



City of Modesto

FY 2021-2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2022

CITY OF
Modesto, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended June 30, 2022

Prepared by
Finance Department

CITY OF MODESTO
 June 30, 2022
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INTRODUCTORY TAB

INTRODUCTORY SECTION

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December 09, 2022

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

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) for the City of Modesto (the City). The City Charter and Municipal Code require that a complete ACFR, 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, 2022.

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, 2022 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 217,880. 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; 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 Budget Manager.

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.

The unemployment rate within the county-wide Modesto Statistical Area (MSA) decreased during the 2021-2022 fiscal year, turning up slightly at the end of the fiscal year. Unemployment reached its lowest level in the City at 4.5% in May 2022. As of June 30, 2022, the City’s unemployment rate was recorded at 5.2%, down from the 8.9% rate of a year ago due to lessening economic impacts from COVID-19.

According to Zillow, the ZHVI (Zillow Home Value Index) for homes listed in Modesto was \$453,000 (as of June 30, 2022), an increase of 18.2% over 2021. CoStar Realty Information stated the average Modesto MSA multifamily unit asking rent was \$1,478, up 8.7% from \$1,360 in 2021. Modesto building permit activity during fiscal year 2021-2022 ended with a total of 4,690 permits issued with a valuation of \$216,000,327.

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.

The Coronavirus Aid, Relief and Economic Security (CARES) Act provides CDBG-CV funding to enable the City to prevent, prepare for, and respond to coronavirus through providing quality subsidized housing and expanding economic opportunities for low-and moderate-income persons through Department of Housing and Urban Development (HUD) programs.

Eligible CDBG-CV activities include:

- Public Service activities
- Housing-Related activities
- Public Improvements and Facilities
- Activities to acquire real property
- Economic development activities

- General administrative and planning activities

For fiscal year 2021-2022, \$297,794 were competitively awarded to assist local non-profits to respond to COVID-19 initiatives that serve the low- and moderate-income populations.

The ESG-CV funds may only be used to prevent, prepare for, and respond to the coronavirus, among individuals and families who are homeless or receiving homeless assistance, and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts created by the coronavirus. People experiencing homelessness shall not be required to receive treatment or perform and other prerequisite activities as a condition for receiving assistance.

Eligible ESG-CV activities include:

- Street outreach
- Emergency shelter
- Homelessness prevention
- Rapid rehousing assistance
- Homeless Management Information System (HMIS)
- Administrative activities

For fiscal year 2021-2022, \$1,529,689 was utilized to continue our Camp2Home initiatives to bolster the homeless and homelessness prevention response systems to assist those most vulnerable in the community to COVID-19.

COVID-19 Recovery and New Growth

In April 2021, President Biden signed into law the American Rescue Plan Act (ARPA) a \$1.9 trillion emergency relief measure intended to provide relief to address the impact of COVID-19. Key allocations from the American Rescue Plan have been made available directly from the federal government for the community including direct support for businesses, homeowners, renters, and restaurant/bar owners. This legislation made a historic investment into local governments that includes \$45,897,056 available to the City of Modesto to help address the local impact of COVID-19. The \$45.89 million is being made available by the U.S Treasury directly to the City in two tranches: 50 percent was made available in May 2021, and the remaining 50 percent was received on June 6, 2022. The deadline to obligate funds is December 31, 2024 and the deadline to expend the funds is December 31, 2026

The Modesto Forward strategy was approved by Resolution 2021-194 on May 25, 2021 and was later modified by Resolution 2022-104 on February 8, 2022. It included various allocations of funding approved by Council identified in the 2021 spending plan, totaling \$22.9 million. At the time of this report, \$7.3 million of the Year 1 Spending Plan has been expended, \$11.5 million is allocated to programs currently in progress and \$4 million is in the research phase.

To arrive at the Year 2 expenditure plan, staff solicited priorities from the public and the Council at the three standing City Council Committees: Economic Development, Safety and Communities, and Finance. Staff also released a 10-question survey intended to gauge the priority areas of the community and received approximately 700 responses to the survey. Key priorities identified in the survey and in the standing committees include the following: housing stability/ homeownership, neighborhood safety, and improvements to roads and sidewalks. The Council and community expressed an interest in continuing many of the pilot initiatives that were launched as part of the 2021 spending plan and expressed a desire to extend the program periods with funds made available from the second allotment of ARPA funds. Approximately \$11.1 million was recommended for allocation for the half of the second allotment in anticipation of another surge in COVID-19 cases.

Proposed Funding for ARPA Funds

Eligible Category	Year	Description	Allocation
<i>Economic Vitality</i>			
Exp Claim / Rev Loss	1	Revolving loan fund for attraction of downtown development	\$1,000,000
Exp Claim / Rev Loss	1	Revolving loan fund for water/sewer connection fees	\$1,000,000
Exp Claim / Rev Loss	1	Tuolumne River – Economic Development	\$750,000
Exp Claim / Rev Loss	1	Relief Across Downtown Card	\$708,500
Business Support	1	Small biz support with expansion and retention	\$610,000
Business Support	1	Implementation of a workforce development program	\$500,000
Exp Claim / Rev Loss	1	Support for Children’s Museum	\$500,000
Exp Claim / Rev Loss	1	Support for Awesome Spot Playground	\$500,000
Exp Claim / Rev Loss	1	Support for Car Museum	\$500,000
Affordable Housing	1	Affordable Housing Trust	\$500,000
Exp Claim / Rev Loss	1	Support for Convention and Visitor’s Bureau	\$250,000
Broadband Infrastructure	1	Expanded Wi-Fi downtown and available at community facilities	\$200,000
Exp Claim / Rev Loss	1	Funding to support the development of Enhanced Infrastructure Financing District	\$200,000
Business Support	1	Support for the Arts	\$200,000
Business Support	1	Opportunity Stanislaus	\$100,000
Business Support	1	Stanislaus Equity Partners	\$100,000
Business Support	1	Stanislaus 2030 Initiative	\$90,000
Exp Claim / Rev Loss	2	Downtown Quiet Zone	\$1,000,000
Exp Claim / Rev Loss	2	Parking Infrastructure	\$250,000
Exp Claim / Rev Loss	2	Support for Convention and Visitor’s Bureau	\$250,000
<i>Quality of Life</i>			
Public Health/Safety Labor	1	COVID-19 labor expenses	\$4,630,000
Behavioral Health	1	Mental Health Clinician Program – Partnership with BHRS	\$800,000
Exp Claim / Rev Loss	1	Blight Abatement	\$750,000
Exp Claim / Rev Loss	1	Downtown Beautification	\$700,000
Homeless Services	1	Homeless Support Program: Park Rangers	\$624,000
COVID-19 Expenditures	1	Emergency Medical Service equipment	\$600,000
Homeless Services	1	Homeless Support Program	\$276,000
Revenue Loss	1	Grants to neighborhoods	\$120,000
Homeless Services	2	Downtown Streets Team	\$1,800,000
Exp Claim / Rev Loss	2	Park Improvements (including turf at Mary Grogan)	\$1,000,000
Behavioral Health	2	Mental Health Response	\$850,000
Exp Claim / Rev Loss	2	Blight Abatement	\$650,000
Homeless Services	2	Homeless Support Program: Park Ranger Extension	\$624,000
Homeless Services	2	Community Assistance Team	\$400,000
Exp Claim / Rev Loss	2	Multifamily Bulky Item Program	\$180,000
Business Support	2	West Modesto Collaborative	\$43,000
<i>Governance and Service Delivery</i>			
Exp Claim / Rev Loss	1	Fire Station 1 Deferred Maintenance	\$2,000,000
Exp Claim / Rev Loss	1	Forestry Program Enhancements	\$1,850,000
Exp Claim / Rev Loss	1	Address deferred maintenance at various parks and public facilities	\$1,270,028
Exp Claim / Rev Loss	1	General Plan Update	\$700,000
Exp Claim / Rev Loss	1	Discoverer Replacement	\$500,000
Exp Claim / Rev Loss	1	Cybersecurity Mitigation	\$490,000
Exp Claim / Rev Loss	1	TSP Battery Back Up System Upgrade	\$250,000
Exp Claim / Rev Loss	1	Innovation Lab	\$100,000
Exp Claim / Rev Loss	1	Upgrade secure online service application software for Utility billing	\$60,000
Exp Claim / Rev Loss	2	Forestry Maintenance	\$1,000,000

