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AT FIRST FRIDAYS



City of Modesto

Comprehensive Annual Financial Report
FY 2019-2020 | Fiscal Year Ended June 30, 2020

CITY OF
MODESTO
CALIFORNIA

CITY OF
Modesto, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2020

Prepared by
Finance Department

CITY OF MODESTO
 June 30, 2020
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INTRODUCTORY TAB

INTRODUCTORY TAB

INTRODUCTORY SECTION



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December 8, 2020

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). The City City Charter and Municipal Code require that a complete CAFR, which is comprised of financial statements and reports on the finances of the City, be submitted to the City Council at the end of each fiscal year. This report fulfills that requirement for the year ending on June 30, 2020.

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 Hudson Henderson and Company, Inc. was selected in 2018 to perform the City's annual financial audits. The auditors have issued an unmodified ("clean") opinion on the financial statements for the fiscal year ending on June 30, 2020 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 Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The auditors' 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 auditors' 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 37.4 square miles and serves a population of 222,335. The City has a diverse economy and population with a strong sense of community pride.

Incorporated as a municipal city in 1884, the City adopted its City Charter on March 12, 1951, with a Council-Manager form of government. The Modesto City Council (Council) is the City's legislative body and is made up of seven elected officials serving overlapping 4-year terms. The Mayor is elected at-large by the entire City, while the six Councilmembers are elected by district and are limited to two terms.

The Council sets policy and tax rates, approves budgets, and passes ordinances and resolutions, which govern the City. The Council also appoints citizens to advisory boards, committees and commissions, and

appoints the City Manager, City Attorney, City Clerk, and City Auditor. The City Manager is responsible for carrying out Council policy and managing the day-to-day affairs of the City.

The City is a “full-service” city including police and fire; public works; water and sewer; community and economic development; parks and recreation; public transportation; and cultural and convention visitor services.

The City’s financial reporting entity includes all funds and activities of the City 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 there is a financial benefit/burden relationship when the City or management has operational responsibility over the component unit. These component units are the Modesto Public Financing Authority and the City of Modesto Community Facilities Districts.

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

Local Economy

A major center for local commerce, the City attracts thousands to its environs for work, shopping, and entertainment. Major employment sectors include manufacturing, healthcare, education, and retail. Modesto and its surrounding communities contain canneries, packing plants, and warehouses which ship agricultural products across the nation and the world. An active farm-to-table movement has been spearheaded by the area’s large production of nuts, dairy, poultry, and other locally grown products.

During Fiscal Year 2019-20, due to the effects of COVID-19, the City experienced decreases in employment and a rise in the unemployment rate, wage gains, weakening of housing price growth, and decreases in major tax revenues.

The unemployment rate within the City decreased then increased during the 2019-2020 fiscal year. Unemployment reached its lowest level in the City at 4.7% in September, 2019. The Coronavirus pandemic and resulting restrictive regulations began to rapidly increase the unemployment rate in March, 2020 to 7.1%, with a jump up to 17.8% in April, 2020. As of June 30, 2020, the City’s unemployment rate was recorded at 13.30%, up from the 6.5% rate of a year ago which increased due to the economy impacts from COVID-19.

According to Zillow, the ZHVI (Zillow Home Value Index) for homes listed in Modesto was \$320,540 (as of June 30, 2020), an increase of 6% over 2019. CoStar Realty Information stated the average Modesto MSA multifamily unit asking rent was \$1,223, up 4.4% from \$1,171 in 2019. Modesto building permit activity during fiscal year 2019-2020 ended with a total of 3,961 permits issued with a valuation of \$169,409,222.

Modesto is a prime and central location for business, and has attracted both start-ups and expanding firms. Specialized health care facilities like HealthSouth and Central Valley Specialty Hospital have chosen to expand their services and operations in Modesto. There is also a strong culture of entrepreneurship and innovation. Datapath, a technology management company with headquarters in Modesto, has been recognized by Inc. Magazine as one of the fastest-growing private companies in America. E&J Gallo Winery, also based in Modesto, is the world’s largest privately-owned winery and the leading US exporter of California wines. The Gallo Glass Company is a state-of-the-art glass manufacturer and a leading producer of wine and spirits glass bottles in the US.

Restrictive public health orders resulting from the COVID-19 pandemic quickly and seriously impacted smaller Modesto businesses with limited capital reserves. In April, the City launched a Small Business Assistance Program (SBAP) featuring forgivable loans up to \$10,000 and temporary waivers of business license fees, business tax and utility tax. The SBAP provided \$389,000 in funding to more than 40 businesses, retaining 40 full-time-equivalent jobs. At the end of the fiscal year, the City developed its OpenAir Temporary Outdoor Dining Initiative to streamline restaurant access to outdoor space to compensate for their loss of indoor service options.

Entertainment and Tourism

Modesto features vibrant arts, entertainment, sports and cultural expression. With the newly relaunched Convention and Visitor's Bureau and Tourism Marketing District, Modesto is committed to attracting visitors by promoting and marketing Modesto as a convention, sports, tourism, and leisure travel destination.

COVID 19 has impacted every aspect of life in America, and Modesto is no exception. Our community continues to work together to bring virtual entertainment experiences to our neighbors and the world. We look forward to returning to a time when visitors return to Modesto to enjoy all the wonderful places and events we have to offer.

Some examples are:

Downtown Modesto is home to the world-class Gallo Center that brings national and international entertainment, arts and multicultural programming to the Central Valley region. Downtown, you can experience the Historic Graffiti Cruise Route, the Legends of the Cruise Walk of Fame, and the Classic Community Mural Series celebrating the cruising culture phenomenon born in Modesto and immortalized by native son George Lucas in American Graffiti. Live entertainment is a prominent feature in the Civic Plaza and nearby clubs, and a busy calendar of entertaining and educational events can be experienced just across the street at the Modesto Centre Plaza.

Baseball with the Modesto Nuts baseball team is just minutes from the city center, and golfers enjoy two-highly rated 18-hole courses and a municipal course year-round. Modesto is gaining recognition for its bike routes and trails, and is a frequent host city for the Tour-de-France rated Amgen Tour of California bicycle race. Water lovers have river parks and kayaking.

The McHenry Mansion and McHenry Museum anchor the city's loving preservation of its historical heritage, drawing visitors from all over the world. The city's annual Architectural Festival offers free tours, exhibits, workshops and films in the iconic State Theatre featuring one of the best collections of mid-century modernism in the nation. Arts live year-round with monthly Art Walks, and seasonal activities including the Graffiti Cruise, parades, the Modesto on Ice downtown skating rink, the Dickens Faire, ModShop arts and crafts walk, and PorchFest community music stroll bring joy to residents and visitors. Modesto truly offers something great for everyone.

Our Strategic Priorities

During 2020, the City adopted the 2020-2025 Strategic Plan to incorporate input from newly elected Councilmembers and to reaffirm our strategic priorities. Our priorities bring the City's vision and values to life in our community and define our overall direction as a city. It also confirms our commitment to our citizens. While the priorities are individually important, they are also interconnected and cannot be addressed in isolation. In addition, they are the basis of our scorecard that measures success and upon which our performance metrics are built.

- **Quality of Life:** Engage partners across the community to ensure the safety, resilience, and attractiveness of Modesto.
- **Economic Vitality:** Retain and attract residential, commercial, and industrial development to meet the community's needs today and for the next generation.

- **Governance and Service Delivery:** Build community trust in City government through responsive, transparent and efficient service delivery.

Long-Term Financial Planning

The City continues to refine its 10-year forecasting model and update estimates and assumptions used to project future operations. At the end of fiscal year 2019-20, General Fund Balance was as follows: Restricted and Nonspendable: \$4.6 million; Committed:\$18.4 million; Assigned:\$0.3 million; and Unassigned: \$2.4 million. The Committed Fund Balance allows the City to respond to unplanned circumstances and maintain adequate working capital to meet its cash flow needs.

The City's long-term maintenance of a stable fund balance is a direct reflection of the Mayor and Council's leadership and prudent fiscal management. With the impacts of COVID-19, the City will continue to monitor the revenue impacts and monitor the General Fund reserves to address any shortfall during the current fiscal year.

SIGNIFICANT EVENTS / ACCOMPLISHMENTS

Quality of Life

- Upgraded the video surveillance system on board MAX buses to provide better video resolution, live look-in capability, and central storage.
- Added new MAX service to the evening and weekend to provide better service to riders using SB1 Funds.
- Consolidated transit services and operations for the City of Ceres and City of Escalon.
- The Community Forestry Division resolved 1,428 broken limb issues, inspected 5,533 trees or tree sites, and completed 8,028 tree pruning activities.
- The Solid Waste Division recycled 4,967 waste tires and collected 2,641 tons of bulky items.
- Volunteers range from community members and local clubs to large groups such as corporations seeking to participate in local clean-ups, volunteering at community centers, programs and special events. Over the last year approximately 4,086 volunteers worked a total of 19,734 hours at 441 individual events which amounted to a total leveraged value of \$591,321.
- The Mary Grogan Soccer Complex completed renovations of the four grass fields in May 2020 for the first time since opening in 2016.
- Completed installation of new front entry doors at the Modesto Centre Plaza.
- The City Council approved eight retail cannabis dispensaries in December 2018, of which six are currently open and operating.
- Focused on addressing downtown quality of life issues and increasing community engagement by establishing two full time downtown officer positions.
- The Economic Development division attracted a two-plant investment by Canadian Canopy Holdings, a leading developer, marketer and manufacturer of value-added CBD products.



(This plant at 401-501 East Glenn Avenue is one of two plants Canopy Growth is developing in Modesto.)

- Modesto engaged the community in its Downtown Master Plan process that lays the foundation for the next 20 years of an increasingly vibrant downtown.
- Entekra began manufacturing operations at its new Modesto Headquarters at the end of 2019. They are revolutionizing home and apartment building.



(Entekra off site construction plant at 945 E. Whitmore Ave.)



(New homes in the Monterey Bay area, high-tech framed in Modesto by Entekra off site construction.)

- City of Modesto is ranking #1 in cities its size in California for National Night Out and #4 in the nation.
- Increased the number of Business Watch Groups by 77% and Business Watch Meetings by 20%.
- Reduced DUI collisions by 17% and fatal traffic accidents by 43%
- Increased engagement with youth by participating in the 10K with a Cop program, Shop with a Cop, Special Olympics, and the creation of an outdoor challenge course for Foothill Horizons.
- Modesto Fire Department (MFD) secured a contract services for the communities of Oakdale, Knights Ferry, and Valley Home that brought 21 new members to the MFD family and extended our services area.
- We worked extremely hard with the County and EMS authority for the Fire Service's role in EMS to be valued within the system. Under the new EMS contract, for the first time, Fire agencies will be recognized through reimbursements for both BLS and ALS as well as be held accountable for our role in the EMS system.
- Fire Administration re-located to a new building just down the street, with this move we were able to combine Administration with the Fire Prevention Bureau and now house more of our staff under the same roof.
- MFD went through a Public Protection Class survey and review by ISO and strongly maintained our Class II rating, which plays an important role in the underwriting process at insurance companies.
- The Police Department's license plate reader program was expanded with the installation of cameras at three additional high traffic locations.
- Expanded the police department's collaboration with Modesto City School by conducting a Mass Casualty Tabletop exercise and are now allowed access to school cameras during emergencies.
- The Community Development division utilized CDBG funds to assist in purchasing a motel to convert into 103 new permanent supportive units for homeless.
- In partnership with the County of Stanislaus, implemented several programs to support the transition of homelessness population to shelter and social services. Collaborative projects include: Low-barrier Berberian Shelter (182 bed capacity) at Salvation Army and Access Center at Salvation Army.
- In partnership with the County of Stanislaus, managed and operated Beard Brook Park and the Modesto Outdoor Emergency Shelter (MOES) as sanctioned encampments, and partnered with

various stakeholders to transition campers to the new Low Barrier Shelter referenced above, as well as other shelter locations, decommissioned MOES and restored the Tuolumne River Regional Park site to its original condition.

- The Blight Abatement Strategy was created, adopted and implemented as a major step toward achieving the strategic initiatives to improve community safety, and invest in beautification efforts to improve the overall quality of life in the city – one the three pillars of the Strategic Plan. This strategy provides a roadmap to improving beautification across the entire city by reducing illegal dumping, tagging, litter, illegal encampments, abandoned shopping carts and much more. This next year, a Blight Abatement Advisory Committee will be formed to promote public-private partnerships with the community to ensure a long-lasting program.
- The Parking Enforcement Realignment plan was created, adopted, and implemented. This plan includes the transition of enforcement responsibilities from Modesto Police to the Public Works department and is intended to improve parking enforcement in the downtown core. The plan has improved efficiency and is expected to create additional revenue.
- The McHenry Mansion and Museum hosted a total of 23,276 visitors for tours and events.
- The City Council approved a new agreement with the DoubleTree Hotel (Modesto Hospitality, LLC) for catering and concessionaire services to the Modesto Centre Plaza convention center; 160 events were booked through 2023.
- The City Council accepted a feasibility study for a proposed convention center hotel in downtown Modesto and are moving forward with the preparation of a Request for Proposals for developer interest in the Downtown Modesto Hotel Project.
- The City entered into a five-year lease with the new owners of the Modesto On Ice downtown skating rink.
- The Parks, Recreation and Neighborhoods Department enhanced its aquatics program with 287 enrolled in swim classes and 897 participants in recreational swimming at the new Beyer pool site, expanded water exercise programming, and generated a 38% increase from 1,370 to 1,894 in Learn to Swim programs and over 6,300 participants in the entire aquatics program.
- The Parks, Recreation and Neighborhoods Department partnered with Modesto City Schools Student, Parent & Community Support Services team to present the 6th Annual Westside Community “Back to School” event. This free event provided over 1,800 backpacks to low-income students and offered community resources focused on health and safety.
- The Kids Connect Community Celebration at Marshall Park, in partnership with the Stanislaus County Department of Child Support Services, provided a variety of community resource information to families and featured cultural group performances, musical entertainment, child activities, a bounce house, and guest speakers for approximately 360 west Modesto participants.
- Through partnerships, sponsorships, donations and volunteerism, the Modesto Senior Citizens Center leveraged over \$50,000 for programs, services, and equipment.
 - \$2,500 - Stanislaus County Area Agency on Aging through purchase of new chairs for the Senior Citizens Center.
 - \$6,500 - Modesto Garden Club for combination of plants, volunteer hours and installation of flagpole at the Modesto Senior Citizens Center.
 - \$10,000 - Healthy Aging Association in Aerobics and Strength Training instructor fees.
 - \$5,000 - Anthem Blue Cross for Bingo, Crochet, Tai Chi and Yoga instructor fees.
 - \$20,000 - Sponsorships and volunteer hours for programs such as: National Senior Center Month, National Night Out, Senior Meals and Senior Technology Assistance.
 - \$2,500 - Volunteer instructor for Tango and Ukulele.

Economic Vitality

- Completed design and began construction on the State Route 132 Freeway/Expressway Phase 1 project. The project is anticipated to be complete in 2022 and the total construction cost is anticipated to be \$117M.
- The Solid Waste Division composted 53,242 tons of organic materials.
- Completed construction of a shade canopy over the Bus Maintenance Facility at the City Corp Yard providing essential afternoon south facing shade coverage, reducing utility usage, and providing approximately 30% of building electrical usage via solar panels.
- The Streets Division completed 43.58 lane miles of crack seal application and 97.21 lane miles of slurry seal application.
- Completed the Modesto Traffic Signal Master plan which provides a road map for how Intelligent Transportation System (ITS) tools will enhance the operation of the City's Traffic System.
- Completed conversion of 113 high voltage street lights to normal voltage LEDs.
- Completed installation of 120 new traffic signal controllers outside of downtown Modesto.
- Started construction of the Rosemore Ave. abutment.



- Completed the Wylie, Floyd and Carver pavement rehabilitation project.



- Completed the Village One Slurry Seal project



- Completed design and began construction of the Tully Road Pavement Rehabilitation Project between Yale Ave and Briggsmore Ave.
- Completed design and began construction of the Coffee Road Pavement Rehabilitation Project
- Completed design and began construction of the Pelandale Avenue Pavement Rehabilitation Project
- Completed design and began construction of the Dry Creek Trail Maintenance Project
- Completed design and began construction of the Orville Wright Elementary School Improvements Project.

- Construction of the Del Rio Tank, Well & Pump Station Project is expected to be complete in Summer 2020. The project will increase service reliability, correct existing supply and pressure deficiencies for the City's Del Rio Water System.
- Construction of the City's new Corporation Yard for the Utilities Departments Water Services Division was completed. The City's first vertical design build project will consolidate three locations operated by Water Services into a single site.
- Construction of the above ground improvements for Well 70 began in October 2019 and is expected to complete in August 2020.
- Construction of the Headworks and Dryden Box Project was completed. The project consists of diverse improvements at the Sutter Wastewater Treatment Plant including: screens, compactors, Parshall flume, grit basins, massive in-ground concrete structures, and sewer trunk line installations.
- Construction of the Ceres Trunk Project was completed, which was comprised of approximately 3,500 LF of sewer trunk, rehabilitation of the existing trunk section crossing the HWY 99 and the installation of a secondary trunk line for reliability.
- Construction of the Area 2 Cross Connection Removal – Roosevelt Park Project is anticipated to be complete in Summer 2020. This project is comprised of six existing sewer cross connections to be removed, a new underground storm drain system and renovations to Roosevelt Park. This project received a \$4 million Proposition 84 grant.
- For FY 2018/19, the City water system has shown an average monthly water production reduction of 25.03% as compared to the State's baseline of June 2013. This reduction represents an average of 406 million gallons of water saved each month. The Water Services Division maintains approx. 1,000 miles of water mains, 72,362 water services, and currently has 77 water wells in service. During FY 2018/19, Water Services Division staff performed 7,906 water quality samples, responded 4,689 water service calls, and made 8,260 water conservation contacts.
- Completed Trash Assessment of all priority land use areas with the City and identified opportunities to mitigated potential trash impacts to the Tuolumne River that include a mixture of full capture devices and best management practices.
- Completed 1.9 million feet of pipe cleaning, a 6% increase from the prior year.
- Reduced SSOs - in FY2018-19 experienced 23 SSOs, in FY2019-20 experienced 9 SSOs. This equals an SSO rate of 1.37; a rate less than 2 is considered a high performing system.
- Completed 38 Drywell systems – drywell systems are used to replace failing rockwell systems. Each of these areas had experienced routine local flooding; which will now be alleviated.
- Completed cleaning of 2243 catch basins and rockwells – this equates to roughly 25% of our rockwell system, which needs to be cleaned every 3 to 4 years to function properly.
- Responded to 1069 customer service calls – customer service calls originate from customers that are experiencing a plugged sewer line, localized flooding, or other requests from citizens.
- Sent conformation to the Water Board that City detention/retention basins and rockwells consistently meet the certification requirements contained in the State Water Board's certified multi-benefit trash treatment systems information sheets and the Safe Drain inserts are a potential full capture system option.
- Successfully passed Environmental Laboratory Accreditation Program audit by the Water Board for microbiology and general chemistry.
- Coordinated and participated in a 3-day corrosion study for Operations that resulted in the collection of over 300 samples with 1 to 5 analyses per sample.
- Transitioned stormwater programs from Tidemark and Excel to Central Square (Lucity) Database Program.
- Develop citywide spoils pile Best Management Practices.
- Received a proposal for an EPA electronic approved pretreatment databased program that permits the acceptance of electric files.
- Completed construction of a new Shade Structure at Mellis Park that replaced the picnic area with a new picnic structure, concrete paving, drinking fountain, barbeque units, park sign and ADA improvements.
- Submitted 5 grants applications requesting a total of \$28.5+ million dollars in grant funding for park improvements and awarded one \$8.5 Million Proposition 68 grant for the renovation of César E. Chavez Park.

- Donated the Tidewater Southern Railway Couple Caboose #305 to M&ET Railway for restoration and historical preservation.
- Demolished the Little Legion Hall which was damaged by fire in July of 2019 and declared a total loss. The insurance settlement will be used to refurbish and repair the American Legion Hall, in order to provide a better value to the facility's renters as well as ensure the facility is in good repair.
- Partnered with community groups to complete Phase 1 of the Enslin Park Plaza & Playground Project and to install a flag pole at the Modesto Senior Citizens Center.
- The Parks, Recreation and Neighborhoods Department's Parks Operation crews removed 140 tree stumps in City parks to prevent possible tripping hazards to the general public and park beautification.
- The Parks, Recreation and Neighborhoods Parks Operation crews installed 40 concrete barriers to prevent illegal dumping at undeveloped sites throughout the City.
- The City of Modesto 2019 Junior Giants Program earned its 4th consecutive year of Diamond status with 93% parent/family satisfaction and 97% coach/volunteer satisfaction.
- In response to the cancellation of recreational programming due to COVID-19, the Parks, Recreation and Neighborhoods Department launched multiple virtual programming for the community. Programming included a virtual Recreation Center generating over 4,500 visits and links to 128 sites for all ages, a digital Activity Guide providing online access to 12 different virtual classes, Junior Giants At-Home Virtual Season serving over 350 players, and weekly trivia.
- In response to COVID-19, the Senior Meals program changed its format from "Dine In" to "Drive-Thru" and served nearly 3,000 seniors over 15,000 meals. Weekly activity packets were also provided to keep the senior community engaged during the pandemic.

Governance and Service Delivery

- A comprehensive 5-year Strategic Plan was adopted to drive resources and align activities to achieve priorities identified by residents through a comprehensive community survey and a series of town hall meetings held across the city. This input, along with that of Council and staff was adopted for the period 2020-2025 to guide the path forward. Implementation of Year 1 initiatives is underway in each of the three areas of focus: quality of life, economic vitality and organizational excellence.
- Developed "MPD at a Glance" weekly video on social media and began to develop a following
- Hosted two Citizen academy classes to give citizens an in-depth look at the police department and how the department operates.
- Implemented Hyland's OnBase Agenda and Document Management system, upgrading from the legacy Sire Agenda Management system, providing additional features and added functionality.
- Upgraded Centre Plaza's Concentrics reservation and booking system to the most current version, migrated it from a proprietary database to Microsoft's SQL and implemented a virtual server instead of a physical server, reducing overall costs.
- Deployed tablet devices providing City field crews the ability to access applications such as email, GIS links and maps, and work order systems while working in the field. The use of the devices gives City staff the ability to open, review and close work orders without the need to return to the office, improving efficiency.
- The City's network infrastructure is the foundation for vital communications for all computer systems and software applications used by City employees. A \$1.6 million comprehensive upgrade of the nearly 15-year-old network infrastructure was completed including over 80 end-point network switches (supporting over 4,000 connections), 2 core routers, and 4 firewalls. With very little downtime for the organization, this upgrade has dramatically improved speed, security, and reliability.
- IT Staff worked with the City Manager's Office and departments to refresh and update the City's website. The primary objectives of the website refresh were to improve ease of use, simplify our content, and enhance the visibility of our online programs
- At the beginning of the COVID-19 pandemic, IT Staff quickly responded by providing mobile devices, connectivity, and remote access for employees able to work remotely. IT Staff issued over 100 devices and over 160 remote access connections for employees.
- Implemented the Enterprise Chrome Internet Browser for the organization. The Enterprise version allows for central administration providing automatic updates and a more uniform feature set. The Chrome Browser offers enhanced compatibility for websites improving the website experience for staff.

- City Council accepted the Modesto Municipal Golf System Operation Review (assessment) and initiated steps to close the nine-hole municipal golf course (Muni).
- In response to the cancellation of in-person recreational programming due to COVID-19, the Parks, Recreation and Neighborhoods Department launched multiple virtual programming opportunities for the community. Programming included a virtual Recreation Center generating over 4,500 visits and links to 128 sites for all ages, a digital Activity Guide providing online access to 20 different virtual classes, Junior Giants At-Home Virtual Season serving over 350 players, and weekly trivia.
- In response to COVID-19, the Senior Meals program changed its format from "Dine In" to "Drive-Thru" and served nearly 3,000 seniors over \$15,000 meals. Weekly activity packets were also provided to keep the senior community engaged during the pandemic.
- Implemented significant changes to the City's Oracle payroll system to add the capability to track new leave usages in compliance with Federal Relief for COVID-19.
- Restore Central Stores at the NorthEast Corporation Yard to establish better efficiencies and manage inventory control for the Water Fund
- Transition the City treasury services with Bank of the West to maximize on lower banking fee services and higher rebate for utilization of the Commercial Card and ePay programs for payment processing for our vendors.
- Entered into a Letter of Credit agreement with Bank of the West for the 2008 Lease Revenue Bonds to obtain lower pricing on our letter of credit fees
- Develop, implement and manage compliance related to Senate Bill 205 - Business License Storm Water Discharge compliance.

Awards / 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, 2019. This was the 37th 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 of the City departments and members of the Finance Department team who prepared and contributed to its successful completion. Without their hard work, this report would not be possible.

In addition, the City submitted and received an award from the GFOA for its fourth year for the Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2019. A PAFR presents financial information in a manner that appeals to the reader, is understandable and shows creativity and usefulness. The PAFR award is valid for one year and the City intends to submit its 2020 PAFR to the GFOA for consideration.

Finally, we would like to express our appreciation to the City Council, City employees, and community for their leadership and support. We look forward to the next year's challenges and opportunities.

Respectfully submitted,



Joseph P. Lopez

City Manager



DeAnna Christensen

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, 2019

Christopher P. Morill

Executive Director/CEO

CITY OF MODESTO ORGANIZATIONAL CHART



Legend

- Elected
- Council Appointed
- City Manager Appointed

CITIZENS OF MODESTO

CITY COUNCIL
 Ted Brandvold, Mayor
 Mani Grewal, District 1 Bill Zoslocki, District 4
 Tony Madrigal, District 2 Jenny Kenoyer, District 5
 Kristi Ah You, District 3 Douglas Ridenour, District 6

CITY ATTORNEY
 Jose M. Sanchez

CITY AUDITOR
 Vacant

CITY CLERK
 Stephanie Lopez

MODESTO CITY MANAGER
 Joseph P. Lopez

DEPUTY CITY MANAGER OPERATIONS
 SCOTTY DOUGLASS

PUBLIC WORKS
 BILL SANDHU

UTILITIES
 WILLIAM WONG

PARKS, RECREATION & NEIGHBORHOODS
 LAURIE SMITH

COMMUNITY & ECONOMIC DEVELOPMENT
 JAYLEN FRENCH

Economic Vitality
 Retain and attract residential, commercial, and industrial development to meet the community's needs today and for the next generation.

POLICE DEPARTMENT
 CHIEF GALEN CARROLL

FIRE DEPARTMENT
 CHIEF ALAN ERNST

PUBLIC RELATIONS
 THOMAS REEVES

Quality of Life
 Engage partners across the community to ensure safety, resilience, and attractiveness of Modesto.

DEPUTY CITY MANAGER SUPPORT
 CALUHA BARNES

BUDGET
 STEPHAN CHRISTENSEN

FINANCE
 DEANNA CHRISTENSEN

HUMAN RESOURCES
 CHRISTINA ALGER

INFORMATION TECHNOLOGY
 CHARLIE HAASE

INNOVATION & PERFORMANCE MANAGEMENT

Governance and Service Delivery
 Build community trust in City government through responsive, transparent and efficient service delivery.

FINANCIAL SECTION TAB

FINANCIAL SECTION TAB

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the 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, 2020, 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.

Auditors' 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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, 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.

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 changes in net pension liability and related ratios, schedule of plan contributions, schedule of changes in the OPEB liability and related ratios, schedule of contributions, and budgetary comparison schedules for the General Fund and Housing and Community Development Special Revenue Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, statistical section and the continuing disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section and continuing disclosure section 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 8, 2020, 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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
December 8, 2020

Management's Discussion and Analysis

This section of the City of Modesto (the City) comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2020. 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 2020 fiscal year by \$1,105,726,520 (*total net position*). Of this amount, \$151,676,269 is restricted for a specific purpose (*restricted net position*), \$1,022,314,134 is invested in capital assets, net of related debt and (\$68,263,883) is unrestricted (*unrestricted net position*).
- The City's total deferred outflows of resources increased by \$12,370,762 as compared to the prior year. The City's total deferred inflows of resources decreased by \$144,505 as compared to the prior year.
- The City's total liabilities increased by \$30,785,453 as compared to the prior year.
- The City's total net position decreased by \$3,717,106 compared to the prior year. This decrease is attributed to deletions made to the City's infrastructure and capital improvements.
- As of June 30, 2020, the City's governmental funds reported combined fund balances of \$149,776,938 an increase of \$18,475,224 in comparison with the prior year.
- As of June 30, 2020, 9.35% of the General fund balance, \$2,407,575, 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 \$25,755,949 or 18.96% of total General Fund expenditures. Of this, \$2,137,896 is the restricted fund balances. The unassigned fund balance of \$2,407,575 represents 1.77% of total General Fund outflows. The City Council has adopted a goal of maintaining an 8% unassigned fund balance amount based on General Fund outflows.
- The City's total long-term liabilities showed a net decrease of \$14,715,375 in comparison with the prior year. This decrease was attributed to reduction in debt from the principal payments made during the fiscal year.

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 the City finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the City assets and liabilities, deferred outflows of resources and deferred inflow of resources, 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

Management's Discussion and Analysis (continued)

the Water, Sewer, Parking, Storm Drain, Compost, 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 or the City has operational responsibility for the entities. Examples are the Community Facilities Districts, Redevelopment Successor Agency of the City of Modesto and the Modesto Public Financing Authority.

The government-wide financial statements can be found on pages 19-21 of this report.

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 18 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, Capital Grants Fund, and Housing and Community Development Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental funds financial statements can be found on pages 22-25 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 and Abatement and Public Nuisance operations. *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 with the exception of portions of the compensated absences that have been included within business-type activities. The rest of 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 26-29 of this report.

Management's Discussion and Analysis *(continued)*

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 30-31 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 32-79** 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. This section also includes the schedules for net pension liability and OPEB.

Required supplementary information can be found on pages 83-92 of this report.

The *combining and individual fund statements and schedules* referred to earlier provide information for nonmajor 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 98-132** 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 \$1,105,726,520 at the close of the most recent fiscal year.

Net Position

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$272,631,002	\$246,108,781	\$284,412,811	\$281,130,823	\$557,043,813	\$527,239,604
Capital assets	410,590,070	439,689,132	940,720,640	926,872,707	1,351,310,710	1,366,561,839
Total assets	683,221,072	685,797,913	1,225,133,451	1,208,003,530	1,908,354,523	1,893,801,443
Deferred outflows of resources	63,609,490	60,664,344	54,868,365	45,442,749	118,477,855	106,107,093
Current and other liabilities	344,543,513	310,234,095	157,792,562	146,601,151	502,336,075	\$456,835,246
Long-term liabilities	90,284,799	89,612,581	318,360,958	333,748,552	408,645,757	423,361,133
Total liabilities	434,828,312	399,846,676	476,153,520	480,349,703	910,981,832	880,196,379
Deferred inflows of resources	8,337,099	8,559,554	1,786,927	1,708,977	10,124,026	10,268,531
Net position:						
Net investment in capital assets	374,618,780	401,515,805	647,695,354	607,813,261	1,022,314,134	1,009,329,066
Restricted net position	135,818,614	127,885,787	15,857,655	15,569,107	151,676,269	143,454,894
Unrestricted net position	(206,772,243)	(191,345,565)	138,508,360	148,005,231	(68,263,883)	(43,340,334)
Total net position	\$303,665,151	\$338,056,027	\$802,061,369	\$771,387,599	\$1,105,726,520	\$1,109,443,626

The largest portion of the City's net position, \$1,022,314,134 or 92.5%, 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 debt and related deferred outflows and inflows, 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 (\$68,263,883) or (6.2%).

Management's Discussion and Analysis (continued)

The remaining balance of the City's net position of \$151,676,269 or 13.7% represents resources that are subject to external restrictions on how they may be used.

The City's net position decreased by \$3,717,106 during the current fiscal year was largely due to the deletions associated with the City's infrastructure and capital improvements.

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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$41,844,580	\$28,975,356	\$163,915,962	\$158,963,772	\$205,760,542	\$187,939,128
Operating grants and contributions	16,838,122	6,591,435	21,780,920	25,668,280	38,619,042	32,259,715
Capital grants and contributions	5,894,717	8,831,664	546,375	5,198,721	6,441,092	14,030,385
General revenues:						
Taxes	64,300,986	61,114,320	190,995	201,931	64,491,981	61,316,251
Intergovernment revenue not restricted for specific purposes	100,059,750	85,826,338	-	-	100,059,750	85,826,338
Unrestricted investment earnings	6,044,156	5,753,083	8,082,331	7,290,802	14,126,487	13,043,885
Miscellaneous	3,660,429	3,421,783	1,390,820	1,528,727	5,051,249	4,950,510
Total revenues	<u>238,642,740</u>	<u>200,513,979</u>	<u>195,907,403</u>	<u>198,852,233</u>	<u>434,550,143</u>	<u>399,366,212</u>
Expenses:						
General government	14,808,371	13,973,768	-	-	14,808,371	13,973,768
Community development	25,698,343	15,720,280	-	-	25,698,343	15,720,280
Highways and streets	25,858,611	23,937,423	-	-	25,858,611	23,937,423
Public works	3,736,696	3,472,405	-	-	3,736,696	3,472,405
Parks and recreation	14,725,590	15,680,980	-	-	14,725,590	15,680,980
Public safety	140,709,104	111,059,794	-	-	140,709,104	111,059,794
Interest on long-term debt	2,302,626	2,402,299	-	-	2,302,626	2,402,299
Water	-	-	69,187,391	62,745,688	69,187,391	62,745,688
Sewer	-	-	45,832,671	41,216,914	45,832,671	41,216,914
Bus	-	-	25,261,736	24,276,760	25,261,736	24,276,760
Parking	-	-	1,905,382	1,899,479	1,905,382	1,899,479
Storm drain	-	-	7,384,884	7,157,290	7,384,884	7,157,290
Compost	-	-	10,330,237	8,477,947	10,330,237	8,477,947
Airport	-	-	1,841,645	1,646,800	1,841,645	1,646,800
Golf	-	-	2,939,639	3,052,785	2,939,639	3,052,785
Community center	-	-	1,603,302	1,541,592	1,603,302	1,541,592
Abatement and Public Nuisance	-	-	142,124	63,312	142,124	63,312
Total expenses	<u>227,839,341</u>	<u>186,246,949</u>	<u>166,429,011</u>	<u>152,078,567</u>	<u>394,268,352</u>	<u>338,325,516</u>
Change in net position before transfers	10,803,399	14,267,030	29,478,392	46,773,666	40,281,791	61,040,696
Transfers	479,917	(1,675,373)	(479,917)	1,675,373	-	-
Total transfers	<u>479,917</u>	<u>(1,675,373)</u>	<u>(479,917)</u>	<u>1,675,373</u>	<u>-</u>	<u>-</u>
Change in net position	<u>11,283,316</u>	<u>12,591,657</u>	<u>28,998,475</u>	<u>48,449,039</u>	<u>40,281,791</u>	<u>61,040,696</u>
Net position - beginning	338,056,027	325,524,120	771,387,599	723,029,635	1,109,443,626	1,048,553,755
Prior year adjustments	(45,674,192)	(59,750)	1,675,295	(91,075)	(43,998,897)	(150,825)
Net position - ending	<u>\$303,665,151</u>	<u>\$338,056,027</u>	<u>\$802,061,369</u>	<u>\$771,387,599</u>	<u>\$1,105,726,520</u>	<u>\$1,109,443,626</u>

Governmental activities. Governmental activities decreased the City's net position by \$34,390,876. This decrease was mainly due to prior year adjustments in the amount of \$45,674,192 which included a prior year adjustment to account for retirement of multiple capital assets related to Pelandale overpass project in the amount of \$47,126,875. Other factors affecting the net position include the on-going results of implementing GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pension" which generated a reduction of the net OPEB liability by \$0.34 million. The long-term liabilities decrease was attributed to the principal payments of about \$2.7 million and \$13.3 million in claim additions made during the fiscal year. Operating and capital grants contributions increased by \$7.3 million due to on-going efforts on grant funding opportunities. Intergovernmental revenue increased by \$14.2 million due to establishing the new revenue source beginning in Fiscal Year 2017-18 from the Stanislaus County county-

Management's Discussion and Analysis (continued)

wide, 25 year, half-cent sales tax increase known as Measure L. Measure L will be utilized to fund local transportation improvements.

Expenses in total increased compared to the prior year by \$41,592,392 due to the City's payment made to the California Public Employment Retirement system (CalPERS) for their annual unfunded accrued liability which represents approximately \$17.0 million of the total increase. Public Safety expenditures increased by \$29.6 million, which is attributed to increase cost for worker's compensation, salary and benefit increase and information technology and equipment for the police department. In addition, this increase is partially attributed to a new contract to provide fire protection services to the City of Oakdale and the Oakdale Fire Protection District.

Business-type activities. Business-type activities increased the City's net position by \$30,673,770. This increase is attributed to a healthy net position in our Water and Sewer Fund which generated an increase in net position by \$38.3 million and increase in our business-type capital assets. The Sewer fund has been able to manage their operational revenues due to a rate increase on January 1, 2020 of 6% to ensure they meet the debt ratio requirements set by Council. In addition, the Water Fund implemented a rate increase of 6% on April 1, 2020 to manage their debt ratio requirements and their capital needs for the City's water infrastructure.

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, 2020, the City's governmental funds reported combined fund balances of \$149,776,938 an increase of \$18,475,224 from the prior year. The total unassigned fund balance for the governmental funds was (\$4,704,430), which includes a positive \$2,407,575, 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 *nonspendable, restricted, committed and assigned* to indicate that it is *not* available for new spending because certain constraints have been placed on the use of the balances. The unassigned fund balance for the General Fund increased by \$664,790.

The General Fund is the chief operating fund of the City. At June 30, 2020, unassigned fund balance of the General Fund was \$2,407,575 while total fund balance was \$25,755,949. 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 1.8% of total General Fund expenditures, while total fund balance represents 18.96% of that same amount. The prior year ratios were 1.4% and 20.57%, respectively.

The Capital Grants fund accounts for receipts and disbursements of a variety of Governmental Fund capital grants. At June 30, 2020, total fund balance was (\$6,281,683) which was a decrease of \$4,785,523 from prior year. During fiscal year 2019-20, construction for the State Route 132 project began. This is a large scale construction project which is funded by grants from various local and State agencies.

The Housing and Community Development fund accounts for the grants and funds received to disburse for projects developed and administered under the Housing and Community Development Act. At June 30, 2020, total fund balance was \$31,348,494, an increase of \$419,706 from prior year. This increase is attributed to new program income received to fund future low income project activity.

Revenues of governmental funds totaled \$235,954,975 in fiscal year 2019-20, which represents an increase of \$45,453,973 from fiscal year 2019-20.

Expenditures of governmental funds totaled \$216,998,632 in fiscal year 2019-20, representing an increase of \$23,075,720 from fiscal year 2019-20.

Management's Discussion and Analysis *(continued)*

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 2020		FY 2019		% Change
	Amount	Percent	Amount	Percent	
Taxes	\$64,300,986	27.2%	\$61,114,320	32.1%	5.2%
Licenses and permits	408,645	0.2%	344,855	0.2%	18.5%
Intergovernmental	125,072,949	53.0%	96,174,839	50.5%	30.0%
Charges for services	36,147,116	15.3%	23,226,714	12.2%	55.6%
Special assessments	4,622,697	2.0%	4,260,281	2.2%	8.5%
Interest and rent	2,018,446	0.9%	2,219,282	1.2%	-9.0%
Net increase in fair value	1,728,158	0.7%	1,294,543	0.7%	33.5%
Fines and forfeits	666,120	0.3%	1,143,506	0.6%	-41.7%
Miscellaneous	989,858	0.4%	722,662	0.3%	37.0%
Total	\$235,954,975	100.0%	\$190,501,002	100.0%	23.9%

- Taxes – Revenues for property and business license taxes came in higher than the prior year due to an ongoing positive upturn in the economy and the increased collection and compliance efforts by the City staff during the first nine months of the fiscal year. During the months of March 2020 to June 2020, there was a slight decline in revenues due to the effects of the novel coronavirus (COVID-19) to the economy.
- Licenses and Permits – Revenues increased by \$63,790 due to Cannabis annual permit fees.
- Intergovernmental – Revenues increased by \$28.9 million due to an increase in Federal and State grants awarded to the City for the mitigation efforts against the novel coronavirus (COVID-19). As well as an increase in the revenue source for the Stanislaus County county-wide, 25 year, half-cent sales tax increase known as Measure L to assist with the funding for local transportation improvements for the City.
- Charges for Services – Revenues increased by \$12.9 million due to the Capital Facility Funds collecting an increase revenue for the building permits issued in 2020 for all new construction or additional square footage built within the City of Modesto.
- Interest and Net increase in fair value – revenues increased due to an increase to the City's interest earnings based and fair value market, based on on-going improvements to the City's investment strategy which has increased our return on investment in the City's portfolio.

