutory requirement.

Although these component units are legally separate from the City, they are reported on a blended basis as part of the primary government because their boards consist of all seven members of the City Council. Component unit financial statements may be obtained from the City's Finance Department.

The joint ventures and jointly governed organization described in Note III - E are not considered part of the reporting entity because the City is not financially accountable for their operations.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a

specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, AND MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest expenditures are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

Substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, business license, transient occupancy, franchise fees, and gas taxes), interest, special assessments levied, state and federal grants, and charges for current services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues from licenses, permits, and fines and forfeits are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing and Community Development accounts for various grant funds received from Federal Community Development Block grants to be used for a variety of housing related programs primarily targeted at low-income housing. Additionally, this fund accounts for the City's revolving fund which provides housing loans to low-income individuals and accounts for emergency shelter grant revenue received from Housing Urban Development agency.

The Capital Facility Fees Fund accounts for special fees collected on new building permits to be used from construction of growth related projects, including police department expansion, fire department expansion, street-related projects, parks, new traffic signals, wastewater treatment, public transportation and air quality improvements.

The City reports the following major proprietary funds:

The Water Fund accounts for all revenues collected by the City for the purpose of financing the construction, operation, and maintenance of the City water distribution system. Revenues are derived from water service charges and various installation fees.

The Sewer Fund accounts for revenues collected by the City for the purpose of financing the construction,

operation, and maintenance of the City sewer system. Revenues include, but are not limited to, sewer service charges and sewer lateral charges.

The Bus Fund accounts for operations, maintenance, and capital expenditures of the City's mass transportation service. This system operates pursuant to the terms of a Federal grant agreement. Buses are operated by a private contractor under the terms of a supervisory agreement with the City. A separate contract provides Dial-a-Ride service for the elderly and handicapped.

Additionally, the City reports the following fund types:

Internal service funds account for fleet management, central services, technology and information services, insurance, employee benefits management, and building services provided to other departments or agencies of the City on a cost-reimbursement basis.

Agency funds account for cash and investments held by the City as agent for various assessment districts, governmental entities and non-public organizations. Agency funds cannot be major funds.

Private-purpose Trust fund accounts as the fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. The fund reports the assets, liabilities, and activities of the Successor Agency.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are exchange or exchange-like transactions between functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of 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.

## D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

### 1. Cash and Cash Equivalents

Cash and investments (including restricted assets) held in the City's investment pool are reported as cash and cash equivalents on the statement of net assets and balance sheet because funds can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents because they are highly liquid and have maturities of 3 months or less at the time of purchase. Investments are stated at fair value. Valuations are obtained by using quotations obtained from

independent published sources.

## 2. Restricted Assets - Cash and Cash Equivalents

Refundable deposits of the General Fund are classified as restricted assets – cash and cash equivalents on the governmental funds balance sheet because their use is restricted for repayment of those refundable deposits. Refundable deposits in the Water and Sewer funds are also reported as restricted assets on the proprietary funds statement of net assets. In addition, certain proceeds of Water certificates of participation and Sewer revenue bonds are considered restricted assets because their use is limited by applicable debt covenants. These proceeds are reported as part of “restricted assets – cash and cash equivalents” on the proprietary funds statement of net assets. The Employee Benefits Management Fund collects funds which are restricted for future payouts for leave balances due to employees who terminate or retire from the City as well as any severance payouts.

## 3. Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due from/due to other funds" (amounts due within one year), or "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Advances to other funds are offset by a fund balance reserve in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All property taxes are collected and allocated by the County of Stanislaus to the various taxing entities. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The City participates in the County "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 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. 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 year-end.

Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the governmental funds when they are both measurable and available. The City considers these revenues available if they are received during the period when settlement of prior fiscal year accounts payable occurs. Historically, the majority of these taxes are received within 60 days of the fiscal year end; therefore, revenue from taxpayer-assessed taxes is accrued if it is received by August 31.

Grant and entitlement revenues are recorded as receivables in the funds when they are susceptible to accrual (i.e., when all eligibility requirements have been met). The corresponding governmental fund revenues are recorded when they become available, with the differences recorded as deferred revenue. The corresponding proprietary fund revenues are recorded as non-operating revenues when the receivables are recorded. Some grant and entitlement revenues are not susceptible to accrual, in which case the corresponding revenues are recorded when received. The total amount due from governments for grants, entitlements, and shared receivables and revenues at June 30, 2013 is \$22,399,492.

Utility service accounts receivable are reported net of \$1,199,559 allowance for doubtful collections and include unbilled receivables using actual amounts billed in July for June services for governmental funds. City Accounts receivable are reported net of \$3,201,468 allowance for doubtful collections, and are based on miscellaneous receivables from the City's invoice system as well as other receivables accrued at year end.

## 4. Inventories

Inventories of material and supplies held by proprietary funds are stated at average cost.

## 5. Capital Assets

Capital assets which include property, plant and equipment, intangible assets and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

In the case of the initial capitalization of infrastructure assets reported by governmental activities, the City chose to include them regardless of their acquisition date or amount. Historical values were estimated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is determined by offsetting interest expense incurred from the date of borrowing until completion of the project, against interest earned on invested proceeds over the same period. During the fiscal year ended June 30, 2013, \$2,105,021 net interest expense on tax-exempt debt of the City's Water fund, was capitalized.

Depreciation is recorded using the straight line method over the estimated useful lives of the assets, which are 75 years for pipelines, 30 years for buildings, 20 years for improvements, 12 years for buses, 10 years for furnishings and equipment, 2 to 10 years for vehicles, 5 to 15 years for intangible assets, 30 to 50 years for streets, 20 years for signalization, and 50 years for bridges. Operating expenses include depreciation on all depreciable capital assets.

Capital leases are recorded as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term.

## 6. Deferred Outflows and Inflows of Resources

Pursuant to Governmental Accounting Standards Board (GASB) Statement Number 63, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note II. N for a detail listing of the deferred inflows of resources the City has recognized.

## 7. Compensated Absences

All earned vacation, holiday, and compensating time, and a portion of accumulated sick leave payable upon termination or retirement, are accrued in the Employee Benefits Management Internal Service Fund as compensated absences. Estimated sick leave termination payments have been calculated using the GASB Statement 16 vesting method. Under this method, a liability is accrued for a portion of the sick leave balances of all employees who are currently eligible, or are assumed to become eligible in the future, to receive a payment for sick leave upon termination. As of June 30, 2013, the total estimated liability for all compensated absences, including sick leave, is \$10,241,074.

## 8. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that account be spent because they are either (a)

not spendable in form or (b) legally or contractually required to be maintained intact.

- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (City Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* – amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, which includes City Council or by an official designated such as the City Manager for such purpose.
- *Unassigned fund balance* – the residual classification for the City's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

The City establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the City through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

#### 9. Fund Balance Policy

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its City funds sufficient to fund cash flows of the City and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed and unassigned fund balances are considered unrestricted.

The purpose of the City's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The City has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of a flat \$7 million for fiscal year 2012-2013.

### E. OTHER SIGNIFICANT ACCOUNTING POLICIES

#### 1. Employee Benefits

The City established the Employee Benefits Management Internal Service Fund to account for all compensated absences and non-insurance benefits. Insurance benefits for current employees are paid from the Insurance Internal Service Fund. The Employee Benefits Management Fund is reimbursed based on actual benefits paid and leave taken, through payroll charges to the City's operating funds. Leave earned but not taken is being funded over

#### 2. Interfund Transactions

The City transfers resources among funds in the course of normal operations. Interfund service provided and used, such as equipment pool rental, are accounted for as revenues and expenditures or expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions are reported as transfers.

## F. NEW ACCOUNTING STANDARDS

During the fiscal year ending June 30, 2013, the City implemented the following GASB standards:

**GASB Statement No. 60** - *Accounting and Financial Reporting for Service Concession Arrangements* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. The City has implemented this change for the fiscal year ended June 30, 2013.

**GASB Statement No. 61** - *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. The City has implemented this change for the fiscal year ended June 30, 2013.

**GASB Statement No. 62** - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements -Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. The City has implemented this change.

**GASB Statement No. 63** - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net Assets with a Statement of Net Position and a Statement of Changes in Net Position instead of the current Statement of Changes in Net Assets upon implementation for periods beginning after December 15, 2011. The City has implemented this change for the fiscal year ended June 30, 2013.

**GASB Statement No. 64** - *Derivative instruments: Application of Hedge Accounting Termination Provisions* - amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB-64 are effective for financial statements beginning after June 15, 2011. The City has implemented this change.

Recently released standards by GASB affecting future fiscal years are as follows:

**GASB Statement No. 65** – *Items Previously Reports as Assets and Liabilities*. The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012. The City will implement this change for the fiscal year ended June 30, 2014.

**GASB Statement No. 66** – *Items Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*. The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. As of the date of the basic financial statements, the City has not made an assessment of any changes that will occur upon the statement's implementation.

**GASB Statement No. 67** – *Financial Reporting for Pension Plans- ad amendment of GASB Statement No. 25*. The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. The City has not fully judged the effect of the implementation of GASB Statement No. 67 as of the date of the basic financial statements.

**GASB Statement No. 68** – *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. The City has not fully judged the effect of the implementation of GASB Statement No. 68 as of the date of the basic financial statements.

**GASB Statement No. 69** – *Government Combinations and Disposals of Government Operations* – The provisions of this statement are effective for financial statements for periods beginning after December 15,

2013. The City has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements.

**GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees –** The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013. The City has not fully judged the effect of the implementation of GASB Statement No. 70 as of the date of the basic financial statements.

## II. DETAILED NOTES

### A. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of the City's cash and investment pool is displayed on the balance sheet and proprietary and fiduciary fund statements of net position as "cash and cash equivalents." Each fund is allocated interest on average monthly cash balances held by the funds throughout the year. Certain deposits held in trust are displayed on the governmental funds balance sheet and the proprietary funds statement of net position as "restricted assets – cash and cash equivalents." The City also maintains "cash and cash equivalents with fiscal agent" which represent monies held by fiscal agents for payment of various City debt and capital projects costs.

#### 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 types of instruments, and the table also identifies certain provisions of the California Government Code, or the City's investment policy where it is more restrictive:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	N/A	None	None
Treasury Obligations	5 years	N/A	None	None
State of Obligations	5 years	AAA	None	None
CA Local Agency Obligations Agencies	5 years	AAA	None	None
Bankers' Acceptances	180 days	N/A	40%	Federal Reserve Eligible
Commercial Paper	180 days	Top rating category	25%	A1/P1 Rating
Collateralized Certificates of Deposit	5 years	N/A	None	None
Negotiable Certificates of Deposit	5 years	AA	30%	None
Repurchase Agreements	1 year	N/A	None	None
Reverse Repurchase Agreements	92 days	N/A	20%	None
Medium Term Notes	5 years	AA -	30%	None
Money Market Mutual Funds	N/A days	Top rating category	15%	None
Mortgage Pass-Through Securities	5 Years	AA	20%	None
Time Deposits	5 years	N/A	None	None
CAMP	N/A	N/A	None	None
Mutual Funds	N/A	N/A	15%	None
LAIF	N/A	N/A	None	None

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the

California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. The Pool's investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. At June 30, 2013 the fair value approximated the City's Cost. At June 30, 2013, these investments range from a maximum maturity of 5 years to some maturity limits of 180 days or less. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share.

#### 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 as 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 ordinance, bond indentures or State statute. All current bond indentures authorize the same investments as the City's investment policy.

#### 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. The following table summarizes the City's interest rate risk, based on maturity dates of various investments:

Investment Type	Remaining Time to Maturity				
	Total	Less Than 1 Year	1 – 2 Years	2 – 3 Years	Over 5 Years
U.S. Treasury Notes	\$94,653,171	-	\$62,881,124	\$31,772,047	-
Federal agency securities					
Bonds	1,098,214	1,098,214	-	-	-
Notes	90,357,748	29,299,705	28,111,878	32,946,165	-
Discount Notes	-	-	-	-	-
U.S. Treasury Bills	-	-	-	-	-
CAMP	78,961,929	78,961,929	-	-	-
Cash in banks	23,857,802	23,857,802	-	-	-
Held by trustee:					
Money market funds	6,425,044	6,425,044	-	-	-
MID-Collateral Agreement	20,008,884	20,008,884	-	-	-
Federal agency securities					
notes	3,397,422	3,397,422	-	-	-
CAMP	18,501,616	18,501,616	-	-	-
<b>Total</b>	<b>\$337,261,830</b>	<b>\$181,550,616</b>	<b>\$90,993,002</b>	<b>\$64,718,212</b>	<b>-</b>

Maturity dates for callable notes are based on call dates. During June 30, 2013 no timing difference occurred between our trustee agent and investment reports.

#### Disclosures Related to Credit Risk

Generally, 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 rating as of June 30, 2013 for each investment type:

<u>Investment Type</u>	<u>Total</u>	<u>Exempt from Disclosure</u>	<u>AAA and A-1+</u>	<u>Not Rated</u>
U.S. Treasury Notes	\$94,653,171	\$94,653,171	-	-
Federal agency securities	91,455,962	-	91,455,962	-
U.S. Treasury Bills				
CAMP	78,961,929	-	78,961,929	
Held by trustee:				
Money market funds	5,841,134	-	5,841,134	-
MID-Collateral Agreement	20,008,884	20,008,884		
Federal agency securities notes	3,397,422	-	3,397,422	-
CAMP	18,501,616	-	18,501,616	-
Total	<u>\$312,820,118</u>	<u>\$114,662,055</u>	<u>\$198,158,063</u>	<u>\$-</u>

### Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total entity-wide investments are as follows at June 30, 2013:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Portfolio</u>
Freddie Mac (FHLMC)	Federal agency securities	\$47,715,547	25.64%
Federal Home Loan Bank	Federal agency securities	5,720,506	3.07%
Fannie Mae (FNMA)	Federal agency securities	38,019,909	20.43%

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the City's cash on deposit. All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institution in the City's name.

The custodial credit risk for investments is the risk that, in the event of the failures of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City, including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

## B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Prior Yr Adjustment	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	33,462,515	169,585	-	(5)	33,632,095
Construction in Progress	40,222,485	24,898,654	(9,356,678)	(206,177)	55,558,284
Total capital assets, not being depreciated:	\$ 73,685,000	\$ 25,068,239	\$ (9,356,678)	\$ (206,177)	\$ 89,190,379
Capital assets being depreciated:					
Building	32,253,507	1,759,550	-	170,601	34,183,658
Improvements other than buildings	72,037,894	2,046,181	-	(457,453)	73,626,622
Furnishings & equipment	15,492,772	855,854	(1,310,917)	99,886	15,137,595
Service Animals	-	22,264	-	-	22,264
Intangible Assets	2,485,525	6,398,842	(750,814)	(389,917)	7,743,636
Equipment pool	30,207,624	3,822,325	(2,951,796)	7,647	31,085,800
Infrastructure					
Streets	493,558,087	748,200	-	1	494,306,288
Signals	17,004,710	337,143	-	90	17,341,943
Bridges	26,207,207	-	-	-	26,207,207
Total capital assets, being depreciated:	\$ 689,247,326	\$ 15,990,359	\$ (5,013,527)	\$ (569,145)	\$ 699,655,013
	Beginning Balance	Additions	Deletions	Prior Yr Adjustment	Ending Balance
Less accumulated depreciation for:					
Buildings	(17,054,545)	(872,429)	-	269,892	(17,657,082)
Improvements	(35,621,620)	(2,905,230)	-	460,356	(38,066,494)
Furnishings & equipment	(12,192,719)	(1,027,183)	1,204,757	(225,635)	(12,240,780)
Service Animals	-	(1,387)	-	-	(1,387)
Intangible Assets	(2,294,572)	(591,289)	728,784	(360,278)	(2,517,355)
Equipment pool	(19,982,722)	(2,342,156)	2,774,694	21,534	(19,528,650)
Infrastructure					
Streets	(256,511,666)	(9,884,305)	-	-	(266,395,971)
Signals	(14,711,983)	(455,325)	-	1	(15,167,307)
Bridges	(4,537,244)	(524,144)	-	1	(5,061,387)
Total accumulated depreciation	\$ (362,907,071)	\$ (18,603,448)	\$ 4,708,235	\$ 165,871	\$ (376,636,413)
Total capital assets being depreciated, net	\$ 326,340,255	\$ (2,613,089)	\$ (305,292)	\$ (403,274)	\$ 323,018,600
Governmental activities capital assets, net	\$ 400,025,255	\$ 22,455,150	\$ (9,661,970)	\$ (609,451)	\$ 412,208,979

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	370,191
Community development	784,595
Highways and streets, including depreciation of general infrastructure assets	11,147,494
Public works	99,219
Parks and recreation	374,510
Public safety	2,455,678
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,371,761
Total depreciation expense – Gov activities	<u>\$18,603,448</u>

	Beginning Balance	Additions	Deletions	Prior Year Adjustments	Ending Balance
Business-type activities:					
Capital Assets not being depreciated:					
Land	30,073,929	-	-	-	30,073,929
Construction in Progress	92,416,090	45,243,431	(31,629,353)	(1,332,028)	104,698,140
Total capital assets, not being depreciated:	\$ 122,490,019	\$ 45,243,431	\$ (31,629,353)	\$ (1,332,028)	\$ 134,772,069
Capital Assets being depreciated:					
Capitalized Interest	17,391,161	2,105,021	-	-	19,496,182
Building	83,196,638	16,481,486	(1)	-	99,678,123
Improvements other than buildings	220,313,689	17,660,235	(12,491)	838,934	238,800,367
Furnishings & equipment	8,839,728	1,021,320	(243,509)	289,884	9,907,423
Intangible Asset	163,883	-	(3,278)	-	160,605
Water Rights	358,226,691	-	-	-	358,226,691
Buses and Fareboxes	18,745,371	-	-	-	18,745,371
Pipelines	151,899,144	249,381	-	218,102	152,366,627
Total capital assets, being depreciated:	\$ 858,776,305	\$ 37,517,443	\$ (259,279)	\$ 1,346,920	\$ 897,381,389
Less accumulated depreciation for:					
Capitalized Interest	(6,478,681)	(869,846)	-	-	(7,348,527)
Buildings	(49,635,995)	(2,855,745)	48	-	(52,491,692)
Improvements	(118,677,814)	(8,413,578)	10,226	-	(127,081,166)
Furnishings & equipment	(4,708,164)	(729,662)	208,078	(28,198)	(5,257,946)
Intangible Asset	(163,883)	-	3,278	-	(160,605)
Water Rights	(22,903,018)	(11,940,890)	-	(978,761)	(35,822,669)
Buses and Fareboxes	(12,859,203)	(990,002)	-	-	(13,849,205)
Pipelines	(32,555,146)	(1,939,667)	-	(16,882)	(34,511,695)
Total accumulated depreciation	\$ (247,981,904)	\$ (27,739,390)	\$ 221,630	\$ (1,023,841)	\$ (276,523,505)
Total capital assets being depreciated, net	\$ 610,794,401	\$ 9,778,053	\$ (37,649)	\$ 323,079	\$ 620,857,884
Business-type activities capital assets, net	\$ 733,284,420	\$ 55,021,484	\$ (31,667,002)	\$ (1,008,949)	\$ 755,629,953

Business activities:

Parking	403,595
Water	16,899,480
Sewer	6,047,586
Storm Drain	588,190
Compost	190,591
Airport	608,469
Bus	1,973,341
Golf	276,826
Community center	751,312
Total depreciation expense – business-type activities	<u>\$27,739,390</u>

C. LONG-TERM DEBT

Loans Payable

Governmental activities:

No-interest loan payable to the Stanislaus County Economic Development Bank loan program, to pay costs incurred by the City for the Kiernan Business Park East Project; loan intended to be repaid within five years of project completion, provided funds are available from revenue stream; project completion estimated to be March 1, 2009; authorized loan amount up to \$500,000, with a current balance of \$498,362; outstanding amount will increase as more eligible costs are incurred and more loan proceeds are borrowed.

\$ 498,362

Total principal balances – Governmental activities

\$498,362

Business-Type Activities:

Water Enterprise Fund:

Loan payable to the State of California Department of Water Resources, assumed from Del Este Water Company at acquisition, for purposes of upgrading the water delivery system; interest at 3.2%; semi-annual installments on April 1 and October 1 of \$132,360, including interest, through October 1, 2015

\$631,373

Loan payable to Modesto Irrigation District for the purposes of certain repairs and maintenance for the Exterior Insulation Finish System (“EIFS”) and gutter systems, and certain low sloped roofing replacement, collectively referred to for convenience as “Project”, and are necessary for the Modesto Regional Water Treatment Plant facilities. Payments are to be made in five annual installments due no later than July 31, 2014.

\$2,451,465

Loan payable to California State Water Resources Control Board, State Revolving Fund. The Project, commonly known as Tertiary Treatment Phase 1B Project generally consists of constructing a 12.6 million gallon per day tertiary treatment plant. Completion of Construction date is hereby established as June 1, 2015. Project Completion date is hereby established as June 1, 2016. The Recipient agrees to repay all Project Funds at an interest rate of two and six tenths percent (2.6%) per annum and an Administrative Service Charge of zero percent (0%) per annum. The loan payable balance only reflects the current bond reimbursements as of June 30, 2013. The total loan approved by the State Water Resources board is \$125 million.

\$38,292,828

Loan payable to State of California Department of Public Health, also known as ARRA Water Grant. This Agreement constitutes funding in the form of a loan with forgiveness of principal made by State under the provisions of California Safe Drinking Water State Revolving Fund Law of 1997, and the American Recovery and Reinvestment Act of 2009 (ARRA) Public Law 11 1-5. The purpose of the funding is to assist in financing construction of a project which will enable the city to meet safe drinking water standards or to address other health concerns, herein referred to as the "Project". The maximum loan amount of \$800,000 of which fifty percent (50%), or an estimated \$400,000 will not need to be repaid. The loan repayment term is 20 years at 2.5017 % interest rate.

\$546,118

Total principal balances – Business Type Activities

\$41,921,784

Annual debt service requirements to maturity for loans payable are as follows:

Year Ending June 30,	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2014	498,362	-	1,252,238	31,645
2015	-	-	1,746,428	23,174
2016	-	-	487,071	8,090,722
2017	-	-	5,188,124	3,257,310
2018	-	-	5,322,995	3,122,438
2019-2023	-	-	27,634,100	13,015,625
2024-2028	-	-	153,512	27,934
2029-2032	-	-	137,316	7,841
Total	\$ 498,362	\$ -	\$ 41,921,784	\$ 27,576,689

Certification of Participation

Business-Type Activities:

Golf Enterprise Fund:

1993 Refunding Certificates of Participation issued to refund earlier certificates for the Creekside Golf Course capital project; serial certificates with annual maturities on November 1, in amounts from \$225,000 to \$235,000; interest rate of 5.5%; term certificates at 5.6% in the amount of \$1,390,000 due November 1, 2014, and in the amount of \$3,585,000 at 5.0% due November 1, 2023, with annual payments ranging from \$250,000 to \$480,000 beginning in 2010. The certificates are repayable from any source of available funds of the City. However, the City has elected to repay the certificates from revenues of the Golf enterprise fund.

\$4,185,000

2008 Water Refunding Revenue Certificates of Participation issued to refund the 2006 issue, to provide funding for construction of new downstream water facilities and various water distribution system improvements in connection with Modesto Irrigation District's expansion of the regional water treatment plant; variable rate securities maturing October 1, 2036, with interest initially calculated weekly, fluctuating according to market conditions. The Certificates may be converted to a daily, term, flexible, or fixed rate.

The City entered into a 30 year interest rate swap agreement as discussed below. The combination of the variable rate 2008 COPs and the floating rate swap creates a synthetic fixed-rate debt for the City. The synthetic fixed rate was 3.48% at June 30, 2013.

Total principal balances – Business-Type Activities	<u>\$46,170,000</u>
Less:	
Unamortized bond discount – 2008 Water Refunding Certificates of Participation	(126,434)
Deferred amount on refunding – 2008 Water Refunding Certificates of Participation	(547,209)
Total Business Type Activities – Certificates of Participation	<u>\$49,681,357</u>

The City has pledged future Water Enterprise Fund revenues, net of specified operating expenses, to repay the 2008 Certificates of Participation, the loan from the State of California Department of Water Resources and Modesto Irrigation District, along with the its commitments to the Modesto Irrigation District via its Treatment and Delivery Agreement discussed in Note III F, through 2036. The Water Fund's total principal and interest remaining to be paid on the certificates and loans is \$84,572,634. The Water Fund's principal and interest paid on certificates and loans for the current year, along with payments to Modesto Irrigation District under the Treatment and Delivery Agreement, totaled \$10,889,760, and net revenues of the Fund were \$34,621,071, which represented coverage of 229%.

.Annual debt service requirements to maturity for certificates of participation are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2014	\$600,000	\$2,163,462
2015	650,000	2,132,600
2016	665,000	2,101,937
2017	705,000	2,069,519
2018	365,000	2,036,724
2019-2023	4,040,000	9,635,544
2024-2028	13,465,000	7,649,152
2029-2033	15,290,000	4,671,360
2034-2037	14,575,000	1,172,336
Total	<u>\$50,355,000</u>	<u>\$33,632,634</u>

Lease Revenue Bonds – Governmental activities:

2008 Lease Revenue Refunding Bonds in the amount of \$65,170,000 issued to refund the balance of the 1998 Lease Revenue Bonds and the 2007 Lease Revenue Refunding and Capital Improvement Bonds; variable rate securities maturing September 1, 2033, with interest initially calculated weekly, fluctuating according to market conditions. The bonds may be converted to a daily, term, flexible, or fixed rate. The combination of the variable rate bonds and a floating swap rate creates a synthetic fixed-rate debt for the City. The synthetic fixed rate was 3.61% at June 30, 2013. \$60,870,000

Annual debt service requirements to maturity for lease revenue bonds are as follows:

Year Ending June 30,	Principal	Interest
2014	\$1,395,000	\$2,767,184
2015	1,505,000	2,698,870
2016	1,665,000	2,624,758
2017	1,835,000	2,540,750
2018	1,695,000	2,460,771
2019-2023	11,005,000	10,892,002
2024-2028	16,215,000	7,708,944
2029-2033	20,810,000	3,346,938
2034	4,745,000	54,940
Total	<u>\$60,870,000</u>	<u>\$35,095,157</u>

Revenue Bonds – Business-type activities:

Sewer Enterprise Fund:

Wastewater Treatment Facility Revenue Bonds, Series 2005 Series A and B; Series A (non-taxable) interest payable on November 1 and May 1; serial certificates with annual maturities on November 1, in amounts from \$1,660,000 to \$3,230,000, with interest rates from 3.0% to 5.25%; Series B (taxable) paid in full during 2008 fiscal year. \$ 25,940,000

Wastewater Revenue Bonds, Series 2006A; interest payable on November 1 and May 1; serial certificates with annual maturities on November 1, in amounts from \$880,000 to \$1,005,000, with interest rates from 4.2% to 4.5%; term certificates in the amount of \$5,710,000 maturing in 2031 and \$7,060,000 maturing in 2036, bearing interest at 4.25%, with annual payments beginning in 2024. \$16,535,000

Total principal balances – business-type activities \$ 42,475,000

Plus: Unamortized bond premium - 2005 Bonds 1,278,005

Less:

Unamortized bond discount – 2006 Bonds (250,738)

Deferred amount on refunding – 2005 Bonds (2,060,402)

Total business-type activities revenue bonds \$ 41,441,865

The 2005 and 2006 bonds were issued to fund a variety of Sewer Enterprise Fund wastewater capital improvements.