Eligible Category	Year	Description	Allocation
<i>Governance and Service Delivery (continued)</i>			
Exp Claim / Rev Loss	1	Employee Recognition Program	\$20,000
Public Health/Safety Labor	2	Reserve	\$8,151,528
Public Health/Safety Labor	2	FY22-23 Budget Funding	\$4,500,000
Public Health/Safety Labor	2	911 Dispatch Services	\$1,000,000
Exp Claim / Rev Loss	2	Deferred Maintenance at Parks and Facilities	\$500,000
Exp Claim / Rev Loss	2	LED Lighting	\$250,000
TOTAL			\$45,897,056

- The COVID-19 pandemic challenged services that are made available to the community, and further exacerbated existing gaps in service. In the area of dispatch, the City is currently exploring methods to improve services and this allocation will fund the necessary infrastructure to enhance 911 dispatch services, and the overall response from public safety personnel.
- The community and Council expressed an interest in investing funds to convert the downtown area into a quiet zone alongside several private sector partners to help spur economic and housing development in downtown.
- The City is also recommending critical investments to improve the development of affordable housing, spur tourism and economic recovery, and address gaps in service with investments like the creation of a pilot multi-family bulky item pick up program.

Entertainment and Tourism

Modesto features vibrant arts, entertainment, sports and cultural expression. With the Modesto 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.

As the community emerged out of COVID-19, the community welcomed back some of its treasured events like the Holiday of Lights Parade, Historic Graffiti Cruise Route Parade, and MoBand summer concert series at Mancini Bowl. It is nice to see our 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. Modesto is gaining recognition for its bike routes and trails, and is a recently hosted the Norcal Interscholastic Cycling League at Tuolumne River Regional park and have plans to return to Modesto annually. Additionally, 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 2021-22, General Fund Balance was as follows: Restricted and Nonspendable: \$10.5 million; Committed: \$18.4 million; Assigned: \$0.6 million; and Unassigned: \$9.9 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. 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

- The Forestry Division resolved 3,069 broken limb issues and completed 8,162 tree pruning activities.



- The Solid Waste Division collected 2,789 tons of bulky items and recycled 2,150 waste tires and 592 mattresses.

- Increased the Community Health and Assistance Team (CHAT) from 4 to 6 Outreach Specialists. Secured funding for 5 additional years for the CHAT program including expansion to 10 Outreach Specialists total and 2 Supervisors.



- Reduced overall collisions by 36% and injury traffic accidents by 31%.
- The Homeless Engagement and Response Team (HEART) and CHAT offered services to homeless individuals over 2,800 times.
- The Blight Abatement Team removed 936 abandoned homeless camps and over 460,000 lbs. of trash.
- Implemented a pilot Park Ranger program to address quality of life issues at city parks, trails and outdoor recreational areas.



- The Modesto Police Department (MPD) Street Gang Unit took 229 firearms off the street.
- The Major Crimes Unit seized over \$1.6 million dollars in illegal criminal enterprise money.
- The MPD license plate reader program was expanded to four additional intersections.
- MPD secured the Board of State and Community Corrections' California Violence Intervention and Prevention (CalVIP) grant in the amount of \$2.2 million in partnership with the Parks, Recreation & Neighborhoods Department, the Boys & Girls Club of Stanislaus County, Legacy Alliance Outreach and El Concilio California.

- The Parks, Recreation and Neighborhoods Department celebrated the City's win of the prestigious Helen Putnam Award of Excellence for Community Services and Economic Development. The City's partnership with Operation 9-2-99 and the Dry Creek Trails Coalition successfully coordinated monthly river and trail clean ups. The results at Dry Creek and Tuolumne River Regional Parks have had a profound impact on the cityscape and residents. Their efforts continue to pave the way to becoming a recreation destination and gateway for outdoor adventure.

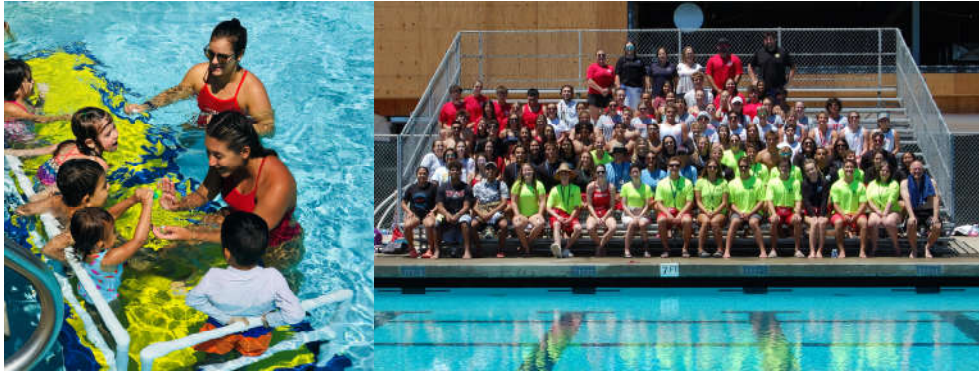


- Golf revenues for Dryden and Creekside Golf Courses exceeded projection by 26%.
- The Modesto Senior Citizens Center successfully reopened in August of 2021 with COVID-19 protocols in place to safeguard the participants/community and at limited capacities. During the past year there have been 10,200 senior participants combined in virtual and in-person programs.



- Recreation programming reopened and served nearly 1,700 participants in youth and adaptive programming including Winter Camp, Adaptive Bowling, Friday Night Out, Archery, Dance, Tennis, Crime Scene Investigation (CSI) Camp and Driver's Education. Over 1,600 registered for men's, women's and coed adult softball leagues (133 teams) at Beyer and Davis Parks.
- Reopened limited aquatics programming taught 1,307 children to swim through our Learn-to-Swim program; re-opened for Senior/Disabled Swim serving 218 participants at Susan Burris Pool for the first-time post-pandemic; Hired & trained 70 Lifeguards for the Summer Season. The American Red Cross identifies Lifeguards as certified first responder. The primary responsibility as a lifeguard is to prevent drowning and other injuries from occurring. Our lifeguards are put through rigorous routine

training to maintain their rescue skill. They are tasked with Customer Service, maintain proper water chemistry, providing swim lessons and so much more!



- Welcomed back seasonal events with the return of the traditional Celebration of Lights Parade (“Hometown Traditions”) and Tree Lighting Ceremony and 7 MoBand Concerts in the Park at Graceada Park. Both events had over 20,000 in attendance.