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

Expenditures by Function – Governmental Funds

Expenditures by Function	FY 2020		FY 2019		Increase (Decrease)	
	Amount	Percent	Amount	Amount	% Change	
General government	\$12,028,015	5.5%	\$12,262,797	(\$234,782)	-1.9%	
Community development	20,945,194	9.7%	13,796,154	7,149,040	51.8%	
Highways and streets	11,039,619	5.1%	10,102,646	936,973	9.3%	
Public works	3,035,851	1.4%	3,017,247	18,604	0.6%	
Parks and recreation	11,944,940	5.5%	13,843,885	(1,898,945)	-13.7%	
Public safety	114,540,829	52.8%	97,411,634	17,129,195	17.6%	
Capital outlay	38,425,318	17.7%	38,522,334	(97,016)	-0.3%	
Debt Service-principal retirement	2,734,132	1.3%	2,562,498	171,634	6.7%	
Debt Service-interest charges	1,996,806	0.9%	1,897,384	99,422	5.2%	
Debt Service-other	307,928	0.1%	506,333	(198,405)	-39.2%	
Total	\$216,998,632	100.0%	\$193,922,912	\$23,075,720	11.9%	

Management's Discussion and Analysis *(continued)*

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

- Community Development – Expenditures increased by \$7.1 million or 51.8% over the prior year, due to the increased costs related to the maintenance and improvements of streets, including \$2,370,535 on Village One slurry seal project, \$147,293 on traffic flow and safety improvements around Overville Wright Elementary School, and \$1,068,128 on Claus Road Pavement Rehabilitation.
- Highways and Streets – Expenditures increased by \$936,973 or 9.3% over prior year, due to staff pay increases and employer retirement costs.
- Parks and Recreations – Expenditures decreased by \$1.8 million due to the closure of parks and facilities, in efforts of mitigation of the novel coronavirus, COVID-19.
- Public safety – Expenditures increased by \$17,129,195 or 17.6% over the prior year, due to an increase of expenses for police services. These increases were attributed to continuous increases to workers' compensation cost for police, information technology and police equipment and salary and benefit increase for the police department. Increases are also attributed to a new agreement to provide fire protection services to the City of Oakdale and the Oakdale Fire Protection District.

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

	FY 2020	FY 2019	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$15,292,128	\$21,496,638	(\$6,204,510)	-28.9%
Transfers out	(17,397,619)	(20,760,150)	3,362,531	-16.2%
Capital leases	39,204	-	39,204	100.0%
Sale of assets	132,485	87,608	44,877	51.2%
Net financing (uses)	(\$1,933,802)	\$824,096	(\$2,757,898)	-334.7%

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.

- The net financing (uses) *from* governmental funds for 2020 were (\$1,933,802) compared to \$824,096 in the prior year. This net transfer is *to* various City funds including transferring funds from the General Fund, Capital Facility Fee funds, Fleet Fund, Measure L Capital Fund and the Public Financing Authority to cover the debt service payments, fleet replacement, funding for capital projects and various transfers to cover City grant matches.

The fund balance of the City's General Fund increased by \$173,079 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% unassigned fund balance amount based on General Fund outflows.

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.

Management's Discussion and Analysis *(continued)*

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

	Major Funds			Nonmajor Funds	
	Water	Sewer	Bus	Other	Total
Operating revenues	\$82,796,199	\$57,020,614	\$2,443,208	\$20,508,003	\$162,768,024
Operating expenses	(61,292,083)	(41,969,501)	(24,727,653)	(25,517,226)	(153,506,463)
Operating income (loss)	21,504,116	15,051,113	(22,284,445)	(5,009,223)	9,261,561
Nonoperating revenues (expenses), net	(1,814,508)	4,366,997	18,521,332	2,095,689	23,169,510
Income (loss) before capital contributions and transfers	19,689,608	19,418,110	(3,763,113)	(2,913,534)	32,431,071
Contributions and transfers	2,759,785	(5,224,506)	928,926	1,602,252	66,457
Changes in net position	\$22,449,393	\$14,193,604	(\$2,834,187)	(\$1,311,282)	\$32,497,528

The Water fund had a 6.0% rate increase in April 2020 and the Sewer fund had a rate increase of 6.0% in January 2020. Based on these rate increases the Water and Sewer funds had an increase in their operating revenue which increased their net position.

A pollution remediation liability was reported for the Water and Sewer fund in the amounts of \$7,801,390 and \$7,108,839, respectively based on net recoveries the City has received from various settlements. Additional information regarding these liabilities can be found under Note II-N.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the General Fund is presented as Required Supplementary Information, beginning on **page 88-89** 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 intergovernmental revenue, charges for services and special assessments. The estimated revenues increased about \$7,985,548 while total appropriations increased by \$642,611. 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 \$8,210,534 less than final estimates. Variances in Utility Users Tax (\$1,526,515), Transient Occupancy Tax (\$292,939), Business License Taxes (\$2,011,492), Intergovernmental (\$3,006,690) and Interest and Rent Revenue (\$193,608) were due to a decrease in collection efforts and business closures during the months of March 2020 through June 2020 as a result of fight against the novel coronavirus (COVID-19).

Expenditures, overall, were \$8,040,743 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, 2020, amounted to \$1,351,310,710 (net of accumulated depreciation). The total decrease in the City's investment in capital assets compared to 2019 was 1.0%.

Management's Discussion and Analysis (continued)

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)	
	2020	2019	2020	2019	2020	2019	Percent Change	\$ Change
	Land	\$29,149,707	\$33,315,549	\$34,511,762	\$34,511,762	\$63,661,469	\$67,827,311	-6%
Capitalized interest	-	-	5,484,238	19,496,181	5,484,238	19,496,181	-72%	(14,011,943)
Buildings	10,423,191	11,296,297	30,489,627	32,474,814	40,912,818	43,771,111	-7%	(2,858,293)
Improvements	56,628,936	56,043,331	224,168,794	208,531,497	280,797,730	264,574,828	6%	16,222,902
Furnishings and equipment	3,053,851	3,414,170	5,122,784	5,341,815	8,176,635	8,755,985	-7%	(579,350)
Intangible assets	2,391,530	2,797,538	15,002	24,751	2,406,532	2,822,289	-15%	(415,757)
Equipment pool	16,235,225	16,825,119	-	-	16,235,225	16,825,119	-4%	(589,894)
Service animals	13,369	19,584	-	-	13,369	19,584	-32%	(6,215)
Water rights	-	-	238,817,792	250,758,682	238,817,792	250,758,682	-5%	(11,940,890)
Streets	176,962,019	211,213,953	-	-	176,962,019	211,213,953	-16%	(34,251,934)
Signalization	6,959,175	13,805,103	-	-	6,959,175	13,805,103	-50%	(6,845,928)
Bridges	27,388,262	30,326,497	-	-	27,388,262	30,326,497	-10%	(2,938,235)
Buses & fareboxes	25,103	25,103	16,426,562	18,410,479	16,451,665	18,435,582	-11%	(1,983,917)
Pipelines	416,989	3,007,877	150,195,902	146,817,986	150,612,891	149,825,863	1%	787,028
Construction in progress	80,942,713	57,599,011	235,488,177	223,622,958	316,430,890	281,221,969	13%	35,208,921
Total	\$410,590,070	\$439,689,132	\$940,720,640	\$939,990,925	\$1,351,310,710	\$1,379,680,057	-2%	(\$28,369,347)

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

- Improvements – The Residential Meter Install Central Modesto area was completed in fiscal year 2019-2020 in the amount of \$13.3 million, and the Industrial Tank 13, Pump Station was completed in fiscal year 2019-2020 in the amount of \$12.3 million.
- Streets – The State Route 99 and Pelandale Interchange project was completed in FY 18-19 and recorded as multiple City capital assets at 100% ownership. During FY 19-20, ownership of the assets was split between three parties, City, County and State, which reduced the City's ownership to only approximately 14% of the total assets' value. The split of these capital assets also caused an impact to other asset classes, such as improvements, signalization, pipelines and bridges.
- Construction in progress – Ongoing water construction projects related to improvements to the City's water infrastructure were made during fiscal year 2019-20. Additionally, construction of the Headworks, Dryden Box and Influent Flume Improvement project, as well as construction of the State Route 132 project were both started in fiscal year 2019-20.

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 45-46 of this report.

The City had major capital commitments for contracts awarded for various construction projects. As of June 30, 2020, there were major contracts awarded for, State Route 132 Project, in the amount of \$96.4 million and the construction of a fleet maintenance facility in the amount of \$4 million. Additional information on the City's commitments can be found in note III-D on page 68 of this report.

Long-term debt and liabilities

At June 30, 2020, the City had total long-term liabilities outstanding of \$408,645,757 net of unamortized discounts and premiums, as compared to \$423,361,133 in the prior year. This amount was comprised of \$48,915,000 of lease revenue bonds, \$45,357,043 of certificates of participation, \$22,892,869 of revenue bonds payable, \$111,472,183 of reimbursement agreement related to Modesto Irrigation District bonds, \$11,079,022 of estimated compensated absences, \$26,169,123 of claims liability, \$135,751,891 of loans payable, \$858,847 of developer advances, \$4,584,779 of capital leases, and \$1,565,000 of notes payable.

Management's Discussion and Analysis (continued)

For the governmental and business activities, the long-term debt decreased was mainly due to the principal payments made during the fiscal year. Additional information on the City's long-term debt can be found in Note II-C on pages 47-60 of this report.

The City maintains a current bond rating for the various bonds listed below.

BONDS	Moody's Rating	S & P Rating	Fitch Rating
2008 Lease Revenue Bonds	Aa3	A/A-1	AA
2008 Water Certificates of Participation	Aa3		AA/F1
Wastewater Revenue Bonds, Series 2018A		AA	

With the implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pension, the City's net OPEB liability as of June 30, 2020 was \$26.5 million. Additional information on the City's net OPEB liability and Pension can be found in Notes III-F 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 ten years and serves as a measure for the growth in the cost for supplies and services used by the City. In the fiscal year ended June 30, 2020, the CPI-Western Urban Index increased by 5.2%.
- *Utility Service Charges* - Water and Sewer utility rates have a 6.0% scheduled rate increase for fiscal year 2019-20. For the Water and Sewer utility rates, these planned rate increases were effective on January 2020 for Sewer and April 2020 for Water. In fiscal year 2020-21, Sewer utility rates have a 4.0% increase effective on January 2021. This rate increase will be used to assist with maintaining the debt coverage ratio requirements and related capital improvements for the utility fund. Water rate increases have not been approved for fiscal year 2020-21 as of the time this document has been prepared.

All of these factors were considered in preparing the City's budget for fiscal year 2019-20.

During the current fiscal year, fund balance in the General Fund increased by \$173,079, to \$25,755,949, which represents 18% of total General Fund outflows which exceeds the City's target value of 8% unassigned fund balance based on General fund outflows. The budget adopted for fiscal year 2019-20 reflects the Council policy reserve level of a minimum \$18.4 million emergency reserve policy. This amount is reported as part of the committed fund balance.

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.

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BASIC FINANCIAL STATEMENTS

CITY OF MODOSTO
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 60,182,431	\$ 222,350,161	\$ 282,532,592
Accounts receivable, net	2,196,671	1,904,053	4,100,724
Interest receivable	508,468	858,165	1,366,633
Utility billings receivable, net	962,382	15,515,887	16,478,269
Taxes receivable	13,967,343	-	13,967,343
Due from governments, net	35,294,560	4,183,266	39,477,826
Prepaid expenses	523,619	2,563,012	3,086,631
Internal balances	2,858,605	(2,858,605)	-
Inventories	1,533,418	87,053	1,620,471
Investments in joint ventures	8,344,150	-	8,344,150
Restricted assets:			
Cash and cash equivalents	52,289,546	18,522,773	70,812,319
Cash and cash equivalents with fiscal agent	7,050,064	21,287,046	28,337,110
Interest receivable	1,909	-	1,909
Due from governments, net	14,802,235	-	14,802,235
Reimbursement agreement	14,185,350	-	14,185,350
Notes and loan receivable, net	57,930,251	-	57,930,251
Capital assets:			
Land and construction in progress	110,092,420	269,999,939	380,092,359
Other capital assets, net of accumulated depreciation	300,497,650	670,720,701	971,218,351
Total assets	683,221,072	1,225,133,451	1,908,354,523
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	2,678,151	891,739	3,569,890
Deferred pensions	49,860,219	8,334,002	58,194,221
Loss on refunding	-	669,480	669,480
Accumulated decrease in fair value of hedging derivatives	11,071,120	44,973,144	56,044,264
Total deferred outflows of resources	63,609,490	54,868,365	118,477,855
Total assets and deferred outflows of resources	746,830,562	1,280,001,816	2,026,832,378
<u>LIABILITIES</u>			
Accounts payable	18,051,018	15,992,039	34,043,057
Accrued salaries and benefits	2,557,140	785,803	3,342,943
Approved loans payable	48,400	-	48,400
Interest payable	44,581	1,198,362	1,242,943
Due to other governments	-	-	-
Unearned revenue	1,938,159	14,402,510	16,340,669
Refundable deposits	4,789,657	2,665,118	7,454,775
Derivative instrument - interest swap	11,071,120	44,973,144	56,044,264
Pollution remediation liability	-	15,524,024	15,524,024
Long-term liabilities:			
Due within one year	9,448,040	15,262,107	24,710,147
Due in more than one year	80,836,759	303,098,851	383,935,610
Net OPEB liability	19,899,015	6,560,973	26,459,988
Net pension liability	286,144,423	55,690,589	341,835,012
Total liabilities	434,828,312	476,153,520	910,981,832
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	1,519,052	495,271	2,014,323
Deferred pensions	6,818,047	1,291,656	8,109,703
Total deferred inflows of resources	8,337,099	1,786,927	10,124,026
Total liabilities and deferred inflows of resources	443,165,411	477,940,447	921,105,858
<u>NET POSITION</u>			
Net investment in capital assets	374,618,780	647,695,354	1,022,314,134
Restricted for:			
Capital projects	58,613,622	-	58,613,622
Housing and community development	57,677,665	-	57,677,665
Pollution remediation	-	15,857,655	15,857,655
Other purposes	19,527,327	-	19,527,327
Unrestricted	(206,772,243)	138,508,360	(68,263,883)
Total net position	\$ 303,665,151	\$ 802,061,369	\$ 1,105,726,520

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

CITY OF MODESTO
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental activities:				
General government	\$ 14,808,371	\$ 5,973,621	\$ -	\$ -
Community development	25,698,343	17,327,298	6,705,449	-
Highways and streets	25,858,611	909,580	-	5,366,930
Public works	3,736,696	2,921,053	-	-
Parks and recreation	14,725,590	3,358,983	-	394,600
Public safety	140,709,104	11,354,045	10,132,673	133,187
Interest on long-term debt	2,302,626	-	-	-
Total governmental activities	<u>227,839,341</u>	<u>41,844,580</u>	<u>16,838,122</u>	<u>5,894,717</u>
Business-type activities:				
Water	69,187,391	82,796,199	1,295,784	-
Sewer	45,832,671	58,168,552	1,745,209	47,257
Bus	25,261,736	2,443,208	18,178,649	499,118
Parking	1,905,382	1,264,938	-	-
Storm drain	7,384,884	6,114,242	-	-
Compost	10,330,237	10,216,018	314,009	-
Airport	1,841,645	651,447	247,269	-
Golf	2,939,639	2,005,588	-	-
Community center	1,603,302	188,589	-	-
Abatement and public nuisance	142,124	67,181	-	-
Total business-type activities	<u>166,429,011</u>	<u>163,915,962</u>	<u>21,780,920</u>	<u>546,375</u>
Total	<u>\$ 394,268,352</u>	<u>\$ 205,760,542</u>	<u>\$ 38,619,042</u>	<u>\$ 6,441,092</u>

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

Intergovernmental revenue not restricted to specific programs:

Intergovernmental revenue:

Sales tax (state appropriation)

Motor vehicle license fee

Transportation tax funding

Community facilities district fees

Special assessments, levied

Other

Unrestricted investment earnings

Miscellaneous

Transfers, net

Total general revenues and transfers

Changes 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 Position

Governmental Activities	Business-type Activities	Total
\$ (8,834,750)	\$ -	\$ (8,834,750)
(1,665,596)	-	(1,665,596)
(19,582,101)	-	(19,582,101)
(815,643)	-	(815,643)
(10,972,007)	-	(10,972,007)
(119,089,199)	-	(119,089,199)
(2,302,626)	-	(2,302,626)
<u>(163,261,922)</u>	<u>-</u>	<u>(163,261,922)</u>
-	14,904,592	14,904,592
-	14,128,347	14,128,347
-	(4,140,761)	(4,140,761)
-	(640,444)	(640,444)
-	(1,270,642)	(1,270,642)
-	199,790	199,790
-	(942,929)	(942,929)
-	(934,051)	(934,051)
-	(1,414,713)	(1,414,713)
-	(74,943)	(74,943)
<u>-</u>	<u>19,814,246</u>	<u>19,814,246</u>
(163,261,922)	19,814,246	(143,447,676)
19,803,218	-	19,803,218
18,113,180	-	18,113,180
-	190,995	190,995
2,727,061	-	2,727,061
6,996,152	-	6,996,152
16,470,832	-	16,470,832
190,543	-	190,543
30,534,694	-	30,534,694
17,977,807	-	17,977,807
19,438,347	-	19,438,347
16,567	-	16,567
4,622,697	-	4,622,697
27,469,638	-	27,469,638
6,044,156	8,082,331	14,126,487
3,660,429	1,390,820	5,051,249
479,917	(479,917)	-
<u>174,545,238</u>	<u>9,184,229</u>	<u>183,729,467</u>
11,283,316	28,998,475	40,281,791
338,056,027	771,387,599	1,109,443,626
(45,674,192)	1,675,295	(43,998,897)
<u>\$ 303,665,151</u>	<u>\$ 802,061,369</u>	<u>\$ 1,105,726,520</u>

CITY OF MODESTO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Capital Grants	Housing and Community Development	Other Governmental	Total Governmental
ASSETS					
Cash and cash equivalents	\$ -	\$ 11,971	\$ 999,334	\$ 26,291,468	\$ 27,302,773
Receivables:					
Accounts, net	448,096	-	312,480	91,971	852,547
Interest	45,392	-	671	267,057	313,120
Utilities, net	962,382	-	-	-	962,382
Taxes	13,472,895	-	-	494,448	13,967,343
Due from governments	196,173	21,365,182	954,850	12,769,047	35,285,252
Due from other funds	16,447,157	-	-	5,849,040	22,296,197
Prepaid expenditures	247,224	-	1,545	99,628	348,397
Restricted assets:					
Cash and cash equivalents	2,137,896	-	-	46,892,871	49,030,767
Cash and cash equivalents with fiscal agent	-	830,066	-	6,082,886	6,912,952
Interest receivable	-	-	-	1,909	1,909
Due from governments	-	-	-	14,802,235	14,802,235
Due from other funds	-	-	-	2,600,174	2,600,174
Notes receivable, net	-	-	55,649,072	2,281,179	57,930,251
Advances to other funds	2,256,323	-	-	-	2,256,323
Total assets	\$ 36,213,538	\$ 22,207,219	\$ 57,917,952	\$ 118,523,913	\$ 234,862,622
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,043,724	\$ 9,156,617	\$ 164,916	\$ 1,873,382	\$ 13,238,639
Accrued salaries and benefits	2,118,333	-	17,278	234,873	2,370,484
Accrued interest payable	-	-	8,148	12,175	20,323
Approved loans payable	-	-	48,400	-	48,400
Due to other funds	-	18,295,292	-	6,601,079	24,896,371
Unearned revenue	159,902	-	-	1,754,157	1,914,059
Refundable deposits	4,582,602	-	-	207,055	4,789,657
Advances from other funds	1,464,973	-	-	1,646,961	3,111,934
Total liabilities	10,369,534	27,451,909	238,742	12,329,682	50,389,867
Deferred inflows of resources:					
Unavailable revenue	88,055	1,036,993	26,330,716	7,240,053	34,695,817
Fund balances:					
Nonspendable	2,503,547	-	1,545	99,628	2,604,720
Restricted	2,137,896	830,066	31,346,949	72,661,254	106,976,165
Committed	18,397,817	-	-	-	18,397,817
Assigned	309,114	-	-	26,193,552	26,502,666
Unassigned	2,407,575	(7,111,749)	-	(256)	(4,704,430)
Total fund balances	25,755,949	(6,281,683)	31,348,494	98,954,178	149,776,938
Total liabilities, deferred inflows of resources, and fund balances	\$ 36,213,538	\$ 22,207,219	\$ 57,917,952	\$ 118,523,913	\$ 234,862,622

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, 2020

Total fund balances - governmental funds \$ 149,776,938

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	\$ 106,084,543	
Depreciable	175,124,099	
Accumulated depreciation on general capital assets	(99,923,254)	
Infrastructure:		
Depreciable	577,303,987	
Accumulated depreciation on infrastructure	<u>(365,577,547)</u>	393,011,828

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

Deferred in the governmental funds	\$ 34,695,817	
Reimbursement agreement with Successor Agency	14,185,350	
Investments in joint ventures	<u>8,344,150</u>	57,225,317

Derivative instruments:

Rate swaps are not reported in governmental funds.	\$ (11,071,120)	
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivatives also are not reported in governmental funds.	<u>11,071,120</u>	-

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

8,707,878

Deferred outflows and inflows of resources for pension items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Deferred outflows of resources	\$ 48,046,107	
Deferred inflows of resources	<u>(6,411,545)</u>	41,634,562

Deferred outflows and inflows of resources for net OPEB items in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Deferred outflows of resources	\$ 2,463,495	
Deferred inflows of resources	<u>(1,390,165)</u>	1,073,330

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

Net pension liability	\$ (273,930,036)	
Net OPEB liability	(18,261,361)	
Bonds payable, and other long-term debt	(55,556,954)	
Accrued interest	<u>(16,351)</u>	<u>(347,764,702)</u>

Net position - governmental activities \$ 303,665,151

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
FISCAL YEAR ENDED JUNE 30, 2020

	General	Capital Grants	Housing and Community Development	Other Governmental	Total Governmental
REVENUES:					
Taxes	\$ 62,265,577	\$ -	\$ -	\$ 2,035,409	\$ 64,300,986
Licenses and permits	350,730	-	-	57,915	408,645
Intergovernmental	56,797,459	24,192,500	3,573,797	40,509,193	125,072,949
Charges for services	20,524,483	-	1,015,950	14,606,683	36,147,116
Special assessments levied	507,044	-	-	4,115,653	4,622,697
Interest and rent	519,942	-	-	1,498,504	2,018,446
Net increase in fair value of investments	369,586	-	-	1,358,572	1,728,158
Fines and forfeits	382,340	-	-	283,780	666,120
Miscellaneous	614,235	-	-	375,623	989,858
Total revenues	<u>142,331,396</u>	<u>24,192,500</u>	<u>4,589,747</u>	<u>64,841,332</u>	<u>235,954,975</u>
EXPENDITURES:					
Current:					
General government	11,771,966	-	-	256,049	12,028,015
Community development	6,346,496	294,902	3,866,511	10,437,285	20,945,194
Highways and streets	-	-	-	11,039,619	11,039,619
Public works	555,331	-	-	2,480,520	3,035,851
Parks and recreation	11,833,253	-	-	111,687	11,944,940
Public safety	104,473,410	-	-	10,067,419	114,540,829
Capital outlay	292,240	30,370,414	-	7,762,664	38,425,318
Debt service:					
Principal retirement	465,132	-	269,000	2,000,000	2,734,132
Interest	140,410	-	41,772	1,814,624	1,996,806
Other	-	-	1,843	306,085	307,928
Total expenditures	<u>135,878,238</u>	<u>30,665,316</u>	<u>4,179,126</u>	<u>46,275,952</u>	<u>216,998,632</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,453,158</u>	<u>(6,472,816)</u>	<u>410,621</u>	<u>18,565,380</u>	<u>18,956,343</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	873,642	1,978,858	-	12,439,628	15,292,128
Transfers out	(7,263,959)	(291,565)	(534,415)	(9,307,680)	(17,397,619)
Capital leases	39,204	-	-	-	39,204
Sale of assets	71,034	-	-	61,451	132,485
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,280,079)</u>	<u>1,687,293</u>	<u>(534,415)</u>	<u>3,193,399</u>	<u>(1,933,802)</u>
CHANGES IN FUND BALANCES	173,079	(4,785,523)	(123,794)	21,758,779	17,022,541
FUND BALANCES, JULY 1	25,582,870	(1,496,160)	30,928,788	76,286,216	131,301,714
PRIOR PERIOD ADJUSTMENTS	-	-	543,500	909,183	1,452,683
FUND BALANCES, JUNE 30	<u>\$ 25,755,949</u>	<u>\$ (6,281,683)</u>	<u>\$ 31,348,494</u>	<u>\$ 98,954,178</u>	<u>\$ 149,776,938</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
FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - governmental funds \$ 17,022,541

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	\$ 38,425,318	
Depreciation expense	<u>(19,312,628)</u>	19,112,690

In the statement of activities, only the gain or loss on the sales and transfer of capital assets is reported, whereas in the governmental funds, the proceeds from such sales or transfer increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets sold. (1,438,004)

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

Change in unearned revenues	\$ (1,700,361)	
Change in investments in joint ventures	<u>334,045</u>	(1,366,316)

Recognition of Successor Agency annual payment for their Reimbursement Agreement receivable associated with long-term debt. (580,000)

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 position.

Principal retirement	\$ 2,734,132	
Proceeds of long-term debt	<u>(39,204)</u>	2,694,928

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

Change in accrued interest	\$ 2,110	
OPEB expense associated with net OPEB liability	1,053,190	
Pension expense associated with net pension liability	<u>(22,180,750)</u>	(21,125,450)

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. (3,037,073)

Change in net position - governmental activities \$ 11,283,316

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

CITY OF MODESTO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 89,187,910	\$ 97,776,113	\$ 13,505,464	\$ 21,880,674	\$ 222,350,161	\$ 32,879,658
Receivables:						
Accounts, net	5,551	50,918	107,418	1,740,166	1,904,053	1,344,124
Interest	318,501	397,647	39,206	102,811	858,165	195,348
Utilities, net	9,099,704	5,534,611	-	881,572	15,515,887	-
Prepaid expenses	2,380,254	60,697	104,492	17,569	2,563,012	175,222
Due from other funds	1,533,036	-	-	-	1,533,036	-
Due from governments	819,213	447,238	2,573,107	343,708	4,183,266	9,308
Inventories	35,435	94	-	51,524	87,053	1,533,418
Total current assets	<u>103,379,604</u>	<u>104,267,318</u>	<u>16,329,687</u>	<u>25,018,024</u>	<u>248,994,633</u>	<u>36,137,078</u>
Noncurrent assets:						
Notes receivable, net						
Advances to other funds	3,200,000	2,702,511	-	264,404	6,166,915	-
Restricted cash and cash equivalents	8,053,234	10,469,539	-	-	18,522,773	3,258,779
Restricted cash and cash equivalents with fiscal agent	19,720,324	897,899	-	668,823	21,287,046	137,112
Land and construction in progress	61,306,613	191,990,645	4,912,255	11,790,426	269,999,939	4,007,877
Other capital assets, net of accumulated depreciation	401,596,246	203,942,742	33,977,420	31,204,293	670,720,701	13,570,365
Total noncurrent assets	<u>493,876,417</u>	<u>410,003,336</u>	<u>38,889,675</u>	<u>43,927,946</u>	<u>986,697,374</u>	<u>20,974,133</u>
Total assets	<u>597,256,021</u>	<u>514,270,654</u>	<u>55,219,362</u>	<u>68,945,970</u>	<u>1,235,692,007</u>	<u>57,111,211</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred OPEB	380,292	279,023	53,337	179,087	891,739	214,656
Deferred pensions	3,076,939	2,987,175	538,873	1,731,015	8,334,002	1,814,112
Loss on refunding	380,671	288,809	-	-	669,480	-
Accumulated decrease in fair value of hedging derivatives	44,973,144	-	-	-	44,973,144	-
Total deferred outflows of resources	<u>48,811,046</u>	<u>3,555,007</u>	<u>592,210</u>	<u>1,910,102</u>	<u>54,868,365</u>	<u>2,028,768</u>
Total assets and deferred outflows of resources	<u>\$ 646,067,067</u>	<u>\$ 517,825,661</u>	<u>\$ 55,811,572</u>	<u>\$ 70,856,072</u>	<u>\$ 1,290,560,372</u>	<u>\$ 59,139,979</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 4,797,547	\$ 4,421,817	\$ 2,261,008	\$ 4,511,667	\$ 15,992,039	\$ 4,812,379
Accrued salaries and benefits	275,776	286,145	52,299	171,583	785,803	186,656
Interest payable	3,115	1,149,978	-	45,269	1,198,362	7,907
Due to other funds	-	-	-	-	-	1,533,036
Current portion - compensated absences	-	-	-	-	-	694,234
Current portion - claims liability	-	-	-	-	-	5,980,657
Current portion - long-term debt	5,682,101	8,917,585	-	412,202	15,011,888	-
Current portion - developer advances	92,293	-	-	-	92,293	-
Unearned revenue	1,994	1,681,917	12,046,581	672,018	14,402,510	24,100
Total current liabilities	<u>10,852,826</u>	<u>16,457,442</u>	<u>14,359,888</u>	<u>5,812,739</u>	<u>47,482,895</u>	<u>13,238,969</u>
Noncurrent liabilities:						
Payable from restricted assets - refundable deposits	1,500,059	1,165,059	-	-	2,665,118	-
Advances from other funds	-	-	-	5,311,304	5,311,304	-
Compensated absences	-	-	-	-	-	10,384,788
Claims liability	-	-	-	-	-	20,188,466
Derivative instrument - interest swap	44,973,144	-	-	-	44,973,144	-
Pollution remediation liability	7,801,390	7,108,839	-	613,795	15,524,024	-
Long-term debt:						
Reimbursement agreement related to MID debt	106,212,180	-	-	-	106,212,180	-
Revenue bonds payable	-	20,315,226	-	-	20,315,226	-
Obligations under capital lease	-	-	-	5,623	5,623	-
Loans payable	347,086	128,537,766	-	-	128,884,852	-
Certificates of participation	43,177,043	-	-	1,375,000	44,552,043	-
Developer advances	766,554	-	-	-	766,554	-
Net OPEB liability	2,627,166	1,951,428	411,717	1,570,662	6,560,973	1,637,654
Net pension liability	20,560,748	20,386,132	3,423,069	11,320,640	55,690,589	12,214,387
Total noncurrent liabilities	<u>227,965,370</u>	<u>179,464,450</u>	<u>3,834,786</u>	<u>20,197,024</u>	<u>431,461,630</u>	<u>44,425,295</u>
Total liabilities	<u>238,818,196</u>	<u>195,921,892</u>	<u>18,194,674</u>	<u>26,009,763</u>	<u>478,944,525</u>	<u>57,664,264</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred OPEB	198,910	145,792	32,234	118,335	495,271	128,887
Deferred pensions	598,544	403,587	61,833	227,692	1,291,656	406,502
Total deferred inflows of resources	<u>797,454</u>	<u>549,379</u>	<u>94,067</u>	<u>346,027</u>	<u>1,786,927</u>	<u>535,389</u>
NET POSITION						
Net investment in capital assets	327,585,444	239,349,518	38,889,675	41,870,717	647,695,354	17,578,242
Restricted for pollution remediation	6,553,175	9,304,480	-	-	15,857,655	-
Restricted for other purposes	-	-	-	-	-	3,258,779
Unrestricted	<u>72,312,798</u>	<u>72,700,392</u>	<u>(1,366,844)</u>	<u>2,629,565</u>	<u>146,275,911</u>	<u>(19,896,695)</u>
Total net position	<u>406,451,417</u>	<u>321,354,390</u>	<u>37,522,831</u>	<u>44,500,282</u>	<u>809,828,920</u>	<u>940,326</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 646,067,067</u>	<u>\$ 517,825,661</u>	<u>\$ 55,811,572</u>	<u>\$ 70,856,072</u>	<u>\$ 1,290,560,372</u>	<u>\$ 59,139,979</u>
Adjustment to reflect the consolidation of internal service fund activities					(7,767,551)	
Net position of business-type activities					<u>\$ 802,061,369</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
FISCAL YEAR ENDED JUNE 30, 2020

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
OPERATING REVENUES:						
Charges for services	\$ 82,766,883	\$ 56,972,691	\$ 2,122,212	\$ 20,386,163	\$ 162,247,949	\$ 71,390,575
Miscellaneous	29,316	47,923	320,996	121,840	520,075	101,445
Total operating revenues	<u>82,796,199</u>	<u>57,020,614</u>	<u>2,443,208</u>	<u>20,508,003</u>	<u>162,768,024</u>	<u>71,492,020</u>
OPERATING EXPENSES:						
Salaries and wages	9,053,180	8,808,073	1,668,556	5,428,715	24,958,524	7,134,816
Cost of sales	-	-	-	-	-	283,497
Contractual services	5,893,219	3,802,768	14,096,949	4,932,416	28,725,352	5,704,383
Utilities	2,487,292	3,194,469	208,390	611,058	6,501,209	317,447
Maintenance and supplies	4,692,281	3,941,026	2,982,348	5,191,916	16,807,571	6,842,377
Water purchases	11,385,182	-	-	-	11,385,182	-
Insurance	334,807	778,212	40,618	419,779	1,573,416	20,541,026
Claims	-	-	-	-	-	10,800,777
Employee benefits	6,131,395	6,454,637	1,091,282	3,587,672	17,264,986	27,019,324
Administration services	1,092,487	2,430,620	752,607	3,049,645	7,325,359	634,398
Allocated indirect administrative costs	1,317,432	784,658	348,309	502,496	2,952,895	343,614
Depreciation	18,904,808	11,775,038	3,538,594	1,793,529	36,011,969	2,944,272
Total operating expenses	<u>61,292,083</u>	<u>41,969,501</u>	<u>24,727,653</u>	<u>25,517,226</u>	<u>153,506,463</u>	<u>82,565,931</u>
OPERATING INCOME (LOSS)	<u>21,504,116</u>	<u>15,051,113</u>	<u>(22,284,445)</u>	<u>(5,009,223)</u>	<u>9,261,561</u>	<u>(11,073,911)</u>
NONOPERATING REVENUES (EXPENSES)						
Operating grants	1,295,784	1,745,209	18,178,649	561,278	21,780,920	-
Gain (loss) on disposition of capital assets	18,892	32,199	3,087	64,611	118,789	(11,131)
Tax revenue	-	-	-	190,995	190,995	-
Tax expense	(91,255)	(133,040)	-	(24,962)	(249,257)	-
Interest income	1,614,165	1,880,604	-	316,135	3,810,904	819,390
Net increase (decrease) in fair value of investments	1,692,063	1,980,426	197,815	401,123	4,271,427	1,144,117
Connection fees	-	1,147,938	-	-	1,147,938	-
Rental income	41,748	521,449	141,781	685,842	1,390,820	-
Interest expense and amortization	(6,382,318)	(2,801,881)	-	(96,094)	(9,280,293)	-
Trustee and letter of credit fees	(3,587)	(5,907)	-	(3,239)	(12,733)	-
Total nonoperating revenues (expenses)	<u>(1,814,508)</u>	<u>4,366,997</u>	<u>18,521,332</u>	<u>2,095,689</u>	<u>23,169,510</u>	<u>1,952,376</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>19,689,608</u>	<u>19,418,110</u>	<u>(3,763,113)</u>	<u>(2,913,534)</u>	<u>32,431,071</u>	<u>(9,121,535)</u>
Capital contributions	-	47,257	499,118	-	546,375	-
Transfers in	5,053,129	72,902	445,081	2,626,221	8,197,333	5,854,715
Transfers out	<u>(2,293,344)</u>	<u>(5,344,665)</u>	<u>(15,273)</u>	<u>(1,023,969)</u>	<u>(8,677,251)</u>	<u>(3,269,306)</u>
CHANGES IN NET POSITION	<u>22,449,393</u>	<u>14,193,604</u>	<u>(2,834,187)</u>	<u>(1,311,282)</u>	<u>32,497,528</u>	<u>(6,536,126)</u>
NET POSITION, JULY 1	<u>382,326,729</u>	<u>307,160,786</u>	<u>40,357,018</u>	<u>45,811,564</u>		<u>7,476,452</u>
PRIOR YEAR ADJUSTMENTS	<u>1,675,295</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
NET POSITION, JUNE 30	<u>\$ 406,451,417</u>	<u>\$ 321,354,390</u>	<u>\$ 37,522,831</u>	<u>\$ 44,500,282</u>		<u>\$ 940,326</u>
Adjustment to reflect the consolidation of internal service funds					<u>(3,499,053)</u>	
Change in net position of business-type activities					<u>\$ 28,998,475</u>	

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

CITY OF MODESTO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 81,725,942	\$ 58,148,947	\$ 2,287,050	\$ 19,971,350	\$ 162,133,289	\$ 551,925
Receipts from interfund services provided	109,399	1,655,225	-	-	1,764,624	72,882,747
Payments to suppliers	(26,525,224)	(8,940,306)	(16,080,900)	(7,182,279)	(58,728,709)	(30,075,839)
Payment of insurance claims	-	-	-	-	-	(8,262,214)
Payments to employees	(13,262,759)	(13,179,567)	(2,389,512)	(7,937,957)	(36,769,795)	(32,146,707)
Payments for interfund services used	(5,222,861)	(6,035,460)	(1,591,173)	(7,690,373)	(20,539,867)	(2,588,447)
Net cash provided (used) by operating activities	<u>36,824,497</u>	<u>31,648,839</u>	<u>(17,774,535)</u>	<u>(2,839,259)</u>	<u>47,859,542</u>	<u>361,465</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	1,295,784	1,745,209	23,224,253	561,278	26,826,524	-
Taxes received	-	-	-	190,995	190,995	-
Transfers in	5,053,129	72,902	445,081	2,626,221	8,197,333	5,854,715
Transfers out	(2,293,344)	(5,344,665)	(15,273)	(1,023,969)	(8,677,251)	(3,269,306)
Advances from other funds	(900,000)	501,153	-	601,396	202,549	-
Net cash provided (used) by noncapital financing activities	<u>3,155,569</u>	<u>(3,025,401)</u>	<u>23,654,061</u>	<u>2,955,921</u>	<u>26,740,150</u>	<u>2,585,409</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(23,653,290)	(25,533,946)	(774,451)	(20,214)	(49,981,901)	(3,359,306)
Proceeds from sale of capital assets	74,369	47,809	3,088	64,622	189,888	50,776
Proceeds of debt issues	-	-	-	9,079	9,079	-
Principal repayments	(6,079,672)	(8,777,569)	-	(401,555)	(15,258,796)	-
Interest paid	(4,707,246)	(2,743,737)	-	(92,522)	(7,543,505)	-
Trustee and letter of credit fees	(3,587)	(5,907)	-	(3,239)	(12,733)	-
Capital contributions	-	47,257	499,118	-	546,375	-
Connection fees for capital purposes	-	1,147,938	-	-	1,147,938	-
Net cash provided (used) by capital and related financing activities	<u>(34,369,426)</u>	<u>(35,818,155)</u>	<u>(272,245)</u>	<u>(443,829)</u>	<u>(70,903,655)</u>	<u>(3,308,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	1,656,489	1,856,786	-	318,527	3,831,802	970,874
Net increase (decrease) in the fair value of investments	1,692,063	1,980,426	183,227	401,123	4,256,839	1,139,714
Rental income received	41,748	521,449	141,781	685,842	1,390,820	-
Net cash provided (used) by investing activities	<u>3,390,300</u>	<u>4,358,661</u>	<u>325,008</u>	<u>1,405,492</u>	<u>9,479,461</u>	<u>2,110,588</u>
Net increase (decrease) in cash and cash equivalents	9,000,940	(2,836,056)	5,932,289	1,078,325	13,175,498	1,748,932
CASH AND CASH EQUIVALENTS, JULY 1	<u>107,960,528</u>	<u>111,979,607</u>	<u>7,573,175</u>	<u>21,471,172</u>	<u>248,984,482</u>	<u>34,526,617</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 116,961,468</u>	<u>\$ 109,143,551</u>	<u>\$ 13,505,464</u>	<u>\$ 22,549,497</u>	<u>\$ 262,159,980</u>	<u>\$ 36,275,549</u>
RECONCILIATION TO STATEMENT OF NET POSITION:						
Cash and cash equivalents	\$ 89,187,910	\$ 97,776,113	\$ 13,505,464	\$ 21,880,674	\$ 222,350,161	\$ 32,879,658
Restricted cash and cash equivalents	8,053,234	10,469,539	-	-	18,522,773	3,258,779
Restricted cash and cash equivalents with fiscal agent	19,720,324	897,899	-	668,823	21,287,046	137,112
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 116,961,468</u>	<u>\$ 109,143,551</u>	<u>\$ 13,505,464</u>	<u>\$ 22,549,497</u>	<u>\$ 262,159,980</u>	<u>\$ 36,275,549</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)
FISCAL YEAR ENDED JUNE 30, 2020