The City has pledged future Sewer Enterprise Fund revenues, net of specified operating expenses, to repay the 2005 and 2006 bonds through 2036. The Sewer Fund's total principal and interest remaining to be paid on the bonds is \$62,145,982. The Sewer Fund's principal and interest paid for the current year and total customer net revenues were \$4,019,558 and \$25,431,325 respectively.

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	2,050,000	1,964,432
2015	2,160,000	1,859,183
2016	2,270,000	1,748,432
2017	2,385,000	1,643,983
2018	2,485,000	1,531,051
2019-2023	14,590,000	5,517,631
2024-2028	4,810,000	3,023,613
2029-2033	5,960,000	1,879,563
2034-2037	5,765,000	503,094
<b>Total</b>	<b>\$42,475,000</b>	<b>\$19,670,982</b>

Notes Payable – Governmental activities:

Note payable to the Federal Housing and Urban Development Department for the purpose of constructing the Neighborhood Center at Marshall Park and the expansion of the Maddux Youth Center; to be repaid using future Community Development Block Grant revenue; interest rates from 4.00% to 6.01%; semi-annual installments on August 1 and February 1 through August 2024.

\$3,201,000

Total Notes Payable

\$3,201,000

Annual debt service requirements to maturity for these notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	201,000	177,064
2015	211,000	166,483
2016	221,000	155,085
2017	233,000	142,777
2018	245,000	129,546
2019-2023	1,417,000	397,176
2024-2028	673,000	61,050
<b>Total</b>	<b>\$3,201,000</b>	<b>\$1,229,181</b>

Interest Rate Swap Agreements

Objective of the swaps – The primary objective of the swaps is to mitigate the effect of fluctuations in variable interest rates by paying a fixed rate and receiving a floating rate on the swap. Combining a pay-fixed receive-variable rate swap with variable debt results in what is termed “synthetic” fixed rate debt. It is called synthetic because the economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate

debt. Each time the City created synthetic fixed rate debt a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

During fiscal year 2007, the City entered into an interest swap agreement in connection with the 2006 Water Revenue Certificates of Participation. This transaction was updated due to the refunding of the 2006 Certificates by the 2008 Water Refunding Revenue Certificates of Participation. The swap agreement allows the City to create a synthetic fixed rate on the COPs, protecting it against increases in short-term interest rates. During fiscal year 2008, the City entered into an interest swap agreement in connection with the 1998 and 2007 Lease Revenue Bonds. The swap agreement allows the City to create a synthetic fixed rate on the Lease Revenue Bonds, protecting it against increases in short-term interest rates. The terms, fair value and credit risk of these swap agreements are disclosed below.

Additionally, in May 2007, the City approved the issuance of revenue bonds by the Modesto Irrigation District Financing Authority related to the financing of Phase 2 of the Domestic Water Treatment and Delivery System of the Modesto Irrigation District. This debt was issued as an interest swap feature with Bear Sterns, which was subsequently acquired by JP Morgan. Under the current agreement with JP Morgan, the City must post collateral when our negative position exceeds the Pledgor's Threshold of \$20 million. This negative position represents the present value of declining interest rates to date from issuance of bonds. In June 2010, the City Council authorized the City to post collateral up to \$18 million which would support a negative position of \$38 million. At the end of fiscal year 2013, the City had posted a cumulative total of \$20.0 million of collateral posting.

Terms – The terms, including the counterparty credit rating of the outstanding swaps, as of June 30, 2013 are shown in the table below. The swap agreements contain scheduled reductions to the outstanding notional amounts that are expected to follow scheduled principal reductions in the associated debt issues.

<u>Related Debt Issue</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Counterparty</u>	<u>Credit Rating (S&amp;P)</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Termination Date</u>
2008 Water Refunding Revenue COPs	\$47,625,000	5/30/2008	Bank of America	A	3.48%	63.7% of USD-LIBOR, plus .154%	10/1/2036
2008 Lease Revenue Refunding and Capital Improvement	65,170,000	8/28/2008	Bank of America	A	3.61%	63.7% of USD-LIBOR, plus .154%	9/1/2033
2007 MID Water Refunding Revenue Bonds 2007F	\$23,370,000	6/26/2007	JP Morgan Chase Bank	A+	4.38%	67% of 3 Month LIBOR + 0.58%	9/1/2027
2007 MID Water Revenue Bonds Series 2007F	69,820,000	6/26/2007	JP Morgan Chase Bank	A+	4.44%	67% of 3 Month LIBOR + 0.63%	9/1/2037

Based on the swap agreement the City owes interest calculated at a fixed rate to the counterparty (Bank of America) and (JP Morgan). In return, the counterparty owes the City interest based on the variable rate that approximates the rate required by the associated COPs and lease revenue bonds. Debt principal is not exchanged; it is only the basis on which the swap receipts and payments are calculated.

In June 2008 the GASB issued Statement 53 Accounting and financial Reporting for Derivative Instruments (GASB 53). GASB 53 addresses the recognition measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The City adopted GASB 53 in Fiscal Year 2010. All derivatives are to be reported on the statement of net assets at fair value and all hedges must be tested for effectiveness to qualify for hedge accounting. The tests are outlined in GASB 53. Depending on the test results, the changes in fair value are either reported on the statement of net assets as a deferral or in the statement of activities as investment revenue or loss.

Fair value – Fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of each transaction and any upfront payments that may have been received. Fair value was estimated using the zero-coupon discounting method, which calculates the future payments required by the swap, assuming

that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As of June 30, 2013 (December 31, 2013 for MID bonds), the fair value of the swaps was in favor of the counter party as shown in the following table:

Bond Issue	Fair Value
2008 Water Refunding Revenue Certificates of Participation	(\$8,224,004)
2008 Lease Revenue Bonds	(\$10,345,451)
2007 MID Water Refunding Revenue Bonds	(\$23,282,610)

Credit risk – As of June 30, 2013, the City was not exposed to credit risk on the swaps because the swaps had negative fair value. However, if interest rates increase and the fair value becomes positive, the City would be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Basis risk - Basis risk is the risk that the interest rate paid by the City to the bondholders on the underlying variable rate bonds temporarily differs from the variable swap rates received from the counterparty. The swaps have basis risk since the City receives a percentage of the LIBOR Index to offset the actual variable bond rates the City pays on the underlying certificates of participation. The City is exposed to basis risk should the floating rate that it receives on the swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The City is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal and state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the City is exposed to this basis risk.

Termination risk - The City may terminate the swap contracts if the other party fails to perform under the terms of the contracts. The City will be exposed to variable rates if the counterparty defaults or if the swap contract is terminated. A termination of the swap contract may also result in the City's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap payments and associated debt – Using rates as of June 30, 2013, debt service requirements of the 2008 Water Refunding Revenue Certificates of Participation and the 2008 Lease Revenue Refunding Bonds including net swap payments and broker fees, are as shown in the following table assuming current interest rates remain the same for their term. These payments are also included in the tables of debt service requirements accompanying the Certificates of Participation and Lease Revenue Bonds disclosures above. The bond interest payments and net swap payments will vary as interest rates vary.

Year Ending	Variable-Rate Bonds		Interest Rate Swap, Net, and Broker Fees	Total
	Principal	Interest		
June 30				
2014	\$1,705,000	\$1,590,694	\$3,135,222	\$6,430,916
2015	1,845,000	1,563,544	3,079,996	6,488,540
2016	2,005,000	1,534,069	3,021,501	6,560,570
2017	2,200,000	1,501,800	2,953,969	6,655,769
2018	2,060,000	1,470,375	2,889,996	6,420,371
2019-2023	13,065,000	6,804,018	13,333,153	33,202,171
2024-2028	28,740,000	5,198,325	10,147,771	44,086,096
2029-2033	36,100,000	2,733,900	5,284,398	44,118,298
2034-2037	19,320,000	428,400	798,877	20,547,277
Total	<u>\$107,040,000</u>	<u>\$22,825,125</u>	<u>\$44,644,883</u>	<u>\$174,510,008</u>

The debt scheduled related to the MID Water Refunding bonds are provided below:

Year Ending June 30,	Principal	Interest
2014	4,175,000	6,603,306
2015	4,395,000	6,383,700
2016	4,615,000	6,152,818
2017	4,855,000	5,913,184
2018	5,095,000	5,664,434
2019-2023	29,485,000	24,255,102
2024-2028	23,370,000	18,149,387
2029-2033	29,250,000	12,370,950
2034-2038	40,570,000	4,992,114
Total	<u>\$145,810,000</u>	<u>\$90,484,995</u>

#### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Loans Payable	498,362	-	-	498,362	498,362
Lease Revenue Bonds:	62,130,000	-	1,260,000	60,870,000	1,395,000
Notes Payable	3,392,000	-	191,000	3,201,000	201,000
Obligations under Capital Leases	742,937	-	240,315	502,622	245,677
Compensated Absences	8,024,864	2,344,991	3,539,795	6,830,060	4,044,661
Net OPEB	56,394,596	4,328,735	12,408,184	48,315,147	-
Claims liability	23,215,907	5,880,326	6,413,548	22,682,685	5,167,875
<b>Total governmental activities LTL</b>	<b>\$ 154,398,666</b>	<b>\$ 12,554,052</b>	<b>\$ 24,052,842</b>	<b>\$ 142,899,876</b>	<b>\$ 11,552,575</b>
<b>Business-type activities:</b>					
Loans Payable	16,098,866	28,056,120	2,233,202	41,921,784	1,252,238
Compensated Absences	2,862,849	2,315,983	1,767,818	3,411,014	2,019,955
Net OPEB	13,617,443	2,161,825	6,196,801	9,582,467	-
Certificates of participation:	50,940,000	-	585,000	50,355,000	600,000
Unamortized Discounts	(131,933)	-	(5,499)	(126,434)	-
Deferred amount on refunding	(571,000)	-	(23,791)	(547,209)	-
MID Variable Bonds	149,790,000	-	3,980,000	145,810,000	4,175,000
Sewer Bonds:	44,430,000	-	1,955,000	42,475,000	2,050,000
Unamortized Premium	1,405,805	-	127,800	1,278,005	-
Unamortized Discount	(261,185)	-	(10,447)	(250,738)	-
Deferred amount on refunding	(2,266,443)	-	(206,041)	(2,060,402)	-
Developer advances	1,610,897	-	93,041	1,517,856	93,112
<b>Business-type activities LTL</b>	<b>\$ 277,525,299</b>	<b>\$ 32,533,928</b>	<b>\$ 16,692,884</b>	<b>\$ 293,366,343</b>	<b>\$ 10,190,305</b>

Principal balances are reported on the government-wide and enterprise funds statements of net position net of unamortized issuance discounts and premiums, and deferred amounts on refunding. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, internal service funds obligations were zero under notes payable, and \$359,990 in capital leases are included in the above amounts. Also, the compensated absences and claims liability balances relate to the internal service funds, and as such they are liquidated by the internal service funds.

#### Redevelopment Agency (RDA) Debt Service

The RDA Debt Service Fund Accounts for the accumulation of resources for, and payment of, general long-term principal and interest incurred for the purchase of real property within the area of RDA. On February 1, 2012,

pursuant to the provisions of the Redeveloped Restructuring Act, these resources and obligations were transferred to the City of Modesto Redevelopment Successor Agency, Private Purpose Trust Fund. For more information about the RDA, refer to Note II Section J.

D. OBLIGATIONS UNDER CAPITAL LEASES

Internal Service Funds

A software license valued at \$893,110, less \$0 accumulated depreciation, is being leased under a capital lease arrangement. The following is a schedule of the future minimum lease payments on this capital lease as of June 30, 2013:

Year Ending June 30,	
2014	\$190,674
2015	<u>190,674</u>
Total minimum lease payments	381,348
Less: amount representing interest	<u>(21,358)</u>
Present value of minimum lease payments	<u><u>\$359,990</u></u>

Governmental Funds

One Pierce Quantum 1500GPM Fire Apparatus valued at \$422,524 less \$71,799 accumulated depreciation, is being leased under a capital lease arrangement. The following is a schedule of the future minimum lease payments on this capital lease as of June 30, 2013

<u>Year Ending June 30,</u>	
2014	\$77,611
2015	<u>77,611</u>
Total minimum lease payments	155,222
Less: amount representing interest	<u>(12,590)</u>
Present value of minimum lease payments	<u><u>\$142,632</u></u>

E. DEVELOPER ADVANCES

The Del Este Water Company (Del Este) entered into various agreements with developers under which infrastructure components were either constructed on behalf of Del Este or cash was advanced to the company to construct the infrastructure. Agreements in existence at the time of the City's acquisition of Del Este were assumed by the City. The terms of repayment call for no interest, with principal paid over a 40-year period. As of June 30, 2013, the total outstanding balance due under the agreements is \$1,517,856. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 2013, the amount of \$93,112 due during fiscal year 2014 has been reported as "current portion-developer advances" on the Proprietary Funds statement of net assets. The remaining \$1,424,745 of outstanding principal has been reported under noncurrent liabilities, as "developer advances."

F. INTERFUND BALANCES

Interfund balances as of June 30, 2013 consist of the following:

Due to General Fund from:

Other governmental funds – total due to/due from	\$ 233,119
Other enterprise funds - total due to/due from	<u>575,243</u>
 Total Due to/from General Fund	 <u>\$ 808,362</u>
 Total Due to/Due From:	 <u>\$ 808,362</u>
Advances from General Fund to:	
Capital Facility Fee fund	\$1,058,998
Other governmental funds	145,727
Other enterprise funds	<u>1,324,704</u>
 Advances from General Fund	 <u>\$2,529,429</u>
 Advance from Internal Service Fund to General Fund	 <u>\$2,431,738</u>
 Advance from Enterprise Fund to General Fund	 <u>300,000</u>
 Total Advances from/Advances to	 <u>\$5,261,167</u>

All balances reported as “due to/due from” are short-term loans to cover temporary fund cash shortages as of June 30, 2013, and were repaid early in fiscal year 2014. Balances reported as “advance to/advance from” were for capital projects expenditures and are either in the process of being repaid or have scheduled repayments in future years.

## G. Fund Balance

Detailed classifications of the City's Fund Balances, as of June 30, 2013, are provided below:

	General Fund	Housing and Community Development	Capital Facility Fees	Other Governmental	Total Governmental Funds
Non-spendable					
Prepaid Items	\$ 126,603	\$ -	\$ -	\$ 746	\$ 127,349
Total non-spendable fund balance	<u>126,603</u>	<u>-</u>	<u>-</u>	<u>746</u>	<u>127,349</u>
Restricted					
Advances to Other Funds	2,529,429	-	-	-	2,529,429
Capital Facility Fees	-	-	26,110,395	-	26,110,395
Cash with Fiscal Agent	-	-	-	14,268,860	14,268,860
Community Facilities District	-	-	-	4,870,359	4,870,359
Grants and Donations	-	-	-	3,782,724	3,782,724
Investment FV Adj	(152,245)	25,607	(190,650)	(143,286)	(460,574)
Notes Receivable	-	52,873,420	-	2,281,179	55,154,599
Property Held for Resale	-	-	-	784,000	784,000
Restricted deposits	1,336,456	-	-	-	1,336,456
Traffic Fines	-	-	-	2,062,201	2,062,201
Total restricted fund balance	<u>3,713,640</u>	<u>52,899,027</u>	<u>25,919,745</u>	<u>27,906,037</u>	<u>110,438,449</u>
Assigned					
Encumbrances	1,173,377	-	-	101,465	1,274,842
Downtown Improvement District	-	-	-	5,425	5,425
Gas Tax Funding	-	-	-	3,085,210	3,085,210
Public Financing Authority - Debt	-	-	-	519,569	519,569
Strategic Planning and Development	-	-	-	254,182	254,182
Total assigned fund balance	<u>1,173,377</u>	<u>-</u>	<u>-</u>	<u>3,965,851</u>	<u>5,139,228</u>
Unassigned - General Fund	11,758,746	-	-	-	11,758,746
Unassigned - Special revenue funds	-	(32,727,096)	-	(5,872)	(32,732,968)
Unassigned - Capital project funds	-	-	-	(232,318)	(232,318)
Total unassigned fund balance	<u>11,758,746</u>	<u>(32,727,096)</u>	<u>-</u>	<u>(238,190)</u>	<u>(21,206,540)</u>
Total fund balance	<u>\$ 16,772,366</u>	<u>\$ 20,171,931</u>	<u>\$ 25,919,745</u>	<u>\$ 31,634,444</u>	<u>\$ 94,498,486</u>

## H. DEFICIT FUND EQUITY

The Special Fund for Capital Outlays had a deficit fund balance, respectively of \$36,579. The future recognition of currently deferred revenue is expected to resolve this deficit and the negative balance for the Special Fund for Capital Outlays is generated from the fair market value adjustment.

The Golf Enterprise Fund has a net position deficit of \$2,802,521, due to a change in accounting policy several years ago, as well as revenues not keeping up with expenses. The City originally classified the 1993 Refunding Certificates of Participation as debt of the governmental funds, with construction proceeds transferred to the Golf Enterprise Fund when the certificates were issued. However, since the Golf Fund is paying, and is expected to continue paying, the entire debt service cost, it was decided that the balance of the debt should be recorded in the Golf Fund. The Golf Fund also has struggled due to competition and lagging revenues. Depreciation expense further contributes to the deficit. The City is looking at various options to resolve this funding deficit.

The Employee Benefits Management Internal Service Fund has a net position deficit of \$54,185,768. It exists partially because the total compensated absences and other post-employment benefit balance previously classified as debt of the governmental funds was included in this fund at its inception several years ago, and has never been fully funded. The City is continuing to charge a higher benefit rate to help reduce this deficit.

In addition, one-time revenues having to do with employee benefits are deposited to this fund.

The Insurance Funds have a net position deficit of \$5,151,059, due mainly to the recognition of settlements that were reached in the prior fiscal year which have been reported as liabilities of the Liability Insurance Fund. Both settlements involved matters that represented city-wide policies and practices and therefore are allocable to all of the funds that make annual contributions to the liability insurance program. The Liability Insurance program will recover the full amount of the settlement from charges to the funds that participate in the liability insurance program over a period of 5 years.

**I. INTERFUND TRANSFERS**

The following is a schedule of interfund transfers.

Transfers (in) to:	Transfers from (out):									Total
	General Fund	Housing & Comm Dev	Capital Facility Fees	Other Govern- mental	Water	Sewer	Bus	Other Enterprise Funds	Internal Service	
General Fund	-	-	\$144,197	\$1,554,558	\$70,610	\$74,094	\$326	\$ 451,306	\$61,939	\$ 2,357,030
Capital Facility Fees	-	-	-	6,395,468	-	-	-	-	-	6,395,468
Other Governmental	5,252,584	1,114,034	375,059	2,249,026	72,259	72,259	-	216,297	126,758	9,478,276
Water	3,500	-	-	-	-	-	-	-	-	3,500
Bus	1,500	-	-	-	-	-	-	-	-	1,500
Other Enterprise	1,150,643	-	-	-	700,000	-	-	-	8,602	1,859,245
Internal Service	75,000	-	-	101,844	323,349	891,533	8,844	39,038	60,281	1,499,889
<b>Grand Total</b>	<b>\$6,483,227</b>	<b>\$ 1,114,034</b>	<b>\$ 519,256</b>	<b>\$ 10,300,896</b>	<b>\$1,166,218</b>	<b>\$ 1,037,886</b>	<b>\$9,170</b>	<b>\$ 706,641</b>	<b>\$257,580</b>	<b>\$21,594,908</b>

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due.

**J. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City that previously had reported a redevelopment agency blended component unit. The Bill provides that upon dissolution of a redevelopment agency, either the City 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 local government. On January 24, 2012, the City Council elected to become the Successor Agency for the former Redevelopment Agency (RDA) in accordance with the Bill as part of County Resolution number 12-7.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations 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).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets,

the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former RDA due to the City are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the RDA are reported in the governmental funds of the City. After the date of dissolution, as allowed under Section 34176(a) of the Bill, the City elected to retain the housing assets and functions previously performed by the former RDA. The assets and activities for the Successor. Agency Housing fund continue to be reported in the City's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved RDA, are reported in the Successor Agency fiduciary fund (private purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former RDA as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported as an extraordinary gain in the governmental fund financial statements during the fiscal year ending June 30, 2012. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund financial statements as an extraordinary loss.

Future debt service requirements to maturity for loans payable, as of June 30, 2013, are as follows:

<u>Year Ended June 30<sup>th</sup></u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 405,000</u>	<u>\$ 0.00</u>	<u>\$ 405,000</u>
Total	<u>\$ 405,000</u>	<u>\$ 0.00</u>	<u>\$ 405,000</u>

Future debt service requirements to maturity for the Certificates of Participation, as of June 30, 2013, are as follows:

<u>Year Ended June 30<sup>th</sup></u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,215,000	\$ 717,730	\$ 1,932,730
2015	1,285,000	647,730	1,932,730
2016	1,340,000	578,250	1,918,250
2017	1,135,000	516,375	1,651,375
2018	1,195,000	458,125	1,653,125
2019-2023	6,955,000	1,306,125	8,261,125
2024-2027	<u>1,610,000</u>	<u>40,250</u>	<u>1,650,250</u>
Total	<u>\$ 14,735,000</u>	<u>\$ 4,264,585</u>	<u>\$ 18,999,585</u>

Additionally, the former RDA entered into a Reimbursement Agreement with the City of Modesto related to the City's 2008 Lease Revenue bonds. The debt service requirement for the principal is equivalent to \$14,735,000. The Redevelopment Agency also has a few outstanding obligations related to reimbursements for parking expenses with Westland Development Company and payments to the Tenth Street Joint Power Agency for maintenance for common areas in the Tenth Street Place. These amounts are all reported in the Successor's agency recognized obligation payment schedules.

K. NOTES RECEIVABLE

The notes receivable in the Housing and Community Development and Other Governmental Funds of \$55,154,599 net of \$942,922 allowance for doubtful accounts, consist of loans made for low-income housing rehabilitation, property improvement and small business origination. The loans are collateralized by deeds of trust on the improved properties, are generally interest free with the exception of a small number of direct loans bearing annual interest at 3 or 5 percent and, with a few exceptions, require no repayment of principal until the loans reach maturity.

L. APPROVED LOANS PAYABLE

The approved loans payable in the Housing and Community Development Special Revenue Fund and other governmental funds of \$3,301,923 consist of amounts being held for rehabilitation of properties using funds provided by federal grants.

The approved loans payable in the Redevelopment Agency Capital Projects Fund of \$575,000 consists of amounts being held for affordable housing. The liability is expected to be liquidated within a couple years.

M. SPECIAL ITEMS

These expenses in the Water and Sewer Enterprise funds represent legal costs incurred in pursuit of mitigating damages from the manufacturers of perchlorethylene, or PCE, a common chemical used in the dry cleaning industry. This chemical has seeped into the groundwater through sewer lines when improperly disposed, and threatens the City's groundwater supplies. Modesto has been proactive in attempting to recover damages and future cleanup costs from the dry cleaners and their insurers, and has also initiated litigation with the manufacturers. In the current year the City made payments related to insurance from the Sewer and Water fund in the amount of \$501,238 and \$642,019.

N. DEFERRED INFLOWS/OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", the City recognized deferred inflows of resources in the entitywide and government wide fund statements. These items are an acquisition of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting these financial statements, which are distinct from assets and liabilities.

<b>Deferred Outflows of Resources</b>	<b>Governmental Activities</b>	<b>Business Activities</b>
Accumulated decrease in fair value of hedging derivatives	<u>\$10,345,451</u>	<u>\$31,506,614</u>
<b>Deferred Inflows of Resources</b>	<b>Governmental Activities</b>	<b>Business Activities</b>
Accumulated increase in fair value of hedging derivatives	<u>\$10,345,451</u>	<u>\$31,506,614</u>

III. OTHER INFORMATION

A. RISK MANAGEMENT

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 and illnesses of employees; and natural disasters. 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 the following risks up to the maximum amount per claim/occurrence as follows: workers' compensation \$500,000; liability \$1,000,000. The City purchases commercial insurance for property loss, airport liability, and for claims in excess of the preceding self-insured coverage amounts.

For liability claims, the City is one of twelve members of the Authority for California Cities Excess Liability (ACCEL) risk pool. This pool covers City claims between \$1,000,000 and \$5,000,000. The purpose of the pool is to spread the adverse effect of losses among the member agencies. The City contributes its pro rata share of anticipated losses to the pool. Should actual losses among participants be greater than anticipated, 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. Commercial insurance covers claims over \$5,000,000 in three excess layers, of \$10,000,000 each; for additional coverage of \$35,000,000 per claim. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

All operating funds participate in the program and make payments to the Insurance Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims, and to allow accrual of estimated incurred but not reported claims and allocated loss adjustment expenses. Insurance premiums to commercial insurers are also processed through the Insurance Fund. The total claims liability at June 30, 2013 is \$22,682,685 consisting of \$18,041,260 workers' compensation, \$4,425,792 general liability, \$171,791 dental, and \$43,842 vision. Workers' compensation and general liability claims liabilities are estimated on an actuarial basis, and are reported at their net present value using an expected future investment yield assumption of 4.0%. The undiscounted worker's compensation and liability claims totaled \$21,672,000 and \$4,264,000 respectively. The actuarial liability for workers compensation and general liability were based on June 30, 2012 and June 30, 2013 actuarial reports.

The current portion of the total claims liability is estimated to be \$5,167,875 and the balance of \$17,514,810 is reported as a long-term liability on the statement of net assets. These claim estimates are based on the requirements of Governmental Accounting Standards Board Statement 10, and include estimated claims incurred but not yet reported and allocated loss adjustment expenses as of June 30, 2013 for General Liability and Workers Compensation. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 2011 through June 30, 2013 were:

	<u>Claims Liability July 1</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Current-Year Claim Payments</u>	<u>Claims Liability June 30</u>
2010-11	21,270,905	5,939,661	(6,133,528)	21,077,038
2011-12	21,077,038	8,089,359	(5,950,490)	23,215,907
2012-13	23,215,907	5,880,326	(6,413,548)	22,682,685

#### B. COMMUNITY FACILITIES DEBT WITHOUT CITY COMMITMENT

Special assessment and community facilities districts have been established in various areas of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements; these assessments are payable solely by the property owners over the term of the debt issued to finance the improvements. The City is not legally obligated to pay these debts or be the purchaser of last resort of foreclosed properties in the special assessment districts, nor is it obligated to advance City funds to repay this debt in the event of default by any property owners. The City functions as an agent for the property owners by collecting assessments and forwarding collections to trustees for payment to bond holders. At June 30, 2013, the balance of these districts' outstanding debt was as follows:

<u>Issue</u>	<u>Outstanding Amount</u>
Village One #2 Community Facilities District	\$30,220,000
Fairview Village Community Facilities District	4,780,000

#### C. CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, health care, and multiple-family housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from developer payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the

acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

As of June 30, 2013, there were three series of conduit revenue bonds outstanding. The aggregate principal amount payable for these multiple-family housing bond issues, issued between 1994 and 2002, was \$9,735,000.

#### D. COMMITMENTS AND CONTINGENCIES

The City is involved in litigation relating to tort claims, workers' compensation claims and other claims such as contract actions and inverse condemnation actions for which the City is self-insured. The City is a defendant in various matters of litigation.