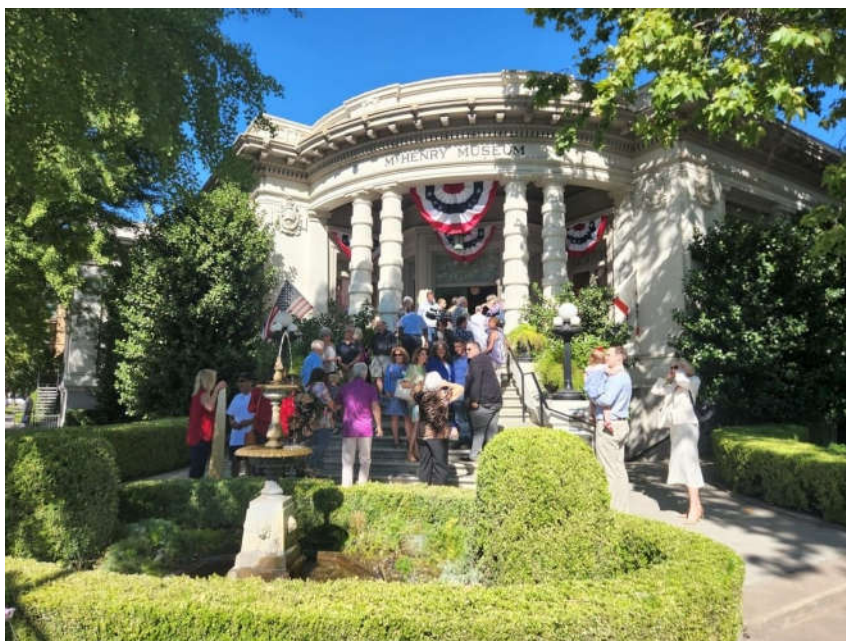


- Mary Grogan Park served 588 rental contracts totaling 5,413 hours of use. This is the most hours of use recorded in the history of the park and an increase of 263 hours from the park’s last full year of use in the FY18-19.
- The Parks, Recreation and Neighborhoods Department coordinated the City’s volunteer efforts at 48 events, including Love Modesto, historical properties, and river trail clean-ups. Overall there were 1,787 volunteers that provided 6,545 hours of service with a total leveraged value of \$206,227.
- Increased our website and social media presence leveraging free platforms like Instagram and Facebook to connect directly with our community and have another form of communication to answer questions.
 - Facebook followers- 7,084 followers, increased by 1,391 followers
 - Instagram followers- 2,783 followers, increased by 1,750 followers
 - Virtual Recreation Website- 1,447 pageviews
 - PRND Homepage Website- 17,442 pageviews
 - PRND Activity Guide Website- 15,152 pageviews
- After a year of online only or hybrid student participation, After School Education and Safety (ASES) welcomed students back to in-person programming in fall 2021, with a total of 685 students at seven school sites attended over 17,765 days.
- The City Council approved to reinstate the City of Modesto Youth Commission. Throughout the 2021-2022 school year students and City staff met monthly to work on the details for a reimagined City of Modesto Youth Commission.
- Maddux Youth Center reopened its doors and welcomed back youth (ages 6-12) in our community for a variety of programs & fun activities including All Sports Camp, After-School Activities, creative projects, homework assistance and fitness/nutrition classes.

- Junior Giants Baseball returned for the first time since FY 19-20, serving over 750 kids this season! Junior Giants is a completely free, youth baseball league that focuses on the fundamentals of baseball while teaching children the importance of confidence, integrity, leadership and teamwork.



- Reopened the McHenry Mansion and McHenry Museum for tours on a limited schedule. Between the two historical sites, over 5,500 visited.



- For the first time in its history, Norcal Interscholastic Cycling League chose Modesto for one of its Northern California races. The 2-day race wound through the Gateway Parcel at Tuolumne River Regional Park. Over 1,000 junior and senior high schoolers participated while friends and family cheered them on.



- The Economic Development division celebrated the grand opening of Dave and Buster's in Vintage Faire Mall.



Dave and Buster's at Vintage Faire Mall

- Construction of two new hotel projects in Kiernan Business Park (84 room Courtyard by Marriott and a 74 room Home2 Suites by Hilton extended stay), the reconstruction of the Ramada Hotel (by Wyndham) on McHenry Avenue.
- On August 3, 2021, the Modesto Fire Department (MFD) entered into a contract to provide fire protection to the City of Ceres. This contract is a milestone in advancing fire protection services in the County, which will allow for an increased level of service to the citizens and community of Ceres through an increase in staffing, implementation of a paramedic level engine company and overall cost savings.
- 32 total firefighters graduated from the academy: 15 in January and 17 in June. Several employees were also promoted, including Deputy Fire Marshal, Deputy Chiefs, Battalion Chiefs, Captains and Engineers.



- In December 2021, the new Engine 29 was placed in service. With the new engine came many upgrades, including a 1,000-gallon tank, advance scene lighting and a more powerful engine.



- Through the City's Park Partners Program, multiple projects were completed: a memorial bench was installed at East La Loma Park, fundraising was continued for The Awesome Spot Playground, and a new toddler playground was installed at Enslin Park.



- The Parks, Recreation and Neighborhoods Department moved the Boys & Girls Clubs' building from Dr. Martin Luther King Jr Park to a parcel south of the Dryden Golf Course Parking Lot. The building will be occupied by the Boys & Girls Clubs and First Tee for its programming. In collaboration with the City, they entered into a Memorandum of Understanding, and were instrumental in the planning of future development at the new location. Plans for a playground, sports field, driving range, putting green, and 3-hole golf course are underway.
- Completed dog park renovations and installed new benches, drinking fountain, and made safety repairs throughout the park and parking lot.



- Park Operations staff completed fire breaks at 10 locations in the parks system.
- The Community Development Division partnered with Parks, Recreation, and Neighborhood Department for relocation of the Boys and Girls club module from Martin Luther King Jr. Park to 920 Sunset Ave.
- Funding the Development of a new park near Ralston Tower currently under development by the Parks, Recreation, and Neighborhood Department to develop The Senior playground features may include open area for Tai Chi, seating area, drinking fountain, and low-impact and durable exercise features designed to improve strength, balance, and coordination. This park is a public facility open to all citizens.



- Partnered with Center for Human Services for a State of California's Homekey 2.0 award in the amount of \$3,973,353 for the conversion of a commercial space at 1208 9th Street to serve as permanent supportive housing for youth 18-24.
- Camp2Home program has assisted 32 individuals in obtaining employment and has housed a total of 21 individuals.
- Partnered with Stanislaus Equity Partners for the State of California's Homekey 2.0 grant in the amount of \$1,654,175 for the acquisition of a 7-unit apartment building to operate as permanent supportive affordable housing.



- The Homeowner Repair Program assisted 10 homeowners with Americans with Disabilities Act (ADA) improvements, energy efficiency upgrades, lead compliance and safety clearance totaling \$270,000. Provided below are Before and After images of a Homeowner Repair Program project.



- The Planning Division, working with consultant Opticos, completed a draft Comprehensive Housing Plan for the City that provides strategies and recommendations on how to increase housing supply in Modesto.
- The City, working with Stanislaus County and other cities in the County, developed pre-approved building plans for an Accessory Dwelling Units (ADU), which will help to facilitate additional housing opportunities in the community
- Aligning with the State's ruling on impact fee exemptions for an ADU below 750 sq. ft., the Infrastructure Financing Program Division exempted 24 ADUs from impact fees (also known as Capital Facilities Fees).
- The Neighborhood Preservation Unity abated a total of 703 code enforcement issues, including 10 illegal Cannabis grows, 174 trash and debris issues and 20 unlawful camping cases.

Economic Vitality

- The Building Services Division permitted 201 multifamily units, 163 single family dwellings, 9 commercial buildings and 30 ADUs.