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 21,504,116	\$ 15,051,113	\$ (22,284,445)	\$ (5,009,223)	\$ 9,261,561	\$ (11,073,911)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	18,904,808	11,775,038	3,538,594	1,793,529	36,011,969	2,944,272
Taxes paid	(91,255)	(133,040)	-	(24,962)	(249,257)	-
Change in assets, liabilities, and deferred resources:						
(Increase) decrease in accounts receivable	28,174	(9,974)	(51,008)	325,629	292,821	552,451
(Increase) decrease in utilities receivable	(777,009)	(469,129)	-	55,521	(1,190,617)	-
(Increase) decrease in due from governments	(153,709)	3,457,479	648,368	(262,065)	3,690,073	1,056
(Increase) decrease in prepaid expenses	(157,138)	17,575	158,315	62,335	81,087	191,441
(increase) in inventories	-	(94)	-	(28,524)	(28,618)	(1,514,396)
Increase (decrease) in accounts payable	(2,385,806)	193,035	613,440	4,132,201	2,552,870	3,325,411
Increase in accrued salaries and benefits	83,319	75,417	15,540	44,329	218,605	67,574
Increase in compensated absences	-	-	-	-	-	759,392
Increase (decrease) in net OPEB liability and deferred resources	225,302	(129,658)	(21,767)	(72,553)	1,324	(87,410)
Increase in net pension liability and deferred resources	1,613,195	2,137,384	361,946	1,097,782	5,210,307	1,267,877
Increase in claims liability	-	-	-	-	-	2,538,563
(Decrease) in pollution remediation liability	(378,150)	(121,489)	-	(4,309,946)	(4,809,585)	-
(Increase) in due from other funds	(1,533,036)	-	-	-	(1,533,036)	-
Increase (decrease) in due to other funds	-	-	-	(286,612)	(286,612)	1,533,036
(Decrease) in unearned revenue	(58,981)	(190,024)	(753,518)	(356,700)	(1,359,223)	(143,891)
Increase (decrease) in refundable deposits	667	(4,794)	-	-	(4,127)	-
Total adjustments	15,320,381	16,597,726	4,509,910	2,169,964	38,597,981	11,435,376
Net cash provided (used) by operating activities	<u>\$ 36,824,497</u>	<u>\$ 31,648,839</u>	<u>\$ (17,774,535)</u>	<u>\$ (2,839,259)</u>	<u>\$ 47,859,542</u>	<u>\$ 361,465</u>

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, 2020

	Private-Purpose Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,993,964	\$ 1,582,248
Cash and cash equivalents held with fiscal agent	1,977,700	3,004,935
Interest receivable	7,495	-
Other assets	2,710	-
Total assets	3,981,869	\$ 4,587,183
<u>LIABILITIES</u>		
Due to special district bondholders	\$ -	\$ 3,987,154
Deposits held as agent for others	-	600,029
Other payables	90,837	-
Due to other agencies	1,192,004	-
Loans payable:		
Due within one year	2,014,300	-
Due in more than one year	18,561,050	-
Total liabilities	21,858,191	\$ 4,587,183
<u>NET POSITION</u>		
Unrestricted	\$ (17,876,322)	

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

CITY OF MODESTO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PRIVATE PURPOSE TRUST FUND
FISCAL YEAR ENDED JUNE 30, 2020

		<u>Private-Purpose Trust</u>
ADDITIONS:		
Redevelopment Agency Property Tax Trust Fund	\$	3,062,139
Interest and Investment Revenue:		
Use of money and property		<u>77,277</u>
Total additions		<u>3,139,416</u>
DEDUCTIONS:		
Distribution of property taxes to other taxing entities		682,804
Obligation retirements:		
Interest on note payable		328,064
City administrative expenses		<u>127,655</u>
Total deductions		<u>1,138,523</u>
Change in net position		2,000,893
Net position, July 1		<u>(19,877,215)</u>
Net position, June 30	\$	<u><u>(17,876,322)</u></u>

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

CITY OF MODESTO
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020

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 (fire and police), highways and streets, drinking water, wastewater collection and treatment, storm drainage, public transit, recreation, 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 MPFA (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 City of Modesto has established several Community Facilities (The 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 twelve 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, has authority over the operations and the timely dissolution of the former Redevelopment Agency (RDA). It is tasked with fulfilling the obligations of the former RDA, and is also responsible for revenue collection, maintaining necessary loan reserves and disposing of excess property. This agency is reported as a private-purpose trust fund based on the generally accepted accounting standards 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 and operational responsibility. There is an operational responsibility for the City related to these component units and for the MPFA it provides services solely for the City. Component unit financial statements may be obtained from the City's Finance Department.

The joint ventures and jointly governed organizations 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 segment, 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. For grant revenues, the City considers this type of revenue to be available if collected within 180 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest, compensated absences, claims and judgement 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 Capital Grants Fund to account for receipts and disbursements of a variety of Governmental Fund capital grants.

The Housing and Community Development Fund 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 the Housing and Urban Development Department.

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, information and technology 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 net position 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 Sewer Fund also recognize as non-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 nonoperating 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 including the note disclosures. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

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 position 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 based on various levels identified further under Note II-A – Fair value measurements.

2. Restricted Assets - Cash and Cash Equivalents

Refundable deposits which reside in the Trust 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. Legal or contractual obligations associated with the nonmajor governmental funds have been reported as restricted assets due to the restrictions identified on the revenue sources generated from these funds. Refundable deposits in the Water and Sewer funds are also reported as restricted assets on the proprietary funds statement of net position. 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 position. 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. These assets are restricted due to management's designation of assets for future payments for employee uses.

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 and prepaid items are offset by a nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources to indicate that they are not in spendable form.

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 taxes are recognized in governmental funds 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 inflows of resources. The corresponding proprietary fund revenues are recorded as nonoperating 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, 2020 is \$54,280,061.

Utility service accounts receivable are \$16,478,269 net of an allowance for doubtful collections of \$647,940 and include unbilled receivables using actual amounts billed in July for June services for all City funds. City accounts receivable of \$4,100,724 are reported net of an allowance for doubtful collections of \$1,798,710, and are based on miscellaneous receivables from the City's invoice system as well as other receivables accrued at year-end.

4. Inventories and Prepaid Expenses/Expenditures

Inventories of material and supplies held by governmental and proprietary funds are stated at average cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures. The consumption method is used to record the prepaid expenses/expenditures.

5. Capital Assets

Capital assets, which include property, plant and equipment, intangible assets and infrastructure assets (e.g., streets, 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received in a service concession agreement and all other types are recorded at acquisition value rather than fair value.

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 and enterprise funds are 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 of tax-exempted debt over the same period.

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, 30 years for water rights, 5 years for service animals, 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

The Governmental Accounting Standards Board (GASB) establishes criteria for recognizing 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 for a detail listing of the deferred outflows and 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, 2020, the total estimated liability for all compensated absences, including vacation and sick leave, is \$11,079,022.

8. Fund Balance

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 cannot 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. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a 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, assigned 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 a General Fund reserve at 8% of the fund's total operating expenditures for fiscal year 2019-2020.

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 a reasonable period of time.

2. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) Safety (police and fire) and Miscellaneous (all other) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB 68 requires that the reported results must pertain to the liability and asset information within certain defined timeframes. For this report, the following:

Valuation Date: June 30, 2018
 Measurement Date: June 30, 2019
 Measurement Period: July 1, 2018 to June 30, 2019

3. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's net position have been determined on the same measurement basis.

For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 requires that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date: January 1, 2019
Measurement Date: June 30, 2019
Measurement Period: July 1, 2018 to June 30, 2019

4. Interfund Transactions

The City transfers resources among funds in the course of normal operations. Interfund services 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 ended June 30, 2020, the City implemented the following GASB Standards:

GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance. The requirements of this statement are effective as of May 2020.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 84 – Fiduciary Activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 87 – Leases. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 91 – Conduit Debt Obligations – The requirement of these statements are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – Omnibus 2020. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 93 – Replacement off Interbank Offered Rates. The requirements of this statements are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The Requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97– Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

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.

The City’s cash and investments are reported as follows:

Primary Government:			
Cash and cash equivalents		\$	282,532,592
Restricted cash and cash equivalents			70,812,319
Cash and cash equivalents held with fiscal agent			28,337,110
Successor Agency Private-Purpose Trust Fund			
Cash and cash equivalents			1,993,964
Cash and cash equivalents held with fiscal agent			1,977,700
Agency funds			
Cash and cash equivalents			1,582,248
Cash and cash equivalents held with fiscal agent			3,004,935
Total cash and investments		\$	<u>390,240,868</u>

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>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified % of Portfolio</u>	<u>Maximum % per Issuer</u>	<u>Minimum Quality Requirements</u>
Local Agency Bonds	5 years	None	None	None
Treasury Obligations	5 years	None	None	None
State Obligations	5 years	None	None	A rating
CA Local Agency Obligations	5 years	None	None	A rating
Federal Agencies	5 years	None	None	None
Supranationals	5 years	30 %	5 %	AA

<u>Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified % of Portfolio</u>	<u>Maximum % per Issuer</u>	<u>Minimum Quality Requirements</u>
Commercial Paper	270 days	25 %	5 %	A1/P1 rating
Negotiable Certificates of Deposit	5 years	30 %	5 %	A rating
Certificates of Deposit	1 year	20 %	5 %	FDIC insured or collateralized
Repurchase Agreements	90 days	None	5 %	None
Reverse Repurchase Agreements	92 days	20 % of combined base value	5 %	None
Medium Term Notes	5 years	30 %	5 %	A rating
Money Market Mutual Funds	N/A	20 %	10 %	Multiple
Mortgage and Asset-backed Securities	5 years	20 %	5 %	AA Rating
CAMP	N/A	None	None	N/A
LAIF	N/A	N/A	None	N/A

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. Security types prohibited include, but are not limited to: Investments in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. At June 30, 2020, the fair value approximated the City's cost. At June 30, 2020, these investments range from a maximum maturity of 4 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.

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.

Custodial Credit Risk – Deposits

The 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 deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The City does not, currently, have a Custodial Credit Risk – Deposits Policy. 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 110% 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), collateralized with pledged securities held by Wells Fargo, or by Letters of Credit from the Federal Home Loan Bank of San Francisco.

The City of Modesto has 6 deposit accounts at Bank of the West that are monitored for deposit collateral purposes. As per the CA Government Code, the bank must provide collateral for the collected deposit balances at 110% for securities and 105% for letters of credit coverage. As of June 30, 2020, the City had collected deposit balances of \$10,084,315. On this amount, the FDIC insurance coverage was \$250,000.

For further information, as of June 30, 2020, Bank of the West has over \$6.43 billion in public fund deposits and over 3,600 accounts that are collateralized in accordance with the state's government codes and other applicable laws. Of

the total \$6.43 billion public fund deposits, the minimum collateral required is \$5.97 billion and the market value of pledged securities (related collateral) is \$7.82 billion.

Custodial Credit Risk – Investments

The Custodial Credit Risk for Investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside 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.

The City’s investments consist of pooled investments, dedicated investments, and other funds held by trustees. The dedicated investment funds represent restricted funds and relate to bond proceeds of the Water and Sewer Enterprise Funds, assessment districts (reported under Agency Funds) and the Successor Agency. The other funds held by trustees are made either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with trust agreements. All investments held by a custodian are in the City’s name excluding the Successor Agency.

Interest Rate Risk

Interest Rate Risk is the risk that interest rates will rise and reduce the fair value of an investment. Long-term fixed-income securities have the greatest amount of interest rate risk, due to their duration, or sensitivity to interest rate changes, being greater.

As of June 30, 2020, the City owned six callable bonds. There were no Federal Agency callables in the portfolio. Information on those bonds has been provided as follows:

Corporate Notes

Amount	Maturity Date	Call Date	Call Terms
\$ 1,200,000	2/1/2021	1/1/2021	Callable on and any time after 1/1/2021
\$ 5,506,000	4/15/2021	3/15/2021	Callable on and any time after 3/15/2021
\$ 2,340,000	4/9/2025	10/9/2020	Callable on and any time after 10/9/2020
\$ 2,329,000	3/1/2021	2/1/2021	Callable on and any time after 2/1/2021
\$ 2,510,000	5/15/2022	3/15/2022	Callable on and any time after 3/15/2022
\$ 4,339,000	7/8/2024	4/15/2023	Callable on and any time after 4/15/2023

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. The City may from time to time be invested in a security whose rating is downgraded subsequent to the date of purchase. In the event a rating drops below the minimum allowed rating category for that given investment type, the investment advisor shall notify the Finance Director and recommend a plan of action. The City will limit investments in any one non-government issuers, except investment pools to no more than 5% regardless of security type.

The following table summarizes the City's investments based on maturity dates of various investments:

Investment Type	Credit Rating		Remaining Time to Maturity				
	Standard & Poor's	Moody's Investors Service	Total	Less Than 1 Year	1-2 Years	2-3 Years	3-18 years
U.S. Treasury Bond/Notes	AA+	Aaa	\$ 81,746,000	\$ -	\$ 3,096,588	\$20,068,868	\$ 58,580,544
Municipal Bond/Notes	AA-	Aa2	2,453,035	-	-	-	2,453,035
Federal Agencies:							
Collateralized Mortgage Obligation	AA+	Aaa	7,526,075	-	3,988,684	1,114,651	2,422,740
Bonds/Notes	AA+	Aaa	59,090,636	-	2,182,291	20,246,386	36,661,959
Corporate Notes	See Below	See Below	47,996,669	19,668,982	6,131,101	2,453,275	19,743,311
Certificate of Deposits	See Below	See Below	32,372,251	21,002,742	2,344,469	9,025,040	-
Asset-Backed Securities	See Below	See Below	13,777,755	-	-	2,877,550	10,900,205
CAMP Pool	AAA-m	N/A	84,995,885	84,995,885	-	-	-
Total			\$ 329,958,306	\$ 125,667,609	\$ 17,743,133	\$55,785,770	\$ 130,761,794
Held By Fiscal Agent							
Money Market Funds	AAA-m	Aaa-mf	\$ 7,583,214	\$ 7,583,214	\$ -	\$ -	\$ -
CAMP	AAA-m	N/A	9,727,649	9,727,649	-	-	-
MID – Collateral Agreement	A+	Aa3	16,008,882	16,008,882	-	-	-
Fiscal Agent Total			\$ 33,319,745	\$ 33,319,745	\$ -	\$ -	\$ -
City of Modesto Banking Accts & Cash on Hand	A/A-1	A1/P1	27,475,840				
Timing Differences for Deposit & Electronic Vendor Payments			(513,023)				
Total Cash and Investments			\$ 390,240,868				

The following is a table indicating the credit ratings for the City's investment in Corporate Notes:

Amount	Standard & Poors	Moody's Investors Service
\$ 3,620,770	AA+	Aa1
4,339,040	AA	Aa2
9,609,572	AA-	A1
2,453,275	AA-	A2
11,577,147	A+	A1
5,506,494	A	A1
979,664	A	A2
4,234,757	A	A3
4,475,877	A-	A2
1,200,073	A-	A3
<u>\$ 47,996,669</u>		

The following is a table indicating the credit ratings for the City's investment in Negotiable Certificate of Deposits:

Amount	Standard & Poors	Moody's Investors Service
\$ 6,506,445	A-1+	P-1
14,496,297	A-1	P-1
1,811,696	AA-	Aa2
3,544,469	AA-	Aa3
3,668,875	A+	Aa2
2,344,469	A	A1
<u>\$ 32,372,251</u>		

The following is a table indicating the credit ratings for the City's investment in Asset-Backed Securities:

Amount	Standard & Poors	Moody's Investors Service
\$ 4,300,861	AAA	Aaa
3,304,996	AAA	NR
6,171,898	NR	Aaa
<u>\$ 13,777,755</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, 2020:

Issuer	Investment Type	Reported Amount	Percent of Portfolio
Fannie Mae (FNMA)	Federal agency securities	\$41,915,866	10.74%

Fair Value measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, of which levels 1 & 2 apply to the City as follows:

- Level 1: Valuations are based on quoted prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgement. Examples would be securities with prices derived from the major exchanges.
- Level 2: Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable or can be corroborated by observable market data. Examples would be securities with prices derived from market corroborated sources such as indices and yield curves; and matrix pricing, such as for most debt securities.

Union Bank is the custodian of the City's investments. Union Bank utilizes pricing services that deliver current market values and security information which is input into their trust accounting systems. A security will be valued on the basis of valuations provided by a pricing service vendor if it has a substantial public market (i.e. is not thinly traded), and is freely tradable without restriction, has a valid CUSIP or SEDOL and resides on one of the depositories. Based on their

direction, Union Bank will continue to obtain valuations for all other securities and assets, for which they do not receive a pricing feed and/or descriptive information from their pricing service vendors, from various sources independent of Union Bank. If no current market value price is available from their pricing service vendors and their agents have provided Union Bank with pricing information, Union Bank will show the value of the asset at such value as Union Bank shall determine, such value to be for administrative purposes only and not be any indication of any market value.

The Pool has the following recurring fair value measurements as of June 30, 2020:

Investments by Fair Value Level Investment Type	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S Treasury Bonds / Notes	\$ 81,746,000	\$ 81,746,000	\$ -
Municipal Bonds / Notes	2,453,035	-	2,453,035
Federal Agency Collateralized Mortgage Obligation	7,526,075	-	7,526,075
Federal Agency Bonds / Notes	59,090,636	-	59,090,636
Corporate Notes	47,996,669	-	47,996,669
Certificate of Deposits	32,372,251	-	32,372,251
Asset-Backed Securities	13,777,755	-	13,777,755
Total Investments measured at fair value	244,962,421	\$ 81,746,000	\$ 163,216,421
Investments not subject to Fair Value hierarchy			
CAMP	84,995,885		
	\$ 329,958,306		
Investments by Fair Value for Fiscal Agents			
Money Market Funds	\$ 7,583,214	\$ -	\$ 7,583,214
Total Fiscal Agent investments measured at fair value	7,583,214	\$ -	\$ 7,583,214
Investments not subject to Fair Value hierarchy			
CAMP	9,727,649		
MID Collateral Agreement	16,008,882		
	\$ 33,319,745		

B. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,315,549	\$ 662,238	\$ (4,828,080)	\$ 29,149,707
Construction in progress	57,599,011	38,082,834	(14,739,132)	80,942,713
Total capital assets, not being depreciated:	<u>90,914,560</u>	<u>38,745,072</u>	<u>(19,567,212)</u>	<u>110,092,420</u>
Capital assets being depreciated:				
Buildings	33,010,345	-	-	33,010,345
Improvements other than buildings	119,926,581	5,593,430	(224,188)	125,295,823
Furnishings & equipment	14,370,962	300,264	(366,146)	14,305,080
Buses and fareboxes	278,852	-	-	278,852
Service animals	45,924	-	-	45,924
Intangible assets	8,564,371	-	(227,322)	8,337,049
Equipment pool	43,322,540	2,708,556	(1,396,526)	44,634,570
Infrastructure				
Streets	539,093,178	5,067,833	(29,683,683)	514,477,328
Signals	32,168,570	1,871,450	(8,710,068)	25,329,952
Bridges	39,333,173	358,412	(2,613,020)	37,078,565
Pipeline	3,048,524	418,147	(3,048,524)	418,147
Total capital assets, being depreciated:	<u>833,163,020</u>	<u>16,318,092</u>	<u>(46,269,477)</u>	<u>803,211,635</u>
Less accumulated depreciation for:				
Buildings	(21,714,048)	(873,106)	-	(22,587,154)
Improvements	(63,883,250)	(4,799,245)	15,608	(68,666,887)
Furnishings & equipment	(10,956,792)	(631,639)	337,202	(11,251,229)
Buses and fareboxes	(253,749)	-	-	(253,749)
Service animals	(26,340)	(6,215)	-	(32,555)
Intangible assets	(5,766,833)	(406,008)	227,322	(5,945,519)
Equipment pool	(26,497,421)	(3,260,090)	1,358,166	(28,399,345)
Infrastructure				
Streets	(327,879,225)	(10,682,053)	1,045,969	(337,515,309)
Signals	(18,363,467)	(787,885)	780,575	(18,370,777)
Bridges	(9,006,676)	(777,300)	93,673	(9,690,303)
Pipelines	(40,647)	(33,359)	72,848	(1,158)
Total accumulated depreciation	<u>(484,388,448)</u>	<u>(22,256,900)</u>	<u>3,931,363</u>	<u>(502,713,985)</u>
Total capital assets being depreciated, net	<u>348,774,572</u>	<u>(5,938,808)</u>	<u>(42,338,114)</u>	<u>300,497,650</u>
Governmental activities capital assets, net	<u>\$ 439,689,132</u>	<u>\$ 32,806,264</u>	<u>\$ (61,905,326)</u>	<u>\$ 410,590,070</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 487,404
Community development	848,749
Highways and streets	12,727,953
Public works	123,020
Parks and recreation	484,037
Public safety	4,641,465
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>2,944,272</u>
Total depreciation expense – Governmental activities	<u>\$ 22,256,900</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 34,511,762	\$ -	\$ -	\$ 34,511,762
Construction in progress	223,622,958	46,202,890	(34,337,671)	235,488,177
Total capital assets, not being depreciated:	<u>258,134,720</u>	<u>46,202,890</u>	<u>(34,337,671)</u>	<u>269,999,939</u>
Capital assets being depreciated:				
Capitalized interest	19,496,181	-	-	19,496,181
Buildings	101,986,294	-	-	101,986,294
Improvements other than buildings	404,110,013	30,767,725	-	434,877,738
Furnishings and equipment	15,331,644	991,437	(820,295)	15,502,786
Intangible assets	403,384	-	-	403,384
Water rights	358,226,691	-	-	358,226,691
Buses and fareboxes	33,945,640	344,610	(4)	34,290,246
Pipelines	194,198,428	5,952,110	-	200,150,538
Total capital assets, being depreciated:	<u>1,127,698,275</u>	<u>38,055,882</u>	<u>(820,299)</u>	<u>1,164,933,858</u>
Less accumulated depreciation for:				
Capitalized interest	(13,118,218)	(893,725)	-	(14,011,943)
Buildings	(69,511,480)	(1,985,187)	-	(71,496,667)
Improvements other than buildings	(195,578,516)	(15,130,428)	-	(210,708,944)
Furnishings and equipment	(9,989,829)	(1,149,269)	759,421	(10,379,677)
Intangible assets	(378,633)	(9,749)	-	(388,382)
Water rights	(107,468,009)	(11,940,890)	-	(119,408,899)
Buses and fareboxes	(15,535,161)	(2,328,527)	(321)	(17,864,009)
Pipelines	(47,380,442)	(2,574,194)	-	(49,954,636)
Total accumulated depreciation	<u>(458,960,288)</u>	<u>(36,011,969)</u>	<u>759,100</u>	<u>(494,213,157)</u>
Total capital assets being depreciated, net	<u>668,737,987</u>	<u>2,043,913</u>	<u>(61,199)</u>	<u>670,720,701</u>
Business-type activities capital assets, net	<u>\$ 926,872,707</u>	<u>\$ 48,246,803</u>	<u>\$ (34,398,870)</u>	<u>\$ 940,720,640</u>

Business-type activities:

Water	\$18,904,808
Sewer	11,775,038
Bus	3,538,594
Parking	448,902
Storm drain	364,654
Compost	110,442
Airport	749,490
Golf	51,278
Community center	68,763
Total depreciation expense – Business-type activities	<u>\$36,011,969</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 when the financing mechanism is established. As of June 30, 2020, no payments have been made to the Stanislaus County Economic Development Bank. According to the agreement, the Project will be completed as of the date the City first issues building permits within the Kiernan Business Park East area. To date, no building permits have been issued. Kiernan Business Park East project revenues, mainly CFD special taxes, have been pledged as collateral.

\$ 500,000

Total Principal Balance – Governmental-Type Activities

\$ 500,000

Business-Type Activities:

Water Enterprise Fund:

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 the 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 total amount for the project was \$1,136,656, of which 50% was to be repaid as a loan. This original loan amount of \$568,328 has a payment term of 20 years at 2.5017% interest rate. Water Enterprise fund revenues have been pledged as collateral.

The following are significant terms that pertain to the ARRA Water Grant. Acceleration Clause: In event of default, State may declare the Supplier's obligations immediately due and payable. Events of Default: default allows State to alter principal forgiveness, accelerate, terminate further disbursements, file lawsuit. Termination Events: Any funds already disbursed to Supplier under the terms of this Agreement shall be an obligation immediately due and payable to State.

\$ 374,183

Sewer Enterprise Fund:

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 was established as June 1, 2016, and project completion date was established as December 1, 2016. The City has agreed to repay all project funds at an interest rate of one and six-tenths percent (1.6%) per annum and an administrative service charge of one percent (1%) per annum. The total loan approved by the State Water Resources Control Board is \$121,829,278, plus \$5,328,665 in Accrued Construction Period Interest. The loan repayment term is 20 years (final payment due on December 1, 2035) and after an initial annual payment of \$7,891,411 in the fiscal year ending June 30, 2017, the annual debt service payment including principal, interest, and administrative service charge is \$8,245,564 beginning in the fiscal year ending June 30, 2018. Sewer Enterprise fund net revenues have been pledged as collateral.

The following are significant terms that pertain to the California State Water Resources Control Board, State Revolving Fund loan payable related to the Tertiary Treatment Phase 1B. Acceleration Clause: upon violation by the City of any material provision of the Project Finance Agreement, the State Water Board may terminate agreement by written notice during construction of the Project, or thereafter at any time prior to complete repayment by the City, upon which the City agrees, upon demand, to immediately repay to the State Water Board an amount equal to Installment Payments due under the Project Finance Agreement, including accrued interest, and all penalty assessments due. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the Recipient to the date of full repayment by the Recipient. Events of Default: upon violation by the City of any material provision, State Water Board may terminate agreement which triggers acceleration. Termination Events: upon termination of the agreement by the State Water Board, the City agrees to immediately repay to the State Water Board an amount equal to Installment Payments due under the Project Finance Agreement, including accrued interest, and all penalty assessments due. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the Recipient to the date of full repayment by the City.

106,812,880

Loan payable to California State Water Resources Control Board, State Revolving Fund. The Project, commonly known as North Valley Regional Recycled Water Program generally consists of constructing improvements to the City's existing pump station. The City will then distribute the recycled water to the Del Puerto Water District for agricultural use increasing recycled water supplies by 5.4 billion gallons per year within the first 5 years of operation and 9.9 billion gallons per year at build out. Completion of construction date was established as June 30, 2018. Project completion date was established as December 31, 2018. The City agrees to repay all project funds at an interest rate of one percent (1%) per annum and an administrative service charge of zero percent (0%) per annum. The total final loan amount was \$29,747,008, including \$68,857 of approved Construction Period Interest. The loan repayment term is 30 years (final payment due on June 30, 2048) and after an initial payment of \$1,104,284, in the fiscal year ending June 30, 2019, the annual principal and interest payment is \$1,152,162 beginning in the fiscal year ending June 30, 2020. Sewer Enterprise fund net revenues have been pledged as collateral.

The following are significant terms that pertain to the California State Water Resources Control Board, State Revolving Fund loan payable related to the North Valley Regional Recycled Water Program. Acceleration and Termination Events Clauses: the City immediately repays to the State Water Board an amount equal to Project Funds disbursed under the Installment Sale Agreement and Grant, accrued interest, penalty assessments, and Additional Payments. In the event of termination, interest shall accrue on all amounts due at the highest legal rate of interest from the date that notice of termination is mailed to the City to the date all monies due have been received by the State Water Board. Events of Default: default allows State Water Resources Control Board to terminate obligation, which results in acceleration.

28,064,828

Total Principal Balances – Business-Type Activities

\$ 135,251,891

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

Year Ending June 30,	Governmental-Type Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ -	\$ -	\$ 6,367,040	\$ 1,998,847
2022	-	-	6,518,616	1,901,954
2023	500,000	-	6,673,993	1,802,683
2024	-	-	6,833,269	1,700,973
2025	-	-	6,996,543	1,596,759
2026-2030	-	-	37,579,097	6,328,507
2031-2035	-	-	42,210,551	3,315,234
2036-2040	-	-	13,197,809	728,198
2041-2045	-	-	5,424,469	336,339
2046-2048	-	-	3,450,504	69,874
Total	\$ 500,000	\$ -	\$ 135,251,891	\$ 19,779,368

Certificates 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; issued with an aggregate principal of \$8,130,000, with final maturity in 2023. Annual principal payments are due November 1st and beginning in 2010 range from \$250,000 to \$480,000, ending in 2023. The certificates are repayable from any source of available funds of the City. However, the City has elected to repay the certificates with revenues of the Golf Enterprise Fund.

The following are significant Events of Default terms that pertain to the 1993 Refunding COPs. Trust Agreement: Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, upon written request of >25% of bondholders, initiate lawsuit; Lease Agreement: In an Event of Default under the Lease Agreement, the Authority at its option may terminate the Lease Agreement and re-release all or any portion of the Project, and the City agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as provided in the Lease Agreement in the case of payment of Lease payments.

\$ 1,785,000

Water Enterprise Fund:

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.

While the 2008 COPs are in the Weekly Mode, they are subject to optional tender and mandatory tender for purchase. Funds for the payment of the purchase price of 2008 COPs that are tendered for purchase and that are not remarketed by the Remarketing Agent will be available (subject to certain conditions) under a Standby Certificate Purchase Agreement, dated May 1, 2008 (the "Liquidity Facility"). The Liquidity Facility does not support, secure or guarantee the payments of the principal or interest with respect to the 2008 COPs. Subject to the terms and conditions of the

Liquidity Facility, the Liquidity Facility Provider is to provide funds for the payment of the purchase price on each purchase of 2008 COPS up to \$47,625,000 in principal amount (the "Available Principal Commitment") and \$548,014 an amount equal to 35 days' interest on the Available Principal Commitment at an assumed rate of 12% and accrued interest on 2008 COPS subject to the Weekly Rate tendered or deemed tendered for purchase in the event that remarketing proceeds are not sufficient to pay the purchase price of such 2008 COPS.

The Liquidity Facility will not provide for the payment of principal and interest on any 2008 COPS other than with respect to the purchase price of the 2008 COPS tendered or deemed tendered and not remarketed. Barring an event of default, any such draws on the Letter of Credit will be repaid under the terms of the Reimbursement Agreement. Under the terms of the Reimbursement Agreement, the City will repay the amount drawn in ten equal semi-annual installments of principal, plus monthly interest at the Bank Rate, over a five-year period. However, the entire balance of the amount drawn shall become due immediately if the 2008 COPS are cancelled or prepaid, are remarketed, or converted to bear interest at a rate other than a daily rate or weekly rate; an alternate credit facility is secured; or an event of default occurs. The Credit Facility and Reimbursement Agreement initially expired May 29, 2011, was subsequently extended to July 14, 2017 at a commitment fee of 0.875%, then again to June 15, 2020 at a commitment fee of 0.7%, then again to June 15, 2023 at a commitment fee of 0.575%.

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 average synthetic fixed-rate was 3.30% for the fiscal year ending June 30, 2019.

The following are significant terms that pertain to the 2008 COPS. Acceleration Clauses: in the event of late payment, Authority shall accelerate bond payments; in the event of other default, Authority may choose to accelerate bond payments. Events of Default: in the event of nonpayment, insolvency, or loss of bond insurance, the obligation of the Letter of Credit provider shall terminate; in the event of nonpayment of Letter of Credit fees or downgrade of Bonds to below investment grade, the Letter of Credit provider may terminate the Letter of Credit. Termination Events: The termination of the Letter of Credit triggers mandatory tender; termination of swap triggers on-time termination payment.

	43,660,000
Total Principal Balances – Business-Type Activities	45,445,000
Less:	
Unamortized Bond Discount – 2008 Water Refunding Certificates of Participation	(87,957)
Total Business-Type Activities – Certificates of Participation	<u>\$ 45,357,043</u>

The City has pledged all Gross Revenues of the Water Utility System to repay the 2008 Certificates of Participation. The City has pledged future Golf Enterprise Fund revenues (net proceeds of the Certificates held in Escrow Fund and certain other moneys held under the Trust Agreement relating to the Golf Course Certificates) to pay the 1993 Certificates of Participation for the Golf Course Refinancing project. The Water and Golf Funds combined total principal and estimated total interest remaining to be paid on the certificates is \$45,809,687. The Water Fund's principal, interest and other debt service cost paid on certificates for the current year, along with payments for the ARRA loan payable and payments to Modesto Irrigation District under the Treatment and Delivery Agreement, totaled \$12,562,312, and net operating revenues of the Fund were \$ 43,490,883, which represented coverage of 346%. The Golf Fund's principal and interest paid on certificates totaled \$497,649, and net operating revenues of the Fund were \$495,793, which represented coverage of 100%.

Annual debt service requirements to maturity for Certificates of Participation for 2008 Water and 1993 Golf are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2021	\$ 805,000	\$ 99,707
2022	860,000	75,054
2023	910,000	52,501
2024	2,780,000	28,312
2025	2,410,000	15,315
2026-2030	13,570,000	60,907
2031-2035	16,535,000	30,575
2036-2039	7,575,000	2,316
Total	<u>\$ 45,445,000</u>	<u>\$ 364,687</u>

Lease Revenue Bonds:

Governmental Activities:

Regularly scheduled payments of principal and interest are supported by an irrevocable, direct pay Letter of Credit (the "Credit Facility") issued by Bank of the West on June 13, 2019, which replaced a Letter of Credit previously issued by Bank of America, N.A. The Trustee can draw funds under the Credit Facility to pay the purchase price of tendered bonds that are not remarketed. Barring an event of default, any such draws on the Letter of Credit will be paid under the terms of the Reimbursement Agreement. Under the terms of the Reimbursement Agreement, the City will repay the amount drawn in equal quarterly installments of principal plus monthly interest, at the Bank Rate, over a three-year amortization period. However, the entire balance of the amount drawn shall become due immediately if the tendered bonds are remarketed or defeased, or an alternate credit facility is secured, or an event of default occurs. The Credit Facility and Reimbursement Agreement are scheduled to expire June 13, 2023 and contain a commitment fee of 0.375%.

The following are significant terms that pertain to the 2008 Lease Revenue Bonds. Acceleration Clauses: in the event of late payment, Trustee may accelerate bond payments; in the event of an Event of Default occurring under the Lease Agreement, the Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Lease Agreement in order to remedy the default. Events of Default: in Event of Default, Letter of Credit provider may declare all unpaid amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued and unpaid thereon, and all other amounts payable to the Letter of Credit provider under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest or nay notice of any kind. Termination Events: the termination of Letter of Credit triggers mandatory tender; termination of swap triggers on-time termination payment; in the event that the City files a bankruptcy petition or the City makes a general assignment for the benefit of creditors, all amounts drawn under the Letter of Credit and the corresponding Bank Bonds, together with all interest accrued thereon and all other amounts owed to the Bank under the Reimbursement Agreement shall be immediately due and payable, without notice to the City or the Authority and without presentment, demand, protest or further notice of any kind.

\$ 48,915,000

Annual debt service requirements to maturity for Lease Revenue Bonds are as follows:

Year Ending June 30,	Governmental-Type Activities	
	Principal	Interest
2021	\$ 2,170,000	\$ 41,550
2022	2,390,000	35,809
2023	2,585,000	33,767
2024	2,785,000	31,652
2025	2,990,000	29,202
2026-2030	18,225,000	104,217
2031-2034	17,770,000	24,543
Total	<u>\$ 48,915,000</u>	<u>\$ 300,740</u>

Revenue Bonds – Business-Type Activities:

Sewer Enterprise Fund:

Wastewater Revenue Refunding Bonds, Series 2018A; interest payable on November 1 and May 1; principal is payable in annual installments on each November 1, commencing November 1, 2025 and ending November 1, 2036, with interest rates from 4% to 5%. Payment of principal and interest on the Series 2018A Bond is secured by a pledge of Net Revenues of the Sewer Enterprise Fund. The Series 2018A Bond constitutes “Parity Debt” under the Indenture.

On April 19, 2018, the City issued the Series 2018A Bond as a Parity Debt to fully refund the 2006A Wastewater Revenue Bonds. The proceeds were used to refund the 2006A Wastewater Revenue Bonds and pay cost of issuance in connection with the financing. The Series 2006A has been fully redeemed, and the City will realize significant savings from the refunding of the 2006A bonds.

The following are significant terms that pertain to the Wastewater Revenue Refunding Bonds, Series 2018A. Acceleration Clause: in each and every such case during the continuance of an Event of Default (and subject to any rights granted to any insurer of the Bonds with respect to the enforcement of remedies upon an Event of Default pursuant to a Supplemental Indenture), the Owners of not less than a majority in aggregate amount of Bond Obligation of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the City, to declare the principal of all of the bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Events of Default: upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon written request of the Owners of not less than 25% in aggregate amount of Bond Obligation of the Bonds then Outstanding, initiate a lawsuit.

\$ 11,340,000

Wastewater Revenue Refunding Bond Series 2015 - Direct Placement; interest payable on November 1 and May 1, commencing May 1, 2016. Principal is payable in annual installments on each November 1, commencing November 1, 2016 and ending November 1, 2024. The Series 2015 Bond shall bear interest at a rate equal to 2.42% per annum; The Series 2015 Bond constitutes “Parity Debt” under the Indenture; Payment of principal and interest on the Series 2015 Bond is secured by a pledge of Net Revenues of the Sewer Enterprise Fund (i.e., 1) all fees and charges received by the City for the services of the Enterprise; 2) all other income and revenue howsoever derived by the City from the ownership; 3) all sums deposited, or required under the Indenture to be deposited, in the Sewer Enterprise Fund; less the amount of Operating Expenses becoming payable during

such period).