In the 1950's and 1960's, the City operated a landfill facility outside the city limits. This facility was closed in 1968, to the standards in effect at that time. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions. Testing performed during fiscal year 2007 indicated that methane emissions in the area had exceeded State standards, however, quarterly groundwater monitoring at the site has determined that the landfill has experienced a "release" that measurably affects groundwater. The City has to develop a plan to monitor the release and determine the nature and extent of impacts. An engineering feasibility study must be completed to determine if the City should remove/treat the release, or just continue to monitor the release. To conclude, depending on the results of the engineering feasibility study, the City will need to implement the recommended action, which could involve construction and operation of a groundwater treatment system. If additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users. As of June 30, 2013, the future post closure care cost of monitoring the landfill was calculated to be immaterial for presentation purposes which include the agreement cost for the study.

The City receives funding from a number of federal, state and local grant programs, principally the Federal Highway Administration, Community Development Block Grants, and Federal Transit Administration grants. These programs are subject to financial and compliance review by the grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the basic financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

The City has commitments of \$6,486,656 for the City's governmental funds as of June 30, 2013 for contracts awarded but not completed and other outstanding purchase requisitions and orders. This amount consists of \$1,173,377 in the General Fund, \$98,862 in the Housing and Community Development, \$2,435,541 in the Capital Facilities Fee and \$2,778,876 in other governmental funds. Commitments of the governmental funds are recorded in one of the classifications of fund balance based on the various funding restrictions on the balance sheet. As of June 30, 2013, there are major contracts and other purchase orders outstanding for water and sewer system improvements, vehicle purchases, sewer tertiary plan construction, comprehensive update to the City's general plan, and major street improvements.

#### E. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

##### Tuolumne River Regional Park

The City participates with Stanislaus County and the City of Ceres in the operation and development of the Tuolumne River Regional Park (TRRP). The governing body consists of 2 members from the County Board of Supervisors, 2 members from the Modesto City Council, and 1 member from the Ceres City Council. The TRRP board prepares the annual budget, which must be approved by both cities' councils and the board of supervisors. Each participant has an equity interest in the capital assets of TRRP based on the percentage of cumulative contributions paid. The City's contribution to TRRP was \$101,531 for the fiscal year ended June 30, 2013. As of June 30, 2013 the City's investment in this joint venture was \$1,585,548, and is included in governmental activities on the statement of net assets. Financial statements for TRRP are prepared by the City of Modesto Finance Department.

### Stanislaus Drug Enforcement Agency

Stanislaus County (County) and the cities of Modesto, Oakdale, Ceres, Patterson, Turlock, Riverbank, Hughson, Waterford and Newman are the participants in the Stanislaus Drug Enforcement Agency (SDEA). The purpose of the SDEA is to maintain a specially trained police unit to assist each of the participating agencies in the enforcement of drug control laws, and to study, plan, and set priorities for effective enforcement of such laws throughout Stanislaus County. The governing board consists of the sheriff of Stanislaus County and the chief of police of each participating city. All participants contribute to the funding of the SDEA budgeted expenditures, based on population and assessed property value. The City's cash contribution to the SDEA for the fiscal year ended June 30, 2013 was \$321,795. The City's investment in this joint venture was estimated to be \$669,687 as of June 30, 2013, based on the most recent available information. This amount is reported in governmental activities in the statement of net assets. Financial statements of the SDEA are prepared by the City of Modesto Finance Department.

### City-County Capital Improvements and Financing Agency

The City and Stanislaus County formed the City-County Capital Improvements and Financing Agency (Agency) to provide for the design, construction, ownership, operation, management and financing of a City-County administration center located in Modesto's downtown redevelopment area. The governing body is a commission consisting of 2 members of the City Council, 2 members of the County Board of Supervisors, the County Chief Executive Officer, and the City Manager. The commission is responsible for developing an annual budget and determining the annual contribution rates, subject to approval by both the City and the County. The Stanislaus County Auditor Controller was the fiscal administrator during the construction phase, which was finalized at the end of June 2003. Starting in July 1, 2010 the County Auditor Controller became the fiscal administrator. For the fiscal year ended June 30, 2013, the City's payments to the Agency were \$649,776 for operations and capital reserve. The City's equity interest in the Agency is \$10,121,815, equal to its capital asset contributions to date net of depreciation, and is reported in governmental activities as investments in joint ventures in the Statement of Net Assets. Financial statements of the Agency will be available from the Agency after the initial audit of the Agency's books has been completed.

### Stanislaus Waste-to-Energy Financing Agency

The City participates with Stanislaus County in the Stanislaus Waste-to-Energy Financing Agency (Agency). The Agency was created to provide financing for a facility that generates power from solid waste. The costs of operating the Agency, if any, are shared equally by the participants. The governing body consists of 2 members each from the County Board of Supervisors and the Modesto City Council. As of June 30, 2013, the City has no equity interest. Stanislaus County Treasurer's office prepares the Agency's financial statements.

### Regional Fire Training Center

The City has entered into an agreement with the Yosemite Community College District (YCCD) and Stanislaus County for the use and management of the regional fire training center at Modesto Junior College. The executive board consists of the YCCD Chancellor, the President of Modesto Junior College, the City Manager of the City of Modesto, and the Chief Executive Officer of Stanislaus County. The YCCD is responsible for accounting and for monitoring the center's budget. All three entities share in the operating costs. Initial construction costs were paid by the YCCD from borrowed funds, with the City and County reimbursing a portion of these costs in exchange for future use of the center. The City has paid its share of the construction costs in full. Title to the constructed asset is held by the YCCD; therefore, the City has no equity interest.

### Modesto Regional Fire Authority

The City participates in the newly formed Modesto Regional Fire Authority which was established by the City of Modesto, the Salida Fire Protection District, and the County of Stanislaus on January 17, 2011. The purpose of the authority is to provide fire suppression, protection and prevention, emergency management and related services including but not limited to technical rescue, emergency medical and transport services, and hazardous materials mitigation, as well as providing facilities and personnel for such services. For the fiscal year ended June 30, 2013, the City's payments to the Agency were \$24,458,559.

Stanislaus Regional Water Authority

The City participates in the newly formed Stanislaus Regional Water Authority which was established between the City of Ceres, Modesto and Turlock on September 27, 2011. The purpose of the authority is direct the future of the proposed Regional Surface Water Supply Project (RSWSP). The authority would purchase water from the Turlock Irrigation District, would treat such water, and make treated water available “at cost” to the participating agencies. For the fiscal year ended June 30, 2013, the City’s payments to the Agency were \$18,427.

F. TREATMENT AND DELIVERY AGREEMENT

In 1992, the City entered into a treatment and delivery agreement with the Modesto Irrigation District (MID) and the Del Este Water Company (Del Este). The City assumed Del Este’s interest and obligations under the agreement when it acquired Del Este in July 1995. Under the agreement, MID built and operates a surface water treatment plant on the Tuolumne River for the purpose of providing a long-term source of domestic treated water for the City. MID is the sole owner of the project, and has all management and operations responsibility. In exchange for the treated water, the City has agreed to pay: all debt service on bonds issued by MID for the construction of the project; a raw water charge as set forth in the agreement; project operation, administration, and maintenance costs; and insurance on the project. Gross revenues of the City’s Water Fund are irrevocably pledged for the punctual payment of the MID debt service and all obligations of the City under any parity debt. Current parity debt of the City consists of the 2008 Water Revenue Certificates of Participation and the California Safe Drinking Water Act loan (Note II-C). The minimum annual amount payable to MID, consisting of the debt service component only, is \$10,889,760. The treatment plant completed all tests and began commercial operations on May 15, 1995, at which time the City began paying for raw water and operations.

The City and MID have agreed upon an expansion of the initial Domestic Water Project facilities beyond the existing design capacity of 36 million gallons per day (“mgd”) to a design capacity of 72 mgd. In June 2007, the MID issued \$93,190,000 Domestic Water Project revenue bonds pursuant to the terms of the existing treatment and delivery agreement. As of June 30, 2013, the total outstanding on the MID bonds is: \$52,620,000 for the 1998 bonds, and \$93,190,000 for the 2007 bonds for a total of \$145,810,000. Refer to the long term debt section (Note C) with more information about the debt schedule.

G. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

Plan Description

In addition to the pension benefits described below in Note III-H, the City provides health care benefits to employees who retire from the City, under contractual agreements with all employee groups. All full-time employees hired before January 1, 2011, except firefighters who receive a cash payout, are eligible to set aside a percentage of accumulated sick leave upon retirement to be used for payment of future health care premiums to a choice of four insurance plans. The City has no obligation to pay the health insurance allowance for retirees with no accumulated sick leave. As of June 30, 2013 there were 391 retirees receiving these health care benefits.

The OPEB Plan provisions and benefits in effect at June 30, 2013, are summarized as follows:

Benefit Types Provided	Police (including Management)	General Employees	Management	Fire	Fire Management
	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	One month per eight hours of converted sick leave	One month per eight hours of converted sick leave	One month per eight hours of converted sick leave	Lifetime	One month per eight hours of converted sick leave
City Health Allowance per month	\$621.00 for single  \$1,100.00 with dependents	\$621.00 for single  \$1,100.00 with dependents	\$621.00 for single  \$1,100.00 with dependents	\$115.00	\$621.00 for single  \$1,100.00 with dependents

Except for the Fire group, the City health allowance amounts may increase each year based on the health allowance for active employees but for some union groups newly retired employees will not have this option due to these health allowances being frozen. For the Fire group, the City health allowance amounts increase each year in accordance with Government Code Section 22825.

Funding Policy and Actuarial Assumptions

The City’s funding policy for the Plan is to fund benefits on a pay-as-you-go basis. The annual required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry 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% investment rate of return, (b) 8.5% graded down to ultimate 5% rate over 7 years Medical cost trend rate; 5% Dental/Vision cost trend rate (c) Projected salary increases are based on California Public Employee Retirement System (CalPERS) experience study 1997 to 2007 for miscellaneous, police and fire (refer to chart below). The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial accrued liabilities. 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 continual revision 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. The remaining amortization period at June 30, 2013 was 30 years.

Projected Salary Increases  
(CalPERS experience study 1997 to 2007)

<u>Service</u>	<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>
0	12.65%	11.15%	10.71%
3	8.26%	7.25%	7.74%
5	6.71%	5.76%	6.49%
10	4.89%	4.43%	4.83%
15	4.38%	4.13%	4.19%
20	4.00%	3.84%	3.84%
25	3.78%	3.66%	3.67%
30	3.78%	3.66%	3.67%

The City has set aside \$12,246,062 of Employee Benefits Management Internal Service Fund cash and investments to be used to fund the above benefits. Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Since the City’s Internal Service Fund does not meet this requirement, the assets have been excluded from the actuarial study and calculation. This funding policy means that the City contributions are considered to be on a pay-as-you-go basis. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC and the pay-as-you-go contributions, as presented below.

In prior years, the City estimated and recorded an accrued liability representing unfunded retiree pension costs in it’s Employee Benefits Management Internal Service Fund. In accordance with GASB 45, municipalities are permitted to retain an estimated liability for prior years unfunded OPEB costs (liability at transition), so long as it is calculated in a manner consistent with GASB Statement 27, which employed methodologies consistent with those now required under GASB 45.

The Plan annual required contributions and actual contributions for the year ended June 30, 2013 is set forth below:

Fiscal Year	Annual Required Contribution (ARC)	Interest on Net OPEB Obligations	ARC Adjustments	Annual OPEB Cost	Actual Contribution	Net OPEB Obligation
6/30/2009	\$5,627,617	-	(\$1,599,293)	\$4,028,324	\$2,862,583	\$38,346,655
6/30/2010	\$5,627,617	-	(\$1,309,782)	\$4,317,835	\$2,573,072	\$40,091,418
6/30/2011	\$12,170,874	1,821,083	(\$1,749,474)	\$12,242,483	\$3,822,097	\$48,511,804
6/30/2012	\$12,170,874	2,157,898	(\$2,073,045)	\$12,255,727	\$4,436,224	\$56,331,307
6/30/2013	\$8,564,803	2,470,678	(\$4,544,921)	\$6,490,560	\$4,924,253	\$57,897,614

\*An adjustment was made to the Net OPEB obligation for all fiscal years through 2009 to reduce the Net OPEB obligation based on the actual contribution made during the fiscal year. A prior year adjustment will be reported in the financial statements for fiscal year ending June 30, 2013.

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial accrued liabilities are increasing or decreasing over time.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
12/1/2008	\$0	\$53,361,991	(\$53,361,991)	0.00%	\$82,049,847	-65.04%
6/30/2010	\$0	\$104,399,231	(\$104,399,231)	0.00%	\$81,027,934	-128.84%
01/01/2013	\$0	\$78,245,964	(\$78,245,964)	0.00%	\$77,058,743	-101.54%

Annual OPEB Cost for Fiscal Year Ending June 30, 2013.

	Amount
Annual Required Contribution	\$8,564,803
Interest on Net OPEB Obligation	2,470,678
ARC Adjustments	<u>-4,544,921</u>
Total Annual OPEB Cost	\$6,490,560

H. DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the (CalPERS), an agent multiple-employer public employee defined benefit pension plan, which acts as a common investment and administrative agent for participating public entities in California. CalPERS provides retirement and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. An annual financial report for the City's portion of the plan is not available.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary, of which for some union groups the employee pays the majority or at least close to half of this contribution. The City is required to contribute at an actuarially determined rate; the current rate is 11.984% of annual covered payroll

for non-safety employees and 30.607% for safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For 2013, the City's annual pension cost of \$12,698,891 for CalPERS was equal to the City's required and actual contributions. Additionally, the City's annual pension cost for 2012 has been updated to reflect some additional adjustments made that were not reflected in 2012. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry 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) 7.75% investment rate of return (net of administrative expenses), (b) projected annual merit or seniority salary increases that vary by length of service, and (c) no post-retirement benefit increases. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the City's CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). The City's CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 was 30 years for both the miscellaneous and safety plans. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**THREE-YEAR TREND INFORMATION FOR PERS – MISCELLANEOUS PLAN**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	3,925,383	100%	-
6/30/12	4,737,318	100%	-
6/30/13	4,413,443	100%	-

**THREE-YEAR TREND INFORMATION FOR PERS – SAFETY PLAN**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	7,843,455	100%	-
6/30/12	9,160,135	100%	-
6/30/13	8,285,448	100%	-

I. PRIOR YEAR ADJUSTMENTS

Governmental Activities

A prior year adjustment was reported in the General Fund in the amount of (\$47,787) to a prior year revenue accrual that was not reversed in the subsequent fiscal year when the revenue was receipted. The Housing and Community Development reported a prior year adjustment in the amount of (\$2,277,569), to correct the notes receivable based on accounting for various HUD loans that were not recognized in the prior fiscal year. The Capital Facilities Fee fund reported a prior year adjustment in the amount of (\$165,278) to account for a trust deposit refund that should have been expended in the prior fiscal year. The prior year adjustments reported in other governmental funds was to correct some accounts payable liability corrections in the amount of \$14,744. The total amount for the prior year adjustment for all governmental funds total is (\$2,475,890).

The governmental activity prior year adjustment was from the internal service funds related to a construction project correction for the new bus maintenance facility. A \$13,680,732 prior year adjustment was reported in the Employee Benefits Management fund to reduce the Net OPEB obligation based on the actual contributions made during fiscal year ending 2009 through 2012. Additionally, some prior year corrections were made for the City's government fund capital assets to account for some prior year capital expenses not capitalized for the McHenry Mansion restoration. The total amount reported for the governmental activities is \$11,286,911.

Business-type Activities

The Water fund had a prior year adjustment to report a correction related to the capitalization for the MID Water Rights that was capitalized in fiscal year ending June 30, 2011. Additionally, there were a few projects that were capitalized to construction work in progress and it was determined these projects were not capital related. The total prior year adjustment for the Water fund is (\$361,273).

In the Sewer and Bus Fund a prior year adjustment was to correct construction projects that were capitalized in error and capital cost that were not capitalized in the amount of (\$740,689) and \$2,558,158.

Additionally, for other Enterprise funds, a correction was made to capitalize some capital purchases not capitalized in the Parking fund and to correct some capital projects that should not have been capitalized. The total for the other Enterprise funds were \$76,167. The total amount reported for the business-type activities is \$1,532,363.

J. DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, expenditures exceeded appropriations as follows:

**General Fund**

<u>Expenditures</u>	<u>Amount</u>
Community Svcs & Neighborhood Connection – Planning and Development	\$3,406
Community Svcs & Neighborhood Connection – Facilities	\$48,836

**Downtown Improvement District**

<u>Expenditures</u>	<u>Amount</u>
Materials and Supplies	\$2,405

J. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 18, 2013, which is the date the financial statements are issued. No events have occurred that would require disclosure, except as statement below.

In July 2013, the City Council approved the sole source procurement of banking services to Bank of America Merrill Lynch for a two (2) year agreement with three (3) one-year extension options. The banking transition is scheduled to be implemented in December 2013.

In July 2013, the City Council approved the issuance of Refunding Revenue Bonds by the Modesto Irrigation District Financing Authority related to the refinancing of the Modesto Irrigation District Domestic Water Project Refunding Revenue Bonds, Series 1998D used to construct the Domestic Water Treatment and Delivery System of the Modesto Irrigation District.

In November 2013, the City Council approved the grant acceptance of \$43,800,000 of State Route 99 Proposition 1B Bond Savings allocated by the California Transportation Commission (CTC) for the construction of State Route 99/Pelandale Avenue Interchange Reconstruction Project.

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**DIVIDER**

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



## **REQUIRED SUPPLEMENTARY INFORMATION**



## **SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS FOR PERS**

Actuarial Valuation Date**	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
<b>6/30/07:</b>						
Misc.	\$253,412,785	\$266,796,934	\$(13,384,149)	95.0%	\$45,986,674	29.1%
Safety	281,892,523	317,040,705	(35,148,182)	88.9%	34,438,667	102.1%
<b>6/30/08:</b>						
Misc.	\$273,210,580	\$288,300,448	\$(15,089,868)	94.8%	47,469,554	31.8%
Safety	303,140,879	343,910,847	(40,769,968)	88.1%	34,990,413	116.5%
<b>6/30/09:</b>						
Misc.	\$285,106,834	\$313,072,676	\$(27,965,842)	91.1%	45,995,050	60.8%
Safety	317,429,425	373,587,194	(56,157,769)	85.0%	33,646,382	166.9%
<b>6/30/10:</b>						
Misc.	\$295,173,127	\$324,144,575	\$(28,971,448)	91.1%	\$45,266,607	64.0%
Safety	331,652,327	389,471,746	(57,819,419)	85.2%	34,150,658	169.3%
<b>6/30/11:</b>						
Misc.	\$306,459,646	\$343,774,527	\$(37,314,881)	89.1%	\$44,835,279	83.2%
Safety	347,820,127	414,530,888	(66,710,761)	83.9%	31,860,655	209.4%
<b>6/30/12:</b>						
Misc.	\$313,294,788	\$355,854,519	\$(42,559,731)	88.0%	\$43,198,704	98.5%
Safety	360,067,639	434,393,156	(74,325,517)	82.9%	30,442,049	244.1%

\*\* Most recent actuarial dated information is for June 30, 2012.

### SUMMARY ACTUARIAL INFORMATION FOR PENSION PLAN

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percent of Payroll
Average Remaining Period	26 Years (Misc) and 28 Years (Safety) as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market

### ACTUARIAL ASSUMPTIONS

Investment Rate of Return	7.75% (net of administrative expenses)
Overall Payroll Growth	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation Rate	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

## **SCHEDULE 2 - SCHEDULE OF FUNDING PROGRESS FOR OPEB**

Actuarial Valuation Date**	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
12/1/2008	\$0	\$53,361,991	(\$53,361,991)	0.00%	\$82,049,847	-65.04%
6/30/2010	\$0	\$104,399,231	(\$104,399,231)	0.00%	\$81,027,934	-128.84%
1/01/2013	\$0	\$78,245,964	(\$78,245,964)	0.00%	\$77,058,743	-101.54%

\*\* The valuation date available is through 2013.

## **SCHEDULE 3- EMPLOYER CONTRIBUTIONS (OPEB)**

Fiscal Year	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed
6/30/2009	\$5,627,617	\$2,862,583	50.8%
6/30/2010	\$5,627,617	\$2,573,072	45.7%
6/30/2011	\$12,170,874	\$3,822,097	31.4%
6/30/2012	\$12,170,874	\$4,436,224	36.4%
6/30/2013	\$8,564,803	\$4,924,253	57.4%

Annual OPEB Cost for Fiscal Year Ending June 30, 2013.

	Amount	Percentage of Compensation
Annual Required Contribution	\$8,564,803	11.11%
Interest on Net OPEB Obligation	2,470,678	3.21%
ARC Adjustments	<u>-4,544,921</u>	<u>-5.90%</u>
Total Annual OPEB Cost	\$6,490,560	8.42%

## **SUMMARY ACTUARIAL INFORMATION FOR OPEB**

Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Over 20-year period, level dollar payment
Amortization Period	20 years for initial base as of January 1, 2013

## **ACTUARIAL ASSUMPTIONS**

Investment Rate of Return	4.00%
Medical cost trend rate	8.50% graded down to ultimate 5.00% rate over 7 years
Dental/Vision trend rate	5.00%
Projected Payroll Increases	N/A, level dollar amortization

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND (GAAP BASIS)**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b><u>TAXES:</u></b>				
Utility users tax	\$ 18,900,000	\$ 19,000,000	\$ 20,399,116	\$ 1,399,116
Property tax	11,616,213	11,616,213	11,618,481	2,268
Transient occupancy tax	1,500,000	1,600,000	1,884,188	284,188
Franchise tax	3,754,890	3,904,890	4,261,998	357,108
Business license tax	9,341,032	9,458,532	10,176,791	718,259
<b>Total taxes</b>	<b>45,112,135</b>	<b>45,579,635</b>	<b>48,340,574</b>	<b>2,760,939</b>
<b><u>LICENSES AND PERMITS</u></b>	<b>67,351</b>	<b>67,351</b>	<b>83,564</b>	<b>16,213</b>
<b><u>INTERGOVERNMENTAL:</u></b>				
Sales tax	18,742,536	19,322,965	19,980,569	657,604
In-lieu sales tax	7,338,812	7,338,812	7,130,342	(208,470)
Motor vehicle license fees	12,163,914	12,163,914	12,038,983	(124,931)
State	620,000	620,000	764,559	144,559
County	-	-	175,989	175,989
Federal	141,776	141,776	102,149	(39,627)
Other intergovernmental	1,892,000	1,892,000	1,946,308	54,308
<b>Total intergovernmental</b>	<b>40,899,038</b>	<b>41,479,467</b>	<b>42,138,899</b>	<b>659,432</b>
<b><u>CHARGES FOR SERVICES:</u></b>				
General government	6,593,045	7,320,858	6,717,353	(603,505)
Community development	1,680,963	1,680,963	1,461,479	(219,484)
Parks and recreation	430,705	430,705	440,302	9,597
Public safety	282,500	431,500	559,387	127,887
Indirect cost recovery	3,349,142	3,349,142	3,339,596	(9,546)
<b>Total charges for services</b>	<b>12,336,355</b>	<b>13,213,168</b>	<b>12,518,117</b>	<b>(695,051)</b>
<b><u>INTEREST AND RENT</u></b>	<b>144,000</b>	<b>144,000</b>	<b>151,290</b>	<b>7,290</b>
<b><u>NET INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENTS</u></b>	<b>-</b>	<b>-</b>	<b>(152,711)</b>	<b>(152,711)</b>
<b><u>FINES AND FORFEITURES</u></b>	<b>874,610</b>	<b>936,610</b>	<b>860,476</b>	<b>(76,134)</b>
<b><u>MISCELLANEOUS:</u></b>				
Mandated cost recovery	120,000	120,000	76,169	(43,831)
Other	201,000	1,782,644	1,642,985	(139,659)
<b>Total miscellaneous</b>	<b>321,000</b>	<b>1,902,644</b>	<b>1,719,154</b>	<b>(183,490)</b>
<b>Total revenues</b>	<b>\$ 99,754,489</b>	<b>\$ 103,322,875</b>	<b>\$ 105,659,363</b>	<b>\$ 2,336,488</b>

The notes to required supplementary information are an integral part of this schedule

**CITY OF MODESTO**  
**SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET**  
**(GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government:				
City council	\$ 380,154	\$ 385,081	\$ 377,624	\$ 7,457
Personnel/training	1,286,642	1,272,804	1,170,392	102,412
City manager	1,501,060	1,494,797	1,459,873	34,924
City attorney	2,389,356	2,333,671	2,086,463	247,208
City clerk/auditor	546,139	534,078	501,869	32,209
Finance	4,841,790	4,895,500	4,645,044	250,456
Other	1,043,651	1,043,651	493,895	549,756
Total general government	<u>11,988,792</u>	<u>11,959,582</u>	<u>10,735,160</u>	<u>1,224,422</u>
Community development	<u>5,753,576</u>	<u>5,797,570</u>	<u>5,395,322</u>	<u>402,248</u>
Parks and recreation:				
Operations and Maintenance Dept:				
Service and maintenance	6,740,633	7,357,440	6,837,053	520,387
Community Services & Neighborhood Connection:				
Administration	840,361	2,399,970	2,229,617	170,353
Planning and development	236,170	270,698	274,104	(3,406)
Culture	924,308	927,560	841,415	86,145
Recreation division	1,686,722	1,829,549	1,744,055	85,494
Facilities	283,594	238,893	287,729	(48,836)
Total parks and recreation	<u>10,711,788</u>	<u>13,024,110</u>	<u>12,213,973</u>	<u>810,137</u>
Public safety:				
Fire protection	24,458,566	24,477,426	24,469,198	8,228
Police protection	47,105,361	49,739,439	47,346,122	2,393,317
Total public safety	<u>71,563,927</u>	<u>74,216,865</u>	<u>71,815,320</u>	<u>2,401,545</u>
Total expenditures by department	<u>100,018,083</u>	<u>104,998,127</u>	<u>100,159,775</u>	<u>4,838,352</u>
Total expenditures	<u>\$ 100,018,083</u>	<u>\$ 104,998,127</u>	<u>\$ 100,159,775</u>	<u>\$ 4,838,352</u>

NOTE: The expenditures by function amounts listed above include the capital outlay expenditures within each department.