- The Building Services Division completed 2,279 work orders and installed 15 replacement HVAC units throughout City facilities.
- The Compost Division processed over 42,600 tons of residential and commercial organics into compost.



- The Fleet Division successfully operated a bus fleet of 130 buses and rebranded buses to a new paint scheme.
- The Solid Waste Division collected and recycled 4.72 tons of California Redemption Value (CRV) keeping it out of the waste stream.
- The Solid Waste Division recycled 156,147 gallons of used oil and 1,979 used oils filters.
- The Streets Division completed 40.7 lane miles of crack seal application and 120.87 lane miles of slurry seal application.
- The Streets Division replaced 13,350 square feet of sidewalk, replaced 2,319 linear feet of curb and gutter, and completed 21,878 linear feet of offset grinding.
- The Traffic Division replaced 3,183 traffic signs and completed 201,712 square feet of striping for legends and crosswalks.
- The Traffic Division converted 78 high voltage lights to regular voltage.
- The Traffic Division installed 236 traffic detection cameras.
- The Community and Economic Development Department initiated the first comprehensive update of the City's General Plan since 1995, working with the City's consultant, PlaceWorks, and has been conducting extensive public outreach efforts with a broad spectrum of the community in support of the visioning phase of the update.
- The Community and Economic Development Department has been working on the implementation of the Tivoli Specific Plan, the City's major new growth area. Included in this effort has been the approval of the first subdivision map in the plan area, which will create 213 new residential lots, and the formation of a new Community Facilities District to provide funding for new infrastructure in the area. Two additional maps, totaling 228 lots, are currently under review.
- The Planning Division completed an annexation of 178 acres in the Fairview area, and approval of a new subdivision that will provide 217 new residential lots.
- Two new subdivisions were approved on Wells Avenue west of McHenry Avenue totaling 112 lots.
- The Planning Division approved a new 436-unit apartment complex near the Kaiser Hospital on Healthcare Way, and a 90-unit senior housing complex on Mable Avenue.
- An amendment to the Kiernan Business Park Specific Plan was approved to allow a new mixed-residential project south of Bangs Avenue of approximately 500 dwelling units.
- A new 4-story, 85-room hotel was approved on Dale Road opposite the Kaiser Hospital.
- A new 8,300 sf credit union/community center for Self Help Enterprises was approved on Crows Landing Road.
- Two new industrial buildings were approved, a 181,500-sf warehouse building on Graphics Drive and a 326,000-sf industrial building on Whitmore Avenue and Lodi Avenue.

- The Planning Division initiated a rezoning of the former Longs Drug site at 1625 McHenry Avenue to facilitate the reuse of site for mixed use development
- The Planning Division completed amendments to the City's zoning regulations to allow mobile food vendors in all commercial zones in the City.
- The Transportation Engineering and Design division completed construction of the Right-Turn Lane at Southbound McHenry Avenue to Briggsmore Avenue Project.



- The Transportation Engineering and Design division completed construction of the Scenic Drive Phase I Pavement Rehabilitation as part of the Claus Road to Lakewood Avenue project.



- The Transportation Engineering and Design division completed construction of the Paradise Road as part of the Carpenter to Sheridan project.



- The Transportation Engineering and Design division completed construction of the Crows Landing Road Pavement Rehabilitation as part of the Pecos Avenue to Hatch Road project.
- The Transportation Engineering and Design division completed construction of the 2016 Pavement Rehabilitation project in the La Loma area.
- The Parks, Recreation & Neighborhoods Department assisted friends of Carole Whiteside, former community leader and City Manager, in dedicating a bench and shaded tree area in her honor at Graceada Park.

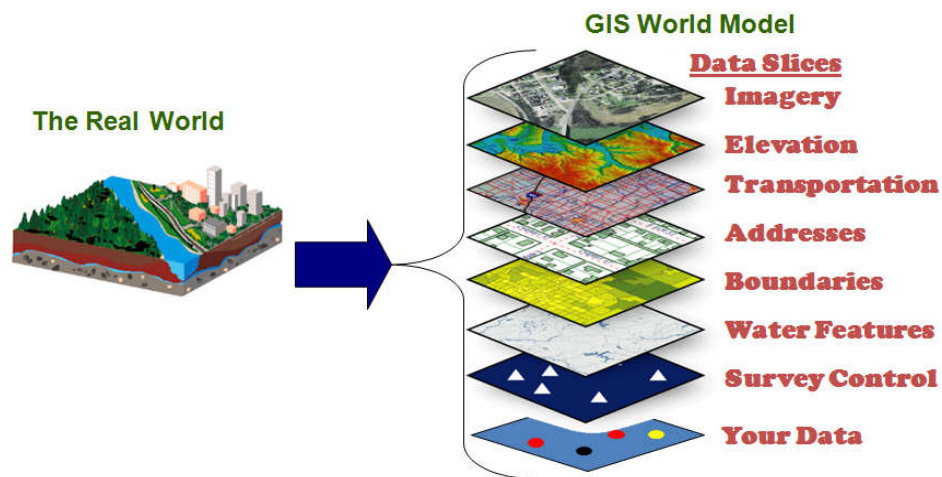
Governance and Service Delivery

- Submitted our first application to the National Procurement Institute Achievement of Excellence in Procurement Award (AEP) for procurement excellence and received our first award as a recipient for this award.
- Implemented a City-wide policy management software to centralize all City policies and manage timely review and updates of these policies.
- Received funding through the California Water and Wastewater Arrearage Payment Program in the amount of \$4 million to assist with delinquent wastewater and water arrearage for Modesto utility customers.
- Enrolled as Direct Pay participant in State Low Income Household Water Assistance Program which assists utility customers with one-time payments on past due utility bills
- Facilitated a Transient Occupancy Tax audit with seven (7) hotels to audit the financial records of these hotels and ensure tax compliance under our City code.
- The pandemic continued to drive the need to reduce and/or eliminate most in-person meetings and replace them with virtual meetings.
- The Information Technology (IT) Department expanded its abilities to allow City staff to work remotely from home throughout the COVID-19 pandemic with over 400 staff taking advantage to provide seamless service to City residents.
- With working remotely from home came introduction of more strict security protocols in order to protect the City's IT assets primarily involving the implementation for dual-factor authentication tools.
- The City began livestreaming Council meetings on the City YouTube Channel and providing archived meeting videos on this channel that can be viewed with YouTube's Closed Captioning.
- The City's Internet connection was upgraded from 100 Mbps to 250 Mbps while reducing the cost by over \$12,000 annually.

- IT Staff upgraded the City's site-to-site communications systems increasing bandwidth between City Facilities and reducing costs by \$770,000 over seven years.
- To support public engagement, the City Manager's Office implemented a virtual meeting program with closed captioning to support the City Council and Standing Committee meetings.
- As part of the new virtual City Council meetings, the IT Department working with the City Manager's Office began testing a real-time translation solution named "Wordly" that allows the online viewer to see real-time remarks being spoken in any 1 of 22 different languages of their choice.



- IT Department implemented expanded Geographical Information System capabilities to enhance Lucy Work Order mapping helping staff accurately determine where the work must be performed.



- IT Implemented a new Building Permitting system making it easier for residents to submit applications and obtain new building permits
- Human Resources developed a comprehensive Diversity, Equity, and Inclusion program to focus on the workforce and the services delivered to the community.
- MPD's Crisis Response Unit and MFD held an active shooter training/table top exercise with school staff at Chrysler Elementary School.
- MPD Officers participated in several Youth Sports Outreach Programs to include the Miracle Baseball League, Basketball game versus Beyer High School Varsity Team, and coached a team in the City of Modesto Jr. Giants Program.