On October 30, 2015, the City issued the Series 2015 Bond, as a Parity Debt to fully refund the 2005A and partially refund the 2006A Wastewater Revenue Bonds. The proceeds were used to: 1) Refund the Wastewater Revenue Refunding Bonds, Series 2005A, which refinanced the acquisition and construction of improvements to the City's wastewater enterprise, 2) refund a portion of the Wastewater Revenue Bonds, Series 2006A, and 3) pay cost of issuance in connection with the financing. The Series 2005A Bonds have been fully redeemed and the 2023 and 2024 maturities of Series 2006A Bonds were redeemed. The City will realize significant savings from the refunding of the 2005A and 2006A Bonds.

The following are significant terms that pertain to the Wastewater Revenue Refunding Bond Series 2015 - Direct Placement. Acceleration Clauses: in each and every such case during the continuance of an Event of Default (and subject to any rights granted to any insurer of the Bonds with respect to the enforcement of remedies upon an Event of Default pursuant to a Supplemental Indenture), the Owners of not less than a majority in the aggregate amount of Bond Obligation of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the City, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Events of Default: upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, upon written request of >25% of bondholders, initiate lawsuit.

	<u>9,704,958</u>
Total Principal Balances – Business-Type Activities	21,044,958
Add: Unamortized Bond Premium – 2018 Wastewater Bonds	1,847,911
	<u><u>\$ 22,892,869</u></u>

Annual debt service requirements to maturity for the Wastewater Revenue Refunding Bond Series 2015 - Direct Placement are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2021	\$ 2,577,644	203,671
2022	2,644,114	140,488
2023	2,708,639	75,719
2024	876,795	32,335
2025	897,766	10,862
Total	<u>\$ 9,704,958</u>	<u>\$ 463,075</u>

Annual debt service requirements to maturity for total Revenue Bonds are as follows:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2021	\$ 2,577,644	\$ 759,071
2022	2,644,114	695,888
2023	2,708,639	631,119
2024	876,795	587,735
2025	897,767	566,262
2026-2030	3,930,000	2,305,000
2031-2035	5,035,000	1,190,125
2036-2039	2,375,000	114,325
Total	\$ 21,044,959	\$ 6,849,525

Notes Payable – Governmental Activities:

On March 26, 2015, the City received notice of a public offering to refinance the existing HUD Section 108 Loan note, with an outstanding balance of \$2,789,000. The City agreed to refinance the note, as it reduced the interest on the HUD Section 108 Loan, a net savings of approximately \$502,908. The public offering date was May 28, 2015. The terms of the new promissory note include semi-annual payments in August and February through the maturity date of August 1, 2024. The interest rates range from 0.28% through 2.85%. No new security provisions were required, as the Contract for Fixed Rate Note incorporates the previous additional security provisions. Housing revenues are pledged as collateral.

The following are significant terms that pertain to the HUD Section 108 Loan. Acceleration Clause: upon a Default or declaration of Default, the Secretary may accelerate the Note with respect to amounts subject to Optional Redemption. Events of Default: the Secretary may withhold the guarantee of any or all obligations not yet guaranteed on behalf of the Borrower under outstanding commitments, and/or direct the Borrower's financial institution to: refuse to honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account initiated by the Borrower, and/or refuse to release obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account.

\$ 1,565,000

Total Notes Payable

\$ 1,565,000

Annual debt service requirements to maturity for this Notes Payable are as follows:

Year Ending June 30,	Governmental-Type Activities	
	Principal	Interest
2021	\$ 283,000	\$ 36,442
2022	297,000	30,150
2023	312,000	22,838
2024	328,000	14,424
2025	345,000	4,916
Total	\$ 1,565,000	\$ 108,770

Reimbursement Agreement - Business-Type Activities:

Water Enterprise Fund:

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 (as described previously). 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. On August 14, 2013, Modesto Irrigation District Financing Authority refunded the 1998 D Bonds, with 2013 G Bonds. As of June 30, 2020, the total outstanding on the MID bonds is: \$16,570,000 for the 2013 G Bonds and \$93,190,000 for the 2007 F Bonds, for a total of \$109,760,000. For the 2013 G Bonds, the annual principal payments began on September 1, 2014 and mature on September 1, 2022, in amounts from \$3,970,000 to \$5,795,000, with interest rates from 2% to 5%. For the 2007 F Bonds, the annual principal payments begin on September 1, 2023 and mature on September 1, 2037 in amounts from \$4,275,000 to \$11,870,000, with variable interest rates fluctuating according to market conditions.

The following are significant terms that pertain to the 2007 F Bonds. Acceleration Clause: in the event of late payment, Authority shall accelerate bond payments; in the event of other default, Authority may choose to accelerate bond payments. In event of default, Trustee may, with consent of Bond Insurer, and shall, at the direction of Bond Insurer or the owners of >50% of the bonds (with consent of Bond Insurer) accelerate bond payments. Events of Default: in event of default, Trustee may, with consent of Bond Insurer, and shall, at the direction of Bond Insurer or the owners of >50% of the bonds (with consent of Bond Insurer) initiate lawsuit. Termination Events: the termination of swap triggers one-time termination payment.

The following are significant terms that pertain to the 2013 G Bonds. Acceleration and Events of Default Clauses: Trust Agreement - In the event of an Event of Default (as defined in the Trust Agreement or Installment Purchase Contract), and in each and every such case during the continuance of such event of default, the Trustee may, and shall, at the direction of the Owners of not less than a majority in aggregate principal amount of the Series 2013G Water Bonds then Outstanding, by notice in writing to the Authority, declare the principal of all Series 2013G Water bonds then Outstanding and then interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Series 2013G Water Bonds to the

contrary notwithstanding; Installment Purchase Contract - In the event that default is made in the due and punctual payment of any Domestic Water Installment Payment or any Domestic Water Contract or Domestic Water Bond when and as the same shall be due and payable, then and in each and every such case during the continuance of such Event of Default specified, the Authority shall and for any other Event of Default, the Authority MAY, by notice in writing to the District, declare the entire principal amount of the unpaid Domestic Water Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the Installment Purchase Contract notwithstanding. Termination Events: the termination of swap triggers one-time termination payment.

The City has entered into interest-rate swap agreements for the 2007F bonds to synthetically fix the rates that the City pays at 4.38% and 4.44%. Refer to the Interest Rate Swap agreement section below with more information about the debt schedule.

Annual debt service payments to maturity for the Reimbursement Agreement are as follows:

Year Ending	Business-Type Activities	
	Principal	Interest
June 30,		
2021	\$ 5,260,000	\$ 1,441,705
2022	5,515,000	1,159,836
2023	5,795,000	877,086
2024	4,275,000	709,245
2025	4,455,000	674,354
2026-2030	25,550,000	2,819,540
2031-2035	32,040,000	1,671,831
2036-2038	26,870,000	304,798
Total	<u>\$ 109,760,000</u>	<u>\$ 9,658,395</u>

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 were made that the fixed-rate on regular debt would have been higher than the synthetic 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 (COPs). 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 2008 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. The MID Water Refunding Bonds were issued with an interest swap feature with Bear Sterns, which was subsequently acquired by JP Morgan. Under the agreement between MID and 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. In July 2010, the City Council increased

the City's authorization to post collateral from \$18 million to up to \$20 million. At the end of fiscal year 2020, the City had posted a cumulative total of \$16,008,884 million of collateral posting, which is reported in the Water Enterprise Fund cash with fiscal agent.

Terms – The terms, including the counterparty credit rating of the outstanding swaps, as of June 30, 2020 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>Current Notional Amount</u>	<u>Effective Date</u>	<u>Counterparty</u>	<u>Credit Rating (S&P)</u>	<u>Fixed Rate Paid</u>	<u>Variable Rate Received</u>	<u>Termination Date</u>
2008 Water Refunding-Revenue COPs	\$ 43,660,000	5/30/2008	Bank of America	A+	3.47%	63.7% of USD-LIBOR, plus .154%	10/1/2036
2008 Lease Revenue Refunding and Capital Improvement	48,915,000	8/28/2008	Bank of America	A+	3.61%	63.7% of USD-LIBOR, plus .154%	9/1/2033
2007 MID Domestic Water Revenue Bonds Series 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 Domestic 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.

GASB Statement 53 (GASB 53) addresses the recognition measurement and disclosure of information regarding derivative instruments entered into by state and local governments. All derivatives are to be reported on the statement of net position 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 position 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, 2020, the fair value of the swaps was in favor of the counterparty as shown in the following table:

<u>Bond Issue</u>	<u>Fair Value</u>
2008 Water Refunding Rev. Certificates of Participation	(\$ 12,418,877)
2008 Lease Revenue Bonds	(\$ 11,071,120)
2007 MID Domestic Water Revenue Bonds	(\$ 32,554,267)

Credit risk - As of June 30, 2020, 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, 2020, debt service requirements of the 2008 Water Refunding Revenue Certificates of Participation, the 2008 Lease Revenue Refunding Bonds, and the 2007 MID Domestic Water Revenue 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. The bond interest payments and net swap payments will vary as interest rates vary.

Year Ending	Variable-Rate Bonds		Net Swap Pymts, Letter of Credit, & Remarketing Fees	Total
	Principal	Interest		
June 30, 2021	\$ 2,565,000	\$ 806,963	\$ 6,847,138	\$ 10,219,101
2022	2,815,000	785,198	6,755,034	10,355,232
2023	3,035,000	782,979	6,641,043	10,459,022
2024	9,360,000	757,208	6,403,696	16,520,904
2025	9,855,000	718,871	6,034,584	16,608,455
2026-2030	57,345,000	2,984,663	24,033,960	84,363,623
2031-2035	66,345,000	1,726,949	12,110,165	80,182,114
2036-2038	34,445,000	307,114	1,910,369	36,662,483
Total	\$ 185,765,000	\$ 8,869,945	\$ 70,735,989	\$ 265,370,934

Changes in Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2020, was as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Lease Revenue Bonds	50,915,000	-	2,000,000	48,915,000	2,170,000
Notes Payable	1,834,000	-	269,000	1,565,000	283,000
Obligations under Capital Leases	5,002,881	39,204	465,132	4,576,953	478,075
Total governmental activities	\$ 58,251,881	\$ 39,204	\$ 2,734,132	\$ 55,556,953	\$ 2,931,075

Business-type activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 141,471,062	\$ -	\$ 6,219,171	\$135,251,891	\$ 6,367,040
Certificates of participation	46,240,000	-	795,000	45,445,000	805,000
Unamortized Discount	(93,455)	-	(5,498)	(87,957)	-
Obligations under Capital Leases	19,510	9,079	20,764	7,825	2,204
Reimbursement Agreement:					
MID Bonds	114,765,000	-	5,005,000	109,760,000	5,260,000
Unamortized Premium	2,282,906	-	570,723	1,712,183	-
Sewer Bonds	11,340,000	-	-	11,340,000	-
Unamortized Premium	1,956,612	-	108,701	1,847,911	-
Sewer Bonds – Direct Placement	12,226,286	-	2,521,328	9,704,958	2,577,644
Developer advances	951,141	-	92,294	858,847	92,293
Total business-type activities	\$ 331,159,062	\$ 9,079	\$ 15,327,483	\$ 315,840,658	\$ 15,104,181

Principal balances are reported on the government-wide and enterprise funds statements of net position, net of unamortized issuance discounts and premiums. Deferred losses on refunding are reported as deferred outflows of resources. Internal service funds, predominantly serve the governmental funds. Accordingly, any long-term liabilities for the internal service funds are included as part of the above totals for governmental activities. At year-end, internal service funds obligations were zero under notes payable, and zero in capital leases.

D. CHANGES IN OTHER LONG-TERM LIABILITIES

Other long-term liability activity for the year ended June 30, 2020, was as follows:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 7,730,140	\$ 9,056,378	\$ 8,227,796	\$ 8,558,722	\$ 536,308
Claims Liability	23,630,560	13,337,342	10,798,779	26,169,123	5,980,657
Total governmental activities	\$ 31,360,700	\$ 22,393,720	\$ 19,026,575	\$ 34,727,845	\$ 6,516,965
Business-type activities:					
Compensated Absences	\$ 2,589,490	\$ 3,607,246	\$ 3,676,436	\$ 2,520,300	\$ 157,926
Total business-type activities:	\$ 2,589,490	\$ 3,607,246	\$ 3,676,436	\$ 2,520,300	\$ 157,926

The compensated absences and claims liability balances relate to the internal service funds, and as such they are liquidated by the internal service funds. The predominant contributors for these internal service funds include the General Fund, Water Fund, and Sewer Fund.

E. OBLIGATIONS UNDER CAPITAL LEASES

Governmental Activities

As of June 30, 2020, the City has two governmental activities active capital lease agreements. One with Pierce Manufacturing Inc. for the purchase of five Velocity Pumpers and two Velocity Tillers valued at \$5,883,756, less accumulated depreciation of \$1,450,789. The other with Turf Tank for the purchase of one Autonomas Robot valued at \$39,204, less depreciation accumulated as of June 30, 2020, \$3,160.

The following is a schedule of the future minimum lease payments, as of June 30, 2020:

<u>Year Ending June 30,</u>	
2021	\$ 605,543
2022	605,543
2023	605,543
2024	605,543
2025	605,543
2026-2028	<u>2,151,301</u>
Total minimum lease payments	5,179,017
Less: amount representing interest	<u>(602,063)</u>
 Present value of minimum lease payments	 <u><u>\$ 4,576,953</u></u>

Business-Type Activities

As of June 30, 2020, the City has one business-type activities active capital lease agreement with Cushman for the purchase of the Hauler 800 Utility Golf Cart valued at \$9,079, less accumulated depreciation of \$528.

The following is a schedule of the future minimum lease payments, as of June 30, 2020:

<u>Year Ending June 30,</u>	
2021	\$ 2,422
2022	2,422
2023	2,422
2024	<u>1,009</u>
Total minimum lease payments	8,275
Less: amount representing interest	<u>(450)</u>
 Present value of minimum lease payments	 <u><u>\$ 7,825</u></u>

During the fiscal year ending June 30, 2020 the City paid off a capital lease with Envirogen Technologies for the purchase of the Grayson Nitrate Treatment System valued at \$150,538, less accumulated depreciation of \$55,142.

F. 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, 2020, the total outstanding balance due under the agreements is \$858,847. The total annual payments fluctuate depending on the

ending date of each agreement. At June 30, 2020, the amount of \$92,293 due during fiscal year 2021 has been reported as “current portion-developer advances” on the Water Enterprise Fund statement of net position. The remaining \$766,554 of outstanding principal has been reported under noncurrent liabilities, as “developer advances.”

G. INTERFUND BALANCES

Interfund balances as of June 30, 2020 consist of the following:

Due to General Fund from:

Capital Grants Fund	\$9,856,189
Other governmental funds	<u>6,590,968</u>

Total Due to General Fund 16,447,157

Due to Water Fund from

Internal Service funds	<u>1,533,036</u>
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Due to Other Governmental Funds from:

Capital Grants Funds	8,439,103
Other governmental funds	<u>10,111</u>

Total Due to Other Governmental Funds 8,449,214

Total Due to/Due From: \$26,429,407

Advances from General Fund to:

Other governmental funds	\$931,619
Other enterprise funds	<u>1,324,704</u>

Advances from General Fund 2,256,323

Advances from Water Fund to other enterprise funds 3,200,000

Advances from Sewer Fund to:

General Fund	1,464,973
Other governmental funds	450,938
Other enterprise funds	<u>786,600</u>

Advances from Sewer Fund 2,702,511

Advances from other enterprise funds to other governmental funds 264,404

Total Advances from/Advances to \$8,423,238

All balances reported as “due to/due from” are short-term loans to cover temporary fund cash shortages as of June 30, 2020, and were repaid early in fiscal year 2021. 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.

H. FUND BALANCE

Detailed classifications of the City's Fund Balances, as of June 30, 2020, are provided below:

	General Fund	Capital Grants	Housing and Community Development	Other Governmental	Total Governmental Funds
Nonspendable					
Advances to other funds	\$ 2,256,323	\$ -	\$ -	\$ -	\$ 2,256,323
Prepaid Items	247,224	-	1,545	99,628	348,397
Total Nonspendable Fund Balance	2,503,547		1,545	99,628	2,604,720
Restricted					
Capital Facility Fees	-	-	-	37,307,703	37,307,703
Cash with Fiscal Agent	-	830,066	-	6,082,886	6,912,952
Community Facilities District	-	-	-	18,353,067	18,353,067
Grants and Donations	-	-	2,028,593	4,358,514	6,387,107
Notes Receivable	-	-	29,318,356	2,281,179	31,599,535
Deposits	2,137,896	-	-	-	2,137,896
Traffic Fines	-	-	-	4,277,905	4,277,905
Total Restricted Fund Balance	2,137,896	830,066	31,346,949	72,661,254	106,976,165
Committed					
General Fund Set-Aside	18,397,817	-	-	-	18,397,817
Total Committed Fund Balance	18,397,817				18,397,817
Assigned					
Encumbrances - Vendor Contracts	309,114	-	-	-	309,114
Downtown Improvement District	-	-	-	179,912	179,912
Successor Redevelopment Housing Agency	-	-	-	612,320	612,320
Transportation Tax Funding	-	-	-	24,124,850	24,124,850
Strategic Planning and Development	-	-	-	1,275,494	1,275,494
Debt Service	-	-	-	976	976
Total Assigned Fund Balance	309,114			26,193,552	26,502,666
Unassigned - General Fund	2,407,575	-	-	-	2,407,575
Unassigned - Capital Project Funds	-	(7,111,749)	-	(256)	(7,112,005)
Total Unassigned Fund Balance	2,407,575	(7,111,749)		(256)	(4,704,430)
Total Fund Balance	\$ 25,755,949	\$ (6,281,683)	\$ 31,348,494	\$ 98,954,178	\$ 149,776,938

I. DEFICIT FUND EQUITY

The Capital Grants Fund has a fund balance deficit of \$6,281,683, which will be recovered through future grant revenues and local matches covered through the General Fund or other City funds.

The Transportation Special Tax Capital fund has a fund balance deficit of \$256, which will be recovered through transfers from the Transportation Special Tax Fund.

The Compost Fund has a net position deficit of \$4,014,729, due to the pollution remediation liability reported for the Carpenter Landfill. The remediation funding has been incorporated into the utility fees related to garbage rates to cover the anticipated cost.

The Golf Enterprise Fund has a net position deficit of \$230,518, 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 continuing to look at various options to resolve this funding deficit.

The Central Services Fund has a net position deficit of \$69,193, due to the implementation of restoring Central Stores and will be recovered through future overhead charges.

The Employee Benefits Management Fund has a net position deficit of \$8,336,413. It exists partially because the total compensated absences and other post-employment benefit balance for the employees which reside in this fund 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 Fund has a net position deficit of \$9,429,292, due mainly to the recognition of settlements that were reached both in the current and 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 based on this methodology being factored into the Internal Service Fund allocation that is distributed to City departments.

J. INTERFUND TRANSFERS

The following is a schedule of interfund transfers.

Transfers (in) to:	Transfers from (out):									Total
	General Fund	Housing & Community Development	Capital Grants	Other Governmental	Water	Sewer	Bus	Other Enterprise Funds	Internal Service	
General Fund	-	-	-	\$ 740,002	\$ 65,000	\$ 68,640	-	-	-	\$ 873,642
Capital Grants	-	\$ 522,434	-	968,152	488,272	-	-	-	-	1,978,858
Other Governmental	\$ 5,297,124	11,981	\$ 220,194	6,648,167	67,891	-	-	\$ 51,911	\$ 142,360	12,439,628
Water	-	-	-	-	-	5,000,000	-	53,129	-	5,053,129
Sewer	-	-	-	12,471	8,980	-	-	18,961	32,490	72,902
Bus	4,195	-	71,371	369,515	-	-	-	-	-	445,081
Other Enterprise	1,926,221	-	-	-	700,000	-	-	-	-	2,626,221
Internal Service	36,419	-	-	569,373	963,201	276,025	\$ 15,273	899,968	3,094,456	5,854,715
Grand Total	\$ 7,263,959	\$ 534,415	\$ 291,565	\$ 9,307,680	\$ 2,293,344	\$ 5,344,665	\$ 15,273	\$ 1,023,969	\$ 3,269,306	\$29,344,176

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.

K. 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.

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.

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.

State Senate Bill (SB) 107 was then passed in 2015. This bill included many significant changes to the operation of the Successor Agencies. Among these changes were the Annual Recognized Obligation Payment Schedule (ROPS), the Last and Final ROPS, a single Countywide Oversight Board, and the requirement for the County Auditor-Controller to review the obligation payments made by the Successor Agency. Some of these changes like the County Oversight Board and the requirement for the County Auditor-Controller to review the obligation payments made by the Successor Agency become effective July 1, 2018. The Modesto RDA Successor Agency has complied with all aspects of the changes that are specified in SB 107 and all ROPS starting with the ROPS submitted for the Fiscal Year 2019-20 period will now be submitted for approval by the Stanislaus Countywide Successor Agency Oversight Board.

As of June 30, 2020, one of the obligations under the Successor Agency trust is associated with the 10th Street Place Project:

Reimbursement agreement with the City totaling \$19,566,862. The original loan is from the City's 1998 Lease Revenue Bonds and the 2007 Lease Revenue Bonds that pertain to the Successor Agency. On August 28, 2008, the City refinanced the entire outstanding balance of the City's 1998 Lease Revenue Bonds and the 2007 Lease Revenue Bonds with variable rate 2008 Lease Revenue Bonds. The new balance has been provided as of June 30, 2019 that pertains to the Successor Agency. Additional information related to the 2008 Lease Revenue bonds is provided in Note II-C under the Lease Revenue Bonds – Governmental Activities section.

\$ 14,185,350

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 629,300	\$ 12,050	\$ 641,350
2022	693,100	10,385	703,485
2023	749,650	9,793	759,443
2024	807,650	9,179	816,829
2025	867,100	8,469	875,569
2026-2030	5,285,250	30,223	5,315,473
2031-2034	5,153,300	7,117	5,160,417
Total	<u>\$ 14,185,350</u>	<u>\$ 87,216</u>	<u>\$ 14,272,566</u>

The reserves for the Reimbursement Agreement are recorded in the Public Financing Authority debt service fund for the City.

No-interest loan payable to the Stanislaus County Economic Development Bank loan program, for the purpose of funding the Kansas Avenue Business Park Project's Master Plan costs. The Agency has no obligation to begin repayment until the Project is completed and revenues begin.

Future debt service requirements to maturity for loans payable, as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	405,000	-	405,000
Total	<u>\$ 405,000</u>	<u>\$ -</u>	<u>\$ 405,000</u>

As of June 30, 2020, the Successor Agency was obligated for the following long-term debt in conjunction with the Community Center Project:

1993 Refunding Certificates of Participation; serial certificates with annual payments on November 1 in amounts ranging from \$1,090,000 to \$1,610,000 beginning in 2011 with a final maturity in November 2023. \$ 5,985,000

Future debt service requirements to maturity for the Certificates of Participation, as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,385,000	\$ 264,625	\$ 1,649,625
2022	1,455,000	193,625	1,648,625
2023	1,535,000	118,875	1,653,875
2024	1,610,000	40,250	1,650,250
Total	<u>\$ 5,985,000</u>	<u>\$ 617,375</u>	<u>\$ 6,602,375</u>

The former RDA 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 Agency in the Fiduciary financial statements under the Private-Purpose Trust Fund.

L. NOTES AND LOANS RECEIVABLE

The notes receivable in the Housing and Community Development and Other Governmental Funds of \$58,094,801 net of \$164,550 allowance for doubtful accounts, consist of loans made for low-income housing rehabilitation, first-time homebuyers, property improvement and small business origination. The loans are collateralized by deeds of trust on the improved properties or business assets, and are generally bearing annual interest at 3 or 5 percent. Some direct loans may be subject to forgiveness, some are interest free and require no repayment of principal until the loans reach maturity, and some are subject to residual receipt payment agreements. Loan terms range from 5 to 55 years.

M. APPROVED LOANS PAYABLE

The approved loans payable in the Housing and Community Development Special Revenue Fund of \$48,400 consist of amounts being held for housing projects using funds provided by federal grants. This liability is expected to be liquidated in less than a year.

N. POLLUTION REMEDIATION LIABILITY

The City reported a liability in the Water and Sewer Enterprise funds, which represents the recoveries the City has collected less any remediation and 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. As of June 30, 2020, the City reported a pollution remediation liability from the Water and Sewer funds in the amount of \$7,801,390 and \$7,108,839, respectively.

In addition, in the Carpenter Road Landfill Fund, a liability was reported related to the Carpenter Road Landfill which is a 39-acre City owned landfill, located on both the east and west sides of Carpenter Road between Kenneth and Robertson Roads and the Tuolumne River, which was in operation from 1956 to 1968. This landfill precedes Subtitle-D and had no liner or leachate collection or removal system. In 1993, six methane gas monitoring wells were installed. In December 2005, there was a spike in the methane gas level at the landfill's Northern boundary. The State required the City to determine the cause and develop a mitigation and monitoring plan to ensure the landfill remained in compliance with the state statutes. In November of 2010, a Corrective Action Plan was proposed for the landfill involving a hydrogen releasing compound injection. In October 2014, a revised Corrective Action Plan and post closure maintenance plan was submitted to the Central Valley Regional Water Quality Control Board (CVRWQCB). In March 2015, a Cleanup and Abatement Order was issued to the City of Modesto for the Carpenter Road Landfill by the California Regional Water Quality Control Board to complete the clean closure correction action plan by January 15, 2017. Construction was to begin in Spring of 2017, however, due to flooding during the Winter of 2016, the groundwater level increased to a level too high to begin construction. The City submitted a request to the CVRWQCB to delay the project until Spring of 2018. The waters did recede and the project went out to bid and was awarded in August 2018. In September 2018 it was determined a FEMA No-Rise Certification was needed. HDR engineering was hired to do the work and the City received the No-Rise Certification in August 2019. Pacific States broke ground in September 2019 but the work was then halted due to project design and material quantity issues that arose from the FEMA study. With the inability to work in winter and the need to clarify issues, the project didn't resume until April 2020. The project is still ongoing. As of June 30, 2020, the City reported a pollution remediation liability from Carpenter Road Landfill Fund in the amount of \$613,795.

O. 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 outflows and inflows of resources in the entity-wide and governmental fund statements. These items are an acquisition of net position by the City that is applicable to a future reporting period. The General Fund, Capital Grants, Housing and Community Development, and other governmental funds reported deferred inflows of resources in the amount of \$88,055, \$1,036,993, \$26,330,716, and \$7,240,053 for unavailable resources related to note and grant receivables not meeting the period of availability. Previous financial reporting standards do not include guidance for reporting these in the financial statements, which are distinct from assets and liabilities. The items relate to outflows and inflows for net pension liability (Note III-G), OPEB liability (Note III-F), swap hedging (Note II-C) and loss on refunding.

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 \$750,000; liability \$1,000,000. The City purchases commercial insurance for property loss, airport liability, miscellaneous coverage, and for claims in excess of the preceding self-insured limits.

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 and leverages buying power in the commercial insurance market for excess coverage. 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 subject to the board approval and current conditions. Commercial insurance, covers claims over \$5,000,000 in two excess layers, of \$10,000,000 each and five additional layers of \$5,000,000 above \$45,000,000; for additional total coverage of \$50,000,000 per claim. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years. General liability claims are currently self-administered by risk management and litigated claims are defended by the City Attorney.

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, 2020 is \$26,169,123 consisting of \$18,764,006 workers' compensation, \$7,128,205 general liability, \$236,257 dental, and \$40,655 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 3% (general liability) and 3% (workers' compensation). The undiscounted workers' compensation and liability claims totaled \$21,976,469 and \$7,556,423, respectively. The actuarial liability for workers' compensation and general liability were based on 2020 actuarial reports.

The current portion of the total liability claims, is estimated to be \$5,980,657 and the balance of \$20,188,466 is reported as a long-term liability on the statement of net position. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 2019 through June 30, 2020 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>
2018-19	\$24,432,515	\$6,288,417	\$(7,090,372)	\$23,630,560
2019-20	23,630,560	13,337,342	(10,798,779)	26,169,123

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, 2020, the balance of these districts' outstanding debt was as follows:

<u>Issue</u>	<u>Outstanding Amount</u>
Village One #2 Community Facilities District	\$ 25,820,000
Fairview Village Community Facilities District	3,820,000

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, 2020, there were two series of conduit revenue bonds outstanding. The aggregate principal amount payable for these multiple-family housing bond issues, issued between 1994 and 2002, was \$5,575,000.

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, as disclosed in Note III-A. The City is a defendant in various matters of litigation.

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 both operating and capital commitments of \$17,025,737 for the City's governmental funds as of June 30, 2020 for contracts awarded but not completed and other outstanding purchase requisitions and orders. This amount consists of \$309,114 in the General Fund, \$127,540 in the Housing and Community Development, \$9,724,687 in the Capital Grants Fund, and \$6,864,396 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, 2020, there are major contracts for State Route 132 project (WSP USA Inc - \$8,953,768, Bay Cities Paving and Grading \$87,451,374), and Fleet Management (Harris Builders - \$4,063,948).

Management has determined the events regarding the novel coronavirus require disclosure in accordance with the accounting standards. On March 4, 2020 Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to the novel coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. The ultimate impact of COVID-19 on operations and finances of the Agency remain unknown.

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 \$169,266 for the fiscal year ended June 30, 2020. As of June 30, 2020, the City's investment in this joint venture was \$1,533,107, and is included in governmental activities on the statement of net position. Financial statements for TRRP 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 final 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, 2020, the City's payments to the Agency were \$1,058,693 for operations and capital reserve. The City's equity interest in the Agency is \$6,811,043, 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 position. Financial statements of the Agency are prepared by the Stanislaus County Auditor Controller office.

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, 2020, the City has no equity interest. Stanislaus County Treasurer's office prepares the Agency's financial statements.

Consolidated Emergency Dispatch Agency

The Modesto/Stanslaus Consolidated Emergency Dispatch Agency (the MSCEDA) was created on September 1, 1999, pursuant to a joint exercise of powers agreement between the City of Modesto and the County of Stanislaus. The MSCEDA is administered by a seven-member commission consisting of one member of the City Council, one member of the County Board of Supervisors, the County Chief Executive Officer, the City Manager, two members from the Dispatch Advisory Board, and one member from the City of Ceres' City Council or one member selected by the City Council of another participating City. The purpose of the MSCEDA is to consolidate the public safety communications system. The responsibilities of the agency include approval of annual budget, claims, liabilities, and the use of MSCEDA property as collateral. Each participant will contribute sufficient funds to pay for all costs and expenses associated with providing Emergency Dispatch Services. Upon termination of the agreement, assets will be distributed equally to the City and County, unless otherwise approved. The financial statements may be obtained by writing to the Modesto/Stanslaus Consolidated Emergency Dispatch, Office Manager, 3705 Oakdale Road, Modesto, California 95357.

North County Corridor Transportation Expressway Authority

On April 1, 2008, the City Council approved the establishment of a Joint Powers Authority between the County and the cities of Modesto, Oakdale and Riverbank to create the North County Corridor Transportation Expressway Authority (NCCTEA). The purpose of the Authority is to prepare, identify, and adopt a precise alignment, and prepare and certify environmental documents for a route to improve east/west traffic circulation in the County.

The intent of the NCCTEA is to provide a high capacity high speed east-west roadway to accommodate anticipated traffic growth, alleviate traffic on parallel roads, and to accommodate multi-modal travel. Under the terms of the agreement, the County will incur 40% of the costs of the project while each of the participating cities will be contributing 20%. The preliminary project development costs will be funded by State Transportation Program and Public Facility Fees. The NCCTEA Board of Directors will be comprised of two directors appointed by the County, and one director from each participating city. The board acts autonomously from the respective member agencies. The County of Stanislaus Public Works Director is designated as the NCCTEA's manager. Upon completion of the agreement, all assets will be distributed to the respective parties of the agreement as determined by the Board of Directors of the Authority. Financial statements may be obtained by writing to the County of Stanislaus, Public Works Department, 1716 Morgan Road, Modesto, CA 95358.

Stanislaus Animal Services Agency

The Stanislaus Animal Services Agency (SASA) was created October 27, 2009, pursuant to a joint power's agreement among the cities of Ceres, Hughson, Modesto, Patterson, Waterford, and the County of Stanislaus. SASA is administered by a six-member board comprised of the City Manager of each partner agency, and the Chief Executive Officer of the County. The purpose of SASA is to operate a regional agency providing animal services to their respective communities. The SASA Executive Director is responsible for the annual budget which must be approved by the SASA Board of Directors. Each partner agency will contribute sufficient funds to pay for all costs approved in the budget to provide animal services. Upon termination of the agreement, assets will be distributed in accordance with the joint power's agreement. The financial statements may be obtained by writing to the Stanislaus Animal Services Agency, Executive Director, 3647 Cornucopia Way, Modesto, CA 95358.

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.

North Valley Regional Recycled Water Program (NVRWP)

The City participates in the NVRWP, which was established by the City of Modesto and Del Puerto Water District in November 2014. The purpose of this agreement is to develop, construct, operate and maintain water supply facilities and service. Through this agreement all partner agencies will cooperate and collaborate to use their best efforts regarding the submission of grants, loans and other funding resources to cover future cost related to the design and construction on future projects. At the end of the fiscal year June 30, 2020, the City has no equity interest.

F. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

I. Plan Description

In addition to the pension benefits described below in Note III-G, the City participates in an agent multiple-employer plan which provides health care benefits to employees who retire from the City based on certain criteria related to their hired and retirement date, under contractual agreements with all employee groups. Upon retirement, all full-time employees hired before January 1, 2011, except firefighters who receive a cash payout, are eligible to convert their accumulated grandfathered sick leave at retirement towards a contribution for future health care costs (sick leave conversion). The City has no obligation to pay the health insurance allowance for retirees with no accumulated sick leave. All employees hired on or after January 1, 2011 will not be eligible to participate in the sick leave conversion. If an employee elects to receive a buy-out contribution, they will be removed from the City's medical plan and will no longer be allowed to return to the City's medical plan. The plan has no assets accumulated in a qualified OPEB trust that meets the criteria as per GASB Statement No. 75.

II. Employees Covered

As of January 1, 2020, actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

Inactive employees	390
Active employees	<u>501</u>
Total	891

III. Contributions

The OPEB plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by the agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the City's cash contributions were \$2,941,351 in payments made by the employer and no estimated subsidy was determined.

IV. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated January 1, 2019 that rolled forward to determine the June 30, 2020 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	3.5% at Jun 30, 2019. 3.87% at Jun 30, 2018 (Bond Buyer 20-Bond Index)
General Inflation	2.75% annually
Salary Increases	Aggregate – 3% annually. Merit – CalPERS 1997-2015 Experience Study
Medical Trend	Medicare – 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2018

V. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent. The projection of the cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB City's net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries based on the 'pay as you go' annual contributions.

VI. Changes in the OPEB Liability

The change in the OPEB Liability is as follows:

	Total OPEB Liability
Balance at June 30, 2019 (Measurement Date June 30, 2018)	\$ 26,892,158
Changes recognized for the measurement period:	
Service cost	\$ 811,934
Interest	1,013,863
Differences between actual and expected experience	
Changes of Assumptions	754,247
Benefit Payments	(3,012,214)
Net Changes	\$ (432,170)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 26,459,988

VII. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability of the Plan as of the measurement date, calculated using the discount rate of 3.50 percent, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.5 percent) or 1 percentage-point higher (4.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.50%	3.50%	4.50%
Net OPEB Liability	\$ 28,758,414	\$ 26,459,988	\$ 24,521,266

VIII. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the Net OPEB liability of the Plan if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 24,975,521	\$ 26,459,988	\$ 28,384,361

IV. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of the start of the measurement period (July 1, 2018), the OPEB liability was \$26,892,158

For the measurement period ended June 30, 2019 (the measurement date), the City incurred an OPEB expense of \$1,402,443.

Components of OPEB Expense	
Service cost	\$ 811,934
Interest	1,013,863
Expensed portion of current-period changes of assumptions or other inputs	(423,354)
OPEB Expense	\$ 1,402,443

As of June 30, 2020, the City has deferred outflows and deferred inflows of resources related to the Net OPEB liability as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement period	\$ 2,941,351	\$ -
Changes of assumptions or other inputs	628,539	1,697,284
Difference between actual and expected experience in the Total OPEB Liability	-	317,039
Total	\$ 3,569,890	\$ 2,014,323

The amounts above are net of outflows and inflows recognized in the 2018-2019 measurement period expense. The amounts above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred outflows/inflows of resources related to OPEB expense
2021	\$ (423,354)
2022	(423,354)
2023	(423,354)
2024	(184,179)
2025	68,457
Thereafter	\$ -

G. PENSION PLANS

I. General Information about the Pension Plans

Plan Descriptions

All City of Modesto qualified employees are eligible to participate in the City of Modesto separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multi-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by the State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. This report is available online at www.calpers.ca.gov.

The California Legislature passed and the Governor signed the “Public Employees’ Pension Reform Act of 2013” (PEPRA) on September 12, 2012. PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 2012. Benefit provisions and other requirements are established by State statute.

Benefits Provided

The benefits for the Plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

The Plans’ provisions and benefits in effect at June 30, 2020 are summarized as follows:

Miscellaneous Plan:

Hire date	Prior to January 17, 2012	January 17, 2012 to December 31, 2012	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 67	50 to 67	52 to 67
Monthly benefits, as a % of eligible compensation	1.426 to 2.418%	1.092 to 2.418%	1.0 to 2.5%

Safety Plan:

	Prior to September 11, 2012	September 11, 2012 through December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 to 55	50 to 55	50 to 57
Monthly benefits, as a % of eligible compensation	3.0%	2.4 to 3.0%	2.0 to 2.7%

Contributions

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

For the measurement period ended June 30, 2019 (the measurement date) for the Plans, the average active employee contribution rate was 6.717% of annual pay for Miscellaneous and 9.755% for Safety and the employer's contribution rate is 8.691% of annual payroll for Miscellaneous and 20.842% for Safety. The employee and employer contributions made for fiscal year June 30, 2020 was \$15.355 million for the Miscellaneous plan and \$23.461 million for the Safety plan. Employer contribution rates may change if plan contracts are amended.

II. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures.

A summary of principal assumptions and methods used to determine the net pension liability is shown below:

	Miscellaneous Plan	Safety Plan
Actuarial Cost Method	Entry-Age Normal	Entry-Age Normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.375% ⁽¹⁾	7.375% ⁽¹⁾
Mortality Rate Table ⁽²⁾	CalPERS Membership Data	CalPERS Membership Data
Post Retirement Benefit Increase	Up to 2.75%	Up to 2.75%

⁽¹⁾ Net of Pension Plan Investment and Administrative Expenses; includes inflation

⁽²⁾ The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

In determining the long-term expected rate of return CalPERS took, into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one-quarter of one percent.