The notes to required supplementary information are an integral part of this schedule

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - HOUSING**  
**AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental - federal grants	\$ 31,484,950	\$ 30,678,384	\$ 14,847,029	\$ (15,831,355)
Charges for services	80,519	186,957	398,191	211,234
Interest and rent - interest	-	-	113,474	113,474
Net increase in fair value of investments	-	-	25,607	25,607
Miscellaneous	-	-	4,124	4,124
Total revenues	<u>31,565,469</u>	<u>30,865,341</u>	<u>15,388,425</u>	<u>(15,476,916)</u>
<b>EXPENDITURES</b>				
Community development	41,303,789	42,327,458	15,092,127	27,235,331
Debt service:				
Principal retirement	191,000	191,000	191,000	-
Interest	186,906	186,906	186,906	-
Total expenditures	<u>41,681,695</u>	<u>42,705,364</u>	<u>15,470,033</u>	<u>27,235,331</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(10,116,226)</u>	<u>(11,840,023)</u>	<u>(81,608)</u>	<u>11,758,415</u>
<b>OTHER FINANCING USES:</b>				
Transfers in	-	10,000	-	(10,000)
Transfers out	(2,408,105)	(2,437,724)	(1,114,034)	1,323,690
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,408,105)</u>	<u>(2,427,724)</u>	<u>(1,114,034)</u>	<u>1,313,690</u>
<b>NET CHANGE IN FUND BALANCE</b>	(12,524,331)	(14,267,747)	(1,195,642)	13,072,105
<b>FUND BALANCES, JULY 1</b>	23,645,142	23,645,142	23,645,142	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	(2,277,569)	(2,277,569)
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 11,120,811</u>	<u>\$ 9,377,395</u>	<u>\$ 20,171,931</u>	<u>\$ 10,794,536</u>

The notes to required supplementary information are an integral part of this schedule

**CITY OF MODESTO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2013**

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions, which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance. This budget is reported as the Original Budget in the budgetary comparison schedules.
4. During the fiscal year, changes to the adopted budget may be authorized, as follows:
  - a. Authority to approve any adjustment in the amount of \$25,000 or less is delegated to the Director of Finance.
  - b. Authority to approve any adjustment in an amount between \$25,000 and \$50,000 is delegated to the City Manager.
  - c. Authority for any budget adjustment more than \$50,000 is delegated to the parties described below:
    - a. Items requiring City Council Action – appropriation of undesignated reserves; appropriation of new revenues; transfers of appropriations between funds (inter-fund transfers); creation of inter-fund loans; creation of, or increase in, any multi-year appropriation.
    - b. Items delegated to the City Manager – transfer appropriations between departments within a fund; changing any capital equipment appropriation; appropriation of reserves for litigation on a case-by-case basis; appropriation of developer payments not previously budgeted.
    - c. Items delegated to the Director of Finance – appropriation of grant interest; revise the allocation of Internal Service Fund charges between departments provided that the total allocated amount does not increase; changing any CIP line item appropriation; make technical budget corrections to implement the intent of Council approved actions and resolutions.
    - d. Items delegated to Department Directors – transfer appropriations within a department, within a single fund at a line item level.
5. Formal budgetary accounting is employed as a management tool for all funds. Annual budgets are legally adopted and amended as required for the general, special revenue, enterprise and internal service funds. Project length budgets are adopted for the capital projects funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the general and major special revenue funds are presented on this basis in the required supplementary information. A debt service payment schedule for the debt service funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions. This budget is reported as the Final Budget in the budgetary comparison schedules.

**CITY OF MODESTO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONT)**  
**YEAR ENDED JUNE 30, 2013**

7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called "department". A "department" for legal appropriation purposes may be a single organization (e.g., City Attorney), or an entire department having multiple organizations within the same fund (e.g., Operations and Maintenance), or an entire fund (e.g., Downtown Improvement District). All departments and funds completed the year within their legally authorized expenditures. Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded to reserve the applicable appropriations, is employed in the governmental funds.

The City does, however, honor the contracts represented by year-end encumbrances and the subsequent year's appropriations provide authority to complete these transactions.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



## Nonmajor Governmental Funds

### Nonmajor Special Revenue Funds

Special Revenue Funds include funds which are restricted as to use by the Federal or State governments, and special purpose funds established by authority of the City Council. Nonmajor Special Revenue Funds include:

**OPERATING GRANTS FUND** – To account for a variety of governmental fund operating grants, including law enforcement grants.

**LOCAL TRANSPORTATION FUND** – To account for revenues and expenditures of Local Transportation Fund allocations for streets, urban trails, and non-motorized facilities. Allocations for the City bus system are reported directly in the Bus Enterprise Fund.

**TRAFFIC SAFETY FUND** – To account for receipts and expenditures of traffic safety fines.

**DOWNTOWN IMPROVEMENT DISTRICT FUND** – To account for the fiscal activities of Business Improvement Area A of the City of Modesto.

**STRATEGIC PLANNING AND DEVELOPMENT FUND** – Established to provide a funding source for future village planning, general plan update and other large expenses related to planning and development. This fund was originally financed with an apportionment of the PERS rebate related to AB702. Subsequent funding has been provided by transfers from the General Fund. Future funding will be provided by fees imposed on private development.

**SPECIAL GAS TAX FOR CAPITAL OUTLAYS FUND** – To account for State-collected, locally-shared gas tax monies. These funds may be used for all street purposes including construction, purchase of rights-of-way, and maintenance.

### Nonmajor Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Nonmajor Capital Projects Funds include:

**SPECIAL FUND FOR CAPITAL OUTLAYS** – To account for capital outlay authorized by the City Council. No monies placed in this fund are to be disbursed except for this purpose unless authorized by a vote of the people.

**PARKS FUND** – To account for a discretionary transfer of General Fund property tax revenue to provide for the development of parks within the City, as directed by the City Council.

**McHENRY MANSION RESTORATION FUND** – To account for donations and other revenues received and appropriated for the purpose of restoring the McHenry Mansion.

**CAPITAL GRANTS FUND** – To account for receipts and disbursements of a variety of Governmental Fund capital grants.

**COMMUNITY FACILITIES DISTRICTS FUND** – To account for the construction of public improvements deemed to benefit properties against which special taxes are levied.

**SUCCESSOR REDEVELOPMENT HOUSING AGENCY FUND** – To account for the housing redevelopment capital projects financed by the Successor Redevelopment Housing Agency of the City of Modesto.

### **Nonmajor Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Nonmajor Debt Service Funds include:

**PUBLIC FINANCING AUTHORITY FUND** – To account for payment of debt issued to finance projects authorized by the Modesto Public Financing Authority.

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**CITY OF MODESTO**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2013**

	Special Revenue				
	Operating Grants	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,628,823	\$ 1,130,178	\$ 1,901,612	\$ 5,413	\$ 296,447
Cash and cash equivalents with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	63,610	-	190,076	-	-
Interest	8,736	10,763	-	16	726
Utilities, net	36,607	-	-	-	-
Taxes	-	-	-	-	-
Due from governments	427,061	364,068	-	-	-
Notes receivable, net	70,179	-	-	-	-
Prepaid expenditures	746	-	-	-	-
Property held for resale	-	-	-	-	-
<b>Total assets</b>	<b>\$ 3,235,762</b>	<b>\$ 1,505,009</b>	<b>\$ 2,091,688</b>	<b>\$ 5,429</b>	<b>\$ 297,173</b>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 105,585	\$ -	\$ 25,029	\$ -	\$ 41,170
Accrued salaries and benefits	91,914	-	4,288	-	-
Interest Payable	425	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Approved loans payable	-	-	-	-	-
Advances from grantors and third parties	658,093	1,503,689	-	-	-
Refundable deposits	-	-	-	-	-
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>856,017</b>	<b>1,503,689</b>	<b>29,317</b>	<b>-</b>	<b>41,170</b>
Fund balances:					
Non-spendable	746	-	-	-	-
Restricted	2,378,999	9,013	2,062,371	4	-
Assigned	-	-	-	5,425	254,182
Unassigned	-	(7,693)	-	-	1,821
<b>Total fund balances</b>	<b>2,379,745</b>	<b>1,320</b>	<b>2,062,371</b>	<b>5,429</b>	<b>256,003</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,235,762</b>	<b>\$ 1,505,009</b>	<b>\$ 2,091,688</b>	<b>\$ 5,429</b>	<b>\$ 297,173</b>

							Capital Projects	
Special Gas Tax Street Improvement	Special Fund for Capital Outlays	Parks	McHenry Mansion Restoration	Capital Grants	Community Facilities Districts	Successor Revelopment Housing Agency		
\$ 15,038,448	\$ 75,936	\$ 512,955	\$ -	\$ -	\$ 5,858,036	\$ -		
-	-	77,692	-	-	9,343,583	-		
13,886	1,847	-	-	-	-	-		
38,998	207	1,579	-	-	33,019	-		
-	-	-	-	-	-	-		
255,606	-	-	-	-	-	-		
293,029	-	191,922	-	1,133,147	1,167	1,192,004		
-	-	-	-	-	-	2,211,000		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	784,000		
<u>\$ 15,639,967</u>	<u>\$ 77,990</u>	<u>\$ 784,148</u>	<u>\$ -</u>	<u>\$ 1,133,147</u>	<u>\$ 15,235,805</u>	<u>\$ 4,187,004</u>		
\$ 209,348	\$ 114,569	\$ 8,037	-	\$ 160,087	\$ 1,078,675	\$ 164		
97,134	-	-	-	-	3,733	-		
-	-	-	-	-	-	474		
-	-	-	-	233,119	-	-		
-	-	-	-	-	-	666,378		
-	-	-	-	-	-	575,000		
12,146,810	-	-	-	-	-	-		
-	-	-	-	-	56,384	-		
-	-	-	-	-	-	145,727		
<u>12,453,292</u>	<u>114,569</u>	<u>8,037</u>	<u>-</u>	<u>393,206</u>	<u>1,138,792</u>	<u>1,387,743</u>		
-	-	-	-	-	-	-		
-	-	776,111	-	739,941	14,097,013	2,995,000		
3,186,675	-	-	-	-	-	-		
-	(36,579)	-	-	-	-	(195,739)		
<u>3,186,675</u>	<u>(36,579)</u>	<u>776,111</u>	<u>-</u>	<u>739,941</u>	<u>14,097,013</u>	<u>2,799,261</u>		
<u>\$ 15,639,967</u>	<u>\$ 77,990</u>	<u>\$ 784,148</u>	<u>\$ -</u>	<u>\$ 1,133,147</u>	<u>\$ 15,235,805</u>	<u>\$ 4,187,004</u>		

	<u>Debt Service</u>	
	Public	
	Financing	
	<u>Authority</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 531,290	\$ 27,979,138
Cash and cash equivalents with fiscal agent	4,847,585	14,268,860
Receivables:		
Accounts	-	269,419
Interest	-	94,044
Utilities, net	-	36,607
Taxes	-	255,606
Due from governments	-	3,602,398
Notes receivable, net	-	2,281,179
Prepaid expenditures	-	746
Property held for resale	-	784,000
	<u>                    </u>	<u>                    </u>
Total assets	\$ <u>5,378,875</u>	\$ <u>49,571,997</u>
 <u>LIABILITIES AND FUND</u>		
<u>BALANCES</u>		
Liabilities:		
Accounts payable	\$ 11,721	\$ 1,754,385
Accrued salaries and benefits	-	197,069
Interest payable	-	899
Due to other funds	-	233,119
Due to other governments	-	666,378
Approved loans payable	-	575,000
Advances from grantors and third parties	-	14,308,592
Refundable deposits	-	56,384
Advances from other funds	-	145,727
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>11,721</u>	<u>17,937,553</u>
Fund balances:		
Non-spendable	-	746
Restricted	4,847,585	27,906,037
Assigned	519,569	3,965,851
Unassigned	-	(238,190)
	<u>                    </u>	<u>                    </u>
Total fund balances	<u>5,367,154</u>	<u>31,634,444</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	\$ <u>5,378,875</u>	\$ <u>49,571,997</u>

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**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**Year ended June 30, 2013**

	Special Revenue			
	Operating Grants	Local Transportation	Traffic Safety	Downtown Improvement District
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 170,222
Licenses and permits	68,106	-	-	-
Intergovernmental	2,255,139	2,495,601	-	-
Charges for services	3,800,256	-	217,035	-
Special assessments levied	61,269	-	-	-
Interest and rent	28,125	23,169	-	(13)
Net increase (decrease) in fair value of investments	(23,999)	(13,585)	-	4
Fines and forfeits	-	-	1,143,657	-
Miscellaneous	219,634	-	-	-
Total revenues	<u>6,408,530</u>	<u>2,505,185</u>	<u>1,360,692</u>	<u>170,213</u>
EXPENDITURES:				
Current:				
General government	350,294	-	-	-
Community development	843,283	-	-	170,063
Highways and streets	-	17,888	-	-
Public works	2,993,702	-	-	-
Parks and recreation	353,563	-	-	-
Public safety	1,850,956	-	527,640	-
Capital outlay:				
General government	-	-	-	-
Community development	-	-	-	-
Highways and streets	-	180,478	-	-
Public works	308,741	-	-	-
Parks and recreation	-	-	-	-
Public safety	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>6,700,539</u>	<u>198,366</u>	<u>527,640</u>	<u>170,063</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(292,009)</u>	<u>2,306,819</u>	<u>833,052</u>	<u>150</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	169,890	-	60,418	-
Transfers out	(16,875)	(2,300,947)	(698,170)	-
Sale of assets	6,489	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>159,504</u>	<u>(2,300,947)</u>	<u>(637,752)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(132,505)	5,872	195,300	150
FUND BALANCES, July 1	2,497,506	(4,552)	1,867,071	5,279
PRIOR PERIOD ADJUSTMENT	14,744	-	-	-
FUND BALANCES, June 30	<u>\$ 2,379,745</u>	<u>\$ 1,320</u>	<u>\$ 2,062,371</u>	<u>\$ 5,429</u>

Capital Projects

Strategic Planning and Development	Special Gas Tax Street Improvement	Special Fund for Capital Outlays	Parks	McHenry Mansion Restoration	Capital Grants	Community Facilities Districts	Successor Revelopment Housing Agency
\$ -	\$ 1,523,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	24,050	-	-	-	-	-	-
-	4,799,477	30,757	226,788	-	953,732	2,772	-
126,854	1,351,543	-	1,530	-	-	359,644	-
-	-	-	-	-	-	1,720,627	-
2,425	131,282	598	13,370	(119)	-	135,590	8,390
-	-	-	-	-	-	-	-
(2,216)	(106,848)	(275)	(2,362)	(208)	-	(116,929)	1,254
-	-	-	-	-	-	-	-
-	127,217	-	7,864	-	3,214	569	-
<u>127,063</u>	<u>7,850,078</u>	<u>31,080</u>	<u>247,190</u>	<u>(327)</u>	<u>956,946</u>	<u>2,102,273</u>	<u>9,644</u>
-	-	-	-	-	-	-	-
164,564	-	-	-	-	11,529	1,957,554	128
-	8,523,824	-	-	-	19,005	-	-
-	-	-	-	-	-	-	-
-	-	-	140,125	-	-	-	-
-	-	-	-	-	-	-	-
-	-	154,190	-	-	424,178	-	-
1,818	-	-	-	-	85,635	4,053,951	173,806
-	1,287,459	-	-	-	1,193,168	-	-
-	-	-	-	-	-	-	-
-	-	-	157,897	-	1,787	-	-
-	-	7,549	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>166,382</u>	<u>9,811,283</u>	<u>161,739</u>	<u>298,022</u>	<u>-</u>	<u>1,735,302</u>	<u>6,011,505</u>	<u>173,934</u>
<u>(39,319)</u>	<u>(1,961,205)</u>	<u>(130,659)</u>	<u>(50,832)</u>	<u>(327)</u>	<u>(778,356)</u>	<u>(3,909,232)</u>	<u>(164,290)</u>
-	4,112,832	157,656	54,869	-	1,475,049	206,678	-
-	(866,947)	-	-	-	-	(6,417,957)	-
-	-	-	-	-	-	-	66,000
-	3,245,885	157,656	54,869	-	1,475,049	(6,211,279)	66,000
(39,319)	1,284,680	26,997	4,037	(327)	696,693	(10,120,511)	(98,290)
295,322	1,901,995	(63,576)	772,074	327	43,248	24,217,524	2,897,551
-	-	-	-	-	-	-	-
<u>\$ 256,003</u>	<u>\$ 3,186,675</u>	<u>\$ (36,579)</u>	<u>\$ 776,111</u>	<u>\$ -</u>	<u>\$ 739,941</u>	<u>\$ 14,097,013</u>	<u>\$ 2,799,261</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**Year ended June 30, 2013**

	Debt Service	
	Public	
	Financing	
	Authority	Total
<b>REVENUES:</b>		
Taxes	\$ -	\$ 1,693,579
Licenses and permits	-	92,156
Intergovernmental	1,197,190	11,961,456
Charges for services	-	5,856,862
Special assessments levied	-	1,781,896
Interest and rent	10,209	353,026
Net increase (decrease) in fair value of investments	(1,172)	(266,336)
Fines and forfeits	-	1,143,657
Miscellaneous	-	358,498
Total revenues	1,206,227	22,974,794
<b>EXPENDITURES:</b>		
Current:		
General government	101,558	451,852
Community development	-	3,147,121
Highways and streets	-	8,560,717
Public works	-	2,993,702
Parks and recreation	-	493,688
Public safety	-	2,378,596
Capital outlay:		
General government	-	578,368
Community development	-	4,315,210
Highways and streets	-	2,661,105
Public works	-	308,741
Parks and recreation	-	159,684
Public safety	-	7,549
Debt service:		
Principal retirement	1,260,000	1,260,000
Interest	2,144,056	2,144,056
Other	932,460	932,460
Total expenditures	4,438,074	30,392,849
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,231,847)</b>	<b>(7,418,055)</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	3,240,884	9,478,276
Transfers out	-	(10,300,896)
Sale of assets	-	72,489
TOTAL OTHER FINANCING SOURCES (USES)	3,240,884	(750,131)
<b>NET CHANGE IN FUND BALANCES</b>	<b>9,037</b>	<b>(8,168,186)</b>
FUND BALANCES, July 1	5,358,117	39,787,886
PRIOR PERIOD ADJUSTMENT	-	14,744
FUND BALANCES, June 30	\$ 5,367,154	\$ 31,634,444

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - OPERATING GRANTS SPECIAL REVENUE FUND**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses and permits	\$ 50,000	\$ 50,000	\$ 68,106	\$ 18,106
Intergovernmental	19,661,109	19,661,109	2,255,139	(17,405,970)
Charges for services	5,285,413	5,285,413	3,800,256	(1,485,157)
Special assessments	62,803	64,178	61,269	(2,909)
Interest and rent - interest	946	946	28,125	27,179
Net increase in fair value of investments	-	-	(23,999)	(23,999)
Fines and forfeits	30,592	30,592	-	(30,592)
Miscellaneous	-	-	219,634	219,634
Total revenues	<u>25,090,863</u>	<u>25,092,238</u>	<u>6,408,530</u>	<u>(18,683,708)</u>
<b>EXPENDITURES:</b>				
General government	496,798	497,023	350,294	146,729
Community development	7,998,720	7,966,225	843,283	7,122,942
Public works	3,751,741	3,665,509	3,302,443	363,066
Parks and recreation	1,484,534	1,540,941	353,563	1,187,378
Public safety	11,806,912	11,809,312	1,850,956	9,958,356
Total expenditures	<u>25,538,705</u>	<u>25,479,010</u>	<u>6,700,539</u>	<u>18,778,471</u>
DEFICIENCY OF REVENUES (UNDER) EXPENDITURES	<u>(447,842)</u>	<u>(386,772)</u>	<u>(292,009)</u>	<u>94,763</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	3,628,043	3,630,443	169,890	(3,460,553)
Transfers out	-	(18,376)	(16,875)	1,501
Sale of assets	-	-	6,489	6,489
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,628,043</u>	<u>3,612,067</u>	<u>159,504</u>	<u>(3,452,563)</u>
NET CHANGE IN FUND BALANCE	3,180,201	3,225,295	(132,505)	(3,357,800)
FUND BALANCES, JULY 1	2,497,506	2,497,506	2,497,506	-
PRIOR PERIOD ADJUSTMENT	-	-	14,744	14,744
FUND BALANCES, JUNE 30	<u>\$ 5,677,707</u>	<u>\$ 5,722,801</u>	<u>\$ 2,379,745</u>	<u>\$ (3,343,056)</u>

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - LOCAL TRANSPORTATION SPECIAL REVENUE FUND**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 221,325	\$ 221,325	\$ 2,495,601	\$ 2,274,276
Interest and rent - interest	-	-	23,169	23,169
Net increase in fair value of investments	-	-	(13,585)	(13,585)
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b><u>221,325.00</u></b>	<b><u>221,325.00</u></b>	<b><u>2,505,185</u></b>	<b><u>2,283,860</u></b>
<b>EXPENDITURES:</b>				
Highways and streets	1,964,517	1,964,517	198,366	1,766,151
<b>Total expenditures</b>	<b><u>1,964,517</u></b>	<b><u>1,964,517</u></b>	<b><u>198,366</u></b>	<b><u>1,766,151</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>(1,743,192)</u></b>	<b><u>(1,743,192)</u></b>	<b><u>2,306,819</u></b>	<b><u>4,050,011</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	28,675	28,675	-	(28,675)
Transfers out	(719,515)	(3,154,448)	(2,300,947)	853,501
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(690,840)</u></b>	<b><u>(3,125,773.00)</u></b>	<b><u>(2,300,947)</u></b>	<b><u>824,826</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,434,032)</b>	<b>(4,868,965)</b>	<b>5,872</b>	<b>4,874,837</b>
<b>FUND BALANCES, JULY 1</b>	<b><u>(4,552)</u></b>	<b><u>(4,552)</u></b>	<b><u>(4,552)</u></b>	<b><u>-</u></b>
<b>FUND BALANCE (DEFICITS), JUNE 30</b>	<b><u><u>\$ (2,438,584)</u></u></b>	<b><u><u>\$ (4,873,517)</u></u></b>	<b><u><u>1,320</u></u></b>	<b><u><u>\$ 4,874,837</u></u></b>

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - TRAFFIC SAFETY SPECIAL REVENUE FUND**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 238,080	\$ 238,080	\$ 217,035	\$ (21,045)
Motor vehicle fines	1,080,000	1,080,000	1,143,657	63,657
Total revenues	<u>1,318,080</u>	<u>1,318,080</u>	<u>1,360,692</u>	<u>42,612</u>
<b>EXPENDITURES:</b>				
Public safety	<u>1,093,406</u>	<u>1,091,756</u>	<u>527,640</u>	<u>564,116</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>224,674</u>	<u>226,324</u>	<u>833,052</u>	<u>606,728</u>
<b>OTHER FINANCING USES:</b>				
Transfers in	58,318	60,418	60,418	-
Transfers out	<u>(698,000)</u>	<u>(698,440)</u>	<u>(698,170)</u>	<u>270</u>
Total other financing uses	<u>(639,682)</u>	<u>(638,022)</u>	<u>(637,752)</u>	<u>270</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(415,008)</u>	<u>(411,698)</u>	<u>195,300</u>	<u>606,998</u>
<b>FUND BALANCES, JULY 1</b>	<u>1,867,071</u>	<u>1,867,071</u>	<u>1,867,071</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 1,452,063</u>	<u>\$ 1,455,373</u>	<u>\$ 2,062,371</u>	<u>\$ 606,998</u>

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - DOWNTOWN**  
**IMPROVEMENT DISTRICT SPECIAL REVENUE FUND**  
Year ended June 30, 2013

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes - business license tax	\$ 174,000	\$ 174,000	\$ 170,222	\$ (3,778)
Interest and rent - interest	-	-	(13)	(13)
Net decrease in fair value of investments	-	-	4	4
Total revenues	<u>174,000</u>	<u>174,000</u>	<u>170,213</u>	<u>(3,787)</u>
<b>EXPENDITURES - community development</b>				
Downtown improvement district administration:				
Professional and contractual services	5,342	5,342	3,000	2,342
Materials and supplies	164,658	164,658	167,063	(2,405)
Other	-	-	-	0
Total expenditures	<u>170,000</u>	<u>170,000</u>	<u>170,063</u>	<u>(63)</u>
NET CHANGE IN FUND BALANCE	4,000	4,000	150	(3,850)
FUND BALANCES, JULY 1	<u>5,279</u>	<u>5,279</u>	<u>5,279</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 9,279</u>	<u>\$ 9,279</u>	<u>\$ 5,429</u>	<u>\$ (3,850)</u>

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - STRATEGIC**  
**PLANNING AND DEVELOPMENT SPECIAL REVENUE FUND**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 1,674,540	\$ 1,674,540	\$ 126,854	\$ (1,547,686)
Special assessments levied	-	-	-	-
Interest and rent - interest	-	-	2,425	2,425
Net decrease in fair value of investments	-	-	(2,216)	(2,216)
Miscellaneous	-	-	-	-
Total revenues	<u>1,674,540</u>	<u>1,674,540</u>	<u>127,063</u>	<u>(1,547,477)</u>
<b>EXPENDITURES:</b>				
Community development	1,223,649	1,223,649	166,382	1,057,267
Public works	-	-	-	-
Total expenditures	<u>1,223,649</u>	<u>1,223,649</u>	<u>166,382</u>	<u>1,057,267</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>450,891</u>	<u>450,891</u>	<u>(39,319)</u>	<u>(490,210)</u>
<b>OTHER FINANCING USES:</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	450,891	450,891	(39,319)	(490,210)
<b>FUND BALANCES, JULY 1</b>	<u>295,322</u>	<u>295,322</u>	<u>295,322</u>	<u>-</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 746,213</u>	<u>\$ 746,213</u>	<u>\$ 256,003</u>	<u>\$ (490,210)</u>

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - SPECIAL**  
**GAS TAX STREET IMPROVEMENT SPECIAL REVENUE FUND**  
**Year ended June 30, 2013**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
Federal grants	\$ 5,633,038	\$ 5,970,594	4,799,477	\$ (1,171,117)
Total intergovernmental revenues	5,633,038	5,970,594	4,799,477	(1,171,117)
Taxes	800,000	800,000	1,523,357	723,357
Licenses and permits	10,000	10,000	24,050	14,050
Charges for services	994,806	1,080,187	1,351,543	271,356
Interest and rent	87,000	87,000	131,282	44,282
Net increase in fair value of investments	-	-	(106,848)	(106,848)
Miscellaneous	64,900	64,900	127,217	62,317
Total revenues	<u>7,589,744</u>	<u>8,012,681</u>	<u>7,850,078</u>	<u>(162,603)</u>
<b>EXPENDITURES:</b>				
Current:				
Highway and streets	15,112,826	14,748,188	9,811,283	4,936,905
Total expenditures	<u>15,112,826</u>	<u>14,748,188</u>	<u>9,811,283</u>	<u>4,936,905</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(7,523,082)</u>	<u>(6,735,507)</u>	<u>(1,961,205)</u>	<u>4,774,302</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,107,715	2,337,108	4,112,832	1,775,724
Transfers out	(1,095,970)	(1,167,496)	(866,947)	300,549
Sale of assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,011,745.00</u>	<u>1,169,612.00</u>	<u>3,245,885</u>	<u>2,076,273</u>
NET CHANGE IN FUNDS BALANCE	(6,511,337)	(5,565,895)	1,284,680	6,850,575
FUND BALANCES, JULY 1	1,901,995	1,901,995	\$ 1,901,995	-
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCES, JUNE 30	<u>\$ (4,609,342)</u>	<u>\$ (3,663,900)</u>	<u>\$ 3,186,675</u>	<u>\$ 6,850,575</u>

## Nonmajor Enterprise Funds

Enterprise Funds are established to account for activities that render services on a user-charge basis to the general public. Nonmajor Enterprise Funds include:

**PARKING FUND** – Revenues in this fund consist of charges for off-street parking and the downtown parking garage, as well as in-lieu parking fees. The revenue is used to develop and maintain parking facilities.

**STORM DRAIN FUND** – To account for storm drain improvements, operations and maintenance. The activities of the fund include street cleaning, rock well maintenance, and compliance with Federal and State water quality standards on storm water discharge.

**COMPOST FUND** – To account for tip fees charged at the City's composting facility for processing various compostable materials and the sale of compost product. Excess revenues over expenses are set aside to protect the enterprise against market fluctuations, and to provide for capital improvements to the facility infrastructure.

**AIRPORT FUND** – To account for all airport operations as stipulated in the City-Stanislaus County agreement of January 1968. Amounts received from the Federal government, State of California, and Stanislaus County, requiring matching amounts by the City, are recorded in this fund and are appropriated to finance approved capital projects.

**GOLF FUND** – Revenues in this fund consist of fees charged for using the City's golf courses. The revenue is used to improve, operate, and maintain golf courses.

**COMMUNITY CENTER FUND** – Accounted for in this fund are all amounts collected for the purpose of operating and maintaining the Modesto Centre Plaza Community Center. Revenues include room rental, catering fees, ticket sales, and other charges for using the center.