- Modesto Special Weapons Attack Team (SWAT) officers have provided 14 active shooter trainings to businesses/school employees and 6 site safety assessments.
- Held “Slow Speed/Distracted Driving” training for MPD employees. Officer involved collisions are down 5% YTD.
- The MPD Public Information Officer (PIO) Team created a “60 Second Scoop” social media video as an innovative way to connect with the community and update them on the current events of the police department.
- Remodel of the MPD public meeting room was completed, providing a great location for public meetings, press conferences, and trainings to take place.
- The MPD received a De-Escalation grant which has allowed the reinstatement of the 40-hour Crisis Intervention Training (CIT) course for up to 80 personnel. This grant also provides for the department to send staff to courses to become experts in de-escalation techniques, and to standardize the department’s training model for integrated training (training multiple concepts within training days).
- MPD hosted the first ever Youth Academy at the police department, bringing in high school aged students to expose them to several aspects of policing and community service.
- MPD entered a contract to provide for 4 Cultural Relations Community Coaching Series classes over the next two years.



- MPD went live with California Incident Based Reporting System (CIBRS) and National Incident Based Reporting System (NIBRS) as of January 1, 2022 and met the required submission for 6 months with an error rate of less than 3%.
- Implemented a Critical Incident reintegration program. When any person is involved in a Critical Incident (OIS, in custody death, critical incident), the employees will participate in a one-week reintegration course. This course focuses on the mental health of officers and provides them scenario-based situations to reacclimate them back into duty in a static environment. This course is held with police mental health experts.
- The Forestry Division responded to 3,720 forestry service requests.
- The Traffic Division had 100% implementation of Lucity online work order program giving the ability to log and track field tasks electronically.
- Planning staff initiated a comprehensive update to the City’s General Plan, the first comprehensive update since 1995, which will provide a strategy to address Modesto’s on-going housing shortage.

- Approved an omnibus update to the City's zoning regulations.

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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the 39th 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 annual comprehensive 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 annual comprehensive 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 Annual Comprehensive Financial Report (ACFR) 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.

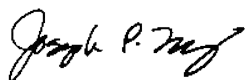
The City submitted and received for the second time the distinguished Budget Presentation Award from GFOA for fiscal year ended June 30, 2021. To receive this prestigious award a government must demonstrate they meet the program criteria and excel as a policy document, financial plan, operations guide, and communication tool.

In addition, the City submitted and received an award from the GFOA for its fifth year for the Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2021. 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 2022 PAFR to the GFOA for consideration.

As a result of receiving the GFOA awards for PAFR, ACFR and Budget Presentation for fiscal year ended June 30, 2020, the City received GFOA's Triple Crown Award for the first time. The GFOA's Triple Crown designation recognizes governments who meet the high standards of all three separate award programs. The City will continue to strive to achieve this awards for future fiscal years.

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF MODESTO ORGANIZATIONAL CHART



Legend

- Elected
- Council Appointed City
- Manager Appointed

CITIZENS OF MODESTO

CITY COUNCIL
Sue Zwahlen, Mayor

Rosa Escutia-Braaton, Dist. 1	Dist. 4 (Vacant)
Tony Madrigal, Dist. 2	Jenny Kenoyer, Dist. 5
Chris Ricci, Dist. 3	David Wright, Dist. 6

CITY ATTORNEY
Jose Sanchez

CITY AUDITOR
Vacant

CITY CLERK
Diane Nayares-Perez

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 Brandon Gillespie

FIRE DEPARTMENT
Chief Alan Ernst

PUBLIC RELATIONS
Andrew Gonzales

BUDGET
Steve Christensen

Quality of Life

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

DEPUTY CITY MANAGER SUPPORT
Allison Van Guilder

FINANCE
DeAnna Christensen

HUMAN RESOURCES
Christina Alger

INFORMATION TECHNOLOGY
Scott Conn

INNOVATION & PERFORMANCE MANAGEMENT

Governance and Service Delivery

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

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FINANCIAL SECTION TAB

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Modesto, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Modesto, California (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note II-G to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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 the 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 information for the General Fund, Operating Grants Special Revenue 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory, statistical section, and continuing disclosure section, but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
December 9, 2022

Management's Discussion and Analysis

This section of the City of Modesto (the City) annual comprehensive financial report presents a discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2022. 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 plus deferred outflows of resources of the City exceeded liabilities plus deferred inflows of resources at the close of the 2022 fiscal year by \$1,282,811,649 (*total net position*). Of this amount, \$211,712,445 is restricted for a specific purpose (*restricted net position*), \$1,145,260,423 is net investment in capital assets and (\$74,161,219) is unrestricted (*unrestricted net position*).
- The City's total deferred outflows of resources decreased by \$23,539,453 as compared to the prior year.
- The City's total deferred inflows of resources increased by \$104,086,531 as compared to the prior year.
- The City's total liabilities decreased by \$166,041,518 as compared to the prior year.
- The City's total net position increased by \$65,345,377 compared to the prior year. This increase is attributed mainly to an increase in intergovernmental revenues in the amount of \$22,119,920 as compared to prior year, an increase in charges for services revenues in the amount of \$6,086,857 as compared to prior year, a decrease in public safety expenses in the amount of \$8,110,392 as compared to prior year and a decrease in community development expenses in the amount of \$10,167,141 as compared to prior year.
- As of June 30, 2022, the City's governmental funds reported combined fund balances of \$195,002,088 an increase of \$22,485,445 in comparison with the prior year.
- As of June 30, 2022, 25.22% of the General fund balance, \$9,942,398 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 \$39,419,125 or 25.2% of total General Fund expenditures. Of this, \$8,157,536 is the restricted fund balances. The unassigned fund balance of \$9,942,398 represents 5.9% of total General Fund outflows. The City Council has adopted a goal of maintaining a General Fund reserve at a minimum level of no less than the average of two months of regular General Fund operating expenditures.
- The City's total long-term liabilities showed a net decrease of \$17,435,311 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

Management's Discussion and Analysis (continued)

of the City include general government, community development, highways and streets, public works, parks and recreation, and public safety. The business-type activities of the City include the Water, Sewer, Parking, Storm Drain, Compost, Airport, Golf, Community Center and Abatement and Public Nuisance operations. Effective July 1, 2021 Bus fund activities seized operations, due to the formation of the Stanislaus Regional Transit Agency (StanRTA).

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 17-19 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, Operating Grants Fund, Housing and Community Development and Capital Grants Fund, and. 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 20-23 of this report.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Parking, Storm Drain, Compost, Airport, Bus, Golf, Community Center 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 24-27 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Private Purpose and Investment trust funds account for assets held by the City as an agent for individuals, governmental entities and non-public organizations. The accounting used for fiduciary, private purpose, and investment trust funds is much like that used for proprietary funds.

Management's Discussion and Analysis *(continued)*

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

Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on **pages 30-77** 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 81-92 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 98-133** 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 plus deferred outflows exceeded liabilities plus deferred inflows by \$1,282,811,649 at the close of the most recent fiscal year.