The table below reflects long-term expected real rate of return by asset class as of the target allocation for the June 30, 2019 measurement date. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class⁽¹⁾	New Strategic Allocation	Real Return Years 1 – 10⁽²⁾	Real Return Years 11+⁽³⁾
Global Equity	50.0%	4.8%	5.98%
Global Fixed Income	28.0	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.0	6.30	7.23
Real Assets	13.0	3.78	4.93
Liquidity	1.0	-	(0.92)

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period

III. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018 ⁽¹⁾	\$ 462,946,098	\$ 342,032,921	\$ 120,913,177
Changes Recognized for the Measurement Period:			
Service Cost	7,583,252	-	7,583,252
Interest on the Total Pension Liability	32,749,831	-	32,749,831
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	3,777,379	-	3,777,379
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	10,158,019	(10,158,019)
Contributions - Employees	-	3,479,149	(3,479,149)
Net Investment Income	-	22,333,423	(22,333,423)
Benefit Payments, including Refunds of Employee Contributions	(24,951,032)	(24,951,032)	-
Administrative Expense	-	(244,082)	244,082
Other Misc Income/(Expense)	-	796	(796)
Net Change during 2018-19	19,159,430	10,776,273	8,383,157
Balance at June 30, 2019 ⁽¹⁾	\$ 482,105,528	\$ 352,809,194	\$ 129,296,334

⁽¹⁾ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

Safety Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2018 ⁽¹⁾	\$ 596,773,606	\$ 402,695,284	\$ 194,078,322
Changes Recognized for the Measurement Period:			
Service Cost	9,984,949	-	9,984,949
Interest on the Total Pension Liability	42,759,837	-	42,759,837
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	12,017,379	-	12,017,379
Plan to Plan Resource Movement	-	-	-
Contributions - Employer	-	16,758,148	(16,758,148)
Contributions - Employees	-	3,402,676	(3,402,676)
Net Investment Income	-	26,427,421	(26,427,421)
Benefit Payments, including Refunds of Employee Contributions	(31,487,589)	(31,487,589)	-
Administrative Expense	-	(287,372)	287,372
Other Misc Income/(Expense)	-	936	(936)
Net Change during 2018-19	33,274,576	14,814,220	18,460,356
Balance at June 30, 2019 ⁽¹⁾	\$ 630,048,182	\$ 417,509,504	\$ 212,538,678

⁽¹⁾ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Miscellaneous Plan	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 189,863,919	\$ 129,296,334	\$ 78,927,159

Safety Plan	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 298,833,779	\$ 212,538,678	\$ 141,879,634

IV. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of the start of the measurement period (July 1, 2018), the net pension liability was \$120,913,177 for the Miscellaneous Plan and \$194,078,322 for the Safety Plan.

For the measurement period ended June 30, 2019 (the measurement date), the City incurred a pension expense of \$24,596,740 for the Miscellaneous Plan and \$36,034,455 for the Safety Plan.

As of June 30, 2020, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 4,020,822	\$ (1,138,191)
Differences between Expected and Actual Experiences	3,883,636	(326,076)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(2,077,637)
Contributions subsequent to the measurement date	11,856,209	-
Total	\$ 19,760,667	\$ (3,541,904)

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 8,911,953	\$ (1,275,119)
Differences between Expected and Actual Experiences	10,580,653	(832,446)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(2,460,234)
Contributions subsequent to the measurement date	18,940,948	-
Total	\$ 38,433,554	\$ (4,567,799)

The amounts above are net of outflows and inflows recognized in the 2018-2019 measurement period expense. The amounts above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in future pension expense (not including contributions subsequent to the measurement date) as follows:

Fiscal Year Ended June 30	Miscellaneous Plan	Safety Plan
2021	\$ 6,042,982	\$ 11,993,925
2022	(2,043,452)	250,447
2023	28,658	2,301,277
2024	334,366	379,158
Total	\$ 4,362,554	\$ 14,924,807

H. DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2020, expenditures exceeded appropriations as follows:

General Fund

<u>Expenditures</u>	<u>Amount</u>
Parks and recreations – Administration	\$9,633
Parks and recreations - Planning and development	599
Parks and recreations - Convention visitors bureau	81,599
Debt service – Principal retirement	6,176
Debt service – Interest expenditures	821

Operating Grants Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Highways and streets	\$133,131

Housing and Community Development Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Community Development	\$357,559
Debt Service - Other	1,843

I. PRIOR YEAR ADJUSTMENTS

Governmental Activities

A prior year adjustment was made to the Governmental Activities to decrease the net position in the amount of \$47,126,875 to account for the retirement of multiple capital assets related to Pelandale overpass project, of which the ownership was split between three parties, City, County and State. The project was originally booked as 100% City owned. Once the final asset split was approved in FY20, City’s share of ownership was reduced to approximately 14% which reduced the value of the capital assets.

A prior period adjustment was made to the Housing and Community Development to increase fund balance in the amount of \$543,500 to correct loans booked in the prior year.

A prior period adjustment was made to the Transportation Special Tax Fund to increase fund balance in the amount of \$1,010,778 to align the recognition of revenues with the State in the timeframe of when the tax was collected.

A prior period adjustment was made to the Operating Grants Fund to decrease fund balance to account for a correction to prior year revenue overstated in the amount of \$101,595.

Total Governmental Activities prior year adjustments: (\$45,674,192)

Business-type Activities

A prior period adjustment was made to the Water Enterprise Fund to account for a correction to prior year expenses overstated in the amount of \$1,675,295.

Total Business-type Activities prior year adjustments: 1,675,295

Total prior year adjustments: (\$43,998,897)

J. SUBSEQUENT EVENTS

On September 2020, the Council authorized the issuance of Wastewater Revenue Refunding Bonds in principal amount not to exceed \$110,000,000. The issuance of these bonds is with the purpose to repay the State Water Resource Board (SWRCB) loan, which has an outstanding balance of \$106,810,880 as of July 31, 2020. The most recent refunding analysis based on current interest rates reflects projected savings of \$5.11 million, or 4.8% Net Present Value ("NPV").

On October 13, 2020 the Council authorized the issuance of tax-exempt revenue bonds by the California Municipal Finance Authority in an aggregate principal amount not to exceed \$35,000,000. The issuance of the debt is to finance the acquisition, construction and development of Archway Commons Phase II, a project consisting of a 74-unit multifamily rental housing facility.

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REQUIRED SUPPLEMENTARY INFORMATION TAB

REQUIRED SUPPLEMENTARY INFORMATION TAB

REQUIRED SUPPLEMENTARY INFORMATION

City of Modesto
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended June 30th
Last Ten Fiscal Years *

Miscellaneous Plan

Measurement Period	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
TOTAL PENSION LIABILITY						
Service Cost	\$ 7,583,252	\$ 7,365,767	\$ 6,992,542	\$ 6,092,179	\$ 5,768,082	\$ 6,400,912
Interest on Total Pension Liability	32,749,831	31,433,420	30,399,913	29,752,178	28,873,755	28,037,915
Changes of Assumptions	-	(2,477,241)	24,124,929	-	(6,709,358)	-
Difference Between Expected and Actual Experience	3,777,379	2,514,973	(1,956,450)	(2,005,545)	(3,177,191)	-
Benefit Payments, Including Refunds of Employee Contributions	(24,951,032)	(23,596,900)	(22,727,426)	(21,686,131)	(20,945,229)	(20,334,821)
Net Change in Total Pension Liability	19,159,430	15,240,019	36,833,508	12,152,681	3,810,059	14,104,006
Total Pension Liability – Beginning	462,946,098	447,706,079	410,872,571	398,719,890	394,909,831	380,805,825
Total Pension Liability – Ending (a)	<u>\$ 482,105,528</u>	<u>\$ 462,946,098</u>	<u>\$ 447,706,079</u>	<u>\$ 410,872,571</u>	<u>\$ 398,719,890</u>	<u>\$ 394,909,831</u>
PLAN FIDUCIARY NET POSITION						
Contributions – Employer	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358	\$ 5,632,179	\$ 4,654,055
Contributions – Employee	3,479,149	3,393,722	3,396,338	3,349,400	3,061,157	2,853,492
Net Investment Income	22,333,423	27,586,156	33,859,910	1,667,540	7,093,159	48,702,803
Benefit Payments, Including Refunds of Employee Contributions	(24,951,032)	(23,596,900)	(22,727,426)	(21,686,131)	(20,945,229)	(20,334,821)
Plan to Plan Resource Movement	-	(181)	505	(1,118)	(188)	-
Administrative Expense	(244,082)	(510,454)	(450,482)	(192,011)	(355,544)	-
Other Miscellaneous Income/(Expense) ⁽¹⁾	796	(969,360)	-	-	-	-
Net Change in Fiduciary Net Position	10,776,273	14,456,938	22,461,037	(9,941,962)	(5,514,466)	35,875,529
Plan Fiduciary Net Position – Beginning ⁽²⁾	342,032,921	327,575,983	305,114,946	315,056,908	320,571,374	284,695,845
Plan Fiduciary Net Position – Ending (b)	352,809,194	342,032,921	327,575,983	305,114,946	315,056,908	320,571,374
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 129,296,334</u>	<u>\$ 120,913,177</u>	<u>\$ 120,130,096</u>	<u>\$ 105,757,625</u>	<u>\$ 83,662,982</u>	<u>\$ 74,338,457</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.18%	73.88%	73.17%	74.26%	79.02%	81.18%
Covered Payroll ⁽³⁾	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621	\$ 41,562,776	\$ 44,125,963
Plan Net Pension Liability as a Percentage of Covered Payroll	253.98%	242.74%	257.04%	233.94%	201.29%	168.47%

(1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

(2) Includes any beginning of year adjustment.

(3) Includes one year's payroll growth using 2.75% payroll growth assumption for fiscal years ended June 30, 2018-19; 3% payroll growth assumption for fiscal years ended June 30, 2014-17.

* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

City of Modesto
Schedule of Changes in the Net Pension Liability and Related Ratios (continued)
For the Year Ended June 30th
Last Ten Fiscal Years *

<u>Safety Plan</u>	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Measurement Period	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
TOTAL PENSION LIABILITY						
Service Cost	\$ 9,984,949	\$ 9,648,518	\$ 9,298,519	\$ 8,193,455	\$ 8,633,865	\$ 8,970,868
Interest on Total Pension Liability	42,759,837	40,490,329	39,048,366	38,004,835	36,721,112	35,310,732
Changes of Assumptions	-	(2,434,317)	33,217,275	-	(9,188,394)	-
Difference Between Expected and Actual Experience	12,017,379	2,992,729	(3,102,753)	(2,184,871)	(849,707)	-
Benefit Payments, Including Refunds of Employee Contributions	(31,487,589)	(29,678,588)	(28,147,381)	(26,911,771)	(25,426,619)	(24,313,823)
Net Change in Total Pension Liability	33,274,576	21,018,671	50,314,026	17,101,648	9,890,257	19,967,777
Total Pension Liability – Beginning	596,773,606	575,754,935	525,440,909	508,339,261	498,449,004	478,481,227
Total Pension Liability – Ending (a)	<u>\$ 630,048,182</u>	<u>\$ 596,773,606</u>	<u>\$ 575,754,935</u>	<u>\$ 525,440,909</u>	<u>\$ 508,339,261</u>	<u>\$ 498,449,004</u>
PLAN FIDUCIARY NET POSITION						
Contributions – Employer	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,899	\$ 10,210,101	\$ 8,963,542
Contributions – Employee	3,402,676	3,400,369	3,165,011	2,962,566	2,800,626	2,939,117
Net Investment Income	26,427,421	32,428,941	39,443,735	1,898,536	8,215,387	56,385,743
Benefit Payments, Including Refunds of Employee Contributions	(31,487,589)	(29,678,588)	(28,147,381)	(26,911,771)	(25,426,619)	(24,313,823)
Plan to Plan Resource Movement	-	(1,551)	(505)	1,118	211	-
Administrative Expense	(287,372)	(597,550)	(526,677)	(224,190)	(414,089)	-
Other Miscellaneous Income/(Expense) ⁽¹⁾	936	(1,134,757)	-	-	-	-
Net Change in Fiduciary Net Position	14,814,220	19,226,594	26,746,243	(11,135,842)	(4,614,383)	43,974,579
Plan Fiduciary Net Position – Beginning ⁽²⁾	402,695,284	383,468,690	356,722,447	367,858,289	372,472,672	328,498,093
Plan Fiduciary Net Position – Ending (b)	417,509,504	402,695,284	383,468,690	356,722,447	367,858,289	372,472,672
Plan Net Pension Liability – Ending (a) - (b)	<u>\$ 212,538,678</u>	<u>\$ 194,078,322</u>	<u>\$ 192,286,245</u>	<u>\$ 168,718,462</u>	<u>\$ 140,480,972</u>	<u>\$ 125,976,332</u>
Liability	66.27%	67.48%	66.60%	67.89%	72.36%	74.73%
Covered Payroll ⁽³⁾	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552	\$ 31,202,983	\$ 31,090,551
Plan Net Pension Liability as a Percentage of Covered Payroll	628.45%	601.61%	628.21%	561.97%	450.22%	405.19%

(1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

(2) Includes any beginning of year adjustment.

(3) Includes one year's payroll growth using 2.75% payroll growth assumption for fiscal years ended June 30, 2018-19; 3% payroll growth assumption for fiscal years ended June 30, 2014-17.

* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

City of Modesto
Schedule of Plan Contributions (1)
Last Ten Fiscal Years*

Miscellaneous Plan

Fiscal Year	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially Determined Contribution ⁽²⁾	\$ 11,856,209	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358	\$ 5,632,179	\$ 4,654,055
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(11,856,209)	(10,158,019)	(8,553,955)	(8,382,192)	(6,920,358)	(5,632,179)	(4,654,055)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 53,453,630	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621	\$ 41,562,776	\$ 44,125,963
Contributions as a Percentage of Covered Payroll ⁽³⁾	22.18%	19.95%	17.17%	17.94%	15.31%	13.55%	10.55%

Safety Plan

Fiscal Year	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Actuarially Determined Contribution ⁽²⁾	\$ 18,940,948	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,899	\$ 10,210,101	\$ 8,963,542
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(18,940,948)	(16,758,148)	(14,809,730)	(12,812,060)	(11,137,899)	(10,210,101)	(8,963,542)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 38,050,908	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552	\$ 31,202,983	\$ 31,090,551
Contributions as a Percentage of Covered Payroll ⁽³⁾	49.78%	49.55%	45.91%	41.86%	37.10%	32.72%	28.83%

(1) Historical information is required only for fiscal year for which GASB 68 is applicable. As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be determined as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(3) Includes one year's payroll growth using 2.75% payroll assumption for fiscal year ended June 30, 2018; 3% payroll assumption for fiscal years ended June 30, 2014-17.

* The pension schedules are required to show ten years of data and the additional years' information will be displayed as it becomes available.

City of Modesto
Schedule of Changes in the OPEB Liability and Related Ratios
Last Ten Fiscal Years*

Measurement Period	FY 2019-2020	FY 2018-2019	FY 2017-2018
	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability			
Service cost	\$ 811,934	\$ 963,490	\$ 935,427
Interest	1,013,863	1,038,035	892,669
Differences between expected and actual experience	-	(468,009)	-
Changes of assumptions	754,247	(1,306,633)	(1,600,635)
Benefit payments	(3,012,214)	(2,733,246)	(2,430,468)
Net change in total OPEB liability	(432,170)	(2,506,363)	(2,203,007)
Total OPEB liability - beginning	26,892,158	29,398,521	31,601,528
Total OPEB liability - ending (a)	<u>\$ 26,459,988</u>	<u>\$ 26,892,158</u>	<u>\$ 29,398,521</u>
Covered Payroll	\$ 50,879,818	\$ 49,647,245	\$ 55,637,076
Total OPEB liability as a Percentage of Covered Payroll	52.00%	54.17%	52.84%

Notes to Schedule:

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

*Amounts presented above were determined as of June 30th. Additional years will be presented as they become available.

**City of Modesto
Schedule of Contributions
Last Ten Fiscal Years ***

Fiscal Year	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Actuarially Determined Contribution (ADC)	\$ 3,569,890	\$ 3,012,214	\$ 2,733,246	\$ 2,430,468	\$ 2,527,076
Contributions in Relation to the ADC	(3,569,890)	(3,012,214)	(2,733,246)	(2,430,468)	(2,527,076)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 54,106,179	\$ 50,879,818	\$ 49,647,245	\$ 55,637,076	\$ 49,552,706
Contributions as a Percentage of Covered Payroll	6.60%	5.92%	5.51%	4.37%	5.10%

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-2020 were as follows for June 30, 2019 measurement date actuarial valuations.

Actuarial Cost Method	Entry Age Normal – Couldn't find this in the 2020 report
Discount Rate	3.50% at June 30, 2019 (Bond Buyer 20-Bond Index). 3.87% at June 30, 2018 (Bond Buyer 20-Bond Index).
Asset Valuation Method	N/A – Couldn't find this in the 2020 report
General Inflation	2.75% annually
Salary Increases	Aggregate - 3% annually Merit - CalPERS 1997-2015 Experience Study
Trend	Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076
Retirement Age	CalPERS 1997-2015 Experience Study
Mortality	CalPERS 1997-2015 Experience Study Post-retirement mortality projected fully generational with Scale MP-2018

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF MODESTO
SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
TAXES				
Utility users tax	\$ 21,329,733	\$ 21,329,733	\$ 19,803,218	\$ (1,526,515)
Property tax	17,982,458	17,982,458	18,113,180	130,722
Transient occupancy tax	3,020,000	3,020,000	2,727,061	(292,939)
Franchise tax	5,005,700	5,005,700	5,151,286	145,586
Business license tax	18,482,324	18,482,324	16,470,832	(2,011,492)
Total taxes	65,820,215	65,820,215	62,265,577	(3,554,638)
LICENSES AND PERMITS	209,805	209,805	350,730	140,925
INTERGOVERNMENTAL				
Sales tax	32,975,258	32,975,258	30,534,694	(2,440,564)
In-lieu sales tax				
Motor vehicle license fees	18,150,250	18,150,250	17,977,807	(172,443)
State	1,000,000	1,000,000	925,472	(74,528)
County	63,713	232,273	170,721	(61,552)
Federal	-	-	3,914	3,914
Other intergovernmental	7,446,368	7,446,368	7,184,851	(261,517)
Total intergovernmental	59,635,589	59,804,149	56,797,459	(3,006,690)
CHARGES FOR SERVICES				
General government	2,685,391	2,704,466	2,379,705	(324,761)
Community development	3,024,176	3,024,176	2,361,758	(662,418)
Public works	526,277	526,277	536,032	9,755
Parks and recreation	2,022,951	2,080,611	1,727,259	(353,352)
Public safety	2,463,374	9,970,178	9,943,187	(26,991)
Indirect cost recovery	3,624,062	3,624,062	3,576,542	(47,520)
Total charges for services	14,346,231	21,929,770	20,524,483	(1,405,287)
SPECIAL ASSESSMENT	-	286,499	507,044	220,545
INTEREST AND RENT	713,550	713,550	519,942	(193,608)
NET INCREASE IN FAIR VALUE OF INVESTMENTS	163,216	163,216	369,586	206,370
FINES AND FORFEITS	811,145	768,395	382,340	(386,055)
MISCELLANEOUS				
Mandated cost recovery	77,000	77,000	149,412	72,412
Other	559,086	548,786	464,823	(83,963)
Total miscellaneous	636,086	625,786	614,235	(11,551)
Total revenues	\$ 142,335,837	\$ 150,321,385	\$ 142,331,396	\$ (7,989,989)

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
FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government:				
City council	\$ 469,126	\$ 469,126	\$ 455,790	\$ 13,336
Human resources	1,710,337	1,710,337	1,508,623	201,714
City manager	2,580,331	2,813,365	2,722,735	90,630
City attorney	2,180,699	2,180,699	1,659,704	520,995
City clerk/auditor	859,292	871,292	564,351	306,941
Finance	4,934,106	4,962,906	4,787,808	175,098
Other	395,000	395,000	365,195	29,805
Total general government	<u>13,128,891</u>	<u>13,402,725</u>	<u>12,064,206</u>	<u>1,338,519</u>
Community development:	<u>6,643,652</u>	<u>6,704,502</u>	<u>6,346,496</u>	<u>358,006</u>
Public works:				
Administration	<u>523,333</u>	<u>623,333</u>	<u>555,331</u>	<u>68,002</u>
Total public works	<u>523,333</u>	<u>623,333</u>	<u>555,331</u>	<u>68,002</u>
Parks and recreation:				
Administration	917,798	897,689	907,322	(9,633)
Planning and development	661,822	675,693	676,292	(599)
Convention visitors bureau	623,791	623,791	705,390	(81,599)
Operations service and maintenance	5,529,531	5,910,673	5,636,913	273,760
Facilities	1,309,974	1,566,440	1,261,448	304,992
Recreation division	<u>3,097,783</u>	<u>2,824,457</u>	<u>2,645,888</u>	<u>178,569</u>
Total parks and recreation	<u>12,140,699</u>	<u>12,498,743</u>	<u>11,833,253</u>	<u>665,490</u>
Public safety:				
Fire protection	40,101,783	40,131,783	39,146,185	985,598
Police protection	<u>70,139,467</u>	<u>69,959,350</u>	<u>65,327,225</u>	<u>4,632,125</u>
Total public safety	<u>110,241,250</u>	<u>110,091,133</u>	<u>104,473,410</u>	<u>5,617,723</u>
Debt service:				
Principal retirement	458,956	458,956	465,132	(6,176)
Interest expenditures	<u>139,589</u>	<u>139,589</u>	<u>140,410</u>	<u>(821)</u>
Total debt service	<u>598,545</u>	<u>598,545</u>	<u>605,542</u>	<u>(6,997)</u>
Total expenditures	<u>\$ 143,276,370</u>	<u>\$ 143,918,981</u>	<u>\$ 135,878,238</u>	<u>\$ 8,040,743</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
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental - federal grants	\$ 3,432,239	\$ 6,345,256	\$ 3,573,797	\$ (2,771,459)
Charges for services	1,119,473	1,119,473	1,015,950	(103,523)
Interest and rent	-	-	-	-
Miscellaneous	21,605	66,605	-	(66,605)
Total revenues	<u>4,573,317</u>	<u>7,531,334</u>	<u>4,589,747</u>	<u>(2,941,587)</u>
EXPENDITURES:				
Community development	3,163,723	3,508,952	3,866,511	(357,559)
Debt service:				
Principal retirement	269,000	269,000	269,000	-
Interest	39,666	41,817	41,772	45
Other	-	-	1,843	(1,843)
Total expenditures	<u>3,472,389</u>	<u>3,819,769</u>	<u>4,179,126</u>	<u>(359,357)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,100,928</u>	<u>3,711,565</u>	<u>410,621</u>	<u>(3,300,944)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,160,481)	(534,415)	626,066
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,160,481)</u>	<u>(534,415)</u>	<u>626,066</u>
CHANGES IN FUND BALANCE	1,100,928	2,551,084	(123,794)	(2,674,878)
FUND BALANCE, JULY 1	30,928,788	30,928,788	30,928,788	-
PRIOR PERIOD ADJUSTMENT	543,500	543,500	543,500	-
FUND BALANCE, JUNE 30	<u>\$ 32,573,216</u>	<u>\$ 34,023,372</u>	<u>\$ 31,348,494</u>	<u>\$ (2,674,878)</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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020

BUDGETARY INFORMATION - The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules for operating, non-capital multi-year, and capital budgets:

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 for operating, non-capital multi-year and capital projects.
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 all proposed budgets to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through adoption of a resolution. 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 Budget Manager.
 - 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 Budget Manager – 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 capital improvement budget 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.
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 (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 2020

7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the appropriation unit 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 except the Local Transportation Fund due to a budget error. 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.

**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 and Downtown Modesto Community Benefit District 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.

TRANSPORTATION SPECIAL TAX FUND – To account for state-collected, locally-shared gas tax, 25 year, ½ cent sales tax Measure L, SB-1 (Road Repair and Accountability Act of 2017) monies. This fund may be used for all road and traffic 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.

SECURITIES FOR FUTURE IMPROVEMENTS FUND – To account for the collection of impact fees for approved development projects to construct facilities needed for future development.

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 Capital Projects Funds (continued)

CAPITAL FACILITY FEES FUND – To account for special fees collected on new building permits to be used for construction of certain growth related projects. The fees and related capital projects include police department expansion, fire department expansion, expressway loop, street lights, street improvements, parks, new traffic signals, City downtown, wastewater treatment, public transportation, and air quality improvements.

TRANSPORTATION SPECIAL TAX CAPITAL FUND – To account for receipts and disbursements of Governmental Fund capital projects funded through locally-shared gas tax, 25 year, ½ cent sales tax Measure L, and SB-1 (Road Repair and Accountability Act of 2017) monies.

Nonmajor Debt Service Fund

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 Fund includes:

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, 2020

	Special Revenue					
	Operating Grants	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
ASSETS						
Cash and cash equivalents	\$ -	\$ 1,749,675	\$ -	\$ 174,119	\$ 1,768,003	\$ 21,591,009
Receivables:						
Accounts, net	67,981	-	-	-	-	23,990
Interest	6,576	4,482	-	556	5,474	70,540
Taxes	92,226	-	-	14,725	-	362,116
Due from governments	8,841,933	-	38,793	-	-	2,456,687
Due from other funds	-	-	-	-	-	-
Prepaid expenditures	98,304	-	-	-	283	-
Restricted assets:						
Cash and cash equivalents	-	1,774	4,223,578	-	-	-
Cash and cash equivalents with fiscal agent	660,072	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Due from governments	755,621	-	54,327	-	-	-
Due from other funds	-	-	-	-	-	-
Notes receivable, net	70,179	-	-	-	-	-
Total assets	\$ 10,592,892	\$ 1,755,931	\$ 4,316,698	\$ 189,400	\$ 1,773,760	\$ 24,504,342
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 140,838	\$ -	\$ 34,532	\$ 9,488	\$ 233,579	\$ 263,776
Accrued salaries and benefits	118,299	-	4,261	-	-	99,813
Interest payable	-	-	-	-	-	-
Due to other funds	6,169,350	-	-	-	-	-
Unearned revenue	-	1,754,157	-	-	-	-
Refundable deposits	153,305	-	-	-	-	-
Advances from other funds	-	-	-	-	264,404	-
Total liabilities	6,581,792	1,754,157	38,793	9,488	497,983	363,589
Deferred inflows of resources:						
Unavailable revenue	2,426,924	-	-	-	-	15,903
Fund balances:						
Nonspendable	98,304	-	-	-	283	-
Restricted	1,485,872	1,774	4,277,905	-	-	-
Assigned	-	-	-	179,912	1,275,494	24,124,850
Unassigned	-	-	-	-	-	-
Total fund balances	1,584,176	1,774	4,277,905	179,912	1,275,777	24,124,850
Total liabilities, deferred inflows of resources and fund balances	\$ 10,592,892	\$ 1,755,931	\$ 4,316,698	\$ 189,400	\$ 1,773,760	\$ 24,504,342

Capital Projects

Special Fund for Capital Outlays	Parks	Securities for Future Improvements	Community Facilities Districts	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital
\$ 294,408	\$ -	\$ -	\$ 86,441	\$ -	\$ -	\$ 522,546
-	-	-	-	-	-	-
10,239	405	-	73,830	-	94,955	-
-	-	-	25,381	-	-	-
146,291	-	-	93,339	1,192,004	-	-
-	-	-	-	-	5,849,040	-
-	-	-	393	-	-	-
2,881,767	673,547	66,396	18,353,067	-	20,692,742	-
-	-	-	-	-	22,500	-
-	1,909	-	-	-	-	-
-	-	-	-	-	13,992,287	-
-	-	-	-	-	2,600,174	-
-	-	-	-	2,211,000	-	-
<u>\$ 3,332,705</u>	<u>\$ 675,861</u>	<u>\$ 66,396</u>	<u>\$ 18,632,451</u>	<u>\$ 3,403,004</u>	<u>\$ 43,251,698</u>	<u>\$ 522,546</u>
\$ -	\$ 405	\$ -	\$ 202,794	\$ -	\$ 360,877	\$ 522,802
-	-	-	12,500	-	-	-
-	-	-	9,947	2,228	-	-
-	-	-	-	431,729	-	-
-	-	-	-	-	-	-
-	-	-	53,750	-	-	-
450,938	-	-	-	145,727	785,892	-
<u>450,938</u>	<u>405</u>	<u>-</u>	<u>278,991</u>	<u>579,684</u>	<u>1,146,769</u>	<u>522,802</u>
-	-	-	-	-	4,797,226	-
-	-	-	393	-	-	-
2,881,767	675,456	66,396	18,353,067	2,211,000	37,307,703	-
-	-	-	-	612,320	-	-
-	-	-	-	-	-	(256)
<u>2,881,767</u>	<u>675,456</u>	<u>66,396</u>	<u>18,353,460</u>	<u>2,823,320</u>	<u>37,307,703</u>	<u>(256)</u>
<u>\$ 3,332,705</u>	<u>\$ 675,861</u>	<u>\$ 66,396</u>	<u>\$ 18,632,451</u>	<u>\$ 3,403,004</u>	<u>\$ 43,251,698</u>	<u>\$ 522,546</u>

CITY OF MODESTO
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)
JUNE 30, 2020

	Debt Service Public Financing Authority	Total
<u>ASSETS</u>		
Cash and cash equivalents	\$ 105,267	\$ 26,291,468
Receivables:		
Accounts, net	-	91,971
Interest	-	267,057
Taxes	-	494,448
Due from governments	-	12,769,047
Due from other funds	-	5,849,040
Prepaid expenditures	648	99,628
Restricted assets:		
Cash and cash equivalents	-	46,892,871
Cash and cash equivalents with fiscal agent	5,400,314	6,082,886
Interest receivable	-	1,909
Due from governments	-	14,802,235
Due from other funds	-	2,600,174
Notes receivable, net	-	2,281,179
	\$ 5,506,229	\$ 118,523,913
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 104,291	\$ 1,873,382
Accrued salaries and benefits	-	234,873
Interest payable	-	12,175
Due to other funds	-	6,601,079
Unearned revenue	-	1,754,157
Refundable deposits	-	207,055
Advances from other funds	-	1,646,961
	104,291	12,329,682
Deferred inflows of resources:		
Unavailable revenue	-	7,240,053
Fund balances:		
Nonspendable	648	99,628
Restricted	5,400,314	72,661,254
Assigned	976	26,193,552
Unassigned	-	(256)
	5,401,938	98,954,178
Total liabilities, deferred inflows of resources and fund balances	\$ 5,506,229	\$ 118,523,913

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CITY OF MODESTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	Special Revenue					
	Operating Grants	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
REVENUES:						
Taxes	\$ 362,299	\$ -	\$ -	\$ 190,543	\$ -	\$ 1,482,567
Licenses and permits	52,713	-	-	-	-	5,202
Intergovernmental	10,855,984	103,399	-	-	-	19,438,347
Charges for services	4,259,535	-	298,629	-	102,293	909,476
Special assessments levied	64,593	-	-	675,840	-	-
Interest and rent	27,778	5,028	-	2,542	24,238	318,146
Net increase (decrease) in fair value of investments	31,947	23,446	-	2,814	25,468	352,606
Fines and forfeits	-	-	283,780	-	-	-
Miscellaneous	276,398	-	-	-	-	60,534
Total revenues	15,931,247	131,873	582,409	871,739	151,999	22,566,878
EXPENDITURES:						
Current:						
General government	256,049	-	-	-	-	-
Community development	1,831,540	-	-	781,822	268,307	-
Highways and streets	133,131	-	-	-	-	10,233,919
Public works	2,480,520	-	-	-	-	-
Parks and recreation	92,821	-	-	-	-	-
Public safety	9,712,127	-	348,606	-	-	-
Capital outlay:						
Community development	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Public safety	122,387	-	38,583	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenditures	14,628,575	-	387,189	781,822	268,307	10,233,919
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,302,672	131,873	195,220	89,917	(116,308)	12,332,959
OTHER FINANCING SOURCES (USES):						
Transfers in	938,813	-	-	-	139,791	1,540,105
Transfers out	(85,465)	(131,874)	-	-	-	(8,308,688)
Sale of assets	11,633	-	-	-	-	49,818
TOTAL OTHER FINANCING SOURCES (USES)	864,981	(131,874)	-	-	139,791	(6,718,765)
CHANGES IN FUND BALANCES	2,167,653	(1)	195,220	89,917	23,483	5,614,194
FUND BALANCES, JULY 1	(481,882)	1,775	4,082,685	89,995	1,252,294	17,499,878
PRIOR PERIOD ADJUSTMENTS	(101,595)	-	-	-	-	1,010,778
FUND BALANCES, JUNE 30	\$ 1,584,176	\$ 1,774	\$ 4,277,905	\$ 179,912	\$ 1,275,777	\$ 24,124,850

Capital Projects						
Special Fund for Capital Outlays	Parks	Securities for Future Improvements	Community Facilities Districts	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
146,291	-	-	16,567	-	8,685,801	-
2,746,616	6,415	-	837,304	-	5,446,415	-
-	-	-	3,375,220	-	-	-
59,973	12,351	(1)	323,517	161,513	468,968	-
54,602	13,580	-	361,385	(12,990)	505,714	-
-	-	-	-	-	-	-
-	21,850	-	91	-	16,750	-
<u>3,007,482</u>	<u>54,196</u>	<u>(1)</u>	<u>4,914,084</u>	<u>148,523</u>	<u>15,123,648</u>	<u>-</u>
-	-	-	-	-	-	-
154	-	-	2,633,706	-	95,800	4,825,956
-	-	-	-	-	-	672,569
-	-	-	-	-	-	-
6,686	-	-	-	-	18,866	-
-	-	-	11,467	-	41,127	747,770
12,497	-	-	2,635,504	-	3,270,321	376,550
-	-	-	-	-	-	-
-	151,734	-	-	-	182,183	-
172,541	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>191,878</u>	<u>151,734</u>	<u>-</u>	<u>5,280,677</u>	<u>-</u>	<u>3,608,297</u>	<u>6,622,845</u>
2,815,604	(97,538)	(1)	(366,593)	148,523	11,515,351	(6,622,845)
110,000	-	-	-	-	237,766	6,622,589
(12,471)	(47)	-	(9,161)	-	(759,974)	-
-	-	-	-	-	-	-
<u>97,529</u>	<u>(47)</u>	<u>-</u>	<u>(9,161)</u>	<u>-</u>	<u>(522,208)</u>	<u>6,622,589</u>
2,913,133	(97,585)	(1)	(375,754)	148,523	10,993,143	(256)
(31,366)	773,041	66,397	18,729,214	2,674,797	26,314,560	-
-	-	-	-	-	-	-
<u>\$ 2,881,767</u>	<u>\$ 675,456</u>	<u>\$ 66,396</u>	<u>\$ 18,353,460</u>	<u>\$ 2,823,320</u>	<u>\$ 37,307,703</u>	<u>\$ (256)</u>

CITY OF MODESTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (continued)
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Debt Service</u>	
	Public	
	Financing	
	Authority	Total
REVENUES:		
Taxes	\$ -	\$ 2,035,409
Licenses and permits	-	57,915
Intergovernmental	1,262,804	40,509,193
Charges for services	-	14,606,683
Special assessments levied	-	4,115,653
Interest and rent	94,451	1,498,504
Net increase (decrease) in fair value of investments	-	1,358,572
Fines and forfeits	-	283,780
Miscellaneous	-	375,623
Total revenues	<u>1,357,255</u>	<u>64,841,332</u>
EXPENDITURES:		
Current:		
General government	-	256,049
Community development	-	10,437,285
Highways and streets	-	11,039,619
Public works	-	2,480,520
Parks and recreation	-	111,687
Public safety	-	10,067,419
Capital outlay:		
Community development	-	800,364
Highways and streets	-	6,294,872
Public works	-	
Parks and recreation	-	333,917
Public safety	-	333,511
Debt service:		
Principal retirement	2,000,000	2,000,000
Interest	1,814,624	1,814,624
Other	306,085	306,085
Total expenditures	<u>4,120,709</u>	<u>46,275,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,763,454)</u>	<u>18,565,380</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	2,850,564	12,439,628
Transfers out	-	(9,307,680)
Sale of assets	-	61,451
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,850,564</u>	<u>3,193,399</u>
CHANGES IN FUND BALANCES	87,110	21,758,779
FUND BALANCES, JULY 1	5,314,828	76,286,216
PRIOR PERIOD ADJUSTMENTS	-	909,183
FUND BALANCES, JUNE 30	<u>\$ 5,401,938</u>	<u>\$ 98,954,178</u>

CITY OF MODESTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - OPERATING GRANTS SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 400,000	\$ 400,000	\$ 362,299	\$ (37,701)
Licenses and permits	50,000	50,000	52,713	2,713
Intergovernmental	1,901,117	13,622,048	10,855,984	(2,766,064)
Charges for services	4,987,020	4,987,020	4,259,535	(727,485)
Special assessments	-	67,852	64,593	(3,259)
Interest and rent	5,646	35,407	27,778	(7,629)
Net increase in fair value of investments	-	-	31,947	31,947
Miscellaneous	398,651	431,742	276,398	(155,344)
Total revenues	<u>7,742,434</u>	<u>19,594,069</u>	<u>15,931,247</u>	<u>(3,662,822)</u>
EXPENDITURES:				
General government	285,263	285,263	256,049	29,214
Community development	2,049,791	2,049,791	1,831,540	218,251
Highways and streets	-	-	133,131	(133,131)
Public works	2,685,488	2,685,488	2,480,520	204,968
Parks and recreation	260,651	293,742	92,821	200,921
Public safety	2,967,793	12,037,741	9,834,514	2,203,227
Total expenditures	<u>8,248,986</u>	<u>17,352,025</u>	<u>14,628,575</u>	<u>2,723,450</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(506,552)</u>	<u>2,242,044</u>	<u>1,302,672</u>	<u>(939,372)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,265,468	1,268,418	938,813	(329,605)
Transfers out	-	(85,466)	(85,465)	1
Sale of assets	-	-	11,633	11,633
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,265,468</u>	<u>1,182,952</u>	<u>864,981</u>	<u>(317,971)</u>
CHANGES IN FUND BALANCE	758,916	3,424,996	2,167,653	(1,257,343)
FUND BALANCE, JULY 1	(481,882)	(481,882)	(481,882)	-
PRIOR PERIOD ADJUSTMENT	(101,595)	(101,595)	(101,595)	-
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 175,439</u>	<u>\$ 2,841,519</u>	<u>\$ 1,584,176</u>	<u>\$ (1,257,343)</u>

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

CITY OF MODESTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - LOCAL TRANSPORTATION SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 103,399	\$ 103,399
Interest and rent	-	-	5,028	5,028
Net increase in fair value of investments	-	-	23,446	23,446
Total revenues	<u>-</u>	<u>-</u>	<u>131,873</u>	<u>131,873</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>131,873</u>	<u>131,873</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,575)	(131,874)	(130,299)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,575)</u>	<u>(131,874)</u>	<u>(130,299)</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>(1,575)</u>	<u>(1)</u>	<u>1,574</u>
FUND BALANCE, JULY 1	<u>1,775</u>	<u>1,775</u>	<u>1,775</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,775</u>	<u>\$ 200</u>	<u>\$ 1,774</u>	<u>\$ 1,574</u>

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

CITY OF MODESTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - TRAFFIC SAFETY SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 184,000	\$ 184,000	\$ 298,629	\$ 114,629
Fines and forfeits	410,000	410,000	283,780	(126,220)
Total revenues	<u>594,000</u>	<u>594,000</u>	<u>582,409</u>	<u>(11,591)</u>
EXPENDITURES:				
Public safety	482,965	482,965	387,189	95,776
Total expenditures	<u>482,965</u>	<u>482,965</u>	<u>387,189</u>	<u>95,776</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>111,035</u>	<u>111,035</u>	<u>195,220</u>	<u>84,185</u>
CHANGES IN FUND BALANCE	111,035	111,035	195,220	84,185
FUND BALANCE, JULY 1	<u>4,082,685</u>	<u>4,082,685</u>	<u>4,082,685</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 4,193,720</u>	<u>\$ 4,193,720</u>	<u>\$ 4,277,905</u>	<u>\$ 84,185</u>

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

CITY OF MODESTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - DOWNTOWN
IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 189,000	\$ 189,000	\$ 190,543	\$ 1,543
Special assessments levied	780,150	780,150	675,840	(104,310)
Interest and rent	-	-	2,542	2,542
Net increase in fair value of investments	-	-	2,814	2,814
Total revenues	<u>969,150</u>	<u>969,150</u>	<u>871,739</u>	<u>(97,411)</u>
EXPENDITURES:				
Current:				
Community development	978,581	978,581	781,822	196,759
Total expenditures	<u>978,581</u>	<u>978,581</u>	<u>781,822</u>	<u>196,759</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,431)</u>	<u>(9,431)</u>	<u>89,917</u>	<u>99,348</u>
CHANGES IN FUND BALANCE	(9,431)	(9,431)	89,917	99,348
FUND BALANCE, JULY 1	<u>89,995</u>	<u>89,995</u>	<u>89,995</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 80,564</u>	<u>\$ 80,564</u>	<u>\$ 179,912</u>	<u>\$ 99,348</u>