**ABATEMENT AND PUBLIC NUISANCE FUND** – To account the activity for expenses and recovery for the cost for both dangerous and unsafe building and property abatements.

**CITY OF MODESTO**  
**COMBINING STATEMENT OF NET POSITION - NON MAJOR ENTERPRISE FUNDS**  
**June 30, 2013**

	Parking	Storm Drain	Compost
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 189,866	\$ 5,000,871	\$ 4,488,158
Cash and cash equivalents with fiscal agent	-	-	-
Receivables:			
Accounts	11,907	-	482,228
Interest	416	14,547	15,654
Utilities, net	-	501,991	130,651
Prepaid expenses	-	227	-
Due from governments	-	13,614	134,764
Property held for resale	630,000	-	-
Total current assets	832,189	5,531,250	5,251,455
Capital assets:			
Land and construction in progress	3,529,293	1,622,948	-
Other capital assets, net of accumulated depreciation	6,014,208	13,958,889	1,000,792
Total assets	\$ 10,375,690	\$ 21,113,087	\$ 6,252,247
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 32,066	\$ 174,830	\$ 48,357
Accrued salaries and benefits	11,507	16,182	49,612
Interest payable	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Current portion - long-term debt	-	-	-
Advances from grantors and third parties	-	-	-
Total current liabilities	43,573	191,012	97,969
Noncurrent liabilities:			
Certificates of participation	-	-	-
Advances from other funds	-	1,324,704	-
Total liabilities	43,573	1,515,716	97,969
<u>NET POSITION</u>			
Net investment in capital assets	9,543,501	15,581,837	1,000,792
Unrestricted	788,616	4,015,534	5,153,486
Total net position	\$ 10,332,117	\$ 19,597,371	\$ 6,154,278

<u>Airport</u>	<u>Golf</u>	<u>Community Center</u>	<u>Abatement and Public Nuisance Fund</u>	<u>Total</u>
\$ 1,693,587	\$ -	\$ 3,704	\$ 349,725	\$ 11,725,911
-	603,150	-	-	603,150
16,821	26,756	2,678	44,946	585,336
4,897	-	-	909	36,423
-	-	-	-	632,642
163	-	-	-	390
5,047	-	-	-	153,425
-	-	-	-	630,000
<u>1,720,515</u>	<u>629,906</u>	<u>6,382</u>	<u>395,580</u>	<u>14,367,277</u>
1,955,746	296,878	3,667,020	-	11,071,885
<u>8,375,090</u>	<u>1,270,956</u>	<u>6,457,843</u>	<u>-</u>	<u>37,077,778</u>
<u>\$ 12,051,351</u>	<u>\$ 2,197,740</u>	<u>\$ 10,131,245</u>	<u>\$ 395,580</u>	<u>\$ 62,516,940</u>
\$ 20,629	\$ 137,440	\$ 24,118	\$ -	\$ 437,440
12,462	-	14,443	-	104,206
-	38,579	1,059	-	39,638
-	575,243	-	-	575,243
7,984	-	-	-	7,984
-	290,000	-	-	290,000
-	63,999	-	43,946	107,945
<u>41,075</u>	<u>1,105,261</u>	<u>39,620</u>	<u>43,946</u>	<u>1,562,456</u>
-	3,895,000	-	-	3,895,000
-	-	-	-	1,324,704
<u>41,075</u>	<u>5,000,261</u>	<u>39,620</u>	<u>43,946</u>	<u>6,782,160</u>
10,330,836	(2,617,166)	10,124,863	-	43,964,663
<u>1,679,440</u>	<u>(185,355)</u>	<u>(33,238)</u>	<u>351,634</u>	<u>11,770,117</u>
<u>\$ 12,010,276</u>	<u>\$ (2,802,521)</u>	<u>\$ 10,091,625</u>	<u>\$ 351,634</u>	<u>\$ 55,734,780</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION - NON MAJOR ENTERPRISE FUNDS**  
**Year ended June 30, 2013**

	<u>Parking</u>	<u>Storm Drain</u>	<u>Compost</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,157,731	\$ 5,778,738	\$ 8,011,913
Miscellaneous	<u>11,562</u>	<u>1,906</u>	<u>698</u>
Total operating revenues	<u>1,169,293</u>	<u>5,780,644</u>	<u>8,012,611</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	322,340	797,177	1,341,413
Contractual services	201,709	449,307	270,471
Utilities	146,305	26,065	18,917
Maintenance and supplies	51,482	1,644,657	1,735,522
Insurance	49,619	34,672	73,170
Employee benefits	127,015	366,773	507,961
Administration services	22,597	1,522,359	321,905
Allocated indirect administrative costs	47,327	101,974	130,944
Depreciation	<u>403,595</u>	<u>588,190</u>	<u>190,591</u>
Total operating expenses	<u>1,371,989</u>	<u>5,531,174</u>	<u>4,590,894</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(202,696)</u>	<u>249,470</u>	<u>3,421,717</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on disposition of capital assets	1,082	72,070	70,770
Operating grants	-	-	329,799
Tax revenue	-	-	-
Tax expense	(22,570)	-	-
Interest income	1,555	14,955	41,471
Net increase in fair value of investments	(963)	(38,028)	(44,167)
Rental income	-	-	-
Interest expense	-	-	-
Trustee fees	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(20,896)</u>	<u>48,997</u>	<u>397,873</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(223,592)</u>	<u>298,467</u>	<u>3,819,590</u>
Capital contributions	-	-	-
Transfers in	-	700,000	-
Transfers out	<u>(2,308)</u>	<u>(192,859)</u>	<u>(504,486)</u>
<b>CHANGE IN NET POSITION</b>	<u>(225,900)</u>	<u>805,608</u>	<u>3,315,104</u>
<b>NET POSITION (DEFICIT), July 1</b>	<u>10,434,490</u>	<u>18,791,763</u>	<u>2,880,565</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>123,527</u>	<u>-</u>	<u>(41,391)</u>
<b>NET POSITION (DEFICIT), June 30</b>	<u>\$ 10,332,117</u>	<u>\$ 19,597,371</u>	<u>\$ 6,154,278</u>

	Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$	613,502	\$ 1,567,866	\$ 256,563	\$ 302,563	\$ 17,688,876
	<u>6,402</u>	<u>666</u>	<u>7,018</u>	<u>-</u>	<u>28,252</u>
	<u>619,904</u>	<u>1,568,532</u>	<u>263,581</u>	<u>302,563</u>	<u>17,717,128</u>
	298,397	-	569,663	-	3,328,990
	263,605	1,612,221	102,629	41,651	2,941,593
	114,308	38,906	184,677	-	529,178
	125,026	1,945	160,451	-	3,719,083
	16,217	13,253	74,510	-	261,441
	105,998	-	169,733	-	1,277,480
	151,483	32,394	6,124	-	2,056,862
	27,731	14,324	-	-	322,300
	<u>608,469</u>	<u>276,826</u>	<u>751,312</u>	<u>-</u>	<u>2,818,983</u>
	<u>1,711,234</u>	<u>1,989,869</u>	<u>2,019,099</u>	<u>41,651</u>	<u>17,255,910</u>
	<u>(1,091,330)</u>	<u>(421,337)</u>	<u>(1,755,518)</u>	<u>260,912</u>	<u>461,218</u>
	(553)	-	-	-	143,369
	55,330	-	-	-	385,129
	257,687	-	-	-	257,687
	(471)	-	-	-	(23,041)
	16,094	(14,701)	(4,290)	2,295	57,379
	(14,102)	8,449	2,427	(1,586)	(87,970)
	176,631	101,052	347,254	-	624,937
	-	(217,983)	-	-	(217,983)
	-	(2,800)	-	-	(2,800)
	<u>490,616</u>	<u>(125,983)</u>	<u>345,391</u>	<u>709</u>	<u>1,136,707</u>
	(600,714)	(547,320)	(1,410,127)	261,621	1,597,925
	530,497	-	-	-	530,497
	-	564,717	594,528	-	1,859,245
	<u>(2,246)</u>	<u>-</u>	<u>(4,742)</u>	<u>-</u>	<u>(706,641)</u>
	(72,463)	17,397	(820,341)	261,621	3,281,026
	12,088,708	(2,819,918)	10,911,966	90,013	52,377,587
	<u>(5,969)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,167</u>
\$	<u>12,010,276</u>	<u>(2,802,521)</u>	<u>10,091,625</u>	<u>351,634</u>	<u>55,734,780</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS**  
**Year ended June 30, 2013**

	Parking	Storm Drain	Compost
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,164,280	\$ 5,763,013	\$ 8,248,795
Receipts from interfund services provided	-	16,745	-
Payments to suppliers	(285,143)	(789,165)	(584,715)
Payments to employees	(451,971)	(1,185,285)	(1,859,602)
Payments for interfund services used	(242,766)	(2,855,390)	(1,949,980)
Net cash provided (used) by operating activities	184,400	949,918	3,854,498
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating grants received	-	-	329,799
Taxes received	-	-	-
Transfers in	-	700,000	-
Transfers out	(2,308)	(192,859)	(504,486)
Net cash provided (used) by noncapital financing activities	(2,308)	507,141	(174,687)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(123,532)	(197,580)	(22,279)
Gain/loss from sale of capital assets	1,082	72,070	70,770
Principal repayments	-	-	-
Interest paid	(295)	-	1
Trustee fees	-	-	-
Capital grants received	533	-	(132,524)
Net cash provided (used) by capital and related financing activities	(122,212)	(125,510)	(84,032)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	1,334	12,039	29,759
Net increase in the fair value of investments	(963)	(38,028)	(44,167)
Net cash provided (used) by investing activities	371	(25,989)	(14,408)
Net increase (decrease) in cash and cash equivalents	60,251	1,305,560	3,581,371
CASH AND CASH EQUIVALENTS, JULY 1	6,088	3,695,311	948,178
PRIOR PERIOD ADJUSTMENT	123,527	-	(41,391)
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 189,866	\$ 5,000,871	\$ 4,488,158
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>			
Cash and cash equivalents	\$ 189,866	\$ 5,000,871	\$ 4,488,158
Cash and cash equivalents with fiscal agent	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 189,866	\$ 5,000,871	\$ 4,488,158

<u>Airport</u>	<u>Golf</u>	<u>Community Center</u>	<u>Abatement and Public Nuisance Fund</u>	<u>Total</u>
\$ 779,715	\$ 1,616,383	\$ 662,111	\$ 302,313	\$ 18,536,610
-	-	-	-	16,745
(1,113,773)	(1,731,499)	(375,443)	(41,651)	(4,921,389)
(405,886)	-	(750,384)	-	(4,653,128)
317,289	72,206	(158,377)	-	(4,817,018)
<u>(422,655)</u>	<u>(42,910)</u>	<u>(622,093)</u>	<u>260,662</u>	<u>4,161,820</u>
-	-	847	-	330,646
257,687	-	-	-	257,687
-	564,717	594,528	-	1,859,245
<u>(2,246)</u>	<u>-</u>	<u>(4,742)</u>	<u>-</u>	<u>(706,641)</u>
<u>255,441</u>	<u>564,717</u>	<u>590,633</u>	<u>-</u>	<u>1,740,937</u>
(134,712)	(17,451)	-	-	(495,554)
(553)	-	-	-	143,369
-	(275,000)	-	-	(275,000)
-	(220,305)	1,059	-	(219,540)
-	(2,800)	-	-	(2,800)
224,532	-	-	-	92,541
<u>89,267</u>	<u>(515,556)</u>	<u>1,059</u>	<u>-</u>	<u>(756,984)</u>
16,244	(14,700)	(4,154)	1,430	41,952
(14,102)	8,449	2,427	(1,586)	(87,970)
<u>2,142</u>	<u>(6,251)</u>	<u>(1,727)</u>	<u>(156)</u>	<u>(46,018)</u>
(75,805)	-	(32,128)	260,506	5,099,755
1,775,361	603,150	35,832	89,219	7,153,139
(5,969)	-	-	-	76,167
<u>\$ 1,693,587</u>	<u>\$ 603,150</u>	<u>\$ 3,704</u>	<u>\$ 349,725</u>	<u>\$ 12,329,061</u>
\$ 1,693,587	\$ -	\$ 3,704	\$ 349,725	\$ 11,725,911
-	603,150	-	-	603,150
<u>\$ 1,693,587</u>	<u>\$ 603,150</u>	<u>\$ 3,704</u>	<u>\$ 349,725</u>	<u>\$ 12,329,061</u>

(continued)

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - NON MAJOR ENTERPRISE FUNDS (Continued)**  
**Year ended June 30, 2013**

	Parking	Storm Drain	Compost
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (202,696)	\$ 249,470	\$ 3,421,717
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	403,595	588,190	190,591
Rental income	-	-	-
Taxes paid	(22,570)	-	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(5,013)	6,018	294,081
(Increase) in utilities receivable	-	(6,892)	(57,986)
Increase (decrease) in accounts payable and accrued expenses	13,700	134,479	16,234
Increase (decrease) in accrued salaries and benefits	(2,616)	(21,335)	(10,228)
(Increase) decrease in prepaid expenses	-	(12)	89
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in due to other governments	-	-	-
Increase (decrease) in deferred revenues	-	-	-
Total adjustments	387,096	700,448	432,781
Net cash provided (used) by operating activities	\$ 184,400	\$ 949,918	\$ 3,854,498
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital assets transferred from other funds	\$ -	\$ -	\$ -

<u>Airport</u>	<u>Golf</u>	<u>Community Center</u>	<u>Abatement and Public Nuisance Fund</u>	<u>Total</u>
\$ <u>(1,091,330)</u>	\$ <u>(421,337)</u>	\$ <u>(1,755,518)</u>	\$ <u>260,912</u>	\$ <u>461,218</u>
608,469	276,826	751,312	-	2,818,983
176,631	101,052	347,254	-	624,937
(471)	-	-	-	(23,041)
(16,820)	(9,890)	51,276	(44,196)	275,456
-	-	-	-	(64,878)
(106,502)	132,042	(5,429)	-	184,524
(1,491)	-	(10,988)	-	(46,658)
875	-	-	-	952
-	(78,292)	-	-	(78,292)
7,984	-	-	-	7,984
-	(43,311)	-	43,946.00	635
<u>668,675</u>	<u>378,427</u>	<u>1,133,425</u>	<u>(250)</u>	<u>3,700,602</u>
\$ <u><u>(422,655)</u></u>	\$ <u><u>(42,910)</u></u>	\$ <u><u>(622,093)</u></u>	\$ <u><u>260,662</u></u>	\$ <u><u>4,161,820</u></u>
\$ 530,497	\$ -	\$ -	\$ -	\$ 530,497

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## Internal Service Funds

Internal Service Funds are established to finance and account for services and commodities furnished by a designated agency of a governmental unit to other departments of the same governmental unit. Since the services and commodities are supplied exclusively to other departments of a governmental jurisdiction, they are distinguishable from those public services which are rendered to the public in general and which are accounted for in General, Special Revenue, or Enterprise Funds. Internal Service Funds include:

**FLEET MANAGEMENT FUND** – To provide the maintenance necessary for the City's equipment pool, which serves the needs of all City departments.

**CENTRAL SERVICES FUND** – To provide office supplies, various maintenance and construction materials, records storage, and mail services to all City departments.

**INFORMATION AND TECHNOLOGY SERVICES FUND** – To finance and account for the replacement, upgrade and maintenance of the City's network and technology infrastructure, and to develop and implement a coordinated City-wide information technology plan.

**INSURANCE FUND** – To finance and account for the City's insurance and risk management programs.

**EMPLOYEE BENEFITS MANAGEMENT FUND** – To account for all compensated absences and other employee benefits. Insurance benefits for current employees are accounted for in the Insurance Fund.

**BUILDING SERVICES FUND** – To account for the true cost of occupying and maintaining office space, to better reflect the value of that space, and to accumulate amounts for future building repair costs.

**CITY OF MODESTO**  
**COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS**  
**June 30, 2013**

	Fleet Management	Central Services	Information & Technology Services
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	\$ 7,969,978	\$ 1,229,228	\$ 4,692,151
Cash from fiscal agent	-	-	-
Receivables:			
Accounts receivable	21,415	-	-
Interest	23,764	3,597	15,755
Prepaid expenses	75	-	196,812
Due from governments	-	-	-
Inventories	-	433,901	-
Advances to other funds	-	-	-
Total current assets	8,015,232	1,666,726	4,904,718
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	-	-	-
Land and construction in progress	1,055,533	-	558,620
Other capital assets, net of accumulated depreciation	12,812,706	50,209	5,902,544
Total assets	\$ 21,883,471	\$ 1,716,935	\$ 11,365,882
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 174,886	\$ 126,412	\$ 126,039
Accrued salaries and benefits	48,726	8,230	82,073
Interest Payable	2,389	-	-
Current portion - compensated absences	-	-	-
Current portion - claims liability	-	-	-
Current portion - capital lease	-	-	176,381
Total current liabilities	226,001	134,642	384,493
Noncurrent liabilities:			
Compensated absences	-	-	-
Claims liability	-	-	-
Net OPEB obligation	-	-	-
Long-term debt:			
Obligations under capital leases	-	-	183,609
Total liabilities	226,001	134,642	568,102
<b><u>NET POSITION</u></b>			
Net investment in capital assets	13,868,239	50,209	6,277,555
Restricted	-	-	-
Unrestricted	7,789,231	1,532,084	4,520,225
Total net position	\$ 21,657,470	\$ 1,582,293	\$ 10,797,780

Insurance	Employee Benefits Management	Building Services	Total
\$ 17,222,901	\$ -	\$ 627,383	\$ 31,741,641
403,234	-	-	403,234
609,929	-	50,068	681,412
18,155	29,448	2,051	92,770
144,126	-	52,551	393,564
-	-	-	-
-	-	-	433,901
-	2,431,738	-	2,431,738
<u>18,398,345</u>	<u>2,461,186</u>	<u>732,053</u>	<u>36,178,260</u>
-	12,246,062	-	12,246,062
-	-	-	1,614,153
-	-	97,814	18,863,273
<u>\$ 18,398,345</u>	<u>\$ 14,707,248</u>	<u>\$ 829,867</u>	<u>\$ 68,901,748</u>
\$ 855,785	\$ 746,089	\$ 68,871	\$ 2,098,082
9,902	6,500	11,521	166,952
1,032	1,739	-	5,160
-	6,064,616	-	6,064,616
5,167,875	-	-	5,167,875
-	-	-	176,381
<u>6,034,594</u>	<u>6,818,944</u>	<u>80,392</u>	<u>13,679,066</u>
-	4,176,458	-	4,176,458
17,514,810	-	-	17,514,810
-	57,897,614	-	57,897,614
-	-	-	183,609
<u>23,549,404</u>	<u>68,893,016</u>	<u>80,392</u>	<u>93,451,557</u>
-	-	97,814	20,293,817
-	12,246,062	-	12,246,062
<u>(5,151,059)</u>	<u>(66,431,830)</u>	<u>651,661</u>	<u>(57,089,688)</u>
<u>\$ (5,151,059)</u>	<u>\$ (54,185,768)</u>	<u>\$ 749,475</u>	<u>\$ (24,549,809)</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - INTERNAL SERVICE FUNDS**  
Year ended June 30, 2013

	<u>Fleet Management</u>	<u>Central Services</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 6,515,801	\$ 22,938
Sales	-	4,555,538
Cost of sales	-	(3,801,868)
Total operating revenues	<u>6,515,801</u>	<u>776,608</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	1,058,430	220,751
Contractual services	1,384,661	72,645
Utilities	11,398	2,815
Maintenance and supplies	2,077,802	107,083
Insurance	88,966	10,286
Claims expense	-	-
Employee benefits	481,196	101,596
Administration services	253,088	38,797
Allocated indirect administrative costs	254,750	-
Depreciation	2,532,634	11,791
Total operating expenses	<u>8,142,925</u>	<u>565,764</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,627,124)</u>	<u>210,844</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Loss on disposition of capital assets	(104,010)	(38)
Interest income	82,724	12,183
Net increase (decrease) in fair value of investments	(71,281)	(10,703)
Total nonoperating revenues (expenses)	<u>(92,567)</u>	<u>1,442</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	(1,719,691)	212,286
Transfers in	1,119,375	-
Transfers out	(11,352)	(1,795)
<b>CHANGE IN NET POSITION</b>	(611,668)	210,491
<b>NET POSITION (DEFICITS), July 1</b>	22,284,814	1,355,771
<b>PRIOR PERIOD ADJUSTMENTS</b>	<u>(15,676)</u>	<u>16,031</u>
<b>NET POSITION (DEFICITS), June 30</b>	<u>\$ 21,657,470</u>	<u>\$ 1,582,293</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 5,574,362	\$ 22,494,166	\$ 4,380,031	\$ 2,346,311	\$ 41,333,609
-	-	-	-	4,555,538
-	-	-	-	(3,801,868)
<u>5,574,362</u>	<u>22,494,166</u>	<u>4,380,031</u>	<u>2,346,311</u>	<u>42,087,279</u>
2,120,187	264,293	146,396	315,663	4,125,720
1,010,816	336,381	204,508	1,288,179	4,297,190
118,726	607	-	108,605	242,151
936,159	6,812	12,805	54,224	3,194,885
85,524	15,673,466	6,771	16,708	15,881,721
-	5,875,242	-	-	5,875,242
787,310	96,967	5,391,112	172,573	7,030,754
12,054	896,668	63,385	186,972	1,450,964
-	-	-	-	254,750
823,124	-	-	4,212	3,371,761
<u>5,893,900</u>	<u>23,150,436</u>	<u>5,824,977</u>	<u>2,147,136</u>	<u>45,725,138</u>
<u>(319,538)</u>	<u>(656,270)</u>	<u>(1,444,946)</u>	<u>199,175</u>	<u>(3,637,859)</u>
(3,125)	-	(1,638)	-	(108,811)
50,265	246,444	102,771	7,188	501,575
<u>(44,257)</u>	<u>(53,567)</u>	<u>(78,626)</u>	<u>(5,593)</u>	<u>(264,027)</u>
<u>2,883</u>	<u>192,877</u>	<u>22,507</u>	<u>1,595</u>	<u>128,737</u>
(316,655)	(463,393)	(1,422,439)	200,770	(3,509,122)
21,047	284,467	75,000	-	1,499,889
<u>(148,065)</u>	<u>(66,327)</u>	<u>(637)</u>	<u>(29,404)</u>	<u>(257,580)</u>
(443,673)	(245,253)	(1,348,076)	171,366	(2,266,813)
11,978,225	(4,905,806)	(66,518,424)	578,109	(35,227,311)
<u>(736,772)</u>	<u>-</u>	<u>13,680,732</u>	<u>-</u>	<u>12,944,315</u>
<u>\$ 10,797,780</u>	<u>\$ (5,151,059)</u>	<u>\$ (54,185,768)</u>	<u>\$ 749,475</u>	<u>\$ (24,549,809)</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**Year ended June 30, 2013**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Information &amp; Technology Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 71,616	\$ 10,195	\$ 5,463
Receipts from interfund services provided	6,425,190	766,812	5,572,984
Payments to suppliers	(3,061,083)	(300,358)	(1,995,924)
Payment of insurance claims	-	-	-
Payments to employees	(1,550,076)	(324,359)	(2,921,179)
Payments for interfund services used	(1,046,974)	(119,817)	(130,672)
Net cash provided (used) by operating activities	<u>838,673</u>	<u>32,473</u>	<u>530,672</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	1,119,375	-	21,047
Transfers out	(11,352)	(1,795)	(148,065)
Interest paid	2,389	-	-
Net cash provided (used) by noncapital financing activities	<u>1,110,412</u>	<u>(1,795)</u>	<u>(127,018)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(3,620,340)	(15,997)	592,422
Gain/Loss from sale of capital assets	(104,010)	(38)	(3,125)
Principal repayments	-	-	(174,837)
Net cash provided (used) by capital and related financing activities	<u>(3,724,350)</u>	<u>(16,035)</u>	<u>414,460</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	81,828	11,890	49,311
Net increase in the fair value of investments	(71,281)	(10,703)	(44,257)
Net cash provided by investing activities	<u>10,547</u>	<u>1,187</u>	<u>5,054</u>
Net increase (decrease) in cash and cash equivalents	(1,764,718)	15,830	823,168
CASH AND CASH EQUIVALENTS, JULY 1	<u>9,750,372</u>	<u>1,197,366</u>	<u>4,605,756</u>
PRIOR PERIOD ADJUSTMENTS	(15,676)	16,032	(736,773)
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 7,969,978</u>	<u>\$ 1,229,228</u>	<u>\$ 4,692,151</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>			
Cash and cash equivalents	\$ 7,969,978	\$ 1,229,228	\$ 4,692,151
Cash and cash equivalents with fiscal agent	-	-	-
Restricted cash and cash equivalents	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 7,969,978</u>	<u>\$ 1,229,228</u>	<u>\$ 4,692,151</u>

	Insurance	Employee Benefits Management	Building Services	Total
\$	336,836	\$ 4,915,985	\$ 225,590	\$ 5,565,685
	22,257,151	153,715	2,078,189	37,254,041
	(16,335,332)	(201,629)	(1,300,215)	(23,194,541)
	(6,552,590)	-	-	(6,552,590)
	(362,792)	(18,304,858)	(495,875)	(23,959,139)
	(939,648)	(85,840)	(356,430)	(2,679,381)
	<u>(1,596,375)</u>	<u>(13,522,627)</u>	<u>151,259</u>	<u>(13,565,925)</u>
	284,467	75,000	-	1,499,889
	(66,327)	(637)	(29,404)	(257,580)
	355	438	-	3,182
	<u>218,495</u>	<u>74,801</u>	<u>(29,404)</u>	<u>1,245,491</u>
	-	1,637	(7,120)	(3,049,398)
	-	(1,638)	-	(108,811)
	-	-	-	(174,837)
	<u>-</u>	<u>(1)</u>	<u>(7,120)</u>	<u>(3,333,046)</u>
	244,862	89,038	6,467	483,396
	(53,567)	(78,626)	(5,593)	(264,027)
	<u>191,295</u>	<u>10,412</u>	<u>874</u>	<u>219,369</u>
	(1,186,585)	(13,437,415)	115,609	(15,434,111)
	<u>18,812,720</u>	<u>12,002,745</u>	<u>511,774</u>	<u>46,880,733</u>
	-	13,680,732	-	12,944,315
\$	<u>17,626,135</u>	<u>12,246,062</u>	<u>627,383</u>	<u>44,390,937</u>
\$	17,222,901	\$ -	\$ 627,383	\$ 31,741,641
	403,234	-	-	403,234
	-	12,246,062	-	12,246,062
\$	<u>17,626,135</u>	<u>12,246,062</u>	<u>627,383</u>	<u>44,390,937</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)**  
**Year ended June 30, 2013**

	<u>Fleet Management</u>	<u>Central Services</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,627,124)	\$ 210,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,532,634	11,791
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(21,415)	-
(Increase) decrease in due from governments	2,420	399
(Increase) in prepaid expenses	(75)	-
Decrease in inventories	-	17,378
Increase (decrease) in accounts payable and accrued expenses	(37,392)	(205,928)
Increase in accrued salaries and benefits payable	(10,375)	(2,011)
Increase in compensated absences and OPEB	-	-
Decrease in claims liability	-	-
Total adjustments	<u>2,465,797</u>	<u>(178,371)</u>
Net cash provided (used) by operating activities	<u>\$ 838,673</u>	<u>\$ 32,473</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Capital contributions	\$ -	\$ -

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ (319,538)	\$ (656,270)	\$ (1,444,946)	\$ 199,175	\$ (3,637,859)
823,124	-	-	4,212	3,371,761
-	99,365	18,750	9,251	105,951
4,085	456	294	768	8,422
(7,027)	(144,126)	-	(52,551)	(203,779)
-	-	-	-	17,378
43,710	(361,046)	670,625	(1,957)	108,012
(13,682)	(1,532)	(6,285)	(7,639)	(41,524)
-	-	(12,761,065)	-	(12,761,065)
-	(533,222)	-	-	(533,222)
<u>850,210</u>	<u>(940,105)</u>	<u>(12,077,681)</u>	<u>(47,916)</u>	<u>(9,928,066)</u>
<u>\$ 530,672</u>	<u>\$ (1,596,375)</u>	<u>\$ (13,522,627)</u>	<u>\$ 151,259</u>	<u>\$ (13,565,925)</u>
\$ -	\$ -	\$ -	\$ -	\$ -

## AGENCY FUNDS

Agency Funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations.