Net Position

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$383,654,540	\$349,006,744	\$332,053,761	\$320,714,732	\$715,708,301	\$669,721,476
Capital assets	493,364,112	441,036,275	861,979,595	933,364,414	1,355,343,707	1,374,400,689
Total assets	877,018,652	790,043,019	1,194,033,356	1,254,079,146	2,071,052,008	2,044,122,165
Deferred outflows of resources	49,483,707	54,764,137	27,477,247	45,736,270	76,960,954	100,500,407
Current and other liabilities	292,993,303	378,238,239	88,256,585	151,617,856	381,249,888	\$529,856,095
Long-term liabilities	90,280,751	90,831,883	286,850,508	303,734,687	377,131,259	394,566,570
Total liabilities	383,274,054	469,070,122	375,107,093	455,352,543	758,381,147	924,422,665
Deferred inflows of resources	79,721,948	2,147,163	27,098,218	586,472	106,820,166	2,733,635
Net position:						
Net investment in capital assets	457,620,157	407,347,307	687,640,266	648,609,186	1,145,260,423	1,055,956,493
Restricted net position	195,793,646	183,357,207	15,918,799	17,004,338	211,712,445	200,361,545
Unrestricted net position	(189,907,446)	(217,114,643)	115,746,227	178,262,877	(74,161,219)	(38,851,766)
Total net position	\$463,506,357	\$373,589,871	\$819,305,292	\$843,876,401	\$1,282,811,649	\$1,217,466,272

The largest portion of the City's net position, \$1,145,260,423 or 89.3%, 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 net investment in 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 (\$74,161,219) or (5.8%).

The remaining balance of the City's net position of \$211,712,445 or 16.5% represents resources that are subject to external restrictions on how they may be used.

The City's net position increased by \$82,661,652 during the current fiscal year was largely due to the increases to intergovernmental revenues in the amount of \$22,119,920, and increase in charge for services revenues in the amount of \$6,086,857, an increase in loss in transfer of operations of the Bus fund in the amount of \$19,461,712, a

decrease in community development expenses in the amount of \$10,167,141, and a decrease in public safety expenses in the amount of \$8,110,392.

Management's Discussion and Analysis *(continued)*

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

	Changes in Net Position					
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$40,589,213	\$34,364,395	\$174,581,470	\$174,719,431	\$215,170,683	\$209,083,826
Operating grants and contributions	15,352,734	12,010,918	1,644,338	29,310,591	16,997,072	41,321,509
Capital grants and contributions	12,835,899	57,825,011	2,452,983	8,672,597	15,288,882	66,497,608
General revenues:						
Taxes	71,192,182	69,342,539	212,978	266,272	71,405,160	69,608,811
Intergovernment revenue not restricted for specific purposes	143,542,419	121,422,499	-	-	143,542,419	121,422,499
Unrestricted investment earnings	(3,911,830)	(287,088)	(8,124,559)	(192,489)	(12,036,389)	(479,577)
Miscellaneous	1,643,071	2,184,677	1,301,658	1,686,667	2,944,729	3,871,344
Total revenues	<u>281,243,688</u>	<u>296,862,951</u>	<u>172,068,868</u>	<u>214,463,069</u>	<u>453,312,556</u>	<u>511,326,020</u>
Expenses:						
General government	20,268,611	14,727,031	-	-	20,268,611	14,727,031
Community development	20,615,432	30,782,573	-	-	20,615,432	30,782,573
Highways and streets	27,463,523	25,863,042	-	-	27,463,523	25,863,042
Public works	3,086,419	3,126,390	-	-	3,086,419	3,126,390
Parks and recreation	12,439,250	13,750,865	-	-	12,439,250	13,750,865
Public safety	121,675,443	129,785,835	-	-	121,675,443	129,785,835
Interest on long-term debt	1,954,306	2,039,849	-	-	1,954,306	2,039,849
Water	-	-	73,421,868	68,792,875	73,421,868	68,792,875
Sewer	-	-	44,263,767	46,500,454	44,263,767	46,500,454
Bus	-	-	-	28,889,011	-	28,889,011
Parking	-	-	1,926,834	1,700,607	1,926,834	1,700,607
Storm drain	-	-	5,965,352	5,585,980	5,965,352	5,585,980
Compost	-	-	11,497,333	12,022,746	11,497,333	12,022,746
Airport	-	-	1,686,375	1,865,063	1,686,375	1,865,063
Golf	-	-	3,229,764	2,865,795	3,229,764	2,865,795
Community center	-	-	1,570,818	1,961,576	1,570,818	1,961,576
Abatement and Public Nuisance	-	-	124,097	82,166	124,097	82,166
Total expenses	<u>207,502,984</u>	<u>220,075,585</u>	<u>143,686,208</u>	<u>170,266,273</u>	<u>351,189,192</u>	<u>390,341,858</u>
Change in net position before transfers	73,740,704	76,787,366	28,382,660	44,196,796	102,123,364	120,984,162
Transfers	21,077,584	824,609	(21,077,584)	(824,609)	-	-
Total transfers	<u>21,077,584</u>	<u>824,609</u>	<u>(21,077,584)</u>	<u>(824,609)</u>	<u>-</u>	<u>-</u>
Special item	-	-	(19,461,712)	-	(19,461,712)	-
Change in net position	94,818,288	77,611,975	(12,156,636)	43,372,187	82,661,652	120,984,162
Net position - beginning	373,589,871	303,665,151	843,876,401	802,061,369	1,217,466,272	1,105,726,520
Prior year adjustments	(4,901,802)	(7,687,255)	(12,414,473)	(1,557,155)	(17,316,275)	(9,244,410)
Net position - ending	<u>\$463,506,357</u>	<u>\$373,589,871</u>	<u>\$819,305,292</u>	<u>\$843,876,401</u>	<u>\$1,282,811,649</u>	<u>\$1,217,466,272</u>

Governmental activities. Governmental activities increased the City's net position by \$94,818,288. The long-term liabilities decrease was attributed to the principal payments of about \$3.4 million and \$20.5 million in claim additions made during the fiscal year.

Intergovernmental revenue increased by \$22.1 million due to establishing the new revenue source beginning in Fiscal Year 2017-18 from the Stanislaus County county-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 decreased compared to the prior year by \$12,572,601 this decrease is mainly attributed to a decrease in salary and benefit costs due to vacancy savings within community development, and public safety.

Business-type activities. Business-type activities decreased the City's net position by \$12,156,636. The decrease was mainly attributed to the loss in operation of the bus funds in the amount of \$19,461,712, due to the transfer of operations to the newly formed Stanislaus Regional Transit Authority (StanRTA).

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.

Management’s Discussion and Analysis (continued)

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, 2022, the City’s governmental funds reported combined fund balances of \$195,002,088 an increase of \$22,485,445 from the prior year. The total unassigned fund balance for the governmental funds was \$4,598,944 which includes a positive \$9,942,398 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 \$3,546,485.

The General Fund is the chief operating fund of the City. At June 30, 2022, unassigned fund balance of the General Fund was \$9,942,398 while total fund balance was \$39,419,125. 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 5.9% of total General Fund expenditures, while total fund balance represents 25.2% of that same amount. The prior year ratios were 4.6% and 22.23%, respectively.

The Operating Grants fund accounts for receipts and disbursements of a variety of Governmental Fund Operating grants. At June 30, 2022, total fund balance was \$2,478,337 this is an increase of \$374,817 from prior year.

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, 2022, total fund balance was \$33,813,927 a decrease of \$333,059 from prior year.

The Capital Grants fund accounts for receipts and disbursements of a variety of Governmental Fund capital grants. At June 30, 2022, total fund balance was (\$2,182,116) which was a decrease of \$319,764 from prior year. During fiscal year 2021-22, construction for the State Route 132 project has been on-going. This is a large-scale construction project which is funded by grants from various local and State agencies.

Revenues of governmental funds totaled \$277,965,768 in fiscal year 2021-22, which represents an increase of \$17,803,267 from fiscal year 2020-21.