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

CITY OF MODESTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - STRATEGIC
PLANNING AND DEVELOPMENT SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 555,000	\$ 734,377	\$ 102,293	\$ (632,084)
Interest and rent	-	100	24,238	24,138
Net increase in fair value of investments	-	(65)	25,468	25,533
Total revenues	<u>555,000</u>	<u>734,412</u>	<u>151,999</u>	<u>(582,413)</u>
EXPENDITURES:				
Community development	<u>1,035,373</u>	<u>1,555,403</u>	<u>268,307</u>	<u>1,287,096</u>
Total expenditures	<u>1,035,373</u>	<u>1,555,403</u>	<u>268,307</u>	<u>1,287,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(480,373)</u>	<u>(820,991)</u>	<u>(116,308)</u>	<u>704,683</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>550,000</u>	<u>690,777</u>	<u>139,791</u>	<u>(550,986)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>550,000</u>	<u>690,777</u>	<u>139,791</u>	<u>(550,986)</u>
CHANGES IN FUND BALANCE	69,627	(130,214)	23,483	153,697
FUND BALANCE, JULY 1	<u>1,252,294</u>	<u>1,252,294</u>	<u>1,252,294</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,321,921</u>	<u>\$ 1,122,080</u>	<u>\$ 1,275,777</u>	<u>\$ 153,697</u>

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

CITY OF MODESTO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
TRANSPORTATION SPECIAL TAX REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental:				
State	\$ 18,354,866	\$ 19,904,866	\$ 19,438,347	\$ (466,519)
Taxes	1,100,000	1,100,000	1,482,567	382,567
Licenses and permits	-	-	5,202	5,202
Charges for services	299,546	299,546	909,476	609,930
Interest and rent	-	-	318,146	318,146
Net increase in fair value of investments	-	-	352,606	352,606
Miscellaneous	30,000	30,000	60,534	30,534
Total revenues	<u>19,784,412</u>	<u>21,334,412</u>	<u>22,566,878</u>	<u>1,232,466</u>
EXPENDITURES:				
Highway and streets	11,261,724	11,261,724	10,233,919	1,027,805
Total expenditures	<u>11,261,724</u>	<u>11,261,724</u>	<u>10,233,919</u>	<u>1,027,805</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>8,522,688</u>	<u>10,072,688</u>	<u>12,332,959</u>	<u>2,260,271</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,540,105	1,540,105	1,540,105	-
Transfers out	(8,529,308)	(12,713,010)	(8,308,688)	4,404,322
Sale of assets	-	-	49,818	49,818
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,989,203)</u>	<u>(11,172,905)</u>	<u>(6,718,765)</u>	<u>4,454,140</u>
CHANGES IN FUND BALANCE	1,533,485	(1,100,217)	5,614,194	6,714,411
FUND BALANCE, JULY 1	17,499,878	17,499,878	17,499,878	-
PRIOR PERIOD ADJUSTMENTS	<u>1,010,778</u>	<u>1,010,778</u>	<u>1,010,778</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 20,044,141</u>	<u>\$ 17,410,439</u>	<u>\$ 24,124,850</u>	<u>\$ 6,714,411</u>

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

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 - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2020

	Parking	Storm Drain	Compost
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 665,353	\$ 11,308,235	\$ 8,338,056
Receivables:			
Accounts	18,391	375	1,212,018
Interest	2,228	37,107	30,605
Utilities, net	-	499,391	382,181
Prepaid expenses	-	2,785	1,302
Due from governments	-	4,538	140,101
Inventories	-	-	-
	<u>685,972</u>	<u>11,852,431</u>	<u>10,104,263</u>
Total current assets			
Noncurrent assets:			
Advances to other funds	-	-	-
Restricted cash and cash equivalents with fiscal agent	-	-	-
Land and construction in progress	3,131,803	2,223,722	1,140,000
Other capital assets, net of accumulated depreciation	3,778,096	12,714,316	1,045,924
Total noncurrent assets	<u>6,909,899</u>	<u>14,938,038</u>	<u>2,185,924</u>
Total assets	<u>7,595,871</u>	<u>26,790,469</u>	<u>12,290,187</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	23,193	20,432	119,417
Deferred pensions	132,072	200,084	1,172,897
Total deferred outflows of resources	<u>155,265</u>	<u>220,516</u>	<u>1,292,314</u>
Total assets and deferred outflows of resources	<u>\$ 7,751,136</u>	<u>\$ 27,010,985</u>	<u>\$ 13,582,501</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 30,676	\$ 401,938	\$ 3,758,271
Accrued salaries and benefits	11,451	16,380	107,160
Interest payable	-	-	2,406
Unearned revenue	-	210	81,106
Current portion - long-term debt	-	-	-
Total current liabilities	<u>42,127</u>	<u>418,528</u>	<u>3,948,943</u>
Noncurrent liabilities:			
Pollution remediation liability	-	-	613,795
Obligations under capital leases	-	-	-
Certificates of participation	-	-	-
Advances from other funds	-	1,324,704	3,986,600
Net OPEB liability	177,099	166,828	1,083,066
Net pension liability	811,552	1,299,685	7,707,665
Total noncurrent liabilities	<u>988,651</u>	<u>2,791,217</u>	<u>13,391,126</u>
Total liabilities	<u>1,030,778</u>	<u>3,209,745</u>	<u>17,340,069</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	13,295	10,149	84,563
Deferred pensions	12,353	20,795	172,598
Total deferred inflows of resources	<u>25,648</u>	<u>30,944</u>	<u>257,161</u>
<u>NET POSITION</u>			
Net investment in capital assets	6,909,899	14,938,038	2,185,924
Unrestricted	(215,189)	8,832,258	(6,200,653)
Total net position	<u>6,694,710</u>	<u>23,770,296</u>	<u>(4,014,729)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,751,136</u>	<u>\$ 27,010,985</u>	<u>\$ 13,582,501</u>

Airport	Golf	Community Center	Abatement and Public Nuisance	Total
\$ 1,397,461	\$ 404	\$ 821	\$ 170,344	\$ 21,880,674
48,470	324,620	63,303	72,989	1,740,166
4,610	27,561	-	700	102,811
-	-	-	-	881,572
225	13,257	-	-	17,569
199,069	-	-	-	343,708
-	51,524	-	-	51,524
<u>1,649,835</u>	<u>417,366</u>	<u>64,124</u>	<u>244,033</u>	<u>25,018,024</u>
-	-	-	264,404	264,404
-	668,823	-	-	668,823
1,352,141	275,740	3,667,020	-	11,790,426
9,965,214	1,020,029	2,680,714	-	31,204,293
<u>11,317,355</u>	<u>1,964,592</u>	<u>6,347,734</u>	<u>264,404</u>	<u>43,927,946</u>
<u>12,967,190</u>	<u>2,381,958</u>	<u>6,411,858</u>	<u>508,437</u>	<u>68,945,970</u>
-	-	16,045	-	179,087
124,924	-	101,038	-	1,731,015
<u>124,924</u>	<u>-</u>	<u>117,083</u>	<u>-</u>	<u>1,910,102</u>
<u>\$ 13,092,114</u>	<u>\$ 2,381,958</u>	<u>\$ 6,528,941</u>	<u>\$ 508,437</u>	<u>\$ 70,856,072</u>
\$ 19,452	\$ 245,295	\$ 56,030	\$ 5	\$ 4,511,667
10,624	13,742	12,226	-	171,583
-	42,863	-	-	45,269
4,314	517,751	17	68,620	672,018
-	412,202	-	-	412,202
<u>34,390</u>	<u>1,231,853</u>	<u>68,273</u>	<u>68,625</u>	<u>5,812,739</u>
-	-	-	-	613,795
-	5,623	-	-	5,623
-	1,375,000	-	-	1,375,000
-	-	-	-	5,311,304
-	-	143,669	-	1,570,662
777,206	-	724,532	-	11,320,640
<u>777,206</u>	<u>1,380,623</u>	<u>868,201</u>	<u>-</u>	<u>20,197,024</u>
<u>811,596</u>	<u>2,612,476</u>	<u>936,474</u>	<u>68,625</u>	<u>26,009,763</u>
-	-	10,328	-	118,335
(4,693)	-	26,639	-	227,692
<u>(4,693)</u>	<u>-</u>	<u>36,967</u>	<u>-</u>	<u>346,027</u>
11,317,355	171,767	6,347,734	-	41,870,717
967,856	(402,285)	(792,234)	439,812	2,629,565
<u>12,285,211</u>	<u>(230,518)</u>	<u>5,555,500</u>	<u>439,812</u>	<u>44,500,282</u>
<u>\$ 13,092,114</u>	<u>\$ 2,381,958</u>	<u>\$ 6,528,941</u>	<u>\$ 508,437</u>	<u>\$ 70,856,072</u>

CITY OF MODESTO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Parking</u>	<u>Storm Drain</u>	<u>Compost</u>
OPERATING REVENUES:			
Charges for services	\$ 1,253,927	\$ 6,112,344	\$ 10,122,812
Miscellaneous	<u>11,011</u>	<u>1,898</u>	<u>93,206</u>
Total operating revenues	<u>1,264,938</u>	<u>6,114,242</u>	<u>10,216,018</u>
OPERATING EXPENSES:			
Salaries and wages	474,486	478,996	3,559,004
Contractual services	217,920	936,725	1,188,331
Utilities	139,923	26,856	30,706
Maintenance and supplies	108,759	2,732,878	1,761,954
Insurance	91,186	11,953	205,142
Employee benefits	253,282	303,534	2,535,123
Administration services	70,540	2,250,997	492,636
Allocated indirect administrative costs	36,202	131,178	264,465
Depreciation	<u>448,902</u>	<u>364,654</u>	<u>110,442</u>
Total operating expenses	<u>1,841,200</u>	<u>7,237,771</u>	<u>10,147,803</u>
OPERATING INCOME (LOSS)	<u>(576,262)</u>	<u>(1,123,529)</u>	<u>68,215</u>
NONOPERATING REVENUES (EXPENSES):			
Gain on disposition of capital assets	-	9,506	55,057
Operating grants	-	-	314,009
Tax revenue	-	-	-
Tax expense	(24,962)	-	-
Interest income	11,914	178,623	139,044
Net increase in fair value of investments	13,685	201,825	154,747
Rental income	-	-	-
Interest expense and amortization	-	-	-
Trustee and letter of credit fees	-	-	-
Total nonoperating revenues (expenses)	<u>637</u>	<u>389,954</u>	<u>662,857</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(575,625)	(733,575)	731,072
Transfers in	-	700,000	-
Transfers out	<u>(9,483)</u>	<u>(383,025)</u>	<u>(552,185)</u>
CHANGES IN NET POSITION	(585,108)	(416,600)	178,887
NET POSITION (DEFICIT), JULY 1	<u>7,279,818</u>	<u>24,186,896</u>	<u>(4,193,616)</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 6,694,710</u>	<u>\$ 23,770,296</u>	<u>\$ (4,014,729)</u>

<u>Airport</u>	<u>Golf</u>	<u>Community Center</u>	<u>Abatement and Public Nuisance</u>	<u>Total</u>
\$ 638,499	\$ 2,005,588	\$ 185,812	\$ 67,181	\$ 20,386,163
12,948	-	2,777	-	121,840
<u>651,447</u>	<u>2,005,588</u>	<u>188,589</u>	<u>67,181</u>	<u>20,508,003</u>
351,582	-	564,647	-	5,428,715
144,730	2,299,930	90,404	54,376	4,932,416
104,536	57,661	251,376	-	611,058
89,819	223,883	274,623	-	5,191,916
44,701	29,016	37,781	-	419,779
257,680	-	238,053	-	3,587,672
31,179	76,753	43,608	83,932	3,049,645
26,947	43,704	-	-	502,496
749,490	51,278	68,763	-	1,793,529
<u>1,800,664</u>	<u>2,782,225</u>	<u>1,569,255</u>	<u>138,308</u>	<u>25,517,226</u>
<u>(1,149,217)</u>	<u>(776,637)</u>	<u>(1,380,666)</u>	<u>(71,127)</u>	<u>(5,009,223)</u>
48	-	-	-	64,611
247,269	-	-	-	561,278
190,995	-	-	-	190,995
-	-	-	-	(24,962)
22,057	(42,394)	-	6,891	316,135
23,886	(781)	-	7,761	401,123
184,014	101,827	400,001	-	685,842
-	(96,094)	-	-	(96,094)
-	(3,239)	-	-	(3,239)
<u>668,269</u>	<u>(40,681)</u>	<u>400,001</u>	<u>14,652</u>	<u>2,095,689</u>
(480,948)	(817,318)	(980,665)	(56,475)	(2,913,534)
-	1,166,821	759,400	-	2,626,221
<u>(21,487)</u>	<u>(1,174)</u>	<u>(3,524)</u>	<u>(53,091)</u>	<u>(1,023,969)</u>
(502,435)	348,329	(224,789)	(109,566)	(1,311,282)
<u>12,787,646</u>	<u>(578,847)</u>	<u>5,780,289</u>	<u>549,378</u>	<u>45,811,564</u>
<u>\$ 12,285,211</u>	<u>\$ (230,518)</u>	<u>\$ 5,555,500</u>	<u>\$ 439,812</u>	<u>\$ 44,500,282</u>

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	Parking	Storm Drain	Compost
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 1,249,470	\$ 6,128,092	\$ 10,069,939
Payments to suppliers	(393,286)	(1,903,046)	(1,687,154)
Payments to employees	(655,749)	(668,982)	(5,349,113)
Payments for interfund services used	(295,284)	(3,881,403)	(2,889,707)
Net cash provided (used) by operating activities	(94,849)	(325,339)	143,965
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received	-	-	314,009
Taxes received	-	-	-
Transfers in	-	700,000	-
Transfers out	(9,483)	(383,025)	(552,185)
Advances from/to other funds	-	-	865,800
Net cash provided (used) by noncapital financing activities	(9,483)	316,975	627,624
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	(11,135)	-
Proceeds from sale of capital assets	-	9,508	55,063
Proceeds from long-term debt	-	-	-
Principal repayments	-	-	-
Interest paid	-	-	-
Trustee fees	-	-	-
Capital contributions	-	-	-
Net cash provided (used) by capital and related financing activities	-	(1,627)	55,063
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received (paid)	11,327	177,821	136,999
Net increase (decrease) in the fair value of investments	13,685	201,825	154,747
Rental income received	-	-	-
Net cash provided (used) by investing activities	25,012	379,646	291,746
Net increase (decrease) in cash and cash equivalents	(79,320)	369,655	1,118,398
CASH AND CASH EQUIVALENTS, JULY 1	744,673	10,938,580	7,219,658
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 665,353	\$ 11,308,235	\$ 8,338,056
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash and cash equivalents	\$ 665,353	\$ 11,308,235	\$ 8,338,056
Restricted cash and cash equivalents with fiscal agent	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	\$ 665,353	\$ 11,308,235	\$ 8,338,056

Airport	Golf	Community Center	Abatement and Public Nuisance	Total
\$ 435,058	\$ 1,827,158	\$ 194,944	\$ 66,689	\$ 19,971,350
(241,577)	(2,365,993)	(517,905)	(73,318)	(7,182,279)
(528,500)	-	(735,613)	-	(7,937,957)
(203,624)	(174,886)	(161,537)	(83,932)	(7,690,373)
<u>(538,643)</u>	<u>(713,721)</u>	<u>(1,220,111)</u>	<u>(90,561)</u>	<u>(2,839,259)</u>
247,269	-	-	-	561,278
190,995	-	-	-	190,995
-	1,166,821	759,400	-	2,626,221
(21,487)	(1,174)	(3,524)	(53,091)	(1,023,969)
-	-	-	(264,404)	601,396
<u>416,777</u>	<u>1,165,647</u>	<u>755,876</u>	<u>(317,495)</u>	<u>2,955,921</u>
-	(9,079)	-	-	(20,214)
51	-	-	-	64,622
-	9,079	-	-	9,079
-	(401,555)	-	-	(401,555)
-	(92,522)	-	-	(92,522)
-	(3,239)	-	-	(3,239)
-	-	-	-	-
<u>51</u>	<u>(497,316)</u>		<u>-</u>	<u>(443,829)</u>
21,293	(36,911)	-	7,998	318,527
23,886	(781)	-	7,761	401,123
184,014	101,827	400,001	-	685,842
<u>229,193</u>	<u>64,135</u>	<u>400,001</u>	<u>15,759</u>	<u>1,405,492</u>
107,378	18,745	(64,234)	(392,297)	1,078,325
<u>1,290,083</u>	<u>650,482</u>	<u>65,055</u>	<u>562,641</u>	<u>21,471,172</u>
\$ <u>1,397,461</u>	\$ <u>669,227</u>	\$ <u>821</u>	\$ <u>170,344</u>	\$ <u>22,549,497</u>
\$ 1,397,461	\$ 404	\$ 821	\$ 170,344	\$ 21,880,674
-	668,823	-	-	668,823
\$ <u>1,397,461</u>	\$ <u>669,227</u>	\$ <u>821</u>	\$ <u>170,344</u>	\$ <u>22,549,497</u>

(continued)

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS (Continued)
FISCAL YEAR ENDED JUNE 30, 2020

	Parking	Storm Drain	Compost
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (576,262)	\$ (1,123,529)	\$ 68,215
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	448,902	364,654	110,442
Taxes paid	(24,962)	-	-
Change in assets, liabilities, and deferred resources:			
(Increase) decrease in accounts receivable	(15,468)	485	(168,523)
Decrease in utilities receivable	-	25,274	30,247
(Increase) in due from other governments	-	-	(65,886)
Increase (decrease) in accounts payable	839	281,607	3,675,686
(Increase) in inventories	-	-	-
Decrease in prepaid expenses	83	24,531	633
Increase in accrued salaries and benefits	837	4,319	31,523
Decrease in net pension liability and deferred resources	81,438	109,089	757,019
(Increase) in net OPEB liability and deferred resources	(10,256)	(11,729)	(43,528)
(Decrease) pollution remediation	-	-	(4,309,946)
(Decrease) in due to other funds	-	-	-
Increase (decrease) in unearned revenue	-	(40)	58,083
Total adjustments	481,413	798,190	75,750
Net cash provided (used) by operating activities	\$ (94,849)	\$ (325,339)	\$ 143,965

Airport	Golf	Community Center	Abatement and Public Nuisance	Total
\$ (1,149,217)	\$ (776,637)	\$ (1,380,666)	\$ (71,127)	\$ (5,009,223)
749,490	51,278	68,763	-	1,793,529
-	-	-	-	(24,962)
(13,197)	78,448	26,469	417,415	325,629
-	-	-	-	55,521
(196,179)	-	-	-	(262,065)
(6,975)	181,865	18,121	(18,942)	4,132,201
-	(28,524)	-	-	(28,524)
3,129	33,730	229	-	62,335
3,281	2,997	1,372	-	44,329
77,481	-	72,755	-	1,097,782
-	-	(7,040)	-	(72,553)
-	-	-	-	(4,309,946)
-	(286,612)	-	-	(286,612)
(6,456)	29,734	(20,114)	(417,907)	(356,700)
610,574	62,916	160,555	(19,434)	2,169,964
\$ (538,643)	\$ (713,721)	\$ (1,220,111)	\$ (90,561)	\$ (2,839,259)

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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, 2020

	Fleet Management	Central Services
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 9,041,404	\$ -
Receivables:		
Accounts	45,016	-
Interest	25,388	199
Prepaid expenses	14,112	-
Due from governments	-	-
Inventories	-	1,533,418
Total current assets	9,125,920	1,533,617
Noncurrent assets:		
Restricted assets - cash and cash equivalents	-	-
Restricted assets - cash from fiscal agent	-	-
Land and construction in progress	1,837,760	-
Other capital assets, net of accumulated depreciation	10,694,749	-
Total noncurrent assets	12,532,509	-
Total assets	21,658,429	1,533,617
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred OPEB	62,510	-
Deferred pensions	587,907	-
Total deferred outflows of resources	650,417	-
Total assets and deferred outflows of resources	\$ 22,308,846	\$ 1,533,617
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 664,833	\$ 58,145
Accrued salaries and benefits	55,387	6,350
Interest payable	2,628	5,279
Due to other funds	-	1,533,036
Unearned revenue	3,435	-
Current portion - compensated absences	-	-
Current portion - claims liability	-	-
Total current liabilities	726,283	1,602,810
Noncurrent liabilities:		
Compensated absences	-	-
Claims liability	-	-
Net OPEB liability	630,670	-
Net pension liability	3,844,957	-
Total noncurrent liabilities	4,475,627	-
Total liabilities	5,201,910	1,602,810
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred OPEB	51,212	-
Deferred pensions	111,380	-
Total deferred inflows of resources	162,592	-
<u>NET POSITION</u>		
Net investment in capital assets	12,532,509	-
Restricted	-	-
Unrestricted	4,411,835	(69,193)
Total net position	16,944,344	(69,193)
Total liabilities, deferred inflows of resources, and net position	\$ 22,308,846	\$ 1,533,617

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 3,976,704	\$ 19,081,976	\$ -	\$ 779,574	\$ 32,879,658
-	1,299,108	-	-	1,344,124
13,243	99,310	54,405	2,803	195,348
160,221	889	-	-	175,222
-	-	-	9,308	9,308
-	-	-	-	1,533,418
<u>4,150,168</u>	<u>20,481,283</u>	<u>54,405</u>	<u>791,685</u>	<u>36,137,078</u>
-	-	3,258,779	-	3,258,779
-	137,112	-	-	137,112
2,170,117	-	-	-	4,007,877
2,802,510	-	-	73,106	13,570,365
<u>4,972,627</u>	<u>137,112</u>	<u>3,258,779</u>	<u>73,106</u>	<u>20,974,133</u>
<u>9,122,795</u>	<u>20,618,395</u>	<u>3,313,184</u>	<u>864,791</u>	<u>57,111,211</u>
143,195	-	-	8,951	214,656
908,227	115,623	47,029	155,326	1,814,112
<u>1,051,422</u>	<u>115,623</u>	<u>47,029</u>	<u>164,277</u>	<u>2,028,768</u>
<u>\$ 10,174,217</u>	<u>\$ 20,734,018</u>	<u>\$ 3,360,213</u>	<u>\$ 1,029,068</u>	<u>\$ 59,139,979</u>
\$ 650,784	\$ 3,203,148	\$ 206,789	\$ 28,680	\$ 4,812,379
93,468	10,997	4,047	16,407	186,656
-	-	-	-	7,907
-	-	-	-	1,533,036
-	20,665	-	-	24,100
-	-	694,234	-	694,234
-	5,980,657	-	-	5,980,657
<u>744,252</u>	<u>9,215,467</u>	<u>905,070</u>	<u>45,087</u>	<u>13,238,969</u>
-	-	10,384,788	-	10,384,788
-	20,188,466	-	-	20,188,466
944,476	-	-	62,508	1,637,654
6,333,474	734,316	385,830	915,810	12,214,387
<u>7,277,950</u>	<u>734,316</u>	<u>385,830</u>	<u>978,318</u>	<u>13,852,041</u>
<u>8,022,202</u>	<u>30,138,249</u>	<u>11,675,688</u>	<u>1,023,405</u>	<u>57,664,264</u>
72,736	-	-	4,939	128,887
253,629	25,061	20,938	(4,506)	406,502
<u>326,365</u>	<u>25,061</u>	<u>20,938</u>	<u>433</u>	<u>535,389</u>
4,972,627	-	-	73,106	17,578,242
-	-	3,258,779	-	3,258,779
<u>(3,146,977)</u>	<u>(9,429,292)</u>	<u>(11,595,192)</u>	<u>(67,876)</u>	<u>(19,896,695)</u>
<u>1,825,650</u>	<u>(9,429,292)</u>	<u>(8,336,413)</u>	<u>5,230</u>	<u>940,326</u>
<u>\$ 10,174,217</u>	<u>\$ 20,734,018</u>	<u>\$ 3,360,213</u>	<u>\$ 1,029,068</u>	<u>\$ 59,139,979</u>

CITY OF MODESTO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Fleet Management</u>	<u>Central Services</u>
OPERATING REVENUES:		
Charges for services	\$ 8,625,120	\$ 628,800
Miscellaneous	89	-
Total operating revenues	<u>8,625,209</u>	<u>628,800</u>
OPERATING EXPENSES:		
Salaries and wages	1,661,499	154,006
Cost of sales	-	283,497
Contractual services	909,105	88,373
Utilities	4,087	-
Maintenance and supplies	2,981,922	114,909
Insurance	105,150	1,470
Claims	-	-
Employee benefits	1,166,624	81,498
Administration services	198,471	-
Allocated indirect administrative costs	343,614	-
Depreciation	2,365,489	-
Total operating expenses	<u>9,735,961</u>	<u>723,753</u>
OPERATING INCOME (LOSS)	<u>(1,110,752)</u>	<u>(94,953)</u>
NONOPERATING REVENUES (EXPENSES):		
Gain (loss) on disposition of capital assets	(16,545)	-
Interest income	96,715	(9,611)
Net increase (decrease) in fair value of investments	106,093	(7,950)
Total nonoperating revenues (expenses)	<u>186,263</u>	<u>(17,561)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(924,489)</u>	<u>(112,514)</u>
Transfers in	2,625,161	-
Transfers out	<u>(43,063)</u>	<u>-</u>
CHANGES IN NET POSITION	1,657,609	(112,514)
NET POSITION (DEFICIT), JULY 1	<u>15,286,735</u>	<u>43,321</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 16,944,344</u>	<u>\$ (69,193)</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 6,046,600	\$ 30,447,461	\$ 22,763,469	\$ 2,879,125	\$ 71,390,575
-	22	101,245	89	101,445
<u>6,046,600</u>	<u>30,447,483</u>	<u>22,864,714</u>	<u>2,879,214</u>	<u>71,492,020</u>
2,907,964	266,480	1,600,245	544,622	7,134,816
-	-	-	-	283,497
374,222	2,339,396	511,738	1,481,549	5,704,383
150,623	266	606	161,865	317,447
3,177,498	5,565	17,909	544,574	6,842,377
62,728	20,358,257	2,186	11,235	20,541,026
-	10,798,779	1,998	-	10,800,777
1,894,263	294,928	23,235,255	346,756	27,019,324
1,764	162,820	246,080	25,263	634,398
-	-	-	-	343,614
575,870	-	-	2,913	2,944,272
<u>9,144,932</u>	<u>34,226,491</u>	<u>25,616,017</u>	<u>3,118,777</u>	<u>82,565,931</u>
<u>(3,098,332)</u>	<u>(3,779,008)</u>	<u>(2,751,303)</u>	<u>(239,563)</u>	<u>(11,073,911)</u>
-	-	-	5,414	(11,131)
77,829	292,916	347,261	14,280	819,390
<u>88,428</u>	<u>546,303</u>	<u>394,539</u>	<u>16,704</u>	<u>1,144,117</u>
<u>166,257</u>	<u>839,219</u>	<u>741,800</u>	<u>36,398</u>	<u>1,952,376</u>
(2,932,075)	(2,939,789)	(2,009,503)	(203,165)	(9,121,535)
151,538	1,998,200	1,079,816	-	5,854,715
<u>(142,360)</u>	<u>(1,082,160)</u>	<u>(1,999,374)</u>	<u>(2,349)</u>	<u>(3,269,306)</u>
(2,922,897)	(2,023,749)	(2,929,061)	(205,514)	(6,536,126)
<u>4,748,547</u>	<u>(7,405,543)</u>	<u>(5,407,352)</u>	<u>210,744</u>	<u>7,476,452</u>
<u>\$ 1,825,650</u>	<u>\$ (9,429,292)</u>	<u>\$ (8,336,413)</u>	<u>\$ 5,230</u>	<u>\$ 940,326</u>

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Fleet Management</u>	<u>Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ -	\$ -
Receipts from interfund services provided	8,584,256	2,161,836
Payments to suppliers	(3,192,237)	(1,923,572)
Payment of insurance claims	-	-
Payments to employees	(2,447,621)	(230,886)
Payments for interfund services used	(1,194,539)	(19,876)
Net cash provided (used) by operating activities	<u>1,749,859</u>	<u>(12,498)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	2,625,161	-
Transfers out	(43,063)	-
Net cash provided (used) by noncapital financing activities	<u>2,582,098</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(3,127,751)	-
Proceeds from sale of capital assets	45,362	-
Net cash provided (used) by capital and related financing activities	<u>(3,082,389)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	98,915	-
Net increase (decrease) in the fair value of investments	106,093	(12,353)
Net cash provided (used) by investing activities	<u>205,008</u>	<u>(12,353)</u>
Net increase (decrease) in cash and cash equivalents	1,454,576	(24,851)
CASH AND CASH EQUIVALENTS, JULY 1	<u>7,586,828</u>	<u>24,851</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 9,041,404</u>	<u>\$ -</u>
RECONCILIATION TO STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 9,041,404	\$ -
Restricted cash and cash equivalents	-	-
Restricted cash and cash equivalents with fiscal agent	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 9,041,404</u>	<u>\$ -</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ -	\$ 408,204	\$ 134,995	\$ 8,726	\$ 551,925
6,046,600	30,447,461	22,763,469	2,879,125	72,882,747
(2,832,549)	(19,890,388)	(307,055)	(1,930,038)	(30,075,839)
-	(8,260,216)	(1,998)	-	(8,262,214)
(4,159,462)	(488,620)	(24,049,479)	(770,639)	(32,146,707)
(199,568)	(361,396)	(519,023)	(294,045)	(2,588,447)
<u>(1,144,979)</u>	<u>1,855,045</u>	<u>(1,979,091)</u>	<u>(106,871)</u>	<u>361,465</u>
151,538	1,998,200	1,079,816	-	5,854,715
(142,360)	(1,082,160)	(1,999,374)	(2,349)	(3,269,306)
<u>9,178</u>	<u>916,040</u>	<u>(919,558)</u>	<u>(2,349)</u>	<u>2,585,409</u>
(231,555)	-	-	-	(3,359,306)
-	-	-	5,414	50,776
<u>(231,555)</u>	<u>-</u>	<u>-</u>	<u>5,414</u>	<u>(3,308,530)</u>
81,762	395,824	379,581	14,792	970,874
88,428	546,303	394,539	16,704	1,139,714
<u>170,190</u>	<u>942,127</u>	<u>774,120</u>	<u>31,496</u>	<u>2,110,588</u>
(1,197,166)	3,713,212	(2,124,529)	(72,310)	1,748,932
5,173,870	15,505,876	5,383,308	851,884	34,526,617
<u>\$ 3,976,704</u>	<u>\$ 19,219,088</u>	<u>\$ 3,258,779</u>	<u>\$ 779,574</u>	<u>\$ 36,275,549</u>
\$ 3,976,704	\$ 19,081,976	\$ -	\$ 779,574	\$ 32,879,658
-	-	3,258,779	-	3,258,779
-	137,112	-	-	137,112
<u>\$ 3,976,704</u>	<u>\$ 19,219,088</u>	<u>\$ 3,258,779</u>	<u>\$ 779,574</u>	<u>\$ 36,275,549</u>

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)
FISCAL YEAR ENDED JUNE 30, 2020

	Fleet Management	Central Services
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,110,752)	\$ (94,953)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,365,489	-
Change in assets, liabilities, and deferred resources:		
Decrease in accounts receivable	13,110	-
Increase in due from governments	-	-
Decrease in prepaid expenses	1,761	1,092
(Increase) in inventories	-	(1,514,396)
Increase (decrease) in accounts payable	153,812	58,105
Increase in accrued salaries and benefits	19,929	4,618
Increase in due to other funds	-	1,533,036
Increase in compensated absences	-	-
(Increase) in net OPEB liability and deferred resources	(18,125)	-
Decrease in net pension liability and deferred resources	378,698	-
(Decrease) in unearned revenue	(54,063)	-
Increase in claims liability	-	-
Total adjustments	2,860,611	82,455
Net cash provided (used) by operating activities	\$ 1,749,859	\$ (12,498)

<u>Information & Technology Services</u>	<u>Insurance</u>	<u>Employee Benefits Management</u>	<u>Building Services</u>	<u>Total</u>
\$ (3,098,332)	\$ (3,779,008)	\$ (2,751,303)	\$ (239,563)	\$ (11,073,911)
575,870	-	-	2,913	2,944,272
-	496,527	33,750	9,064	552,451
-	-	-	1,056	1,056
176,271	10,541	570	1,206	191,441
-	-	-	-	(1,514,396)
558,447	2,603,979	(48,129)	(803)	3,325,411
31,258	6,425	1,249	4,095	67,574
-	-	-	-	1,533,036
-	-	759,392	-	759,392
(65,465)	-	-	(3,820)	(87,410)
676,972	66,363	25,380	120,464	1,267,877
-	(88,345)	-	(1,483)	(143,891)
-	2,538,563	-	-	2,538,563
<u>1,953,353</u>	<u>5,634,053</u>	<u>772,212</u>	<u>132,692</u>	<u>11,435,376</u>
\$ <u>(1,144,979)</u>	\$ <u>1,855,045</u>	\$ <u>(1,979,091)</u>	\$ <u>(106,871)</u>	\$ <u>361,465</u>

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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, Riverbank, 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. As of July 1, 2018, the City of Modesto withdrew from SDEA and no longer participates as a partner in this Authority

MODESTO-CERES FIRE PROTECTION AGENCY - 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.

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
FISCAL YEAR ENDED JUNE 30, 2020

Special Districts	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
<u>ASSETS</u>				
Cash and cash equivalents	\$ 830,664	4,343,348	4,191,793	\$ 982,219
Cash and cash equivalents with fiscal agent	2,989,708	2,104,954	2,089,727	3,004,935
	<u>\$ 3,820,372</u>	<u>\$ 6,448,302</u>	<u>\$ 6,281,520</u>	<u>\$ 3,987,154</u>
<u>LIABILITIES</u>				
Due to special district bondholders	\$ 3,820,372	\$ 6,448,302	\$ 6,281,520	\$ 3,987,154
<u>Tuolumne River Regional Park</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 127,941	2,286,001	2,084,804	\$ 329,138
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 127,941	\$ 2,286,001	\$ 2,084,804	\$ 329,138
<u>Modesto-Ceres Fire Protection Agency</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 242,344	623,567	616,758	\$ 249,153
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 242,344	\$ 623,567	\$ 616,758	\$ 249,153
<u>City/County Joint Powers Financing Authority</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 20,975	785	22	\$ 21,738
<u>LIABILITIES</u>				
Deposits held as agent for others	\$ 20,975	\$ 785	\$ 22	\$ 21,738
<u>Totals - All Agency Funds</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,221,924	\$ 7,253,701	\$ 6,893,377	\$ 1,582,248
Cash and cash equivalents with fiscal agent	2,989,708	2,104,954	2,089,727	3,004,935
	<u>\$ 4,211,632</u>	<u>\$ 9,358,655</u>	<u>\$ 8,983,104</u>	<u>\$ 4,587,183</u>
<u>LIABILITIES</u>				
Due to special district bondholders	\$ 3,820,372	\$ 6,448,302	\$ 6,281,520	\$ 3,987,154
Deposits held as agent for others	391,260	2,910,353	2,701,584	600,029
	<u>\$ 4,211,632</u>	<u>\$ 9,358,655</u>	<u>\$ 8,983,104</u>	<u>\$ 4,587,183</u>

STATISTICAL SECTION TAB

STATISTICAL SECTION TAB

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 Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

This schedule gives information on the City's most significant local revenue source, the water usage 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 Debt Margin
4. Revenue Bond Coverage, Wastewater 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
3. Principal Property Taxpayers

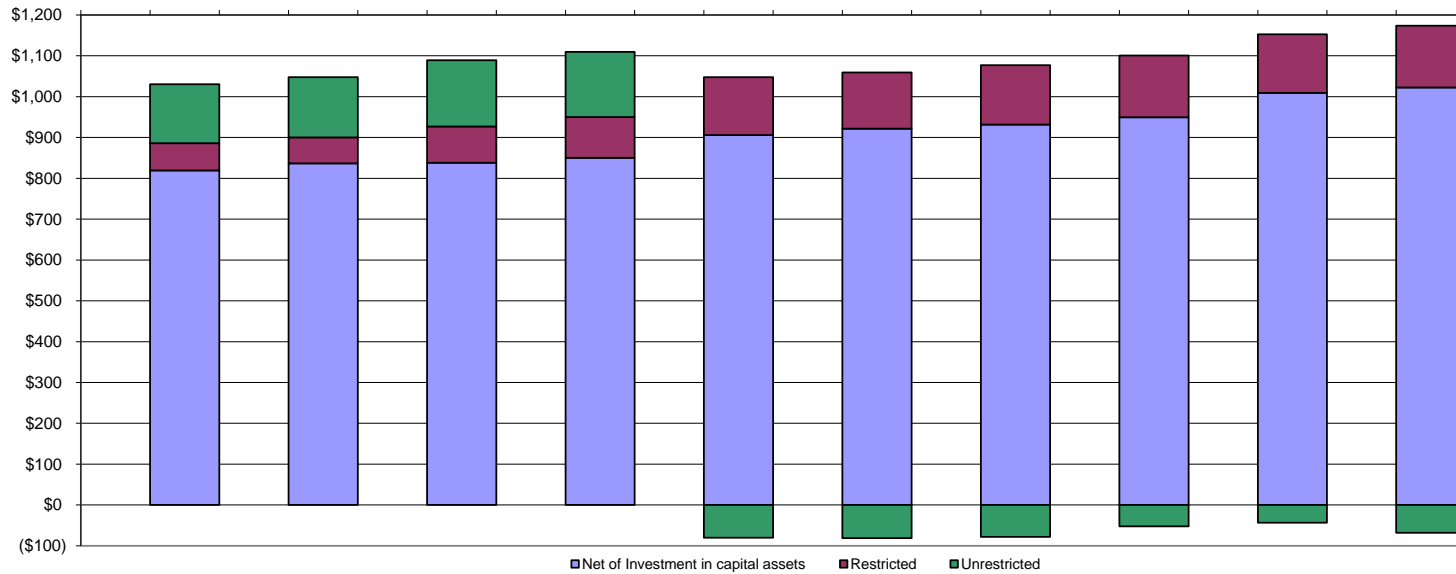
Operating Information

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 City Government Employees by Function
2. Operating Indicators by Function
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.

CITY OF MODESTO
NET POSITION BY COMPONENT ⁽¹⁾
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)



	2011	2012	2013	2014	2015 ⁽²⁾	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$338,010,133	\$362,755,958	\$361,582,237	\$347,647,419	\$378,145,625	\$381,887,289	\$376,743,556	\$377,529,238	\$401,515,805	\$374,618,780
Restricted	66,570,581	63,498,187	63,381,356	77,564,677	121,105,182	115,619,807	123,851,082	130,192,278	127,885,787	135,818,614
Unrestricted	6,540,870	(4,326,456)	(1,102,658)	9,167,253	(179,570,210)	(173,275,294)	(191,483,628)	(182,197,396)	(191,345,565)	(206,772,243)
Total governmental activities net position	<u>\$411,121,584</u>	<u>\$421,927,689</u>	<u>\$423,860,935</u>	<u>\$434,379,349</u>	<u>\$319,680,597</u>	<u>\$324,231,802</u>	<u>\$309,111,010</u>	<u>\$325,524,120</u>	<u>\$338,056,027</u>	<u>\$303,665,151</u>
Business-type activities										
Net investment in capital assets	\$481,186,894	\$473,757,198	\$476,681,835	\$502,684,950	\$527,784,338	\$539,821,175	\$555,163,217	\$571,811,118	\$607,813,261	\$647,695,354
Restricted	-	-	25,571,860	22,398,957	20,622,619	22,052,595	21,525,961	21,071,542	15,569,107	15,857,655
Unrestricted	138,033,147	152,003,655	162,882,299	150,187,831	99,450,370	92,324,550	113,595,981	130,146,975	148,005,231	138,508,360
Total business-type activities net position	<u>\$619,220,041</u>	<u>\$625,760,853</u>	<u>\$665,135,994</u>	<u>\$675,271,738</u>	<u>\$647,857,327</u>	<u>\$654,198,320</u>	<u>\$690,285,159</u>	<u>\$723,029,635</u>	<u>\$771,387,599</u>	<u>\$802,061,369</u>
Primary government										
Net investment in capital assets	\$819,197,027	\$836,513,156	\$838,264,072	\$850,332,369	\$905,929,963	\$921,708,464	\$931,906,773	\$949,340,356	\$1,009,329,066	\$1,022,314,134
Restricted	66,570,581	63,498,187	88,953,216	99,963,634	141,727,801	137,672,402	145,377,043	151,263,820	143,454,894	151,676,269
Unrestricted	144,574,017	147,677,199	161,779,641	159,355,084	(80,119,840)	(80,950,744)	(77,887,647)	(52,050,421)	(43,340,334)	(68,263,883)
Total primary government net position	<u>\$1,030,341,625</u>	<u>\$1,047,688,542</u>	<u>\$1,088,996,929</u>	<u>\$1,109,651,087</u>	<u>\$967,537,924</u>	<u>\$978,430,122</u>	<u>\$999,396,169</u>	<u>\$1,048,553,755</u>	<u>\$1,109,443,626</u>	<u>\$1,105,726,520</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.