**SPECIAL DISTRICTS** - To account for collection of special district assessments from property owners and forwarding these collections to trustees for payment to bondholders.

**TUOLUMNE RIVER REGIONAL PARK** - To account for cash and investments of the Tuolumne River Regional Park, a joint powers agency between the City of Modesto, Stanislaus County and City of Ceres. The agency provides financing, development, and maintenance of the Tuolumne River Regional Park facilities. The cash and investments of the Park are invested as part of the City's investment pool.

**STANISLAUS DRUG ENFORCEMENT AGENCY** - To account for cash and investments of the Stanislaus Drug Enforcement Agency, a joint powers agency between Stanislaus County and the cities of Modesto, Oakdale, Turlock, Ceres, Hughson, Newman, Patterson, and Waterford. The agency's purpose is to maintain a specially trained police unit to assist each of the participating agencies in the enforcement of drug control laws, and to study, plan, and set priorities for effective enforcement of such laws throughout Stanislaus County. Cash and investments of the Agency are invested in the City's investment pool.

**INDUSTRIAL FIRE DISTRICT** - To record and distribute the special assessments for fire protection that were established under the Industrial Fire District. This is a joint powers agency between the Modesto Regional Fire Authority, the City of Ceres, and the Industrial Fire District. Cash and investments of the Agency are invested in the City's investment pool.

**STANISLAUS REGIONAL WATER AUTHORITY** - To account for cash and investments of the Stanislaus Regional Water Authority, a joint powers agency between the City of Modesto, City of Turlock and City of Ceres. The agency provides direction for the future of the proposed Regional Surface Water Supply Project. The cash and investments of this agency are invested as part of the City's investment pool.

**MODESTO REGIONAL FIRE AUTHORITY** - To account for cash and investments of the Modesto Regional Fire Authority, a joint powers agency between the City of Modesto, Stanislaus County and Salida Fire Protection District. The agency provides fire suppression, protection and prevention, emergency management and related services. The cash and investments of this agency are invested as part of the City's investment pool.

**CITY/COUNTY JOINT POWERS FINANCING AUTHORITY** - To account for cash and investments of the City/County Capital Improvements and Financing Agency, a joint powers agency between the City of Modesto and Stanislaus County. The agency builds and maintains a joint City-County government complex in downtown Modesto. The cash and investments of the Agency are invested as part of the City's investment pool.

**CITY OF MODESTO**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**  
**Year ended June 30, 2013**

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<u>Special Districts</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,659,343	\$ 2,145,333	\$ 2,159,717	\$ 4,644,959
Cash and cash equivalents with fiscal agent	3,614,097	2,083,484	2,077,800	3,619,781
	<u>\$ 8,273,440</u>	<u>\$ 4,228,817</u>	<u>\$ 4,237,517</u>	<u>\$ 8,264,740</u>
<u>LIABILITIES</u>				
Due to special district bondholders	\$ 8,273,440	\$ 4,228,817	\$ 4,237,517	\$ 8,264,740
<u>Tuolumne River Regional Park</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 451,560	\$ 594,422	\$ 898,718	\$ 147,264
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 451,560	\$ 594,422	\$ 898,718	\$ 147,264
<u>Stanislaus Drug Enforcement Agency</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,506,205	\$ 2,819,843	\$ 3,100,462	\$ 3,225,586
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 3,506,205	\$ 2,819,843	\$ 3,100,462	\$ 3,225,586
<u>Industrial Fire District</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 442,956	\$ 727,945	\$ 490,872	\$ 680,029
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 442,956	\$ 727,945	\$ 490,872	\$ 680,029
<u>Stanislaus Regional Water Authority</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,213	\$ 78,681	\$ 77,786	\$ 2,108
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 1,213	\$ 78,681	\$ 77,786	\$ 2,108
<u>Modesto Regional Fire Authority</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,220,941	\$ 28,529,415	\$ 30,250,186	\$ 500,170
Cash and cash equivalents with fiscal agent	25,000			25,000
	<u>2,245,941</u>	<u>28,529,415</u>	<u>30,250,186</u>	<u>525,170</u>
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 2,245,941	\$ 28,529,415	\$ 30,250,186	\$ 525,170
<u>City/County Joint Powers Financing Authority</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 10,289	\$ 132	\$ 118	\$ 10,303
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 10,289	\$ 132	\$ 118	\$ 10,303
<u>Totals - All Agency Funds</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 11,292,507	\$ 34,895,771	\$ 36,977,741	\$ 9,210,537
Cash and cash equivalents with fiscal agent	3,639,097	2,083,484	2,077,800	3,644,781
	<u>\$ 14,931,604</u>	<u>\$ 36,979,255</u>	<u>\$ 39,055,541</u>	<u>\$ 12,855,318</u>
<u>LIABILITIES</u>				
Due to special district bondholders	\$ 8,273,440	\$ 4,228,817	\$ 4,237,517	\$ 8,264,740
Deposits held as agent for others	6,658,164	32,750,438	34,818,024	4,590,578
	<u>\$ 14,931,604</u>	<u>\$ 36,979,255</u>	<u>\$ 39,055,541</u>	<u>\$ 12,855,318</u>

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**DIVIDER**

**STATISTICAL**

**SECTION**



## **STATISTICAL SECTION**



## Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information to aid in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### Revenue Capacity

This schedule gives information on the City's most significant local revenue source, the water user charges:

1. Water Utility System – Ten Largest Customers
2. Water revenues by customer class
3. Water rates

### Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Wastewater Revenue Bonds
5. Continuing Disclosure Requirements:
  - a. Wastewater Revenue Bonds and Refunding Revenue Bonds
  - b. Water Utility System Revenue Certificates of Participation and Refunding Revenue Certificates of Participation, and Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds and Refunding Revenue Bonds

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

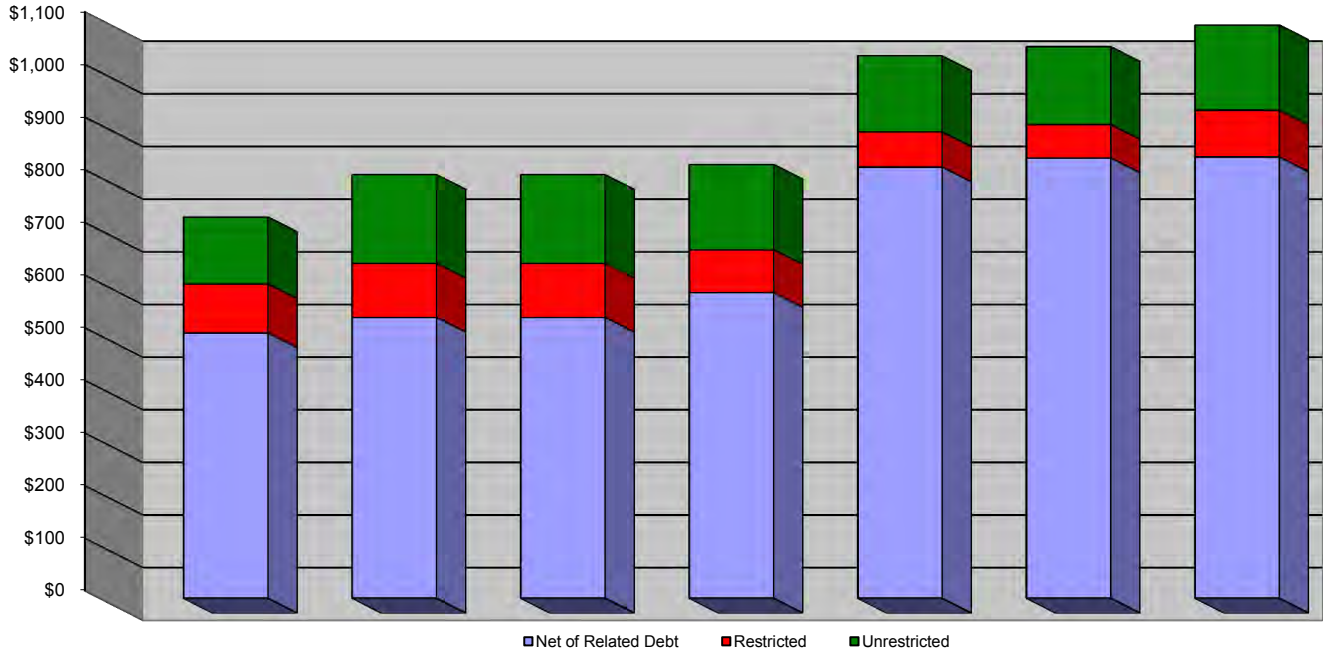
### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; however, for schedules presenting entity-wide information, the City has elected to show only seven years of data for these schedules.

**CITY OF MODESTO**  
**NET POSITION BY COMPONENT**  
 Last Seven Fiscal Years  
 (accrual basis of accounting)



	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>							
Net investment in capital assets	\$333,409,532	\$339,396,266	\$347,357,492	\$329,592,169	\$338,010,133	\$362,755,958	\$361,582,237
Restricted	93,168,664	102,602,698	94,819,773	81,528,516	66,570,581	63,498,187	63,381,356
Unrestricted	(12,566,297)	4,627,884	(472,402)	14,399,778	6,540,870	(4,326,456)	(1,102,658)
Total governmental activities net position	<u>\$414,011,899</u>	<u>\$446,626,848</u>	<u>\$441,704,863</u>	<u>\$425,520,463</u>	<u>\$411,121,584</u>	<u>\$421,927,689</u>	<u>\$423,860,935</u>
<b>Business-type activities</b>							
Net investment in capital assets	\$170,791,021	\$194,435,373	\$218,432,739	\$251,025,494	\$481,186,894	\$473,757,198	\$476,681,835
Restricted							25,571,860
Unrestricted	139,613,374	163,792,245	169,639,845	147,661,517	138,033,147	152,003,655	162,882,299
Total business-type activities net position	<u>\$310,404,395</u>	<u>\$358,227,618</u>	<u>\$388,072,584</u>	<u>\$398,687,011</u>	<u>\$619,220,041</u>	<u>\$625,760,853</u>	<u>\$665,135,994</u>
<b>Primary government</b>							
Net investment in capital assets	\$504,200,553	\$533,831,639	\$533,831,639	\$580,617,663	\$819,197,027	\$836,513,156	\$838,264,072
Restricted	\$93,168,664	102,602,698	102,602,698	81,528,516	66,570,581	63,498,187	88,953,216
Unrestricted	127,047,077	168,420,129	168,420,129	162,061,295	144,574,017	147,677,199	161,779,641
Total primary government net position	<u>\$724,416,294</u>	<u>\$804,854,466</u>	<u>\$804,854,466</u>	<u>\$824,207,474</u>	<u>\$1,030,341,625</u>	<u>\$1,047,688,542</u>	<u>\$1,088,996,929</u>

1) Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

**CITY OF MODESTO**  
**CHANGES IN NET POSITION**  
**Last Seven Fiscal Years**  
**(Accrual Basis of Accounting)**

	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>							
<b>Governmental Activities:</b>							
General Government	\$17,227,876	\$15,997,582	\$12,700,264	\$12,093,091	\$12,473,794	\$14,236,573	\$12,041,953
Community Development	12,025,105	14,619,525	14,694,997	18,912,766	28,301,160	14,206,876	25,162,533
Highways and streets	26,246,306	26,436,475	23,682,253	23,668,779	24,114,799	21,009,521	20,525,496
Public works	12,557,512	11,471,344	9,151,786	6,759,562	7,393,809	6,780,882	4,064,497
Parks and Recreation	14,568,192	14,264,334	15,070,007	13,268,871	10,310,549	11,741,352	13,036,579
Public safety	83,793,361	88,651,249	84,395,987	80,254,834	83,381,310	83,568,633	83,857,207
Interest on Long Term Debt	7,286,026	4,998,482	6,114,875	5,766,421	3,609,345	3,066,897	3,193,997
<b>Total Governmental Activities Expenses</b>	<b>173,704,378</b>	<b>176,438,991</b>	<b>165,810,169</b>	<b>160,724,324</b>	<b>169,584,766</b>	<b>154,610,734</b>	<b>161,882,262</b>
<b>Business-Type Activities:</b>							
Parking	1,475,340	1,982,066	2,011,386	1,826,401	1,518,955	1,482,640	1,252,660
Water	35,540,918	36,713,351	38,190,214	43,619,704	36,305,860	53,730,665	48,656,862
Sewer	24,156,577	23,974,989	22,416,713	28,055,056	28,497,430	29,366,025	24,155,935
Storm Drain	6,924,335	6,349,113	6,140,963	5,201,741	7,619,939	6,674,100	4,239,567
Compost	1,225,462	1,312,511	1,130,816	1,480,068	4,112,837	4,426,031	4,350,079
Airport	2,039,988	1,444,667	1,682,644	1,918,113	2,157,180	1,640,733	1,534,242
Bus	13,758,421	14,834,612	15,210,224	15,671,731	16,064,104	16,944,803	18,025,010
Golf	2,479,447	2,497,161	2,440,599	2,473,968	2,366,052	2,279,650	2,197,368
Community Center	2,543,121	2,465,825	2,303,256	2,346,175	2,284,082	2,352,173	1,864,996
Abatement and Public Nuisance	-	-	-	-	-	34,609	42,879
<b>Total Business-Type Activities Expenses</b>	<b>90,143,609</b>	<b>91,574,295</b>	<b>91,526,815</b>	<b>102,592,957</b>	<b>100,926,439</b>	<b>118,931,429</b>	<b>106,319,598</b>
<b>Total Primary Government Expenses</b>	<b>\$263,847,987</b>	<b>\$268,013,286</b>	<b>\$257,336,984</b>	<b>\$263,317,281</b>	<b>\$270,511,205</b>	<b>\$273,542,163</b>	<b>\$268,201,860</b>
<b>Program Revenues</b>							
<b>Governmental Activities:</b>							
<b>Charges for Services:</b>							
General Government	\$3,775,368	\$6,726,893	\$6,987,127	\$6,323,865	\$6,804,398	\$6,799,202	\$6,262,963
Community Development	10,873,541	7,869,742	4,788,324	2,941,932	4,730,263	4,430,690	4,123,811
Highway and streets	10,719,009	5,804,342	8,222,178	2,801,213	3,179,788	4,178,567	761,394
Public Works	1,757,648	5,110,428	1,349,956	3,344,967	2,909,677	2,936,299	3,565,048
Parks and Recreation	4,437,320	5,590,196	4,006,123	6,038,468	3,105,490	3,221,072	3,623,647
Public Safety	8,414,456	4,868,612	4,625,935	4,325,231	4,977,440	3,338,783	3,668,302
Operating Grants and Contributions	12,701,177	14,221,390	11,424,548	14,559,357	19,861,492	10,270,642	16,477,474
Capital Grants and Contributions	4,207,389	17,930,957	6,595,213	10,876,018	7,334,967	9,509,584	9,046,762
<b>Total Government Activities Program Revenues</b>	<b>56,885,908</b>	<b>68,122,560</b>	<b>\$47,999,404</b>	<b>\$51,211,051</b>	<b>\$52,903,515</b>	<b>\$44,684,839</b>	<b>\$47,529,401</b>
<b>Business-Type Activities:</b>							
<b>Charges for Services:</b>							
Parking	1,128,755	1,297,484	1,256,360	1,239,995	1,274,482	1,291,401	1,169,293
Water	49,305,033	51,679,042	53,218,692	54,670,041	55,345,414	57,534,190	61,474,235
Sewer	24,833,019	29,340,615	35,854,857	37,310,731	39,142,045	41,825,928	43,414,773
Storm Drain	5,403,474	5,338,838	5,301,150	5,428,291	6,152,211	5,783,694	5,780,644
Compost	1,254,137	1,075,032	1,397,708	1,706,189	4,490,110	4,672,517	8,012,611
Airport	604,214	593,349	661,524	675,565	1,019,177	619,689	619,904
Bus	2,545,790	3,182,762	2,944,108	2,769,814	2,877,492	2,892,539	2,946,937
Golf	2,189,384	2,124,672	1,984,769	1,924,015	1,647,400	1,759,818	1,568,532
Community Center	552,878	532,471	492,989	489,562	433,460	420,059	263,581
Abatement and Public Nuisance	-	-	-	-	-	71,567	302,563
Operating Grants and Contributions	11,059,129	12,459,707	11,462,346	13,706,512	12,629,219	12,694,058	13,766,061
Capital Grants and Contributions	7,962,675	9,793,356	4,527,875	2,898,489	4,856,649	12,021,793	4,282,549
<b>Total Business-Type Activities Program Revenue</b>	<b>106,838,488</b>	<b>117,417,328</b>	<b>119,102,378</b>	<b>122,819,204</b>	<b>129,867,659</b>	<b>141,587,253</b>	<b>143,601,683</b>
<b>Total Primary Government Program Revenues</b>	<b>\$163,724,396</b>	<b>\$185,539,888</b>	<b>167,101,782</b>	<b>174,030,255</b>	<b>182,771,174</b>	<b>186,272,092</b>	<b>191,131,084</b>
<b>Net (Expense)/Revenue</b>							
Governmental Activities	(116,818,470)	(108,316,431)	(117,810,765)	(109,513,273)	(116,681,251)	(109,925,895)	(114,352,861)
Business-Type Activities	16,694,879	25,843,033	27,575,563	20,226,247	28,941,220	22,655,824	37,282,085
<b>Total Primary Government Net Expense</b>	<b>(\$100,123,591)</b>	<b>(\$82,473,398)</b>	<b>(\$90,235,202)</b>	<b>(\$89,287,026)</b>	<b>(\$87,740,031)</b>	<b>(\$87,270,071)</b>	<b>(\$77,070,776)</b>

(continued)

**City of Modesto**  
**CHANGES IN NET POSITION**  
**Last Seven Fiscal Years**  
**(Accrual Basis of Accounting)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>	<u>2012</u>	<u>2013</u>
General Revenues and Other Changes in Net Position							
Governmental Activities:							
Taxes:							
Utility Users Tax	\$ 18,319,573	\$ 19,173,295	\$ 19,093,222	\$ 19,117,518	\$ 19,119,037	\$ 19,230,879	\$ 20,399,116
Property taxes, levied for general purposes	16,456,379	16,202,587	13,863,471	12,306,702	12,107,226	11,863,902	11,618,481
Tax increments for redevelopment agency (2)	5,303,521	5,813,822	6,228,634	6,521,515	5,750,235	2,884,357	-
Transient occupancy tax	2,264,699	2,038,255	1,853,732	1,460,613	1,639,761	1,769,106	1,884,188
Franchise tax	3,823,216	7,735,131	4,779,854	3,962,159	3,940,364	4,236,705	5,785,355
Business license tax - for general purposes	10,359,058	9,680,721	9,330,563	9,068,219	9,339,077	9,694,722	10,176,791
Business license tax - for downtown improvement district	221,487	202,100	196,253	169,471	172,520	177,026	170,222
Grants and contributions not restricted to specific programs:							
Sales tax	27,884,852	26,305,982	24,578,230	22,301,060	24,110,596	25,958,263	27,110,911
Motor vehicle license fee	16,233,262	16,856,108	15,255,503	13,945,172	13,419,232	13,072,804	12,038,983
Other	4,169,354	917,347	3,285,651	1,286,466	9,718,308	11,794,261	12,844,926
Unrestricted investment earnings	8,330,079	9,960,367	5,247,506	1,211,702	696,848	(411,571)	52,893
Miscellaneous	3,582,325	3,469,916	5,809,581	2,502,397	1,630,466	1,821,336	1,861,660
Settlements							
Transfers	(1,153,632)	(779,437)	(5,490,881)	402,303	1,503,170	2,838,873	1,055,670
Special Item - PCE legal fees							
<b>Total Government Activities</b>	<u>115,794,173</u>	<u>117,576,194</u>	<u>104,031,319</u>	<u>94,255,297</u>	<u>103,146,840</u>	<u>104,930,663</u>	<u>104,999,196</u>
Business-Type Activities:							
Taxes:							
Property taxes, generated by and allocated to the airport	209,722	182,031	202,460	265,587	309,699	253,974	257,687
Business license tax, generated by and allocated to the airport	13,054	19,188	-	-	-	-	-
Unrestricted investment earnings	5,406,639	7,099,765	6,227,615	3,155,954	1,947,417	2,095,947	1,184,422
Connection fees	-	-	-	-	-	-	1,200,800
Miscellaneous			253,032				
Transfers	1,153,632	779,437	5,490,881	(402,303)	(1,503,170)	(2,838,873)	(1,055,670)
Settlements and Recoveries		14,525,389		447,102	187,096	222,379	116,711
Special item	(505,498)	(625,620)	(2,211,514)	(1,326,309)	(727,310)	(826,133)	(1,143,257)
<b>Total Business-Type Activities</b>	<u>6,277,549</u>	<u>21,980,190</u>	<u>9,962,474</u>	<u>2,140,031</u>	<u>213,732</u>	<u>(1,092,706)</u>	<u>560,693</u>
<b>Total Primary Government</b>	<u>\$122,071,722</u>	<u>\$139,556,384</u>	<u>\$113,993,793</u>	<u>\$96,395,328</u>	<u>\$103,360,572</u>	<u>\$103,837,957</u>	<u>\$105,559,889</u>
Change in Net Position							
Governmental Activities	(\$1,024,297)	\$9,259,763	(\$13,779,446)	(\$15,257,976)	(\$13,534,411)	(\$4,995,232)	(\$9,353,665)
Business-Type Activities	22,972,428	47,823,223	37,538,037	22,366,278	29,154,952	21,563,118	37,842,778
<b>Total Primary Government</b>	<u>\$21,948,131</u>	<u>\$57,082,986</u>	<u>\$23,758,591</u>	<u>\$7,108,302</u>	<u>\$15,620,541</u>	<u>\$16,567,886</u>	<u>\$28,489,113</u>

(1) The amount reported under Utility Users Taxes and Property Taxes were keyed backwards in 2011. The amounts have been fixed to reflect the correct numbers in these two categories.

(2) Due to the dissolution of the Redevelopment agencies, no tax increments will be reported on the entity-wide statements.

**CITY OF MODESTO**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Seven Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (b)</u>	<u>2012</u>	<u>2013</u>
General Fund							
Reserved	\$3,734,973	\$3,816,559	\$3,568,273	\$2,871,715	-	-	-
Unreserved	10,713,910	11,942,168	11,185,485	10,103,645	-	-	-
Non-spendable	-	-	-	-	-	123,061	126,603
Restricted	-	-	-	-	\$4,313,287	\$3,998,539	\$3,713,640
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	458,415	519,051	1,173,377
Unassigned	-	-	-	-	10,215,682	10,806,111	11,758,746
<b>Total General Fund</b>	<u>\$14,448,883</u>	<u>\$15,758,727</u>	<u>\$14,753,758</u>	<u>\$12,975,360</u>	<u>14,987,384</u>	<u>\$15,446,762</u>	<u>\$16,772,366</u>
All Other Governmental Funds							
Reserved	\$40,174,920	\$42,799,130	\$39,607,945	\$39,686,892	-	-	-
Unreserved, reported in:							
Special revenue funds	11,885,910	8,746,111	12,808,809	6,867,750	-	-	-
Capital project funds	72,253,464	71,780,583	58,718,023	54,341,594	-	-	-
Non-spendable	-	-	-	-	-	119	746
Restricted	-	-	-	-	\$118,919,268	\$109,145,041	\$106,724,809
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	3,647,941	2,604,281	3,965,851
Unassigned	-	-	-	-	(23,614,308)	(18,852,239)	(32,965,286)
<b>Total all other governmental funds</b>	<u>\$124,314,294</u>	<u>\$123,325,824</u>	<u>\$111,134,777</u>	<u>\$100,896,236</u>	<u>\$98,952,901</u>	<u>\$92,897,202</u>	<u>\$77,726,120</u>

The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

Note: The City has elected to show only seven years of data for this schedule.  
(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

**CITY OF MODESTO**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**Last Seven Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>							
Taxes	\$56,748,017	\$57,142,392	\$55,345,729	\$52,606,197	\$52,068,220	\$49,856,697	\$50,034,153
Licenses, permits and fees	187,289	153,545	132,459	138,811	139,073	131,302	175,720
Intergovernmental	66,129,862	71,179,504	63,606,634	61,551,617	74,242,596	68,682,778	75,737,161
Charges for services	36,979,023	33,319,642	27,051,151	23,509,170	22,638,801	19,897,159	19,800,718
Special assessments levied	51,634	35,294	37,299	38,520	1,852,529	1,860,905	1,781,896
Interest and rent	4,837,419	5,236,476	2,909,155	1,322,005	838,178	1,145,251	835,994
Net increase in fair value of investments	1,168,857	1,404,913	860,820	399,322	(89,608)	(452,987)	(584,090)
Fines and forfeits	2,699,445	2,614,523	2,443,506	2,253,014	2,929,182	2,169,482	2,004,133
Miscellaneous	2,814,421	3,469,916	5,809,581	2,502,397	1,630,467	1,821,336	2,081,776
<b>Total Revenues</b>	<b>171,615,967</b>	<b>174,556,205</b>	<b>158,196,334</b>	<b>144,321,053</b>	<b>156,249,438</b>	<b>145,111,923</b>	<b>151,867,461</b>
<b>Expenditures</b>							
<b>Current:</b>							
General government	15,517,544	15,107,461	13,715,577	11,482,240	10,879,751	12,411,413	11,169,669
Community development	11,789,640	13,820,295	14,137,095	18,536,120	26,077,905	12,831,734	23,673,373
Highways and streets	12,553,681	12,549,018	9,721,445	8,102,327	11,530,856	8,434,681	8,560,717
Public works	11,307,307	9,719,098	7,667,125	6,124,685	6,035,524	5,283,123	2,993,702
Parks and recreation	13,348,613	12,605,651	13,307,764	12,138,077	8,722,311	9,756,888	11,299,979
Public safety	80,988,650	82,707,285	78,103,260	75,081,791	73,207,608	72,131,852	74,094,399
Capital outlay	30,194,778	22,745,308	27,663,037	16,655,242	11,219,489	20,839,517	26,616,638
<b>Debt service:</b>							
Principal retirement	2,008,538	2,265,000	1,093,000	2,045,000	2,234,000	2,397,000	1,451,000
Interest	4,413,300	3,473,369	3,033,829	4,032,612	3,620,851	3,229,440	2,330,962
Advance refunding escrow	822,228	-	-	-	-	-	-
Other	1,333,129	1,337,611	1,395,211	1,408,771	57,557	48,738	932,460
<b>Total Expenditures</b>	<b>184,277,408</b>	<b>176,330,096</b>	<b>169,837,343</b>	<b>155,606,865</b>	<b>153,585,852</b>	<b>147,364,386</b>	<b>163,122,899</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(12,661,441)</b>	<b>(1,773,891)</b>	<b>(11,641,009)</b>	<b>(11,285,812)</b>	<b>2,663,586</b>	<b>(2,252,463)</b>	<b>(11,255,438)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	23,985,863	24,429,880	19,237,526	12,346,246	10,557,218	11,384,460	18,230,774
Transfers out	(26,399,280)	(22,579,265)	(18,149,564)	(12,402,937)	(13,069,195)	(14,223,663)	(18,417,413)
Proceeds of loan payable	44,138	244,650	209,575	-	-	-	-
Proceeds of lease revenue bonds	62,275,000	-	65,170,000	-	-	-	-
Refunding of lease revenue bonds	-	-	(65,210,000)	-	-	-	-
Sale of Assets	767,904	-	34,900	-	-	-	72,489
Payments to refunded debt escrow agent	(58,911,124)	-	(2,431,247)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,762,501</b>	<b>2,095,265</b>	<b>(1,138,810)</b>	<b>(56,691)</b>	<b>(2,511,977)</b>	<b>(2,839,203)</b>	<b>(114,150)</b>
<b>Extraordinary Items:</b>							
RDA dissolution transactions	-	-	-	-	-	(403,850)	-
RDA advance receivable elimination	-	-	-	-	-	(966,127)	-
<b>Total extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,369,977)</b>	<b>-</b>
<b>Net Change in fund balances</b>	<b>(10,898,940)</b>	<b>321,374</b>	<b>(12,779,819)</b>	<b>(11,342,503)</b>	<b>151,609</b>	<b>(6,461,643)</b>	<b>(11,369,588)</b>
FUND BALANCES, July 1	149,662,117	138,763,177	139,084,551	125,888,535	113,871,596	113,940,285	108,343,964
PRIOR PERIOD ADJUSTMENT			(416,197)	(674,436)	(82,920)	865,322	(2,475,890)
<b>FUND BALANCES, June 30</b>	<b>\$138,763,177</b>	<b>\$139,084,551</b>	<b>125,888,535</b>	<b>113,871,596</b>	<b>113,940,285</b>	<b>108,343,964</b>	<b>94,498,486</b>
Debt service as a percentage of noncapital expenditures	0.05330	0.04830	0.04041	0.05695	0.04333	0.04696	0.03577

Note : The City has elected to show only seven years of data for this schedule. The debt service percentage was revised to only include interest.