Expenditures of governmental funds totaled \$257,225,112 in fiscal year 2021-22, representing an increase of \$25,324,994 from fiscal year 2020-21.

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 2022		FY 2021	Increase (Decrease)	% Change
	Amount	Percent	Amount	Amount	
Taxes	\$71,192,182	25.6%	\$69,342,539	\$1,849,643	2.7%
Licenses and permits	\$434,118	0.2%	473,693	(\$39,575)	-8.4%
Intergovernmental	166,804,885	60.1%	154,356,852	\$12,448,033	8.1%
Charges for services	33,744,323	12.1%	28,378,842	\$5,365,481	18.9%
Special assessments	5,578,262	2.0%	4,851,750	\$726,512	15.0%
Interest and rent	2,191,466	0.8%	1,320,686	\$870,780	65.9%
Net increase (decrease) in fair value	(4,317,623)	-1.6%	(985,713)	(\$3,331,910)	338.0%
Fines and forfeits	832,510	0.3%	660,110	\$172,400	26.1%
Donations and contributions	44,338	0.0%	370,958	(\$326,620)	-88.0%
Miscellaneous	1,461,307	0.5%	1,392,784	\$68,523	4.9%
Total	\$277,965,768	100.0%	\$260,162,501	\$17,803,267	6.8%

- 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.
- Licenses and Permits – Revenues decreased by \$39,575 due to a decrease in Cannabis annual permit fees.
- Intergovernmental – Revenues increased by \$12.4 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

Management's Discussion and Analysis *(continued)*

- 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 \$5.4 million due primarily to service agreements between the City and other adjacent Cities for fire protection services beyond the City's current jurisdictions. Additionally, the City was able to reopen parks and recreation activities closed during the prior year due to the effects of COVID-19 and the County and State COVID-19 safety guidelines.
- Interest and Net decrease in fair value – The decrease in interest earned along with the decrease in fair market value of the city's investment portfolio is down to current market conditions. With Federal Treasuries hitting historic lows for most of the fiscal year, the City's investment returns have been lower and the yields of investments purchased with reinvested funds has reduced the fair market value of the City's portfolio.

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

Expenditures by Function – Governmental Funds

Exp by Function	FY 2022		FY 2021		Increase (Decrease)	
	Amount	Percent	Amount	Amount	% Change	
General government	\$21,110,258	8.2%	\$12,483,217	\$8,627,041	69.1%	
Community development	21,429,140	8.3%	26,215,559	(\$4,786,419)	-18.3%	
Highways and streets	16,510,434	6.4%	12,152,803	\$4,357,631	35.9%	
Public works	3,215,409	1.3%	2,635,907	\$579,502	22.0%	
Parks and recreation	12,943,340	5.0%	11,634,840	\$1,308,500	11.2%	
Public safety	126,649,307	49.3%	110,275,920	\$16,373,387	14.8%	
Capital outlay	50,042,664	19.5%	51,533,054	(\$1,490,390)	-2.9%	
Debt Service-principal retirement	3,362,904	1.3%	2,931,077	\$431,827	14.7%	
Debt Service-interest charges	1,913,046	0.7%	1,985,927	(\$72,881)	-3.7%	
Debt Service-other	48,610	0.0%	51,814	(\$3,204)	-6.2%	
Total	\$257,225,112	100.0%	\$231,900,118	\$25,324,994	10.9%	

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

- Community Development – Expenditures decreased by \$4.8 million or 18.3% over the prior year, due to the high number of vacancies which resulted in fewer community development projects been worked on during the fiscal year.
- Highways and Streets – Expenditures increased by \$4,357,631 or 35.9% over the prior year, due mainly to the ongoing construction of State Route 132 and the high costs of materials due to inflation.
- Parks and Recreations – Expenditures increased by \$1,308,500 or 11.2% over the prior year due to the reopening of parks and recreational activities which had been closed during the prior year due to the effects of COVID19 and State mandates.
- Public safety – Expenditures increased by \$16,373,387 million or 14.7% over the prior year mainly due to an increase in services that are provided and equipment purchases, based on grant fund availability that fluctuates year to year depending on grants awarded. Additionally,

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

	FY 2022	FY 2021	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$15,993,594	\$14,249,431	\$1,744,163	12.2%
Transfers out	(17,677,119)	(15,500,194)	(2,176,925)	14.0%
Proceeds from finance purchase agreements	3,741,926	-	3,741,926	100.0%
Sale of assets	32,551	1,934	30,617	1583.1%
Net financing (uses)	\$2,090,952	(\$1,248,829)	\$3,339,781	-267.4%

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

Management's Discussion and Analysis *(continued)*

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 2022 were \$2,090,952 compared to (\$1,248,829) in the prior year. This net transfer is to various City funds including transferring funds from the General Fund, Housing and Community Development fund, Local Transportation fund, Transportation Special Tax fund, Special Fund for Capital Outlays, Parks funds, Community Facilities Districts fund, Capital Facility Fee funds, Fleet Fund, Information Technology Services fund, and Building Services fund, 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 \$8,520,033 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 reserve requirements level of no less than the average of two months of regular General Fund expenditures.

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

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

	Major Funds			Nonmajor Funds	
	Water	Sewer	Bus	Other	Total
Operating revenues	\$86,231,116	\$63,896,567	-	\$22,982,937	\$173,110,620
Operating expenses	(67,027,688)	(41,564,125)	-	(25,819,246)	(134,411,059)
Operating income (loss)	19,203,428	22,332,442	-	(2,836,309)	38,699,561
Nonoperating revenues (expenses), net	(9,695,946)	(3,885,390)	-	1,513,843	(12,067,493)
Income (loss) before capital contributions and transfers	9,507,482	18,447,052	-	(1,322,466)	26,632,068
Contributions and transfers	(605,643)	1,084,549	(19,328,695)	225,188	(18,624,601)
Special item - loss in transfer of operations	-	-	(19,461,712)	-	(19,461,712)
Changes in net position	<u>\$8,901,839</u>	<u>\$19,531,601</u>	<u>(\$38,790,407)</u>	<u>(\$1,097,278)</u>	<u>(\$11,454,245)</u>

The Water fund had a rate increased of 2% effective October 1, 2021. This rate was approved on April 6, 2021 to be implemented during fiscal year 2021, but was deferred to fiscal year 2022 due to the economic impact of COVID-19 on Citizens.

A pollution remediation liability was reported for the Water and Sewer fund in the amounts of \$5,248,885 and \$6,587,713, 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 86-87** 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 revenues. The estimated revenues increased about \$9,781,688 while total appropriations increased by \$12,440,571. 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 \$9,211,369 more than final estimates. Variances in Franchise Tax \$561,467, Utility Users Tax \$208,653, Transient Occupancy Tax \$227,980, Business License Tax \$1,711,425, Intergovernmental \$5,702,565, Charges for services \$1,940,857 and Interest and Rent Revenue \$177,294 were due to a decrease in collection efforts, a quicker recovery from the pandemic than was anticipated and stronger property values.

Management's Discussion and Analysis *(continued)*

Expenditures, overall, were \$8,087,079 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 net investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$1,355,343,707 (net of accumulated depreciation). The total decrease in the City's net investment in capital assets compared to 2021 was 1.0%.

Capital assets net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year.