2) The significant decrease in net position was due to the implementation of GASB 68 related to the City's net pension liability.

**CITY OF MODESTO
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$12,473,794	\$14,236,573	\$12,041,953	\$11,221,704	\$12,085,051	\$12,838,583	\$13,945,824	\$15,432,617	\$13,973,768	\$14,808,371
Community development	28,301,160	14,206,876	25,162,533	13,002,466	11,888,475	12,552,115	15,419,529	17,268,926	15,720,280	25,698,343
Highways and streets	24,114,799	21,009,521	20,525,496	21,316,315	21,269,704	20,149,011	22,481,002	22,997,140	23,937,423	25,858,611
Public works	7,393,809	6,780,882	4,064,497	3,241,135	9,810,989	10,749,465	13,169,149	8,674,538	3,472,405	3,736,696
Parks and recreation	10,310,549	11,741,352	13,036,579	11,659,816	4,641,611	3,493,743	3,947,898	4,456,508	15,680,980	14,725,590
Public safety	83,381,310	83,568,633	83,857,207	72,301,682	86,782,741	86,907,876	104,348,464	120,629,673	111,059,794	140,709,104
Interest on long-term debt	3,609,345	3,066,897	3,193,997	2,958,471	3,204,203	2,691,894	2,500,849	2,510,224	2,402,299	2,302,626
Total governmental activities expenses	\$169,584,766	\$154,610,734	\$161,882,262	\$135,701,589	\$149,682,774	\$149,382,687	\$175,812,715	\$191,969,626	\$186,246,949	\$227,839,341
Business-type activities:										
Water	\$1,518,955	\$1,482,640	\$1,252,660	\$1,605,829	\$54,718,239	\$59,127,625	\$63,008,231	\$56,526,729	\$62,745,688	\$69,187,391
Sewer	36,305,860	53,730,665	48,656,862	63,498,896	30,281,361	33,093,921	36,248,877	41,444,220	41,216,914	45,832,671
Bus	28,497,430	29,366,025	24,155,935	31,895,568	18,614,175	19,709,745	21,979,360	20,538,934	24,276,760	25,261,736
Parking	7,619,939	6,674,100	4,239,567	6,372,418	1,513,185	1,625,943	1,628,226	1,553,258	1,899,479	1,905,382
Storm drain	4,112,837	4,426,031	4,350,079	4,951,441	3,913,204	5,312,896	6,119,472	5,202,444	7,157,290	7,384,884
Compost	2,157,180	1,640,733	1,534,242	2,291,222	7,841,048	11,998,345	9,648,481	9,652,175	8,477,947	10,330,237
Airport	16,064,104	16,944,803	18,025,010	19,618,547	2,025,146	1,787,081	1,744,557	1,578,654	1,646,800	1,841,645
Golf	2,366,052	2,279,650	2,197,368	2,845,109	2,998,505	3,130,536	2,871,167	2,616,077	3,052,785	2,939,639
Community center	2,284,082	2,352,173	1,864,996	2,031,928	1,852,585	1,981,307	1,934,179	1,780,010	1,541,592	1,603,302
Abatement and public nuisance	-	34,609	42,879	31,877	93,067	84,152	51,624	351,557	63,312	142,124
Total business-type activities expenses	100,926,439	118,931,429	106,319,598	135,142,835	123,850,515	137,851,551	145,234,174	141,244,058	152,078,567	166,429,011
Total primary government expenses	\$270,511,205	\$273,542,163	\$268,201,860	\$270,844,424	\$273,533,289	\$287,234,238	\$321,046,889	\$333,213,684	\$338,325,516	\$394,268,352
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$6,804,398	\$6,799,202	\$6,262,963	\$5,825,407	\$5,912,157	\$6,539,908	\$5,082,405	\$6,544,581	\$6,387,743	\$5,973,621
Community development	4,730,263	4,430,690	4,123,811	4,537,984	3,385,050	6,885,850	10,378,999	16,049,727	12,106,237	17,327,298
Highway and streets	3,179,788	4,178,567	761,394	873,566	1,744,505	1,154,290	1,101,813	758,952	748,319	909,580
Public works	2,909,677	2,936,299	3,565,048	4,146,641	6,621,704	5,469,419	5,908,332	1,637,024	2,779,546	2,921,053
Parks and recreation	3,105,490	3,221,072	3,623,647	3,004,001	1,344,923	771,733	1,614,443	2,346,211	2,450,965	3,358,983
Public safety	4,977,440	3,338,783	3,668,302	3,123,758	4,218,000	3,868,346	4,847,914	5,127,433	4,502,546	11,354,045
Operating grants and contributions	19,861,492	10,270,642	16,477,474	5,868,684	5,862,566	3,630,185	5,050,771	5,802,634	6,591,435	16,838,122
Capital grants and contributions	7,334,967	9,509,584	9,046,762	8,206,154	5,878,550	1,708,602	2,117,867	3,062,292	8,831,664	5,894,717
Total governmental activities program revenues	\$52,903,515	\$44,684,839	\$47,529,401	\$35,586,195	\$34,967,455	\$30,028,333	\$36,102,544	\$41,328,854	\$44,398,455	\$64,577,419
Business-type activities:										
Charges for services:										
Water	\$1,274,482	\$1,291,401	\$1,169,293	\$1,092,347	\$59,800,535	\$55,992,533	\$69,075,873	\$74,842,451	\$76,806,740	\$82,796,199
Sewer	55,345,414	57,534,190	61,474,235	60,254,110	46,193,997	47,859,680	49,905,078	52,799,102	57,562,619	58,168,552
Bus	39,142,045	41,825,928	43,414,773	46,046,304	3,424,662	3,352,615	3,253,046	3,305,910	3,176,134	2,443,208
Parking	6,152,211	5,783,694	5,780,644	5,831,133	1,239,439	1,289,211	1,284,269	1,434,311	1,519,954	1,264,938
Storm drain	4,490,110	4,672,517	4,812,611	4,853,133	5,874,349	5,588,169	5,910,988	6,004,682	6,133,801	6,114,242
Compost	1,019,177	619,689	619,904	634,530	7,191,145	7,352,767	8,903,917	8,934,075	10,090,662	10,216,018
Airport	2,877,492	2,892,539	2,946,937	2,989,504	551,373	622,383	596,152	651,693	737,072	651,447
Golf	1,647,400	1,759,818	1,568,532	2,196,280	2,574,496	2,431,904	2,236,100	2,485,688	2,419,938	2,005,588
Community center	433,460	420,059	263,581	230,801	257,991	326,839	305,436	294,524	285,685	188,589
Abatement and public nuisance	-	71,567	302,563	201,825	128,636	166,641	117,677	112,199	231,167	67,181
Operating grants and contributions	12,629,219	12,694,058	13,766,061	13,721,179	14,223,954	14,153,568	15,975,703	17,858,762	25,668,280	21,780,920
Capital grants and contributions	4,856,649	12,021,793	4,282,549	4,971,940	13,820,127	4,753,223	19,617,513	7,196,698	5,198,721	546,375
Total business-type activities program revenues	129,867,659	141,587,253	143,601,683	143,023,086	155,280,704	143,889,533	177,181,752	175,920,095	189,830,773	186,243,257
Total primary government program revenues	\$182,771,174	\$186,272,092	\$191,131,084	\$178,609,281	\$190,248,159	\$173,917,866	\$213,284,296	\$217,248,949	\$234,229,228	\$250,820,676
Net (Expense)/Revenue										
Governmental activities	(\$116,681,251)	(\$109,925,895)	(\$114,352,861)	(\$100,115,394)	(\$114,715,319)	(\$119,354,354)	(\$139,710,171)	(\$150,640,772)	(\$141,848,494)	(\$163,261,922)
Business-type activities	28,941,220	22,655,824	37,282,085	7,880,251	31,430,189	6,037,982	31,947,578	34,676,037	37,752,206	19,814,246
Total primary government net expense	(\$87,740,031)	(\$87,270,071)	(\$77,070,776)	(\$92,235,143)	(\$83,285,130)	(\$113,316,372)	(\$107,762,593)	(\$115,964,735)	(\$104,096,288)	(\$143,447,676)

(continued)

City of Modesto
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2011⁽¹⁾</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽⁵⁾</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Utility users tax	\$ 19,119,037	\$ 19,230,879	\$ 20,399,116	\$ 20,153,653	\$ 19,591,170	\$ 19,564,921	\$ 20,113,023	\$ 20,609,874	\$ 19,803,859	\$ 19,803,218
Property taxes, levied for general purposes ⁽²⁾	12,107,226	11,863,902	11,618,481	12,304,010	13,551,827	14,552,304	15,384,518	16,356,095	17,316,735	18,113,180
Property taxes, generated by and allocated to the airport	5,750,235	2,884,357	-	-	-	-	-	-	-	-
Transient occupancy tax	1,639,761	1,769,106	1,884,188	1,879,825	2,097,952	2,523,087	2,669,484	2,826,160	2,961,406	2,727,061
Franchise tax	3,940,364	4,236,705	5,785,355	5,003,130	5,768,146	6,194,733	6,431,223	6,433,869	6,762,101	6,996,152
Business license tax, levied for general purposes	9,339,077	9,694,722	10,176,791	10,573,820	11,421,759	11,944,291	12,255,062	13,053,199	14,068,205	16,470,832
Business license tax, levied for downtown improvement district	172,520	177,026	170,222	181,689	188,247	186,123	192,540	189,070	202,014	190,543
Grants and contributions not restricted to specific programs:										
Sales tax (state appropriation)	24,110,596	25,958,263	27,110,911	27,651,939	28,437,594	29,878,815	30,204,125	31,302,950	31,665,700	30,534,694
Motor vehicle license fee	13,419,232	13,072,804	12,038,983	12,494,642	13,871,248	14,548,427	15,385,069	16,206,760	17,057,003	17,977,807
Transportation tax funding	-	-	-	-	5,924,101	4,533,572	3,968,029	5,672,563	19,002,236	19,438,347
Community facilities district fees	-	-	-	-	4,570,403	3,829	1,830	274,494	8,432	16,567
Special assessments, levied	-	-	-	-	1,924,623	3,168,260	3,014,768	5,715,030	4,260,281	4,622,697
Proceeds from Modesto Regional Fire Authority dissolution	-	-	-	-	2,500,721	-	-	-	-	-
Other	9,718,308	11,794,261	12,844,926	15,269,250	25,866,105	13,101,149	15,842,047	17,469,209	13,832,686	27,469,638
Unrestricted investment earnings	696,848	(411,571)	52,893	441,383	564,314	582,565	362,856	726,199	5,753,083	6,044,156
Miscellaneous	1,630,466	1,821,336	1,861,660	5,402,480	2,281,008	2,440,696	515,206	818,542	3,421,783	3,660,429
Transfers	1,503,170	2,838,873	1,055,670	(41,312)	(775,377)	(567,177)	(1,750,401)	(354,287)	(1,675,373)	479,917
Total government activities	103,146,840	104,930,663	104,999,196	111,314,509	137,783,841	122,655,595	124,589,379	137,299,727	154,440,151	174,545,238
Business-type activities:										
Taxes:										
Property taxes, generated by and allocated to the airport	309,699	253,974	257,687	254,200	237,546	206,854	199,124	207,849	201,931	190,995
Unrestricted investment earnings	1,947,417	2,095,947	1,184,422	2,726,148	554,180	2,247,061	872,935	1,047,604	7,290,802	8,082,331
Connection fees ⁽³⁾	-	-	1,200,800	524,914	-	-	-	-	-	-
Miscellaneous	-	-	-	-	1,214,729	1,368,761	1,316,801	1,472,809	1,528,727	1,390,820
Settlements	(1,503,170)	(2,838,873)	(1,055,670)	41,317	13,851	-	-	-	-	-
Transfers, net	187,096	222,379	116,711	110,376	775,377	567,177	1,750,401	354,287	1,675,373	(479,917)
Special item ⁽⁴⁾	(727,310)	(826,133)	(1,143,257)	(1,356,418)	-	-	-	-	-	-
Total business-type activities	213,732	(1,092,706)	560,693	2,300,537	2,795,683	4,389,853	4,139,261	3,082,549	10,696,833	9,184,229
Total primary government	\$ 103,360,572	\$ 103,837,957	\$ 105,559,889	\$ 113,615,046	\$ 140,579,524	\$ 127,045,448	\$ 128,728,640	\$ 140,382,276	\$ 165,136,984	\$ 183,729,467
Change in Net Position										
Governmental activities	\$ (13,534,411)	\$ (4,995,232)	\$ (9,353,665)	\$ 11,199,115	\$ 23,068,522	\$ 3,301,241	\$ (15,120,792)	\$ (13,341,045)	\$ 12,591,657	\$ 11,283,316
Business-type activities	29,154,952	21,563,118	37,842,778	10,180,788	34,225,872	10,427,835	36,086,839	37,758,586	48,449,039	28,998,475
Total primary government	\$ 15,620,541	\$ 16,567,886	\$ 28,489,113	\$ 21,379,903	\$ 57,294,394	\$ 13,729,076	\$ 20,966,047	\$ 24,417,541	\$ 61,040,696	\$ 40,281,791

(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.

(3) Starting in 2015, connection fee revenues were reported as part of program revenues for the Water fund.

(4) Starting in 2015, the special item related to pollution remediation has been reported as a liability. Any expenses incurred will be accounted for as a reduction to the liability.

(5) Starting in 2015, general revenues for grants and contributions not restricted to specific programs other related governmental activities were reclassified to provide more specific category revenue types.

**CITY OF MODESTO
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2011⁽¹⁾</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Nonspendable	\$ -	\$ 123,061	\$ 126,603	\$ 102,152	\$ 2,770,844	\$ 2,647,692	\$ 2,515,146	\$ 2,881,523	\$ 2,723,032	\$ 2,503,547
Restricted	4,313,287	3,998,539	3,713,640	3,718,682	1,341,972	2,092,126	1,970,622	2,674,200	2,209,485	2,137,896
Committed	-	-	-	3,000,000	3,000,000	3,000,000	15,800,000	18,397,817	18,397,817	18,397,817
Assigned	458,415	519,051	1,173,377	1,024,149	3,119,753	6,503,769	4,854,307	1,096,566	509,751	309,114
Unassigned	10,215,682	10,806,111	11,758,746	12,069,864	14,586,931	12,822,134	4,509,693	1,695,476	1,742,785	2,407,575
Total General Fund	<u>\$ 14,987,384</u>	<u>\$ 15,446,762</u>	<u>\$ 16,772,366</u>	<u>\$ 19,914,847</u>	<u>\$ 24,819,500</u>	<u>\$ 27,065,721</u>	<u>\$ 29,649,768</u>	<u>\$ 26,745,582</u>	<u>\$ 25,582,870</u>	<u>\$ 25,755,949</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ 119	\$ 746	\$ 3,907	\$ 88,057	\$ 86,242	\$ 81,007	\$ 23,816	\$ 13,290	\$ 101,173
Restricted	118,919,268	109,145,041	106,724,809	108,672,378	79,643,971	80,563,574	85,531,411	91,786,367	89,210,020	104,838,269
Assigned	3,647,941	2,604,281	3,965,851	3,700,733	14,962,522	10,063,058	7,975,865	17,126,893	19,304,837	26,193,552
Unassigned	(23,614,308)	(18,852,239)	(32,965,286)	(34,656,617)	(3,866,450)	(724,841)	(3,156,679)	(1,723,380)	(2,809,303)	(7,112,005)
Total all other governmental funds	<u>\$ 98,952,901</u>	<u>\$ 92,897,202</u>	<u>\$ 77,726,120</u>	<u>\$ 77,720,401</u>	<u>\$ 90,828,100</u>	<u>\$ 89,988,033</u>	<u>\$ 90,431,604</u>	<u>\$ 107,213,696</u>	<u>\$ 105,718,844</u>	<u>\$ 124,020,989</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 ten years of data for this schedule.

(1) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

CITY OF MODESTO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$52,068,220	\$49,856,697	\$50,034,153	\$50,096,127	\$52,619,101	\$54,965,459	\$57,045,850	\$59,468,267	\$61,114,320	\$64,300,986
Licenses and permits	139,073	131,302	175,720	174,734	149,888	186,624	201,445	153,226	344,855	408,645
Intergovernmental	74,242,596	68,682,778	75,737,161	67,426,885	88,906,770	76,317,229	72,069,739	85,629,758	96,174,839	125,072,949
Charges for services	22,638,801	19,897,159	19,800,718	19,457,298	22,337,357	20,429,860	24,454,286	25,467,795	23,226,714	36,147,116
Special assessments levied	1,852,529	1,860,905	1,781,896	2,063,784	1,924,623	3,168,260	3,014,768	5,715,030	4,260,281	4,622,697
Interest and rent	838,178	1,145,251	835,994	1,019,357	957,846	1,297,734	1,402,387	1,574,347	2,219,282	2,018,446
Net increase (decrease) in fair value of investments	(89,608)	(452,987)	(584,090)	(423,827)	(320,398)	102,422	(572,616)	(645,593)	1,294,543	1,728,158
Fines and forfeits	2,929,182	2,169,482	2,004,133	1,844,607	1,171,076	904,802	1,263,407	1,127,877	1,143,506	666,120
Miscellaneous	1,630,467	1,821,336	2,081,776	4,653,746	2,784,295	2,286,597	516,844	818,542	722,662	989,858
Total Revenues	156,249,438	145,111,923	151,867,461	146,312,711	170,530,558	159,658,987	159,396,110	179,309,249	190,501,002	235,954,975
Expenditures										
Current:										
General government	10,879,751	12,411,413	11,169,669	11,643,579	11,334,202	12,414,982	11,542,131	11,837,635	12,262,797	12,028,015
Community development	26,077,905	12,831,734	23,673,373	12,589,817	11,511,154	12,453,678	13,264,050	13,234,820	13,796,154	20,945,194
Highways and streets	11,530,856	8,434,681	8,560,717	8,744,899	9,672,790	8,498,783	9,240,654	8,936,163	10,102,646	11,039,619
Public works	6,035,524	5,283,123	2,993,702	3,088,701	9,228,780	10,393,169	10,919,102	6,509,418	3,017,247	3,035,851
Parks and recreation	8,722,311	9,756,888	11,299,979	11,947,862	4,212,301	3,385,484	3,269,360	3,420,453	13,843,885	11,944,940
Public safety	73,207,608	72,131,852	74,094,399	74,595,533	81,353,131	84,022,670	86,475,891	92,341,706	97,411,634	114,540,829
Capital outlay	11,219,489	20,839,517	26,616,638	12,901,002	30,339,677	19,817,025	21,431,186	19,037,250	38,522,334	38,425,318
Debt service:										
Principal retirement	2,234,000	2,397,000	1,451,000	1,596,000	1,789,335	2,345,362	2,535,093	2,849,343	2,562,498	2,734,132
Interest	3,620,851	3,229,440	2,330,962	2,159,672	2,417,840	2,043,278	2,075,202	2,114,488	1,897,384	1,996,806
Other	57,557	48,738	932,460	872,350	783,264	697,405	430,779	396,686	506,333	307,928
Total Expenditures	153,585,852	147,364,386	163,122,899	140,139,415	162,642,474	156,071,836	161,183,448	160,677,962	193,922,912	216,998,632
Excess of revenues over (under) expenditures	2,663,586	(2,252,463)	(11,255,438)	6,173,296	7,888,084	3,587,151	(1,787,338)	18,631,287	(3,421,910)	18,956,343
Other Financing Sources (Uses)										
Transfers in	10,557,218	11,384,460	18,230,774	7,962,817	8,157,278	6,960,425	5,559,720	10,707,217	21,496,638	15,292,128
Transfers out	(13,069,195)	(14,223,663)	(18,417,413)	(11,164,994)	(10,682,539)	(10,572,346)	(6,659,759)	(13,568,675)	(20,760,150)	(17,397,619)
Capital leases	-	-	-	-	1,070,472	330,947	5,883,756	-	-	39,204
Sale of assets	-	-	72,489	200,838	94,489	106,582	31,239	154,458	87,608	132,485
Total other financing sources (uses)	(2,511,977)	(2,839,203)	(114,150)	(3,001,339)	(1,360,300)	(3,174,392)	4,814,956	(2,707,000)	824,096	(1,933,802)
Extraordinary Items:										
RDA dissolution transactions	-	(403,850)	-	-	-	-	-	-	-	-
RDA advance receivable elimination	-	(966,127)	-	-	-	-	-	-	-	-
Total extraordinary items	-	(1,369,977)	-	-	-	-	-	-	-	-
Change in fund balances	151,609	(6,461,643)	(11,369,588)	3,171,957	6,527,784	412,759	3,027,618	15,924,287	(2,597,814)	17,022,541
FUND BALANCES, July 1	113,871,596	113,940,285	108,343,964	94,498,486	97,635,248	115,647,600	117,053,754	120,081,372	133,959,278	131,301,714
PRIOR PERIOD ADJUSTMENTS	(82,920)	865,322	(2,475,890)	(35,195)	11,484,568	993,395	-	(2,046,381)	(59,750)	1,452,683
FUND BALANCES, June 30	\$113,940,285	\$108,343,964	\$94,498,486	\$97,635,248	\$115,647,600	\$117,053,754	\$120,081,372	\$133,959,278	\$131,301,714	\$149,776,938
Debt service as a percentage of noncapital expenditures	4.11%	4.45%	2.77%	2.95%	3.18%	3.22%	3.30%	3.50%	2.87%	2.65%

The debt service percentage was revised to only include principal and interest.

CITY OF MODESTO
REVENUE CAPACITY - MOST SIGNIFICANT LOCAL REVENUE SOURCE
WATER UTILITY SYSTEM
(YEAR ENDED JUNE 30, 2020)

Ten Largest Customers of Water Utility System, Year Ended 06/30/2020

<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) Modesto City Schools	436,520	1.91%	\$ 1,159,634	1.58%
2) City of Modesto-Stores	322,492	1.41%	\$ 1,027,743	1.40%
3) Stanislaus Food Products	487,820	2.13%	\$ 1,006,523	1.37%
4) Foster Farms	382,497	1.67%	\$ 761,618	1.03%
5) Stanislaus Housing Authority	153,464	0.67%	\$ 458,259	0.62%
6) Modesto Irrigation District	193,405	0.84%	\$ 451,115	0.61%
7) Sunopta	203,523	0.89%	\$ 417,906	0.57%
8) Yosemite Community College	126,364	0.55%	\$ 345,852	0.47%
9) STANCO	82,398	0.36%	\$ 297,289	0.40%
10) E & J Gallo	86,159	0.38%	\$ 293,138	0.40%
Total Top Ten	<u>2,474,642</u>	<u>10.81%</u>	<u>\$ 6,219,077</u>	<u>8.45%</u>

Total Flat/Metered Revenues (Water Sales)

\$ 73,626,381

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

Water Sales Revenue, Year Ended 06/30/2020

Residential - Flat Rates

\$ 3,450,868

Commercial, Industrial and Municipal - Metered Rates

\$ 70,175,513

Total Water Sales ⁽²⁾

\$ 73,626,381

Water Rates and Charges as of 07/01/2019

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

\$ 64.23

Commercial Accounts:

<u>Meter Size</u>	
3/4"	\$ 24.94
1"	\$ 36.11
1 1/2"	\$ 64.04
2"	\$ 97.55
3"	\$ 203.66
4"	\$ 360.04
6"	\$ 734.22
8"	\$ 1,348.56
10"	\$ 2,130.44
12"	\$ 2,800.62

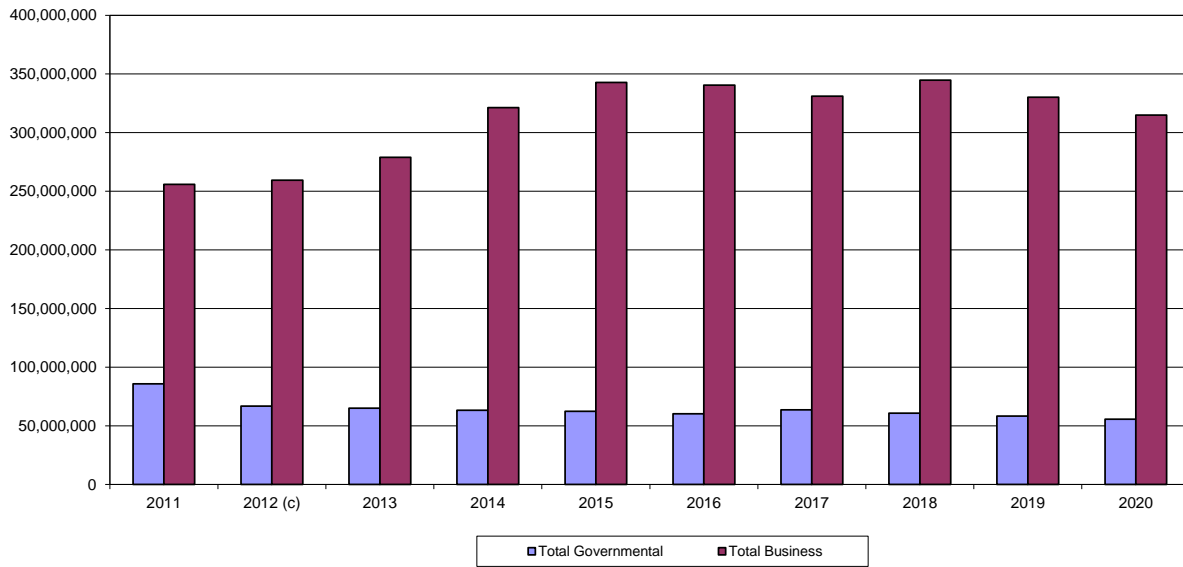
In addition to these minimum charges, commercial accounts are charged \$1.98 per 100 cubic feet of water used.

(2) Water sales only reflect the revenues in the Water Operating Fund and do not include revenue generated from developer fees and fleet replacement revenues.

Source:

City of Modesto-Utilities Division

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
2011	\$ 905,030	\$ 16,975,000	\$ 63,255,000	\$ 3,594,658	\$ 975,955	\$ 85,705,643
2012 (c)	500,000	-	62,130,000	3,392,000	742,937	66,764,937
2013	500,000	-	60,870,000	3,201,000	502,622	65,073,622
2014	500,000	-	59,475,000	3,000,000	256,945	63,231,945
2015	500,000	-	57,970,000	2,789,000	1,070,472	62,329,472
2016	500,000	-	56,305,000	2,568,000	942,057	60,315,057
2017	500,000	-	54,470,000	2,335,000	6,358,720	63,663,720
2018	500,000	-	52,775,000	2,090,000	5,449,379	60,814,379
2019	500,000	-	50,915,000	1,834,000	5,002,881	58,251,881
2020	500,000	-	48,915,000	1,565,000	4,576,954	55,556,954

Business-Type Activities

Fiscal Year	Loans Payable	Certificates of Participation	Reimbursement Agreement related to MID (e)	Revenue Bonds (b)	Obligations Under Capital Leases	Total (f)	Total Primary Government	Percentage of Personal Income (a) (e)	Per Capita (a) (e)
2011 (d)	\$ 6,522,243	\$ 50,757,779	-	\$ 198,654,489	-	\$ 255,934,511	\$ 341,640,154	6.51%	1,698
2012 (d)	16,098,866	50,237,067	-	193,098,177	-	259,434,110	326,199,047	5.18%	1,617
2013	41,921,784	49,681,357	-	187,251,865	-	278,855,006	343,928,628	7.53%	1,670
2014	88,922,403	49,634,062	-	182,792,914	-	321,349,379	384,581,324	8.15%	1,860
2015	117,690,257	48,989,556	137,055,810	39,057,561	-	342,793,184	405,122,656	8.63%	1,937
2016 (g)	125,787,342	48,330,053	132,375,084	33,945,516	-	340,437,995	400,753,052	8.21%	1,891
2017	124,280,500	47,630,552	127,484,358	31,605,936	-	331,001,346	394,665,066	8.13%	1,859
2018	147,366,700	46,916,049	122,378,632	28,090,694	73,589	344,825,664	405,640,043	7.31%	1,894
2019	141,471,062	46,146,545	117,047,906	25,522,898	19,510	330,207,921	388,459,802	7.20%	1,807
2020	135,251,891	45,357,043	111,472,183	22,892,869	7,825	314,981,811	370,538,765	6.30%	1,667

- (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 Certificates 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) In 2015, the Reimbursement agreement with MID was reclassified from revenue bonds payable to reimbursement agreement related to MID since this long-term debt is listed under MID but is the City's liability due to nature of the treatment and delivery agreement.
 (f) The total for Business-Type Activities did not include the capital leases in error. The total has been updated to account for this debt.
 (g) Starting in 2016, the amounts presented include net of unamortized premiums or discounts.

CITY OF MODESTO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2020

<u>Jurisdiction</u>	<u>Net Debt Outstanding ⁽¹⁾</u>	<u>Percentage Applicable to City of Modesto ⁽²⁾</u>	<u>Amount Applicable to City of Modesto</u>
Direct debt:			
City of Modesto	\$ <u>55,556,954</u>	100%	\$ <u>55,556,954</u>
Overlapping General Obligation debt - school districts:			
Ceres Unified School District	88,381,108	1.76%	1,555,576
Hart-Ransom Union School District	3,589,803	31.11%	1,116,618
Modesto Elementary School District	33,048,352	37.34%	12,338,784
Modesto High School District	2,491,925	53.55%	1,334,353
Paradise Elementary School District	305,000	0.00%	-
Salida Union Elementary District	2,610,000	9.65%	251,968
Stanislaus Union School District	19,320,000	73.90%	14,276,772
Sylvan School District	32,450,257	40.90%	13,273,659
Yosemite Community College District	<u>232,248,748</u>	24.41%	<u>56,683,424</u>
Total overlapping debt	<u>414,445,193</u>		<u>100,831,154</u>
Total direct and overlapping debt	\$ <u><u>470,002,147</u></u>		\$ <u><u>156,388,108</u></u>

Note: 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, 2020

Net assessed value ⁽¹⁾⁽³⁾		\$ 17,173,915,955
Plus homeowners' exemption ⁽¹⁾⁽³⁾		<u>200,308,818</u>
Gross assessed value ⁽¹⁾⁽³⁾		<u>\$ 17,374,224,773</u>
Debt limit - 15% of gross assessed value ⁽²⁾		\$ 2,606,133,716
Amount of debt applicable to debt limit:		
Total general bonded debt, including special assessment debt	\$ _____	-
Less: Assets in debt service funds available for payment of principal	\$ _____	-
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>\$ 2,606,133,716</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
2011	1,856,710,771	-	1,856,710,771	0%
2012	1,823,551,939	-	1,823,551,939	0%
2013	1,724,049,678	-	1,724,049,678	0%
2014	1,825,518,342	-	1,825,518,342	0%
2015	2,017,621,335	-	2,017,621,335	0%
2016	2,120,160,392	-	2,120,160,392	0%
2017	2,232,042,092	-	2,232,042,092	0%
2018 ⁽⁴⁾	2,354,367,851	-	2,354,367,851	0%
2019	2,476,468,235	-	2,476,468,235	0%
2020	2,606,133,716	-	2,606,133,716	0%

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

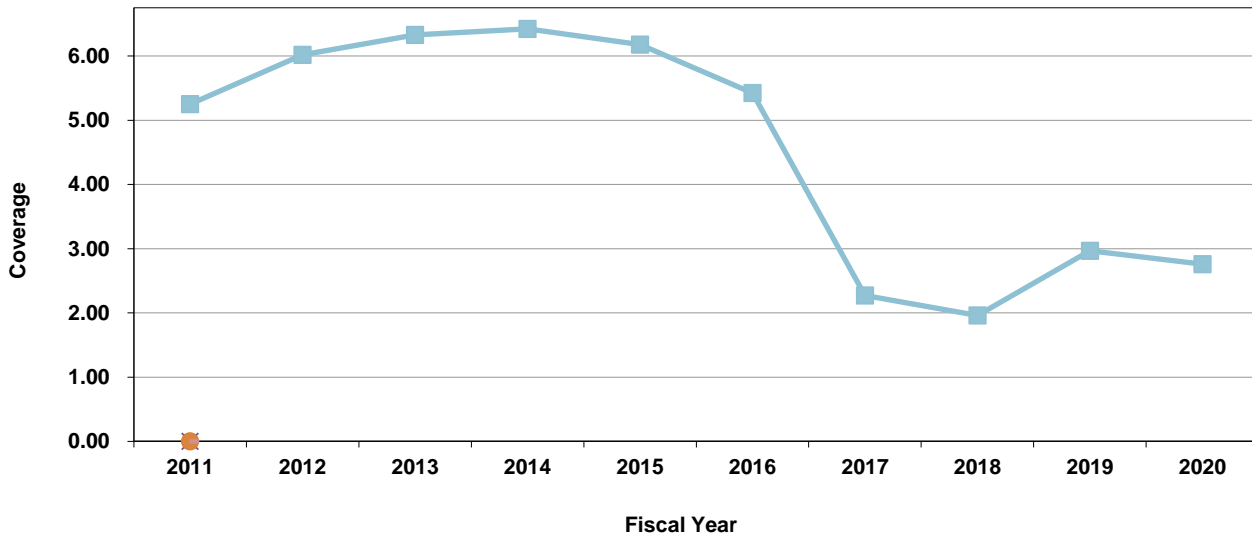
(1) Source: Stanislaus County Auditor

(2) Section 43605 California Government Code.

(3) Figures are based on Stanislaus County

(4) 2018 was updated after a discussion with Stanislaus County made apparent that the wrong Tax Year was originally pulled from their records

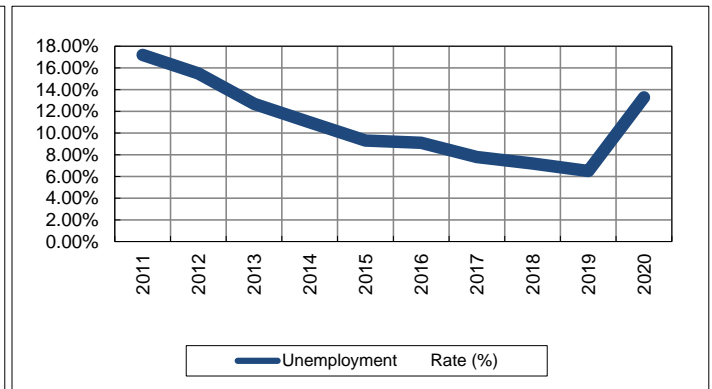
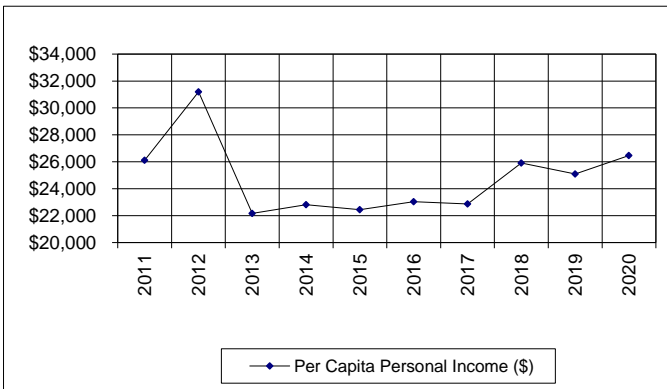
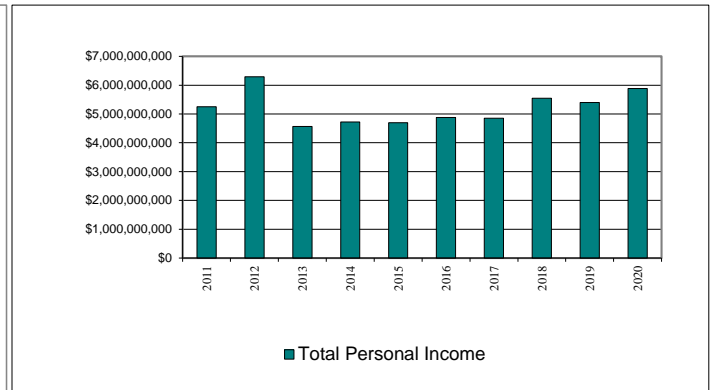
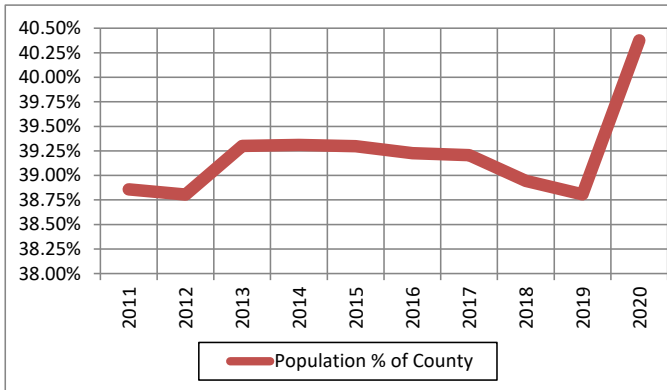
CITY OF MODESTO
REVENUE BOND COVERAGE
WASTEWATER REVENUE BONDS
LAST TEN FISCAL YEARS ⁽⁴⁾



Fiscal Year	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾⁽⁴⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽³⁾	Coverage
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
2014	47,233,028	19,860,430	27,372,598	4,261,980	6.42
2015	46,853,368	21,207,025	25,646,343	4,150,322	6.18
2016	50,207,559	25,418,140	24,789,419	4,570,286	5.42
2017	50,907,228	25,212,214	25,695,014	11,311,098	2.27
2018	53,770,230	27,227,948	26,542,282	13,536,703	1.96
2019	62,618,527	27,144,632	35,473,895	11,958,407	2.97
2020	64,094,389	29,019,732	35,074,657	12,706,004	2.76

- 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 2005 A and 2005 B and 2006 Wastewater Revenue Bonds. In fiscal year 2016-17, began repaying State Revolving Fund loan for Phase 2 - Tertiary Treatment Project debt service.
 - (4) The amount reported in 2014 was corrected from \$28,203,399 to \$19,860,430. The former amount included \$8.4 million for the State Revolving Fund loan which should not have been included in the calculation.

**CITY OF MODESTO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



Fiscal Year ⁽¹⁾	City Population	Total Personal Income	Per Capita Personal Income (\$)	Unemployment Rate (%)	Stanislaus County Population	City Population % of County
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%
2014	206,785	4,719,247,270	22,822	11.00%	526,042	39.31%
2015	209,186	4,693,924,654	22,439	9.30%	532,297	39.30%
2016	211,903	4,880,973,702	23,034	9.10%	540,214	39.23%
2017	212,287	4,856,701,986	22,878	7.80%	541,466	39.21%
2018	214,181	5,549,643,891	25,911	7.20%	549,976	38.94%
2019	215,030	5,396,177,850	25,095	6.50%	554,108	38.81%
2020	222,335	5,882,539,430	26,458	13.30%	550,660	40.38%

(1) During Fiscal Year 2019-2020, unemployment rates increased due to the effects of the novel coronavirus, COVID-19.