**CITY OF MODESTO**  
**REVENUE CAPACITY - MOST SIGNIFICANT LOCAL REVENUE SOURCE**  
**WATER UTILITY CHARGES**  
**(Fiscal Year ended June 30, 2013)**

Ten Largest Customers of Water Utility System, Year Ended 06/30/13

<u>Customer</u>	<u>Usage (ccf) (1)</u>	<u>% of Total Usage</u>	<u>Water Sales Revenue (\$)</u>	<u>% of Total Water Sales Revenue</u>
1) City of Modesto-Stores	474,002	1.64%	\$883,985	1.71%
2) Modesto City Schools	481,374	1.67%	\$792,154	1.53%
3) Signature Fruits Co. LLC	402,621	1.39%	\$567,586	1.10%
4) Stanislaus Food Products	335,883	1.16%	\$487,667	0.94%
5) Foster Farms	310,157	1.07%	\$432,573	0.84%
6) Stan County Housing Auth	215,580	0.75%	\$329,068	0.64%
7) E & J Gallo	171,156	0.59%	\$308,811	0.60%
8) Modesto Irrigation Dist.	153,836	0.53%	\$238,708	0.46%
9) Stan County Bldg Mntc.	118,876	0.41%	\$237,701	0.46%
10) Yosemite Comm. Clg Dist	143,288	0.50%	\$236,851	0.46%
Total Top Ten	<u>2,806,773</u>	<u>9.72%</u>	<u>\$4,515,104</u>	<u>8.75%</u>

Total Flat/Metered Revenues (Water Sales)

\$51,627,550

(1) "ccf" means "hundred cubic feet"

Water Sales Revenue, Year Ended 06/30/13

Residential - flat rates	\$14,464,689
Commercial, Industrial and municipal - metered rates	<u>37,162,861</u>
Total Water Sales	<u>\$51,627,550</u>

Water Rates and Charges as of 07/01/2012

The average monthly flat rate service charge for residential customers is: \$45.34

Commercial Accounts:

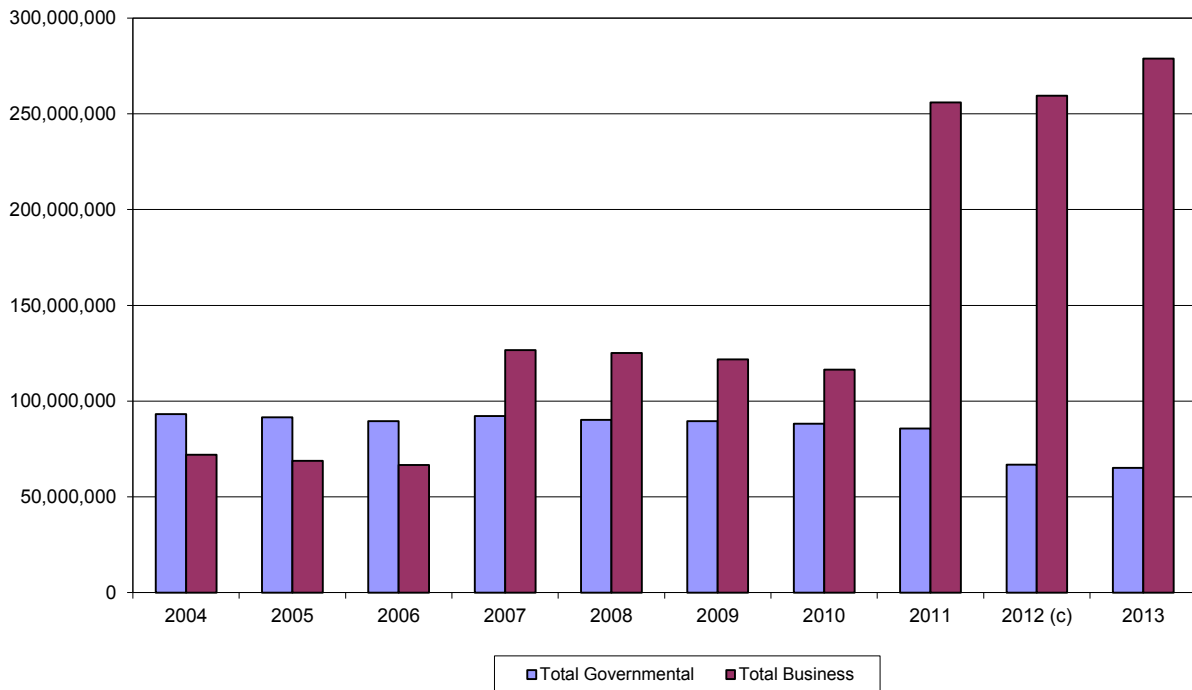
<u>Meter Size</u>	
3/4"	\$14.69
1"	20.85
1 1/2"	36.07
2"	54.43
3"	103.42
4"	158.48
6"	311.31
8"	494.82
10"	708.95
12"	1,320.55

In addition to these minimum charges, commercial accounts are charged \$1.37 per 100 cubic feet of water used. Water rates for both metered and flat rate services were increased on 07/01/2013

Source:

City of Modesto-Customer Services

**CITY OF MODESTO**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**



**Governmental Activities**

Fiscal Year	Loans Payable	Certificates of Participation	Lease Revenue Bonds	Notes Payable	Obligations Under Capital Leases	Total
2004	523,363	23,215,000	63,455,000	4,719,663	1,335,182	93,248,208
2005	485,077	22,455,000	63,000,000	4,696,076	896,833	91,532,986
2006	446,634	21,655,000	62,505,000	4,535,034	444,904	89,586,572
2007	449,138	20,820,000	66,440,000	4,365,446	211,354	92,285,938
2008	693,788	19,935,000	65,210,000	4,187,220	137,392	90,163,400
2009	903,362	19,000,000	65,170,000	3,999,252	454,401	89,527,015
2010	903,362	18,015,000	64,275,000	3,802,436	1,221,553	88,217,351
2011	903,392	16,975,000	63,255,000	3,594,658	975,955	85,704,005
2012 (c)	498,362	-	62,130,000	3,392,000	742,937	66,763,299
2013	498,362	-	60,870,000	3,201,000	502,622	65,071,984

**Business-Type Activities**

Fiscal Year	Loans Payable	Certificates of Participation	Revenue Bonds (b)	Capital Leases	Total	Total Primary Government	Percentage of Personal Income (a) (e)	Per Capita (a) (e)
2004	2,533,380	28,125,000	41,285,000	-	71,943,380	165,191,588	2.97%	801.12
2005	2,347,602	27,240,000	39,235,000	290,487	68,822,602	160,355,588	2.77%	772.30
2006	2,156,040	26,305,000	38,245,000	222,588	66,706,040	156,292,612	2.64%	751.02
2007	1,958,276	71,595,000	53,130,000	151,633	126,683,276	218,969,214	3.67%	1,046.83
2008	1,754,300	71,915,000	51,420,000	77,485	125,089,300	215,252,700	3.65%	1,025.33
2009	1,543,554	70,545,000	49,760,000	-	121,848,554	211,375,569	3.69%	1,006.13
2010	1,326,174	67,066,213	48,050,000	-	116,442,387	204,659,738	3.66%	967.49
2011 (d)	6,522,243	50,757,779	198,654,489	-	255,934,511	341,638,516	6.51%	1,698.30
2012 (d)	16,098,866	50,237,067	193,098,177	-	259,434,110	326,197,409	5.18%	1,616.75
2013	41,921,784	49,681,357	187,251,865	-	278,855,006	343,926,990	7.53%	1,669.65

Note: debt amounts are gross outstanding at year end without eliminating any premiums, discounts, or other amortization amounts.

- (a) See Demographic and Economic Statistics for personal income and population data.
- (b) The MID Treatment and Delivery issued by MID on behalf of the City has been reported as a City liability.
- (c) The Certification of Participation bonds for the Governmental Activities due to the dissolution of the Redevelopment Agency.
- (d) In 2011, the OPEB was reported in the Certificates of Participation in error. In 2012 the Loans payable increase from the bond reimbursements related to the State Revolving loan approved for the construction of a new tertiary treatment plant.
- (e) A formula error was identified for all years and has been corrected.

**CITY OF MODESTO**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2013**

Jurisdiction	Net Debt Outstanding (1)	Percentage Applicable to City of Modesto (2)	Amount Applicable to City of Modesto
Direct debt:			
City of Modesto	\$ 65,071,984	100%	\$ 65,071,984
Overlapping General Obligation debt - school districts:			
Ceres Unified District	67,110,781	6.47%	43,453
Hart-Ransom Union School District	3,860,512	28.87%	11,146
Modesto Elementary School District	12,679,711	76.97%	97,601
Modesto High School District	48,854,231	67.13%	327,936
Paradise Elementary School District	395,000	0.00%	-
Salida Union Elementary District	740,000	30.33%	2,245
Stanislaus Union School District	18,538,479	75.99%	140,871
Sylvan School District	36,116,169	77.55%	280,086
Yosemite Community College District	304,913,175	34.32%	1,046,560
Total overlapping debt	493,208,058		1,949,898
Total direct and overlapping debt	\$ 558,280,042		\$ 67,021,882

NOTES:

Source of data for School Districts: Stanislaus County Auditor.

(1) Gross debt outstanding less applicable amounts in debt service funds.

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping portion to valuation of all property subject to taxation in the jurisdiction.

**CITY OF MODESTO**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2013**

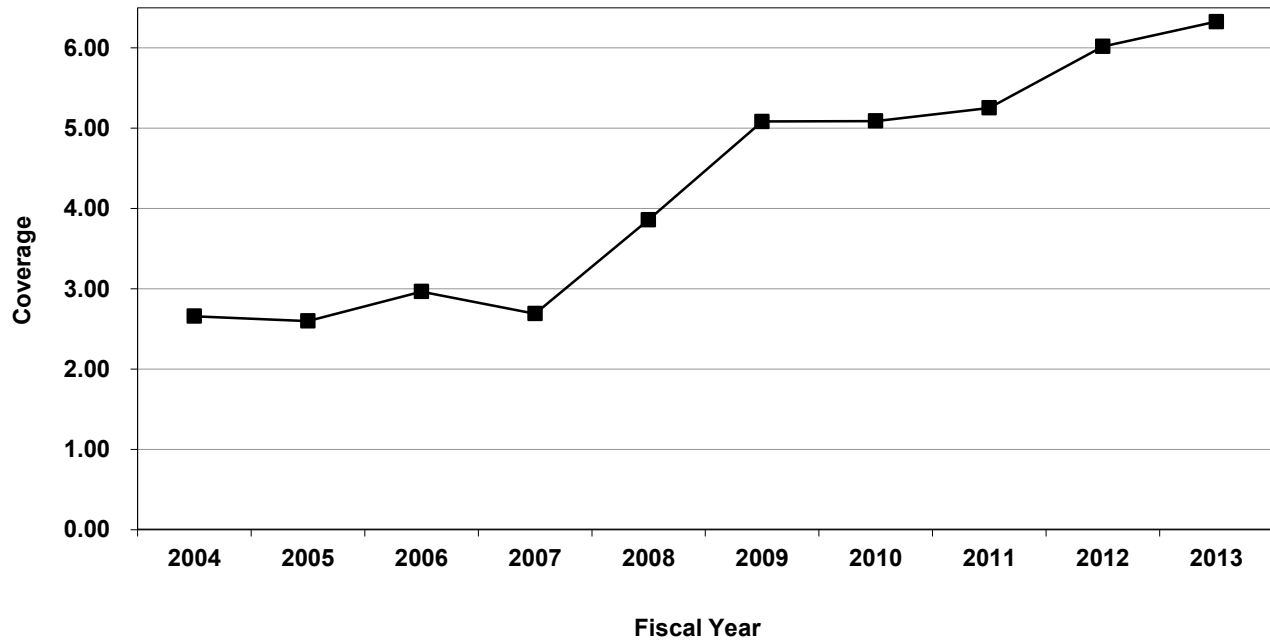
Net assessed value (1)		\$	11,276,852,112
Plus homeowners' exemption (1)			<u>216,812,409</u>
Gross assessed value (1)		\$	11,493,664,521
Debt limit - 15% of gross assessed value (2)		\$	1,724,049,678
Amount of debt applicable to debt limit:			
Total general bonded debt, including special assessment debt		\$	<u>                  -</u>
Less: Assets in debt service funds available for payment of principal	\$		<u>                  -</u>
Other deductions: Special assessment debt			<u>                  -</u>
Total deductions			<u>                  -</u>
Total amount of debt applicable to debt limit			<u>                  -</u>
Legal debt margin		\$	<u><u>1,724,049,678</u></u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2009	\$ 2,138,574,915	\$ -	\$ 2,138,574,915	0%
2010	\$ 1,945,371,241	\$ -	\$ 1,945,371,241	0%
2011	\$ 1,856,710,771	\$ -	\$ 1,856,710,771	0%
2012	\$ 1,724,049,678	\$ -	\$ 1,724,049,678	0%
2013	\$ 1,724,049,678	\$ -	\$ 1,724,049,678	0%

Notes: (1) Source of Data: Stanislaus County Auditor; Certified Values Report (AUD70-2360-100, including aircraft).  
(2) Section 43605 California Government Code.

Note: The City has elected to show only five years worth of data for this schedule.

**CITY OF MODESTO**  
**REVENUE BOND COVERAGE**  
**WASTEWATER REVENUE BONDS**  
**Last ten fiscal years**



<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements(3)</u>	<u>Coverage</u>
2004	26,123,771	16,687,958	9,435,813	3,550,120	2.66
2005	25,701,300	16,476,917	9,224,383	3,549,633	2.60
2006	24,695,878	16,044,781	8,651,097	2,916,462	2.97
2007	26,367,977	16,399,785	9,968,192	3,705,523	2.69
2008	32,214,071	16,280,914	15,933,157	4,127,837	3.86
2009	37,539,860	17,050,138	20,489,722	4,030,633	5.08
2010	39,086,504	18,161,292	20,925,212	4,110,221	5.09
2011	39,844,523	18,722,729	21,121,794	4,021,108	5.25
2012	43,453,216	19,287,894	24,165,322	4,014,808	6.02
2013	45,018,125	19,586,799	25,431,326	4,019,558	6.33

- Notes: (1) Consists of all receipts of the Sewer fund not dedicated to capital spending purposes and including charges for services, connection fees, interest and rental income.  
(2) Reflects total sewer fund operating expenses less depreciation; also includes certain transfers out that are made for operational costs incurred in other funds.  
(3) Includes total principal and interest of Wastewater Refunding Revenue Bonds Series 2005A and 2005 B and 2006 Wastewater Revenue Bonds.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION**  
**Year Ended June 30, 2013**

Wastewater Revenue Refunding Bonds, Series 2005 A and B, and  
Wastewater Revenue Bonds, Series 2006 A

Connection charge information: The Sewer Enterprise imposes connection fees on a on-time basis to new users of the sewer system and to users who significantly expand their usage. The fees have three components:

Capacity charge: \$4,905 per Equivalent Dwelling Unit for residential units. Commercial and industrial property charged based on type of business.  
 Sub-trunk sewer charge: \$645 per acre  
 Connection (lateral) charge: \$33 per linear foot of lot frontage adjacent to the sewer line.

<u>Customer Base by Type of Account</u>			
<u>Category</u>	<u>Number of</u> <u>Accounts</u>	<u>% of Total</u> <u>Accounts</u>	<u>% of Sewer Fee</u> <u>Operating Revenue</u>
Residential	57,806	93.42%	46.72%
Commercial	4,027	6.51%	9.85%
Industrial	44	0.07%	28.09%
Total	<u>61,877</u>	<u>100.00%</u>	<u>84.66%</u>

Ten Largest Users of Sewer Facilities, Year Ended 6/30/13

<u>User</u>	<u>Sewer Fee</u> <u>Revenue</u>	<u>% of Sewer Fee</u> <u>Operating Revenue</u>
1) Stanislaus Food Products	\$ 3,230,880	6.86%
2) Del Monte Food Plant 1	\$ 1,710,027	3.63%
3) Signature Fruit CO, LLC	\$ 1,659,588	3.52%
4) E & J Gallo Winery	\$ 1,369,936	2.91%
5) Frito Lay, Site #34390	\$ 909,747	1.93%
6) Foster Farms	\$ 888,676	1.89%
7) City of Ceres	\$ 884,728	1.88%
8) Nestle Food Company	\$ 414,789	0.88%
9) Modesto City Schools	\$ 195,387	0.41%
10) Stan CO Housing Authority	\$ 192,478	0.41%
Total (Top Ten Customers)	<u>\$ 11,456,236</u>	<u>24.33%</u>
Total (All Customers)	<u>\$ 47,110,388</u>	

The average single-family residence monthly sewer charge is \$28.67

<u>Commercial Group</u>	<u>Charge</u> <u>Per 1,000 Gallons</u>	<u>Fixed Charge</u>
Group 1 (no food, just toilets or working facilities)	\$2.10	\$3.93
Group 2 (commercial laundromats, service stations, hotels without food)	\$2.58	\$3.93
Group 3 (industrial laundromats, hotels with food)	\$3.07	\$3.93
Group 4 (restaurants, bakeries, auto steam, markets)	\$3.65	\$3.93

Industrial users pay a minimum account charge of \$3.93 with additional charges of: \$2,284.00 per million gallons of flow, \$113.00 per 1,000 pounds of excess biochemical oxygen demand (BOD), and \$198.00 per 1,000 pounds of Total Suspended Solids (TSS).

The Annual Budget of the City of Modesto is available from the City of Modesto Finance Department.

Updates of other required disclosures may be found elsewhere in this report, as follows:

Statement of Revenues, Expenses and Changes in Fund Net Position	Page 25	
Principal Amount of Bonds and Other Parity Debt	Page 45-46	(Note III-C)
Historical Debt Service Coverage	Page 127	
	(continued)	

**CITY OF MODESTO**  
**WASTEWATER COMPARISON INFORMATION**  
**Year Ending June 30, 2013**

Residential, commercial and industrial rates have increased according to the following approved schedule.

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Six Year History Rate Increases**

<u>Fiscal Year</u>	<u>Percent Increase</u>
2007/08	30.00
2008/09	30.00
2009/10	0.00
2010/11	3.00
2011/12	8.00
2012/13	6.00

***Comparative Monthly Wastewater Service Charges.***

The City's residential charges as of July 1, 2012 are set forth below with a comparison to other Central Valley and Northern California cities.

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Monthly Sewer Charge Comparison**  
**Residential Service**  
**As of July 1, 2012**

<u>City</u>	<u>Monthly Residential Charge</u>
Modesto	\$28.67
Stockton	\$34.23
Fresno (1)	\$25.75
Lodi (2)	\$25.20-50.40
Turlock (3)	\$36.40
Tracy	\$31.00

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(1) Based on a single family dwelling.  
(2) Based upon a per bedroom basis.  
(3) Based on 1-15 fixture units.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS**  
**Year Ending June 30, 2013**

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Wastewater Connection Fees Comparison**  
**As of July 1, 2012**

<u>City</u>	<u>Connection Fee</u>
<b>Modesto</b>	\$ 4,905
Turlock (1)	\$ 2,371
Fresno (3)	\$ 3,515
Stockton-South of the Calaveras River	\$ 2,850
Tracy	\$ 2,095
Stockton-North of the Calaveras River	\$ 3,634
Lodi (2)	\$ 4,303

---

(1) Based on 4" service and city crew charges only. Can range from \$5000-\$7000 depending on frontage of property and impact fees that may be due.

(2) Based on a 4" service and 3/4" water meter.

(3) Based on a lot that has a 60' frontage, is in the Herndon Trunk Area and owns the house branch already.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**Year Ended June 30, 2013**

Water Revenue Refinancing Certificates of Participation, 2008 Series A  
Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 1998D<sup>(1)</sup>  
Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds, Series 2007F<sup>(1)</sup>

Reserve Account Requirement as of 6/30/13	\$4,246,467
Surety Policy Value:	(2,082,513)
Balance in Parity Reserve Account as of 6/30/13	<u>(2,537,628)</u>
Shortfall/(Excess) Reserve Coverage:	<u><u>(373,674)</u></u>

Balance in Rate Stabilization Account as of 6/30/12: 3,000,000

<u>Ten Largest Customers of Water Utility System, Year Ended 6/30/13</u>					
<u>Customer</u>	<u>Business Type</u>	<u>Usage (ccf) (2)</u>	<u>% of Total Usage</u>	<u>Water Sales Revenue (\$)</u>	<u>% of Total Water Sales Revenue</u>
1) City of Modesto-Stores	Local Government	474,002	1.64%	\$883,985	1.60%
2) Modesto City Schools	Education	481,374	1.67%	\$792,154	1.43%
3) Signature Fruits Co. LLC	Cannery	402,621	1.39%	\$567,586	1.02%
4) Stanislaus Food Products	Cannery	335,883	1.16%	\$487,667	0.88%
5) Foster Farms	Dairy Processor	310,157	1.07%	\$432,573	0.78%
6) Stan County Housing Auth	Housing Authority	215,580	0.75%	\$329,068	0.59%
7) E & J Gallo	Winery	171,156	0.59%	\$308,811	0.56%
8) Modesto Irrigation Dist.	Power Company	153,836	0.53%	\$238,708	0.43%
9) Stan County Bldg Mntc.	County Offices	118,876	0.41%	\$237,701	0.43%
10) Yosemite Comm. Clg Dist	Education	143,288	0.50%	\$236,851	0.43%
Total Top Ten		<u>2,806,773</u>	<u>9.72%</u>	<u>\$4,515,104</u>	<u>8.16%</u>

Total Flat/Metered Revenues (Water Sales)

\$55,407,867

(1) Grover Landscaping maintains City parks

(2) "ccf" means "hundred cubic feet"

Water Sales Revenue, Year Ended 6/30/13

Residential - flat rates	\$12,955,005
Commercial, industrial and municipal - metered rates	\$42,452,862
Total Water Sales	<u>\$55,407,867</u>

The average monthly flat rate service charge for residential customers is

\$46.38

Current Water Rates as of 07/01/2013- Commercial Accounts

<u>Meter Size</u>	
3/4"	\$15.03
1"	\$21.33
1 1/2"	\$36.90
2"	\$55.68
3"	\$105.80
4"	\$162.13
6"	\$318.47
8"	\$506.20
10"	\$725.26
12"	\$1,350.92

In addition to these minimum charges, commercial accounts are charged \$1.33 per 100 cubic feet of water used. Water rates for both metered and flat rate services were increased as of

The Annual Budget of the City of Modesto is available from the City of Modesto Finance Department.

(1) Water Fund parity debt obligations, issued by the Modesto Irrigation District Financing Authority, on behalf of the City, and pursuant to the 1992 Treatment and Delivery Agreement between the District and the City. As of 6/30/13, the balance of the 1998 Bonds was \$52,620,000 and the balance of the 2007 Bonds was \$93,190,000. (continued)

**CITY OF MODESTO  
CITY WATER- HISTORICAL DEBT SERVICE COVERAGE  
CONTINUING DISCLOSURE REQUIREMENTS  
Last Six Fiscal Years**

**CITY WATER UTILITY SYSTEM  
Historical Debt Service Coverage<sup>(1)</sup>**

	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Charges for services	\$ 52,927,134	\$ 52,990,138	\$ 51,572,801	\$ 51,876,505	\$ 53,453,708	\$ 59,906,488
Connection charges	1,943,456	1,113,082	647,579	452,021	516,839	295,632
Refunds, Damages & Recoveries	232,570	29,033	428,083	460,766	166,522	260,802
Interest and rental income	1,984,517	2,055,531	1,006,611	588,917	670,046	174,224
Draw from (Deposit to) rate stabilization fund	-	-	-	-	-	-
Service Credits <sup>(2)</sup>	604,082	501,671	2,170,367	2,562,986	2,966,465	3,201,951
Miscellaneous	13,190	32,586	25,782	58,083	118,203	150,949
<b>Total Gross Operating Revenues</b>	<b>57,704,949</b>	<b>56,722,041</b>	<b>55,851,223</b>	<b>55,999,278</b>	<b>57,891,783</b>	<b>63,990,046</b>
Operating expenses <sup>(3)</sup>	23,664,217	28,359,392	30,219,002	26,638,348	30,755,822	28,530,554
Operating transfers <sup>(4)(5)</sup>	65,000	482,503	765,000	776,000	1,257,406	838,421
CIP expenses moved to operating <sup>(6)</sup>	2,156,833	3,054,407	1,127,185	-	-	-
<b>Total Operating Expenses<sup>(7)</sup></b>	<b>25,886,050</b>	<b>31,896,302</b>	<b>32,111,187</b>	<b>27,414,348</b>	<b>32,013,228</b>	<b>29,368,975</b>
<b>Net Operating Revenues</b>	<b>\$ 31,818,899</b>	<b>\$ 24,825,739</b>	<b>\$ 23,740,036</b>	<b>\$ 28,584,930</b>	<b>\$ 25,878,555</b>	<b>\$ 34,621,071</b>
1997 Refunding Certificate of Participation <sup>(8)</sup>	1,791,930	1,792,258	1,794,688	1,797,013	-	-
2006 Revenue Certificates of Participation	1,982,256	-	-	-	-	-
2008 Revenue Certificates of Participation	-	2,262,117	2,145,966	2,271,034	2,684,462	2,632,225
MID Treatment & Delivery Agreement <sup>(9)</sup>	6,681,894	6,672,406	7,455,918	10,794,041	10,888,790	10,889,760
CDWR Loan	264,719	263,079	264,719	264,719	255,942	264,719
ARRA Grant	-	-	-	-	5,137	36,289
<b>Total Debt Service</b>	<b>10,720,799</b>	<b>10,989,860</b>	<b>11,661,291</b>	<b>15,126,807</b>	<b>\$ 13,834,331</b>	<b>\$ 13,822,993</b>
<b>Debt Service Coverage</b>	<b>2.97</b>	<b>2.26</b>	<b>2.04</b>	<b>1.89</b>	<b>1.87</b>	<b>2.50</b>

(1) Calculated in conformity with the Contract and Trust Agreement.

(2) Service Credits are reimbursements from other City funds of costs associated with employee time worked on other projects. In Fiscal Year 2010 Cashiering, Utilities, and Collections division was moved into the Water Fund. This caused a structural change and in return an increase in service credits.

(3) Beginning in Fiscal Year 2009 total operating expenses increased as a result of the initiation of a meter program and increases in costs associated with supplies, maintenance, water treatment litigation and administration.

(4) Operating transfers in Fiscal Year 2009 increased due to an administrative oversight and funds were returned to the correct fund.

(5) Includes operating transfers for building rental fee of \$65,000 annually and commencing in Fiscal Year 2010 \$700,000 annual transfer to the Storm Drain Fund to actively protect the groundwater supply source from contamination. In Fiscal Year 2012 \$668,610 a one time transfer for IT ISF.

(6) In Fiscal Year 2010, the City made a prior period adjustment to reclassify certain operating costs previously recorded as capital improvements. This prior period adjustment has been reflected in this table in the years costs were incurred.

(7) Total operating expenses excludes depreciation and amortization, as well as the debt service component under the Treatment and Delivery Agreement.

(8) 1997 COPS were prepaid in full in Fiscal Year 2011

(9) Debt service payment increased by \$4.1 million in Fiscal Year 2011 due to the expiration of capitalized interest.

Source: City of Modesto

**CITY OF MODESTO  
CITY WATER UTILITY SYSTEM  
PROJECTED OPERATING RESULTS <sup>(1)</sup>  
CONTINUING DISCLOSURE REQUIREMENTS**

The City has prepared the following table of projections of operating results of the Water Utility System for the five fiscal years 2014-18. The projected amounts set forth below are based on certain assumptions made by the City. To the extent that actual future conditions vary from those assumed in preparing the projections, the actual results will vary.

	Fiscal Year Projected 2014	Fiscal Year Projected 2015	Fiscal Year Projected 2016	Fiscal Year Projected 2017	Fiscal Year Projected 2018
Charges for services <sup>(2)</sup>	\$ 55,906,988	\$ 57,025,128	\$ 58,165,631	\$ 59,328,943	\$ 63,014,153
Connection charges	331,001	331,001	331,001	331,001	331,000
Refunds, Damages & Recoveries	-	-	-	-	-
Interest and rental income	290,228	230,035	163,886	164,837	511,314
Draw from (Deposit to) rate stabilization fund	-	-	-	-	-
Service Credits	3,040,073	3,100,874	3,162,892	3,226,150	2,188,845
Miscellaneous	112,349	114,596	116,888	119,226	13,840
GF (Parks Loan) P/I	53,000	52,500	52,000	52,000	52,000
Total Gross Operating Revenues	<u>\$59,733,639</u>	<u>\$60,854,134</u>	<u>\$61,992,298</u>	<u>\$63,222,157</u>	<u>\$66,111,152</u>
Operating expenses <sup>(3)</sup>	37,235,470	38,842,254	40,204,544	41,798,125	40,118,979
Operating transfers	765,000	765,000	765,000	765,000	765,000
Total Operating Expenses <sup>(4)</sup>	<u>\$38,000,470</u>	<u>\$39,607,254</u>	<u>\$40,969,544</u>	<u>\$42,563,125</u>	<u>\$40,883,979</u>
Net Operating Revenues	<u>21,733,169</u>	<u>21,246,880</u>	<u>21,022,754</u>	<u>20,659,032</u>	<u>25,227,173</u>
2008 Revenue Certificates of Participation	2,619,139	2,835,077	2,835,077	2,835,077	2,835,077
MID Treatment & Delivery Agreement	10,778,307	10,778,701	10,767,819	10,767,819	10,199,897
CDWR Loan	264,719	264,719	264,719	132,359	0
ARRA Grant	36,289	36,289	36,289	36,289	36,289
Total Debt Service	<u>\$13,698,454</u>	<u>\$13,914,786</u>	<u>\$13,903,904</u>	<u>\$13,771,544</u>	<u>\$13,071,263</u>
Debt Service Coverage	1.59	1.53	1.51	1.50	1.93

(1) Calculated in conformity with the Contract and Trust Agreement.

(2) Revenues includes a Consumer Price Index (CPI) increase in 2013 of 3.1%. Assumes a 2% annual CPI increase not yet approved in 2014-17.

(3) Operating expenses has assumed an inflationary rate of 2% in 2014 and 4% 2015-17.

(4) Total operating expenses excludes depreciation and amortization, as well as the debt service component under the MID Treatment & Delivery Agreement.

Source: City of Modesto.

**CITY OF MODESTO  
CITY WATER UTILITY SYSTEM STATISTICS  
CONTINUING DISCLOSURE REQUIREMENTS  
Year Ended June 30, 2013**

**CITY WATER UTILITY SYSTEM STATISTICS  
(Calendar Years 2008 through 2013)**

	2008	2009	2010	2011	2012	2013
Number of Service Accounts	76,852.0	76,899.0	76,508.0	76,983.0	76,788.0	75,357.0
Total Water Production (MG)(1)	25,182.0	23,824.0	21,712.0	20,892.0	21,765.0	21,606.0
Capacity (MGD)(2)	166.0	166.0	166.0	166.0	175.2	175.2
Peak Daily Distribution (MGD)	116.5	113.0	110.0	98.5	97.2	99.8
Average Daily Distribution (MGD)	68.8	65.3	59.5	57.2	59.5	59.2

(1) "MG" means million gallons.

(2) "MGD" means million gallons daily.

**CITY WATER UTILITY SYSTEM  
Service Area Total Production (Billion Gallons)  
(Calendar Years 2008 through 2013)**

Year Ending December 31	Well Water	Surface Water	Total
2008	14.74	10.44	25.18
2009	14.14	9.69	23.83
2010	11.32	10.39	21.71
2011	11.72	9.17	20.89
2012	11.57	10.19	21.76
2013	10.62	10.99	21.61

**CITY WATER UTILITY SYSTEM  
Comparison of  
Average Monthly, Water Rates  
Flat Rate (1" Service)  
As of July 1, 2012**

City	Flat Rate Typical Home
Modesto	\$43.26-49.16
Stockton (1)	\$67.30
Tracy	\$20.40
Turlock (2)	\$24.05
Lodi (3)	\$25.67-51.72
Fresno (4)	\$13.51

(1) All water is metered. A monthly base rate of \$27.80 plus an estimated monthly consumption of 25 units (CCF) (consumption charges are \$1.58 per ccf), are used to calculate the average monthly water charges.

(2) Based on usage only since 2010.

(3) Based on single and multi-family per bedroom basis.

(4) Based on 1" service with a 1" meter. There is also a consumption charge of \$.61/HCF (HCF=748 GAL).

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS**  
**Year Ended June 30, 2013**

The following table sets forth connection fees for all users except multi-family units by meter size for year 2012-2013

**CITY WATER UTILITY SYSTEM**  
**Connection Fees for All users**  
**Except Multiple Family Units**  
**(Fiscal Year 2012-2013)**

<u>Meter Size</u>	<u>Connection Fees</u>
5/8" meter**	\$2,175
1" meter	\$5,436
1-1/2" meter	\$10,875
2" meter	\$17,395
3" meter	\$34,789
4" meter	\$54,359
6" meter	\$108,717
8" meter	\$173,947
10" meter	\$250,049
12" meter	\$467,482

\*\*NOTE- Single-family residences qualify for the 5/8" connection fee only under the following conditions:

Single story, single-family residences on a lot of 4,000 square feet or less.

Two-story single family residence on a lot of 4,000 square feet or less, provided the request for such a service accompanied by a report from a licensed professional engineer that certifies that the 5/8" service is adequate to meet the needs of the proposed dwelling.

A 5/8" "service" shall not be allowed for a single-family dwellings of greater than 2 stories on lots less than 4,000 square feet.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION**  
**Year Ended June 30, 2013**

**CITY WATER UTILITY SYSTEM**  
**Sale of Water**  
**(Fiscal Year Ended June 30, 2013)\***

	2009	2010	2011	2012	2013
Revenues (\$000)					
Residential (Flat Rates)	\$ 30,585,450	\$ 21,256,928	\$ 16,888,754	\$ 14,464,689	\$ 12,955,005
Commercial, Industrial and Municipal (Metered)	20,445,393	28,758,412	33,190,426	37,162,861	42,452,862
Total Water Sales	<u>\$ 51,030,843</u>	<u>\$ 50,015,340</u>	<u>\$ 50,079,180</u>	<u>\$ 51,627,550</u>	<u>\$ 55,407,867</u>

The table below sets forth the adopted single family residential flat rates approved through fiscal year 2012-13.

**CITY WATER UTILITY SYSTEM**  
**Monthly Single Family Residential Flat Water Rates (1)**

Lot Size	Effective July 1, 2009	Effective July 1, 2010	Effective November 1, 2010	Effective July 1, 2011	Effective July 1, 2012
0-5,000 sq. ft. lot	\$ 37.23	\$ 37.23	\$ 38.01	\$ 38.69	\$ 39.89
5,001-7,000 sq. ft. lot	42.31	42.31	43.20	43.98	45.34
7,001-11,000 sq. ft. lot	50.21	50.21	51.26	52.18	53.80
11,001-17,000 sq. ft. lot	53.30	53.30	54.42	55.40	57.12
over 17,000 sq. ft. lot	62.66	62.66	63.98	65.13	67.15

(1) Single family residential properties with water meters that are read for billing purposes, are charged the meter water rate.

NOTE: The City has elected to show only five years of data for these schedules.

NOTE: Additional financial information available at [www.modestogov.com](http://www.modestogov.com)

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION**  
**Year Ended June 30, 2013**

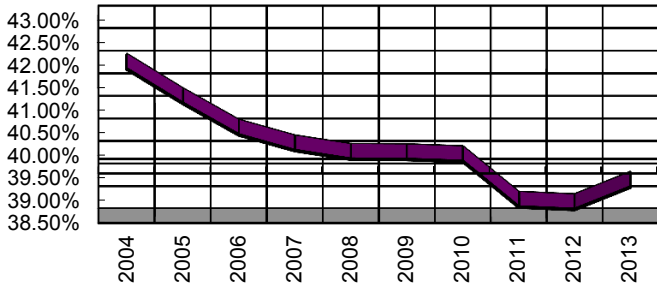
The following table sets forth the adopted monthly service charge and volume charge for commercial accounts through fiscal year 2012-13.

**CITY WATER UTILITY SYSTEM**  
**Water Rates and Charges**  
**Commercial Accounts**

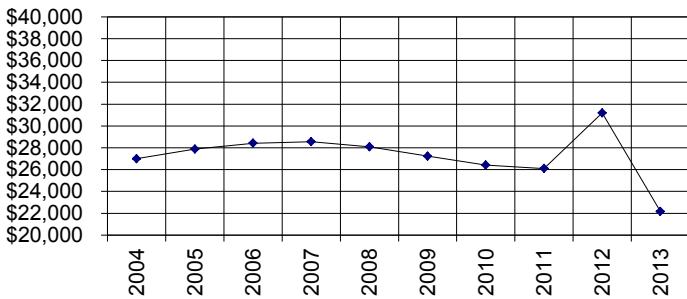
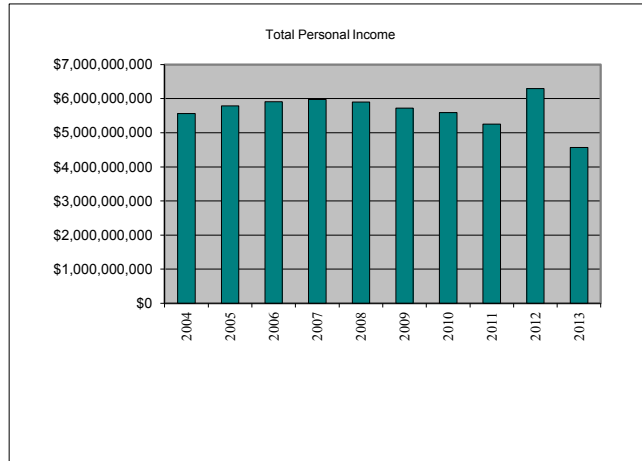
	Effective July 1, 2008	Effective July 1, 2009	Effective July 1, 2010	Effective November 1 , 2010	Effective July 1, 2011	Effective July 1, 2012
<b>Volume-based Rate (\$/hcf)</b>	\$ 1.28	\$ 1.28	\$ 1.28	\$ 1.33	\$ 1.33	\$ 1.37
<b>Fixed Monthly Meter Charge (in addition to volume-based charges)</b>						
5/8"-3/4" meter	\$ 13.71	\$ 13.71	\$ 13.71	\$ 14.00	\$ 14.25	\$ 14.69
1" meter	\$ 19.45	\$ 19.45	\$ 19.45	\$ 19.86	\$ 20.22	\$ 20.85
1-1/2" meter	\$ 33.66	\$ 33.66	\$ 33.66	\$ 34.37	\$ 34.99	\$ 36.07
2" meter	\$ 50.79	\$ 50.79	\$ 50.79	\$ 51.86	\$ 52.79	\$ 54.43
3" meter	\$ 96.51	\$ 96.51	\$ 96.51	\$ 98.54	\$ 100.31	\$ 103.42
4" meter	\$ 147.88	\$ 147.88	\$ 147.88	\$ 150.99	\$ 153.71	\$ 158.48
6" meter	\$ 290.51	\$ 290.51	\$ 290.51	\$ 296.61	\$ 301.95	\$ 311.31
8" meter	\$ 461.75	\$ 461.75	\$ 461.75	\$ 471.45	\$ 479.94	\$ 494.82
10" meter	\$ 661.58	\$ 661.58	\$ 661.58	\$ 675.47	\$ 687.63	\$ 708.95
12" meter	\$ 1,232.31	\$ 1,232.31	\$ 1,232.31	\$ 1,258.19	\$ 1,280.84	\$ 1,320.55

Note: The City has elected to show only five years of data for these schedules  
Note: Additional financial information is available at [www.modestogov.com](http://www.modestogov.com)

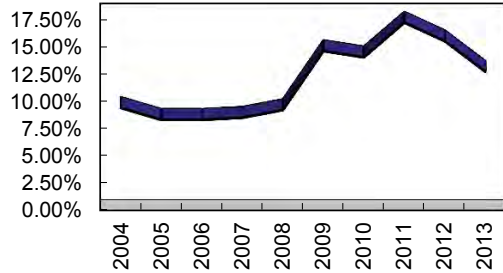
**CITY OF MODESTO**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last ten fiscal years



■ City Population as a % of County Population



◆ Per Capita Personal Income (\$)



■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income (\$)	Unemployment Rate (%)	Stanislaus County Population	City Population % of County
2004	206,200	\$5,565,131,800	\$26,989	9.4%	491,900	41.92%
2005	207,634	\$5,787,174,848	\$27,872	8.3%	504,482	41.16%
2006	208,107	\$5,912,527,977	\$28,411	8.3%	514,370	40.46%
2007	209,174	\$5,970,871,830	\$28,545	8.5%	521,497	40.11%
2008	209,936	\$5,895,212,816	\$28,081	9.20%	525,903	39.92%
2009	210,088	\$5,720,906,328	\$27,231	14.60%	526,383	39.91%
2010	211,536	\$5,586,877,296	\$26,411	14.02%	530,584	39.87%
2011	201,165	\$5,251,613,490	\$26,106	17.20%	517,685	38.86%
2012	201,761	\$6,294,337,917	\$31,197	15.50%	519,940	38.80%
2013	205,987	\$4,566,113,829	\$22,167	12.70%	524,124	39.30%

Source: State of California, Department of Finance (population)  
 State of California, Employment Development Department (unemployment rate)  
 U.S. Department of Commerce, Census Bureau (income)

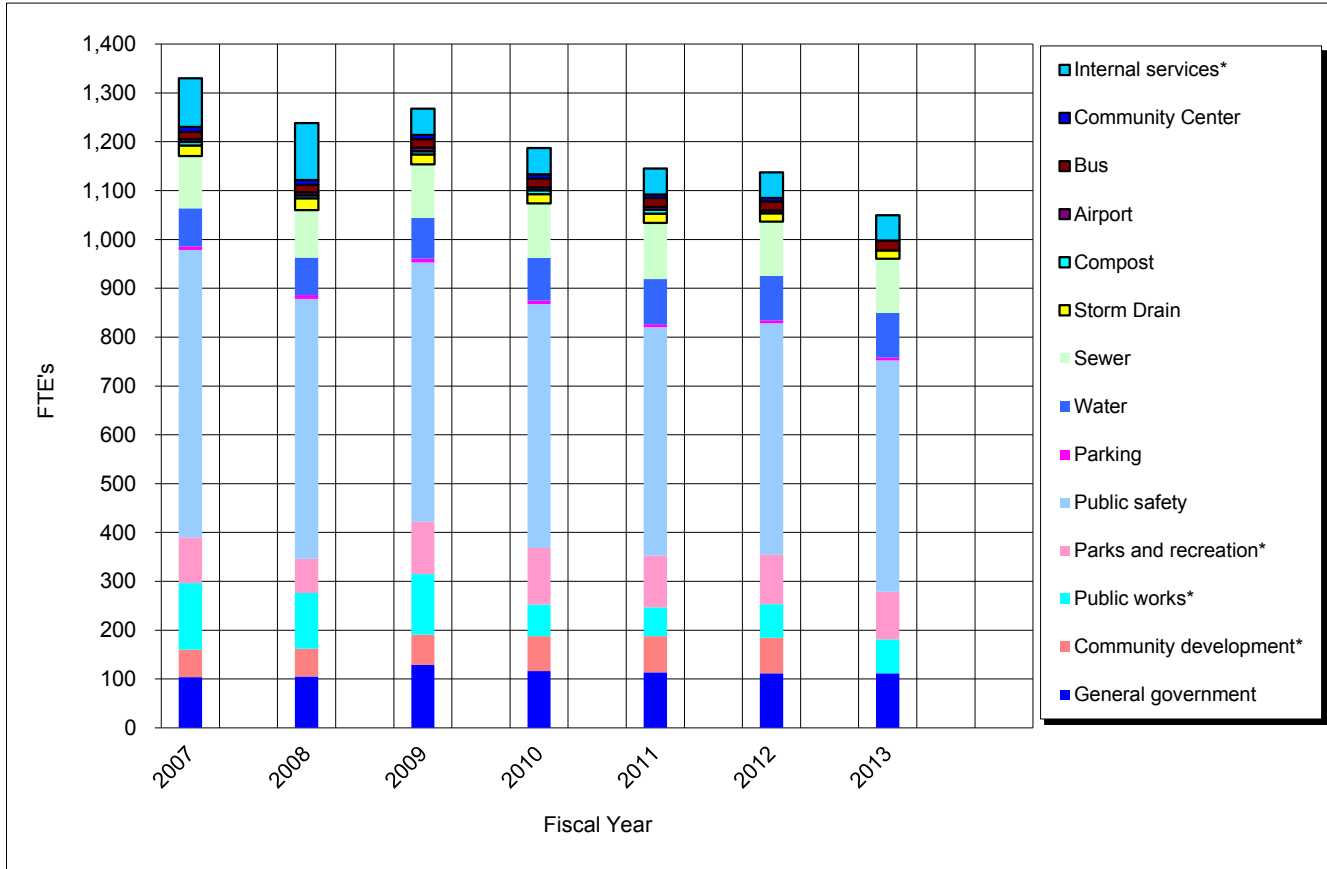
**CITY OF MODESTO  
Principal Employers**

Employer	<b>2012/13</b>		
	Number of Employees	Rank	Percentage of Total City Employment
E&J Gallo Winery	3,181	1	3.09%
Modesto City Schools	3,002	2	2.92%
Memorial Medical Center	2,959	3	2.88%
Seneca	2,200	4	2.14%
Doctors Medical Center	1,962	5	1.91%
Stanislaus Food Products	1,922	6	1.87%
Kaiser Permanente	1,759	7	1.71%
Del Monte Foods	1,700	8	1.65%
City of Modesto	1,325	9	1.29%
Modesto Junior College	1,322	10	1.28%
Subtotal	21,332		20.73%
Total City Labor Force	102,900		
Total City Population	205,987		

Source: Stanislaus Economic Development & Workforce Alliance (reflects peak seasonal employment and may include estimations)  
 \* The data for the principal employers for the period of nine years prior is not available at this time.

Source: Stanislaus Economic Development & Workforce Alliance

**CITY OF MODESTO**  
**FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
 Last Seven Fiscal Years



	2007	2008	2009	2010	2011	2012	2013
<b>Function</b>							
General government	104.10	105.00	128.60	116.60	113.60	112.00	112.00
Community development*	56.00	57.00	62.20	71.20	74.20	72.20	74.00
Public works*	136.50	114.00	124.00	65.00	59.00	69.00	69.00
Parks and recreation*	93.25	70.00	107.25	116.00	106.23	101.48	97.50
Public safety	588.75	532.00	530.75	499.00	467.75	473.75	474.00
Parking	7.00	8.00	8.00	7.00	6.00	6.00	6.00
Water	78.00	77.00	83.00	87.00	92.00	91.00	91.00
Sewer	107.00	97.00	110.00	112.00	115.00	111.00	111.00
Storm Drain	22.00	24.00	20.00	19.00	19.00	17.00	17.00
Compost	7.00	6.00	7.00	8.00	8.00	8.00	8.00
Airport	6.00	7.00	6.75	6.00	6.00	6.00	6.00
Bus	15.00	15.00	18.00	18.00	18.00	18.00	20.00
Community Center	9.50	9.50	8.50	8.50	7.25	7.25	5.50
Internal services*	99.60	117.00	54.00	54.00	53.00	53.00	52.00
<b>Total</b>	<b>1,329.70</b>	<b>1,238.50</b>	<b>1,268.05</b>	<b>1,187.30</b>	<b>1,145.03</b>	<b>1,145.68</b>	<b>1,143.00</b>

Source: City of Modesto

\*\*Fiscal Year 2008/09, positions were updated to only include full-time positions. The CAFR 2009 reported part-time positions in error.

**CITY OF MODESTO**  
**OPERATING INDICATORS BY FUNCTION**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Function/Program</b>					
<b>Public safety:</b>					
Fire:					
Fire calls for service	22,911	20,888	20,400	20,970	23,234
Primary fire inspections conducted	1,069	1,012	1,214	1,618	818
Police:					
Police calls for Service	116,383	167,576	154,549	168,242	174,113
Law violations:					
Part I and Part II crimes	57,844	52,182	49,914	47,175	52,272
Physical arrests (adult and juvenile)	12,471	15,105	11,872	11,536	12,418
Traffic violations	26,914	30,941	24,278	16,330	14,761
Parking violations	21,391	18,041	20,452	15,772	12,150
<b>Public works</b>					
Streets:					
Street resurfacing ( lane miles)	1	7	6.48		6
Potholes repaired (square miles)	39,473	39,705	27,724	38,290	13,282
Water Utility Cust repaired (sq. ft)	58,737	6,990	58,044	112,136	81,261
Crack Sealing (lane miles)		15.70	22.90		20
Airport:					
Number of passengers enplaned	28,470	25,640	22,514	19,188	16,532
Number of tenant aircraft	184	190	183	184	184
Number of hangars	109	118	118	118	118
Number of runways	2	2	2	2	2
Annual fuel consumption in gallons	672,406	639,971	311,500	645,283	653,153
Bus Service:					
Number of buses	56	56	63	55	65
Number of routes	20	20	20	20	20
Total route miles	362	362	362	362	362
Average weekday number of passengers	12,599	12,524	10,688	11,553	11,616
Total number of passengers carried	3,699,846	3,478,120	3,145,400	3,413,421	3,434,409
<b>Community Development</b>					
Building Safety & NPU:					
Permits issued	3,242	3,733	3,801	3,288	3,566
Estimated cost of construction	\$96,127,131	\$67,488,906	\$73,397,148	76,362,371	81,095,370
Building Inspections made	32,362	32,846	29,034	25,549	27,816
Traffic Electrical:					
Street lights	13,764	13,765	13,765	13,765	13,765
Traffic Signals	146	149	143	143	144
Lighted Ped Walks*	28	28	28	30	28
Beacons*	1	12	5	8	8
Four Way Flashers*	9	9	9	9	10
School Flashers*	22	22	22	22	22
CCTV*	38	38	38	38	41
Hubs*	5	5	5	5	6
<b>Culture and recreation:</b>					
Recreation class participants	3,271	3,171	2,297	2,072	264,670
Solid Waste:					
Recyclables Processed (tons per year)(1)	74,288	47,170	50,789	67,317	37,647
Yard waste	41,235	48,856	60,408	58,650	55,147
Commercial food waste	597	667	814	735	765
Waste tires(1)	5,214	3,683	2,388	1,247	1,674

(1) FY12 figures not available as of 10/31/2012

Source: City of Modesto - Various Departments

Note: The City has elected to show only five years of data for this schedule

**CITY OF MODESTO**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Public safety:</b>					
Fire stations	11	11	11	11	11
Police stations	1	1	1	1	1
Police patrol units	70	100	98	98	105
<b>Public works</b>					
<b>Streets:</b>					
Miles of streets (1)	675	675	676	684	684
<b>Water:</b>					
Miles of water mains	1,007	1,008	1,008	1,008	1,009
Fire hydrants	7,412	7,516	7,536	7,566	7,584
Storage capacity (thousands of gallons)	9,400,000	13,100,000	12,300,000	12,300,000	12,300,000
<b>Wastewater:</b>					
Miles of sanitary sewers	642	642	642	642	639
Miles of storm sewers	183	183	183	183	183
Number of treatment plants (2)	2	2	2	2	2
Treatment capacity (millions of gallons)	72	72	72	72	70
<b>Community services:</b>					
City parks	76	76	6	76	77
City parks acreage	1,088	1,088	1,088	1,088	1,110
Playgrounds	55	55	55	55	55
City trails	4	4	4	7	7
City trails miles	12	12	12	14	14
Regional park acreage	324	324	324	324	324
<b>Regional park facilities:</b>					
Golf courses (18 holes)	2	2	2	2	2
Golf courses (9 holes)	1	1	1	1	1
Clubhouse and banquet facility	8	8	8	8	8
Historic house	4	4	4	4	4
Community gardens	2	2	2	2	2
Community centers	7	7	6	6	7
Senior centers	1	1	1	1	1
Sports centers	1	1	1	1	1
Performing arts centers	1	1	1	1	1
Swimming pools	13	13	4	4	4
Tennis courts	37	37	37	37	37
Baseball/softball diamonds	24	24	24	24	24
Soccer/football fields	22	22	22	22	29
Splash play in Existing parks	0	0	0	10	10

(1) Information now reported from the City's GIS system.

(2) The City has both a Primary and a Secondary treatment facility.

Source: City of Modesto - Various Departments

Note: N/A denotes information is not available.

Note: The City has elected to show only five years of data for this schedule