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	2019/20			2011/12		
	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment
E & J Gallo Winery	6,500	1	3.31%	3,308	1	3.17%
Stanislaus County	3,991	2	2.03%			
Modesto City Schools	3,200	3	1.63%	3,113	2	2.98%
Doctors Medical Center	2,600	4	1.33%	1,984	5	1.90%
Memorial Medical Ctr	2,196	5	1.12%	3,013	3	2.89%
Foster Farms Poultry	2,000	6	1.02%			
Del Monte Foods Inc	1,972	7	1.01%	1,700	6	1.63%
Stanislaus Food Products	1,500	8	0.76%	1,500	8	1.44%
Save Mart Supermarkets	1,700	9	0.87%			
Turlock Unified School District	1,500	10	0.76%			
Seneca				2,100	4	2.01%
Modesto Junior College				1,643	7	1.58%
Kaiser Permanente Modesto				1,500	9	1.44%
City of Modesto				1,187	10	1.14%
Subtotal	<u>27,159</u>		<u>13.84%</u>	<u>21,048</u>		<u>20.18%</u>
Total Labor Force	196,200					
Total City Population	222,335					

Source: Stanislaus Economic Development & Workforce Alliance
(1) The number of employees include both part-time and full time.

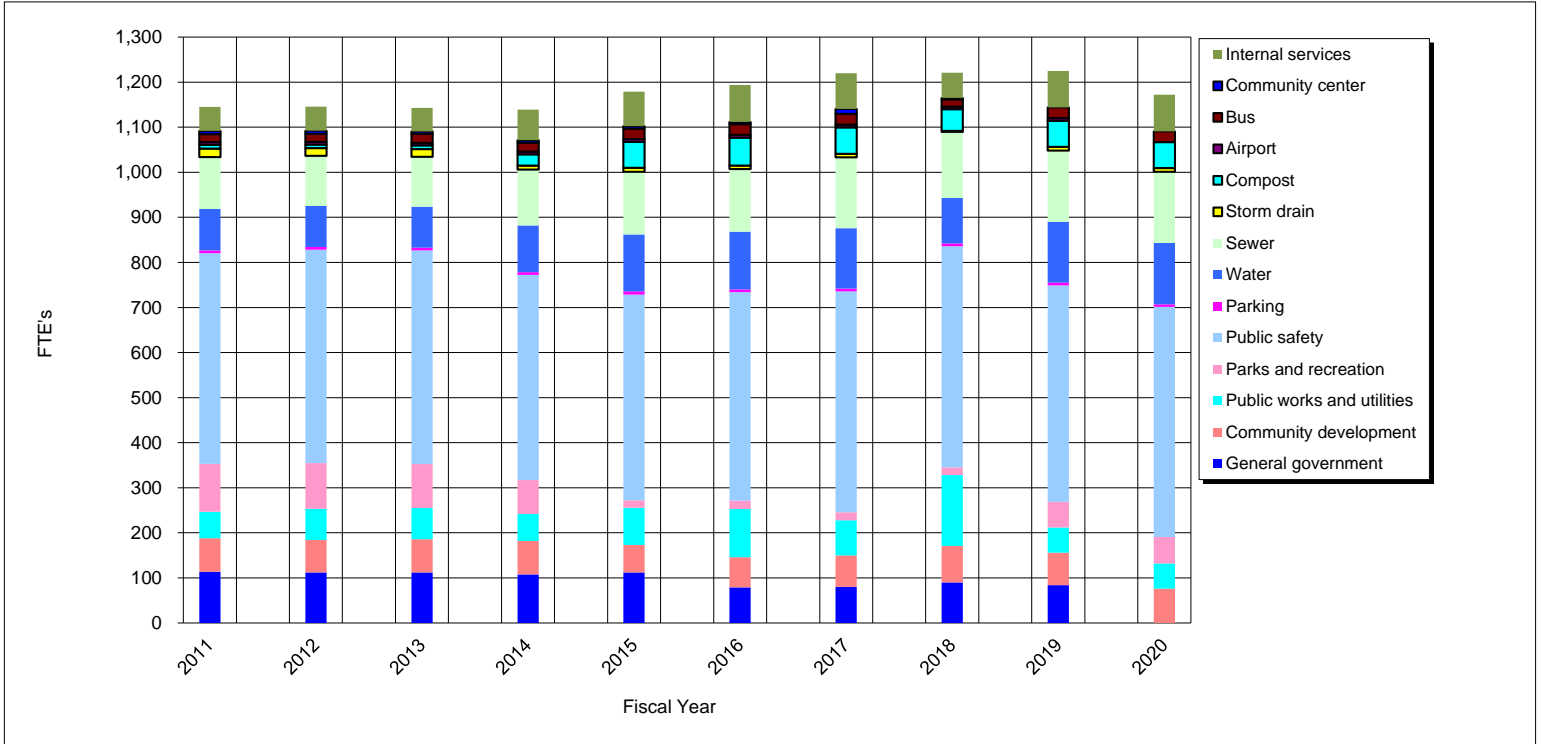
**CITY OF MODESTO
PRINCIPAL PROPERTY TAXPAYERS**

Employer	2019/20			2011/12		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Pacific Gas & Electric Company	\$ 370,154,285	1	2.13%	\$ 165,879,478	4	0.47%
Gallo Glass Co	360,532,219	2	2.08%	233,194,981	2	0.59%
World International LLC	22,917,418	3	0.13%	18,467,607	1	0.69%
Gallo E & J Winery	310,792,474	4	1.79%	201,206,757	3	0.51%
E & J Gallo Winery	196,586,720	5	1.13%			
Frito Lay Inc	163,761,720	6	0.94%	108,562,980	8	0.27%
Excel Monte Vista LP	143,579,507	7	0.83%			
WR Griffin Patterson LLC	104,246,116	8	0.60%			
Bronco Wine Company	147,644,067	9	0.85%			
Doctors Medical Center	137,496,750	10	0.79%	122,103,700	6	0.30%
Fresno Farming LLC				85,530,809	9	0.27%
AT&T California				113,657,178	5	0.32%
Hunt Wesson Foods, Inc				112,983,862	7	0.29%
Foster Farms Dairy				106,846,247	10	0.27%
Subtotal	<u>\$ 1,957,711,276</u>		<u>11.27%</u>	<u>\$ 1,268,433,599</u>		<u>3.98%</u>
Total assessed value of \$	\$ 17,374,224,773			\$ 12,157,012,927		

Source: Stanislaus County Treasurer-Tax Collector

Note: Information based on entire Stanislaus County

**CITY OF MODESTO
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
General government	113.60	112.00	112.00	108.00	112.10	79.00	80.00	90.00	84.00	84.00
Community development	74.20	72.20	74.00	73.80	60.75	67.00	70.00	81.00	72.00	76.00
Public works and utilities	59.00	69.00	69.00	60.00	83.00	107.00	78.00	157.00	56.00	56.00
Parks and recreation	106.23	101.48	97.50	75.38	16.50	18.50	17.50	17.50	56.75	58.75
Public safety	467.75	473.75	474.00	455.00	456.50	462.50	490.50	490.50	480.50	510.50
Parking	6.00	6.00	6.00	6.00	7.00	6.00	6.00	6.00	6.00	6.00
Water	92.00	91.00	91.00	104.00	126.00	128.00	134.00	101.00	135.00	136.00
Sewer	115.00	111.00	111.00	124.00	139.00	139.00	157.00	146.80	158.00	158.00
Storm drain	19.00	17.00	17.00	9.00	9.00	8.00	8.00	2.00	8.00	8.00
Compost	8.00	8.00	8.00	24.80	57.80	61.80	58.80	48.00	57.80	57.80
Airport	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Bus	18.00	18.00	20.00	20.00	23.00	24.00	24.00	16.00	24.00	24.00
Community center	7.25	7.25	5.50	5.50	6.00	5.00	11.00	3.00	0.00	0.00
Internal services	53.00	53.00	52.00	67.30	76.00	82.00	79.00	56.00	81.00	81.00
Total	1,145.03	1,145.68	1,143.00	1,138.78	1,178.65	1,193.80	1,219.80	1,220.80	1,225.05	1,262.05

Source: City of Modesto

**CITY OF MODESTO
OPERATING INDICATORS BY FUNCTION**

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety:										
Fire:										
Fire calls for service ⁽¹⁾	20,400	20,970	22,846	24,281	24,712	21,135	26,288	28,444	30,341	31,415
Primary fire inspections conducted	1,214	1,618	818	989	1,050	764	1,060	1,509	2,011	2,687
Police:										
Communication Center calls answered										
Police calls for service	154,549	168,242	174,113	123,357	122,270	129,439	129,802	194,931	181,430	178,649
Law violations:										
Part I and Part II crimes	49,914	47,175	52,272	53,032	50,729	53,609	53,142	53,543	47,141	36,898
Physical arrests (adult and juvenile)	11,872	11,536	12,418	15,039	18,634	12,303	11,760	13,247	12,388	13,302
Traffic violations	24,278	16,330	14,761	15,477	12,700	11,451	15,428	16,930	17,098	16,263
Parking violations	20,452	15,772	12,150	12,327	5,493	6,139	10,841	9,414	7,443	3,781
Public works										
Streets:										
Street resurfacing (lane miles)	6	-	6	12	8	4	12	4	8	1
Potholes repaired (square miles)	27,724	38,290	13,282	12,573	14,515	24,059	8,745	25,004	36,709	2,831
Water utility customer repaired (sq. ft)	58,044	112,136	81,261	29,108	611	-	-	-	0	0
Crack sealing (lane miles)	23	-	20	33	12	37	29	48	29	23
Airport:										
Number of passengers enplaned ⁽²⁾	22,514	19,188	16,532	11,703	-	-	-	-	0	0
Number of tenant aircraft	183	184	184	172	162	173	162	153	167	160
Number of hangars	118	118	118	118	119	119	119	119	119	119
Number of runways	2	2	2	2	2	2	2	2	2	2
Annual fuel consumption in gallons	311,500	645,283	653,153	682,769	582,473	443,272	582,602	580,383	631,891	511,928
Bus service:										
Number of buses	63	55	65	55	56	60	59	57	61	61
Number of routes	20	20	20	20	21	21	21	17	17	17
Total route miles	362	362	362	362	362	362	362	245	245	245
Average weekday number of passengers	10,688	11,553	11,616	12,538	11,598	12,441	10,523	9,354	8,869	7,475
Total number of passengers carried	3,145,400	3,413,421	3,434,409	3,666,824	3,416,314	3,664,689	3,108,307	2,762,922	2,589,049	2,182,079
Community development										
Building safety & NPU:										
Permits issued	3,801	3,288	3,566	3,871	4,511	4,939	4,973	5,033	4,335	4,146
Estimated cost of construction	\$ 73,397,148	\$ 76,362,371	\$ 81,095,370	\$ 58,850,241	\$ 137,453,763	\$ 92,768,634	\$ 118,527,812	\$ 172,595,385	\$ 112,433,029	\$ 170,765,326
Building Inspections made	29,034	25,549	27,816	30,034	31,571	23,187	36,158	42,891	39,086	34,218
Traffic electrical:										
Street lights	13,765	13,765	13,765	13,761	13,764	13,764	13,764	13,764	13,764	13,764
Traffic signals	143	143	144	144	147	151	153	155	155	156
Lighted ped walks	28	30	28	29	28	28	28	24	26	26
Beacons	5	8	8	11	11	11	11	3	4	4
Four way flashers	9	9	10	10	10	10	10	5	3	3
School flashers	22	22	22	22	22	23	24	16	13	14
CCTV	38	38	41	41	41	41	41	30	24	24
Hubs	5	5	6	6	6	6	6	2	6	6
Culture and recreation:										
Recreation class participants	2,297	2,072	264,670	150,514	151,323	150,091	150,500	154,000	160,656	116,131
Solid waste:										
Recyclables processed (tons per year)	50,789	67,317	37,647	46,936	55,020	56,493	71,155	62,701	60,947	62,617
Yard waste	60,408	58,650	55,147	39,117	48,832	58,730	62,859	64,873	66,017	82,866
Commercial food waste	814	735	765	827	817	845	914	1,550	1,145	1,192
Waste tires	2,388	1,247	1,674	4,969	4,152	4,497	4,931	4,285	4,320	5,089

(1) FY13 Fire calls for service was originally reported incorrectly due to duplicate entries found on the NFIRS reports. This figure was corrected 10/24/2014.

(2) The enplanements subsided with the loss of commercial service in FY 2014.

Source: City of Modesto - Various Departments

CITY OF MODESTO
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Function/Program										
Public safety:										
Fire stations	11	11	11	11	11	11	11	11	11	11
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	98	98	105	105	105	105	104	104	100	105
Public works										
Streets:										
Miles of streets ⁽¹⁾	676	684	684	691	691	692	692	692	693	693
Water:										
Miles of water mains	1,008	1,008	1,009	1,009	914	887	887	908	908	914
Fire hydrants	7,536	7,566	7,584	7,596	7,748	7,845	7,859	7,921	7,974	8,026
Storage capacity (thousands of gallons)	12,300,000	12,300,000	12,300,000	12,300,000	12,300,000	18,300,000	18,300,000	18,300,000	22,300,000	22,300,000
Wastewater:										
Miles of sanitary sewers	642	642	639	639	639	639	655	656	656	656
Miles of storm sewers	183	183	183	183	183	183	170	170	170	170
Number of treatment plants ⁽²⁾	2	2	2	2	2	2	2	2	2	2
Treatment capacity (millions of gallons) ⁽⁵⁾	72	72	70	70	70	70	19	19	19	19
Community services:										
City parks ⁽³⁾	76	76	76	76	76	76	76	76	76	76
City parks acreage	1,088	1,088	1,110	1,110	1,110	1,240	1,240	1,240	1,240	1,240
Playgrounds ⁽⁶⁾	55	55	55	55	58	58	58	58	58	54
City trails	4	7	7	7	6	6	6	6	6	6
City trails miles	12	14	14	14	15	15	15	16	16	17
Regional park acreage	324	324	324	324	375	375	375	375	375	375
Regional park facilities:										
Golf courses (18 holes)	2	2	2	2	2	2	2	2	2	2
Golf courses (9 holes)	1	1	1	1	1	1	1	1	1	1
Clubhouse and banquet facility	8	8	8	8	8	8	8	8	8	8
Historic house ⁽⁴⁾	4	4	4	4	4	3	3	3	3	3
Community gardens	2	2	2	2	2	2	1	1	1	1
Community centers	6	6	7	7	7	7	7	7	7	7
Senior centers	1	1	1	1	1	1	1	1	1	1
Sports centers	1	1	1	1	1	1	1	1	1	1
Performing arts centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	4	4	4	4	4	4	1	1	1	1
Tennis courts	37	37	37	37	37	37	37	37	37	37
Baseball/softball diamonds	24	24	24	24	24	24	24	24	24	24
Soccer/football fields	22	22	29	29	29	29	29	29	29	29
Splash play in Existing parks	-	10	10	10	10	10	10	10	9	9

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

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

(3) The number of parks for fiscal years 2013, 2014, 2015 was reported incorrectly as 77. Figures have been corrected to reflect accurately since FY 2016.

(4) The number of historic houses was reduced by one due to the Crismon House burning down. There are no plans to rebuild.

(5) The City has a new process and permit. Previous permit was 70 MGD seasonal Oct. through May. Current permit is 19 MGD year round.

(6) Removal of the East La Loma Playground, Beyer Park Playground , Mancini Park Playground, John Thurman Field Playground

Source: City of Modesto - Various Departments

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CONTINUING DISCLOSURE TAB

CONTINUING DISCLOSURE TAB

**CONTINUING DISCLOSURE
SECTION**

Continuing Disclosure Section

This part of the Comprehensive Annual Financial Report provides information in order to comply with the City's contractual commitment established by certain continuing disclosure undertaking of the City, entered into in accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule") for the City's bond obligations listed below. In contrast to the financial section, the continuing disclosure section information is not subject to independent audit.

1. Wastewater Revenue Refunding Bonds, Series 2015
2. Wastewater Revenue Refunding Bonds, Series 2018A
3. Water Revenue Refinancing Certificates of Participation, 2008 Series A
4. Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 2013G
5. Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds, Series 2007F

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION
YEAR ENDED JUNE 30, 2020

Wastewater Revenue Refunding Bonds, Series 2018 A ⁽¹⁾, and
Wastewater Revenue Refunding Bonds, Series 2015

Connection charge information: The Sewer Enterprise imposes connection fees on an 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: \$2,643 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>Category</u>	<u>Number of Accounts</u>	<u>% of Total Accounts</u>	<u>% of Sewer Fee Operating Revenue</u>
Residential	58,763	94.68%	59.85%
Commercial	3,251	5.24%	18.07%
Industrial	51	0.08%	22.08%
Total	62,065	100.00%	100.00%

Ten Largest Users of Sewer Facilities, Year Ended 6/30/20

<u>User</u>	<u>Sewer Fee Revenue</u>	<u>% of Sewer Fee Operating Revenue</u>
1) E & J Gallo Winery	\$ 2,083,065	3.85%
2) Stanislaus Food Products	\$ 2,024,129	3.74%
3) Foster Farms	\$ 1,980,924	3.66%
4) City of Ceres	\$ 1,616,164	2.99%
5) Del Monte Foods	\$ 1,312,819	2.43%
6) Frito-Lay, Inc	\$ 1,075,067	1.99%
7) Nestle Food Company	\$ 673,661	1.25%
8) Rizo Food Company	\$ 617,532	1.14%
9) SUNOPTA	\$ 489,225	0.90%
10) Seven Up Bottling	\$ 348,433	0.64%
Total (Top Ten Customers)	\$ 12,221,019	22.59%
Total (All Customers)	\$ 54,078,967	

The average single-family residence monthly sewer charge is: \$40.17

<u>Commercial Group</u>	<u>Charge Per 1,000 Gallons</u>	<u>Fixed Charge</u>
Group 1 (no food, just toilets or working facilities)	\$3.55	\$4.50
Group 2 (commercial laundromats, service stations, hotels without food)	\$4.70	\$4.50
Group 3 (industrial laundromats, hotels with food)	\$5.85	\$4.50
Group 4 (restaurants, bakeries, auto steam, markets)	\$7.23	\$4.50

Industrial users pay a minimum account charge of \$4.50 with additional charges of: \$3,516 per million gallons of flow, \$246 per 1,000 pounds of excess biochemical oxygen demand (BOD), and \$491 per 1,000 pounds of Total Suspended Solids (TSS).

Industrial users on the Cannery Segregation line pay a minimum account charge of \$4.50 with additional charges of: \$3,191 per million gallons of flow, \$1.66 per 1,000 pounds of biochemical oxygen demand (BOD), and \$4.81 per 1,000 pounds of Total Suspended Solids (TSS) while in production during the months of July, August and September.

(1) In the Fiscal Year ending June 30, 2018, the 2018A Wastewater bonds were issued, refunding the 2006A bonds.

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 27	
Principal Amount of Bonds and Other Parity Debt	Page 52-53	(Note III-C)
Historical Debt Service Coverage	Page 145	
	(continued)	

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2020

WASTEWATER COMPARISON INFORMATION

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

CITY OF MODESTO
WASTEWATER SYSTEM
Ten Year History of Rate Increases

<u>Fiscal Year</u>	<u>Percent Increase</u>
2010-11	3.00
2011-12	8.00
2012-13	6.00
2013-14	6.00
2014-15	2.00
2015-16	3.00
2016-17	6.00
2017-18	6.00
2018-19	6.00
2019-20	6.00

Comparative Monthly Wastewater Service Charges.

The City's residential charges as of July 1, 2019 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, 2019

<u>City</u>	<u>Monthly Residential Charge</u>
Fresno	\$25.37
Lodi	\$25.40
Modesto	\$40.17
Stockton	\$40.22
Tracy	\$34.00
Turlock	\$28.95

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2020

CITY OF MODESTO
WASTEWATER SYSTEM
Wastewater Connection Fees Comparison
As of July 1, 2019

<u>City</u>	<u>Connection Fee</u>
Fresno ⁽¹⁾	\$2,119.00
Lodi ⁽²⁾	\$3,071.00
Modesto	\$2,643.00
Stockton	\$2,264.41
Tracy	\$7,624.00
Turlock	\$2,250.00

(1) Connection fees are based on the size of the lot & location.

(2) Connection fees are based on the size of the water meter.

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2020

Water Revenue Refinancing Certificates of Participation, 2008 Series A

Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 2013G⁽¹⁾

Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds, Series 2007F⁽¹⁾

Reserve Account Requirement as of 6/30/20	\$ 4,011,409
Surety Policy Value:	\$ (2,082,513)
Balance in Parity Reserve Account as of 6/30/20	<u>\$ (2,004,348)</u>
Shortfall/(Excess) Reserve Coverage:	<u>\$ (75,452)</u>

Ten Largest Customers of Water Utility System, Year Ended 6/30/20

<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) Modesto City Schools	Education	436,520	1.91%	\$1,159,634	1.58%
2) City of Modesto - Stores	Local Government	322,492	1.41%	\$1,027,743	1.40%
3) Stanislaus Food Products	Cannery	487,820	2.13%	\$1,006,523	1.37%
4) Foster Farms	Dairy Processor	382,497	1.67%	\$761,618	1.03%
5) Stanislaus Housing Authority	Housing Authority	153,464	0.67%	\$458,259	0.62%
6) Modesto Irrigation District	Power Company	193,405	0.84%	\$451,115	0.61%
7) Sunopta	Cannery	203,523	0.89%	\$417,906	0.57%
8) Yosemite Community College	Education	126,364	0.55%	\$345,852	0.47%
9) STANCO	Local Government	82,398	0.36%	\$297,289	0.40%
10) E & J Gallo Winery	Processor	86,159	0.38%	\$293,138	0.40%
Total Top Ten		<u>2,474,642</u>	<u>10.81%</u>	<u>\$6,219,077</u>	<u>8.45%</u>

Total Flat/Metered Revenues (Water Sales) \$73,626,381

(1) Grover Landscaping maintains City parks

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

Water Sales Revenue, Year Ended 6/30/2020

Residential - flat rates	\$ 3,450,868
Commercial, industrial and municipal - metered rates	<u>\$ 70,175,513</u>
Total Water Sales	<u>\$ 73,626,381</u>

The average monthly flat rate service charge for residential customers is: \$ 64.23

Current Water Rates as of 07/01/2019- Commercial Accounts

<u>Meter Size</u>	
3/4"	\$ 24.94
1"	\$ 36.11
1 1/2"	\$ 64.04
2"	\$ 97.55
3"	\$ 203.66
4"	\$ 360.04
6"	\$ 734.22
8"	\$ 1,348.56
10"	\$ 2,130.44
12"	\$ 2,800.62

In addition to these minimum charges, commercial accounts are charged \$1.98 per 100 cubic feet of water used.

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. On August 14, 2013 Modesto Irrigation District Financing Authority refunded the 1998 D Bond, with the 2013 G Bond. As of 6/30/2020, the balance of the 2013 G Bond was \$16,570,000 and the balance of the 2007 F Bond was \$93,190,000.

(2) Water sales only reflect the revenues in the Water Operating Fund and do not include revenue generated from developer fees and fleet replacement revenues.

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
CITY WATER- HISTORICAL DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS

CITY WATER UTILITY SYSTEM
Historical Debt Service Coverage

	2011 ⁽⁷⁾	2012	2013 ⁽¹⁾	2014 ⁽¹⁰⁾	2015 ⁽⁸⁾	2016 ⁽⁹⁾	2017	2018 ⁽¹⁴⁾	2019 ⁽¹⁵⁾	2020 ⁽¹⁷⁾
Charges for services	\$ 51,876,505	\$ 53,453,708	\$ 56,906,488	\$ 56,940,812	\$ 54,779,417	\$ 51,489,077	\$ 63,253,114	\$ 68,928,504	\$ 71,952,653	\$ 76,996,091
Connection charges	452,021	516,839	295,632	357,432	1,024,626	935,987	1,435,654	1,661,151	1,081,913	1,904,330
Refunds, damages & recoveries	460,766	166,522	260,802	215,271	20,988	511,063	57,533	(121,929)	95,591	92,786
Interest and rental income	588,917	670,046	174,224	235,246	353,305	535,823	574,899	689,500	999,269	1,086,126
Service credits	2,562,986	2,966,465	3,201,951	2,678,999	3,033,487	3,026,911	3,304,911	3,408,238	3,309,703	3,576,012
Miscellaneous ⁽¹⁶⁾	58,083	118,203	150,949	154,700	365,808	2,979,500	231,134	1,117,571	1,120,960	1,243,999
Total gross operating revenues	55,999,278	57,891,783	60,990,046	60,582,460	59,577,631	59,478,361	68,857,245	75,683,035	78,560,089	84,899,344
Operating expenses ⁽²⁾⁽¹³⁾	26,638,348	30,755,822	28,530,554	36,598,298	33,773,198	38,722,320	35,508,887	35,685,576	38,806,127	39,167,326
Operating transfers ⁽³⁾	776,000	1,257,406	838,421	765,000	765,000	765,954	765,000	1,239,943	3,129,583	2,241,135
Total operating expenses⁽⁴⁾	27,414,348	32,013,228	29,368,975	37,363,298	34,538,198	39,488,274	36,273,887	36,925,519	41,935,710	41,408,461
Net operating revenues	\$ 28,584,930	\$ 25,878,555	\$ 31,621,071	\$ 23,219,162	\$ 25,039,433	\$ 19,990,087	\$ 32,583,358	\$ 38,757,516	\$ 36,624,379	\$ 43,490,883
1997 Refunding Certificate of Participation ⁽⁵⁾	1,797,013	-	-	-	-	-	-	-	-	-
2008 Revenue Certificates of Participation	2,271,034	2,684,462	2,632,225	2,648,783	2,531,179	2,313,857	2,468,593	2,268,298	2,121,410	2,309,687
MID Treatment & Delivery Agreement ⁽⁶⁾	10,794,041	10,888,790	10,889,760	8,885,208	9,930,040	10,203,352	10,202,108	10,208,384	10,214,947	10,213,274
CDWR Loan	264,719	255,942	264,719	264,719	262,692	131,322	-	-	-	-
ARRA Grant	-	5,137	36,289	36,103	36,095	36,089	36,084	36,080	37,123	39,350
Total debt service	\$ 15,126,807	\$ 13,834,331	\$ 13,822,993	\$ 11,834,813	\$ 12,760,006	\$ 12,684,620	\$ 12,706,785	\$ 12,512,762	\$ 12,373,480	\$ 12,562,311
Debt service coverage⁽¹¹⁾⁽¹²⁾	1.89	1.87	2.29	1.96	1.96	1.58	2.56	3.10	2.96	3.46

- (1) In fiscal year 2012-13, the amount reported for Charges for Services was incorrectly reported in the amount of \$59,906,488. The correct amount is \$56,906,488 which is reflected in the table above.
- (2) Reduced fiscal year 2015- 2016 Operating Expenses as the \$131,322 CDWR Loan payment (along with 2 dollars attributed to rounding error) were counted both in Operating Expense and in the debt service section.
- (3) Includes operating transfers for building rental fee of \$65,000 annually and commencing in fiscal year 2009-2010 \$700,000 annual transfer to the Storm Drain Fund to actively protect the groundwater supply source from contamination. In fiscal year 2011-12 \$668,610 a one time transfer for information technology internal service funds.
- (4) Total operating expenses excludes depreciation and amortization, as well as the debt service component under the Treatment and Delivery Agreement. Fiscal year 2015-2016 Total operating expense reduced from \$39,619,604 to \$39,488,274 since the Operating expenses was adjusted (see note 2)
- (5) 1997 COPS were prepaid in full in fiscal year 2010-2011
- (6) Increased fiscal year 2014-2015 2008 Revenue Certificates of Participation from \$2,501,891 to \$2,531,179 to account for actual expenditure instead of the internal transfer.
- (7) Debt service payment increased by \$4.1 million in fiscal year 2010-2011 due to the expiration of capitalized interest. Fiscal year 2014-2015 MID Treatment & Delivery Agreement increased from \$9,905,923 to \$9,930,040 to account for actual expenditure.
- (8) Reduced fiscal year 2014-2015 Operating expenses from \$40,349,338 to \$33,773,198.
- (9) The sale of the Waterford-Hickman Water System for \$2.6 million had a significant impact to the Water Fund debt service calculation. Without the sale of this system Water Fund debt service coverage would have been 1.35. Reduced fiscal year 2015-2016 Operating Expenses as the \$131,322 Del Estate Water Company loan payment (along with \$2 dollars attributed to rounding error) were counted both in Operating Expense and in the Debt service section.
- (10) Del Estate Water Company (CDWR) loan payment for fiscal year 2014-2015 was reduced from \$264,719 to \$262,692 and fiscal year 2015-2016 reduced from \$264,719 to \$131,322. Loan repayment was completed in fiscal year 2015-2016.
- (11) Changed fiscal year 2014-2015 ARRA Grant from \$36,290 to \$36,095 and changed fiscal year 2015-2016 ARRA Grant from \$36,290 to \$36,089. Fiscal Year 2012-2013 rate was reported incorrectly in previous reports.
- (12) Fiscal year 2015-2016 Debt service coverage increased from 1.55 to 1.57 and fiscal year 2014-2015 Debt service coverage increased from 1.45 to 1.96 after above stated changes were made.
- (13) The financial figures reported only reflect net operating revenues in the Water Operating Fund.
- (14) Fiscal year 2017-2018 Miscellaneous revenues include \$1,048,863 of one-time transfer as result of the dissolution of the Central Stores Fund.
- (15) Fiscal Year 2018-2019 Operating Transfers of \$3,129,583 includes \$2,300,000 in one-time loan to fund 4893 (Carpenter Road Landfill) to be repaid over 6 years.
- (16) Fiscal Year 2019-2020 Miscellaneous revenues include the first, interest-only payment of the Fiscal Year 2018-2019 Loan from the Water fund to the Carpenter Road Landfill Fund.
- (17) Fiscal Year 2019-2020 Operating Transfers of \$2,241,135 include \$900,000 in one-time loan to fund 4893 (Carpenter Road Landfill). This \$900,000 is in addition to the \$2,300,000 that was borrowed in Fiscal Year 2018-2019.

Source: City of Modesto

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
CITY WATER UTILITY SYSTEM
PROJECTED OPERATING RESULTS ⁽¹⁾

The City has prepared the following table of projections of operating results of the Water Utility System for the five fiscal years 2021-25. 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 2021	Fiscal Year Projected 2022	Fiscal Year Projected 2023	Fiscal Year Projected 2024	Fiscal Year Projected 2025
Charges for services ⁽¹⁾	\$ 81,461,000	\$ 86,807,593	\$ 86,807,593	\$ 86,807,593	\$ 86,807,593
Connection charges	1,316,001	1,342,321	1,369,167	1,396,551	1,424,482
Refunds, damages & recoveries	10,825	11,042	11,262	11,488	11,717
Interest and rental income	539,000	489,780	445,576	405,887	370,265
Service credits	2,920,033	2,949,233	2,978,726	3,008,513	3,038,598
Miscellaneous	5,000	5,100	5,202	5,306	5,412
6-year Loan Repayment from fund 4893 (Carpenter Road Landfill)	608,535	608,535	608,535	608,535	608,535
Total gross operating revenues	<u>86,860,394</u>	<u>92,213,604</u>	<u>92,226,061</u>	<u>92,243,873</u>	<u>92,266,602</u>
Operating expenses	51,461,065	52,708,375	53,851,046	55,018,783	56,212,143
Operating transfers	765,000	765,000	765,000	765,000	765,000
Total operating expenses	<u>\$ 52,226,065</u>	<u>\$ 53,473,375</u>	<u>\$ 54,616,046</u>	<u>\$ 55,783,783</u>	<u>\$ 56,977,143</u>
Net operating revenues	<u>\$ 34,634,329</u>	<u>\$ 38,740,229</u>	<u>\$ 37,610,015</u>	<u>\$ 36,460,090</u>	<u>\$ 35,289,459</u>
2008 Revenue Certificates of Participation	\$ 2,415,613	\$ 3,076,639	\$ 3,076,639	\$ 4,244,303	\$ 4,240,014
MID Treatment & Delivery Agreement	10,245,601	10,443,035	9,065,124	8,398,606	8,409,205
ARRA Grant	36,677	36,600	36,600	36,600	36,600
Total debt service	<u>\$ 12,697,891</u>	<u>\$ 13,556,274</u>	<u>\$ 12,178,363</u>	<u>\$ 12,679,509</u>	<u>\$ 12,685,819</u>
Debt service coverage	2.73	2.86	3.09	2.88	2.78

(1) Fiscal Year 2020-21 assumes a 9% rate increase effective on April 1, 2021. Projections of operating results for Fiscal Year 2021-22 through Fiscal Year 2024-25 do not factor rate increase assumptions.

Source: City of Modesto.

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2020

CITY WATER UTILITY SYSTEM STATISTICS
(Calendar Years 2011 through 2020)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Service Accounts	76,983.0	76,788.0	75,357.0	75,006.0	74,665.0	72,825.0	73,135.0	73,423.0	73,591.0	73,897.0
Total Water Production ^(MG) ⁽¹⁾	20,892.0	21,765.0	21,606.0	20,630.0	17,692.0	15,155.0	15,319.5	16,782.0	16,059.0	17,141.6
Capacity ^(MGD) ⁽²⁾	166.0	175.2	175.2	175.2	175.2	175.2	175.2	168.0	168.2	170.3
Peak Daily Distribution ^(MGD)	98.5	97.2	99.8	95.3	84.6	74.7	84.3	77.5	83.5	75.1
Average Daily Distribution ^(MGD)	57.2	59.5	59.2	56.5	48.5	41.5	42.0	46.0	44.0	47.0

- (1) "MG" means million gallons.
(2) "MGD" means million gallons daily.

CITY WATER UTILITY SYSTEM
Service Area Total Production (Billion Gallons)
(Fiscal Years 2011 through 2020)

Fiscal Year Ended	Well Water	Surface Water	Total
2011	11.72	9.17	20.89
2012	11.57	10.19	21.76
2013	10.62	10.99	21.61
2014	10.72	9.91	20.63
2015	10.63	5.85	16.48
2016	9.22	5.02	14.24
2017	8.63	5.86	14.49
2018	9.82	6.23	16.05
2019	5.45	9.86	15.31
2020	7.71	8.76	16.47

CITY WATER UTILITY SYSTEM
Average Monthly Water Rates Comparison
Flat Rate (1" Service)
As of July 1, 2019

City	Flat Rate Typical Home
Fresno ⁽¹⁾	\$ 17.90
Lodi ⁽²⁾	\$ 35.20
Modesto	\$ 64.23
Stockton ⁽¹⁾	\$ 32.90
Tracy ⁽²⁾	\$ 24.72
Turlock ⁽¹⁾	\$ 26.50

- (1) Water is metered. Charge varies per meter size.
(2) Water is both metered and flat rate. Charge varies per meter and dwelling size.

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2020

The following table sets forth connection fees for all users except multi-family units by meter size for year 2019-2020:

CITY WATER UTILITY SYSTEM
Connection Fees Comparison
Except Multiple Family Units
(Fiscal Year 2019-2020)

<u>Meter Size</u>	<u>Connection Fees</u>
5/8" meter**	\$2,202
1" meter	\$3,671
1-1/2" meter	\$7,341
2" meter	\$11,746
3" meter	\$25,695
4" meter	\$46,250
6" meter	\$95,437
8" meter	\$176,191
10" meter	\$278,970
12" meter	\$367,065

**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 (continued)
YEAR ENDED JUNE 30, 2020

CITY WATER UTILITY SYSTEM
Sale of Water
(Year Ended June 30, 2020)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues (\$000)										
Residential (Flat Rates)	\$16,888,754	\$14,464,689	\$12,955,005	\$10,723,594	\$9,037,477	\$7,320,096	\$6,767,446	\$5,506,216	\$4,385,017	\$3,450,868
Commercial, Industrial and Municipal (Metered)	33,190,426	37,162,861	42,452,862	44,093,862	43,118,855	40,242,493	51,960,729	60,113,019	62,933,627	70,175,513
Total Water Sales	<u>\$50,079,180</u>	<u>\$51,627,550</u>	<u>\$55,407,867</u>	<u>\$54,817,456</u>	<u>\$52,156,332</u>	<u>\$47,562,589</u>	<u>\$58,728,175</u>	<u>\$65,619,235</u>	<u>\$67,318,644</u>	<u>\$73,626,381</u>

The table below sets forth the adopted single family residential flat rates approved through fiscal year 2019-20.

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

Lot Size	Effective November 1, 2010	Effective July 1, 2011	Effective July 1, 2012	Effective July 1, 2013	Effective July 1, 2014	Effective July 1, 2015	Effective July 1, 2016	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
0-5,000 sq. ft. lot	\$37.23	\$38.69	\$39.89	\$40.81	\$40.81	\$40.81	\$47.38	\$48.77	\$52.97	\$56.11
5,001-7,000 sq. ft. lot	42.31	43.98	45.34	46.38	46.38	46.38	54.72	56.23	60.89	64.23
7,001-11,000 sq. ft. lot	50.21	52.18	53.80	55.04	55.04	55.04	69.22	70.98	76.52	80.26
11,001-17,000 sq. ft. lot	53.30	55.40	57.12	58.43	58.43	58.43	90.88	93.00	99.87	104.22
over 17,000 sq. ft. lot	62.66	65.13	67.15	68.69	68.69	68.69	101.80	104.10	111.65	116.3

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

NOTE: Additional financial information available at www.modestogov.com

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2020

The following table sets forth the adopted monthly service charge and volume charge for commercial accounts through fiscal year 2019-20.

CITY WATER UTILITY SYSTEM
Water Rates and Charges
Commercial Accounts

	Effective November 1, 2010	Effective July 1, 2011	Effective July 1, 2012	Effective July 1, 2013	Effective July 1, 2014	Effective July 1, 2015	Effective July 1, 2016	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
Volume-based Rate (\$/hcf)	\$1.33	\$1.33	\$1.37	\$1.40	\$1.40	\$1.40	\$1.79	\$1.82	\$1.93	\$1.98
Fixed Monthly Meter Charge (in addition to volume-based charges)										
5/8"-3/4" meter	\$14.00	\$14.25	\$14.69	\$15.03	\$15.03	\$15.03	\$20.79	\$21.47	\$23.34	\$24.94
1" meter	19.86	20.22	20.85	21.33	21.33	21.33	29.30	30.39	33.48	36.11
1-1/2" meter	34.37	34.99	36.07	36.90	36.90	36.90	50.58	52.71	58.83	64.04
2" meter	51.86	52.79	54.43	55.68	55.68	55.68	76.11	79.49	89.25	97.55
3" meter	98.54	100.31	103.42	105.80	105.80	105.80	156.98	164.30	185.59	203.66
4" meter	150.99	153.71	158.48	162.13	162.13	162.13	276.14	289.28	327.55	360.04
6" meter	296.61	301.95	311.31	318.47	318.47	318.47	561.28	588.33	667.24	734.22
8" meter	471.45	479.94	494.82	506.20	506.20	506.20	1,029.42	1,079.32	1,224.95	1,348.56
10" meter	675.47	687.63	708.95	725.26	725.26	725.26	1,625.23	1,704.21	1,934.76	2,130.44
12" meter	1,258.19	1,280.84	1,320.55	1,350.92	1,350.92	1,350.92	2,135.93	2,239.84	2,543.16	2,800.62

Note: Additional financial information is available at www.modestogov.com

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
FISCAL YEAR ENDED JUNE 30, 2020

BOND RATINGS

<u>Bonds</u>	<u>Moody's Rating</u>	<u>Standard & Poor's Rating</u>	<u>Fitch Rating</u>
2008 Lease Revenue Bonds	Aa3	A/A-1	AA
2008 Water Certificates of Participation	Aa3		AA/F1
Wastewater Revenue Bonds, Series 2018A		AA	

Sources: www.moodys.com
www.standardandpoors.com
www.Fitchratings.com