	Governmental		Business-type		Total		Increase (decrease)	
	2022	2021 Restated	2022	2021	2022	2021 Restated	Percent Change	\$ Change
	Land	\$33,774,611	\$29,149,707	\$30,452,365	\$34,512,819	\$64,226,976	\$63,662,526	88%
Capitalized interest	-	-	4,474,666	4,979,452	4,474,666	\$4,979,452	-10%	(504,786)
Buildings	21,906,089	9,550,072	30,854,543	28,509,168	52,760,632	\$38,059,240	39%	14,701,392
Improvements	53,086,977	53,703,767	243,092,019	232,549,815	296,178,996	\$286,253,582	4%	9,925,414
Furnishings and equipment	2,969,784	2,607,797	3,084,741	4,754,283	6,054,525	\$7,362,080	-18%	(1,307,555)
Intangible assets	1,586,708	1,996,365	3	6,122	1,586,711	\$2,002,487	-21%	(415,776)
Equipment pool	16,124,455	13,965,126	-	-	16,124,455	\$13,965,126	16%	2,159,329
Service animals	24,756	7,282	-	-	24,756	\$7,282	240%	17,474
Water rights	-	-	214,936,012	226,876,902	214,936,012	\$226,876,902	-5%	(11,940,890)
Streets	160,217,427	167,919,567	-	-	160,217,427	\$167,919,567	-5%	(7,702,140)
Signalization	5,974,925	6,463,638	-	-	5,974,925	\$6,463,638	-8%	(488,713)
Bridges	25,905,120	26,646,691	-	-	25,905,120	\$26,646,691	-3%	(741,571)
Buses & fareboxes	25,103	25,103	-	16,744,648	25,103	\$16,769,751	-100%	(16,744,648)
Pipelines	405,839	411,414	276,142,582	153,869,665	276,548,421	\$154,281,079	79%	122,267,342
Construction in progress	170,696,297	124,500,840	58,491,351	230,561,540	229,187,648	\$355,062,380	-36%	(125,874,732)
Right to use Leases								
Buildings	77,317	224,950	-	-	77,317	-	100%	77,317
Equipment pool	8,644	17,287	-	-	8,644	-	100%	8,644
Land	580,060	662,695	451,313	-	1,031,373	-	100%	1,031,373
Total	\$493,364,112	\$437,852,301	\$861,979,595	\$933,364,414	\$1,355,343,707	\$1,370,311,783	-1%	(\$14,968,076)

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

- Improvements – The Del Rio replacement well was completed in fiscal year 2021-22 in the amount of 3.4 million. The Dryden Box & Influent Fume project was completed in fiscal year 2021-22 in the amount of \$16.6 million and the Headworks Improvement at Sutter Water Quality and Control (WGC) was completed in fiscal year 2021-22 in the amount of \$6.6 million.
- Water rights – Depreciation expense for fiscal year 2021-22 in the amount of \$11.9 million.
- Streets – The Carpenter Street Improvement project was completed in fiscal year 2021-22 in the amount of \$2.7M. Depreciation expense for fiscal year 2021-22 in the amount of \$10.4 million.
- Pipelines – The Wastewater Treatment Phase 2 Tertiary Infrastructure was completed in fiscal year 2021-22 in the amount of \$126.6 million.
- Construction in progress – Ongoing water construction projects related to improvements to the City's water infrastructure were made during fiscal year 2021-22, ongoing construction of the Jennings water quality control (WQC) entrance, Sutter Trunk, West Trunk Crossing Highway 132, and River Trunk Gravity system, as well as the ongoing construction of the State Route 132 project.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements. Depreciation expense is recorded using the straight-line method, based on estimated useful life of the asset. Additional information on the City's capital assets can be found in note II-B on pages 43-44 of this report.

The City had major capital commitments for contracts awarded for various construction projects. As of June 30, 2022, there were major ongoing contracts awarded for, State Route 132 Project, in the amount of \$105.01 million,

Management’s Discussion and Analysis *(continued)*

and the purchase of additional fleet vehicles in the amount of \$1.1 million. Additional information on the City’s commitments can be found in note III-D on page 66-67 of this report.

Long-term debt and liabilities

At June 30, 2022, the City had total long-term liabilities outstanding of \$377,131,259 net of unamortized discounts and premiums, as compared to \$394,566,570 in the prior year. This amount was comprised of \$44,355,000 of lease revenue bonds, \$43,703,037 of certificates of participation, \$113,398,481 of revenue bonds payable, \$99,555,726 of reimbursement agreement related to Modesto Irrigation District bonds, \$11,962,073 of estimated compensated absences, \$26,858,298 of claims liability, \$27,132,391 of loans payable, \$699,342 of developer advances, \$7,352,773 of finance purchase obligations, \$1,129,138 of lease payables and \$985,000 of notes payable.

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-D on pages 46-58 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	A1	AA+/A-1	AA-
2008 Water Certificates of Participation	Aa1		
Wastewater Revenue Bonds, Series 2018A AA+/A-1+		AA	
Wastewater Revenue Bonds, Series 2020A		AA	
Wastewater Revenue Bonds, Series 2020B		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, 2022 was \$29.6 million. Additional information on the City’s net OPEB liability and Pension can be found in Notes III-F and III-G.

With the implementation of GASB Statement No. 87 “Leases”, the City reported lease receivables in the amount of \$17,234,681, deferred inflows of resources-leases in the amount of \$17,102,727, and lease liability in the amount of \$1,129,138 as of June 30, 2022.

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 second half of fiscal year ended June 30, 2022, the CPI-Western Urban Index did see a continuous increased up to 8.8%.
- *Utility Service Charges* – Wastewater rates increased by 3.5% for residential, commercial, industrial, and septage sewer and 2% for canary segregation, effective July 1, 2022. Rate increases were approved by City Council on April 4, 2022.

All of these factors were considered in preparing the City’s budget for fiscal year 2021-22.

During the current fiscal year, fund balance in the General Fund increased by \$8,520,033, to \$39,419,125 which represents 23.6% of total General Fund outflows which exceeds the City’s target value of minimal level of no less than the average of two months of regular general fund operating outflows as unassigned fund. The budget adopted for fiscal year 2021-22 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.

BASIC FINANCIAL STATEMENTS

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CITY OF MODOSTO
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 135,251,800	\$ 273,821,955	\$ 409,073,755
Accounts receivable, net	3,284,040	3,691,152	6,975,192
Interest receivable	360,687	655,511	1,016,198
Utility billings receivable, net	1,858,288	19,854,164	21,712,452
Taxes receivable	14,574,439	-	14,574,439
Leases receivable	7,170,137	10,064,544	17,234,681
Due from governments, net	47,523,489	3,748,047	51,271,536
Prepaid expenses	330,831	2,370,314	2,701,145
Internal balances	1,801,854	(1,801,854)	-
Inventories	1,808,468	89,603	1,898,071
Investments in joint ventures	7,138,476	-	7,138,476
Restricted assets:			
Cash and cash equivalents	77,271,356	15,918,799	93,190,155
Cash and cash equivalents with fiscal agent	13,176,128	3,641,526	16,817,654
Due from governments, net	330,314	-	330,314
Reimbursement agreement	12,862,950	-	12,862,950
Notes and loan receivable, net	58,911,283	-	58,911,283
Capital assets:			
Land and construction in progress	204,470,908	88,943,716	293,414,624
Other capital assets, net of accumulated depreciation	288,893,204	773,035,879	1,061,929,083
Total assets	877,018,652	1,194,033,356	2,071,052,008
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	6,095,273	1,745,781	7,841,054
Deferred pensions	39,297,830	6,902,156	46,199,986
Loss on refunding	-	488,601	488,601
Accumulated decrease in fair value of hedging derivatives	4,090,604	18,340,709	22,431,313
Total deferred outflows of resources	49,483,707	27,477,247	76,960,954
Total assets and deferred outflows of resources	926,502,359	1,221,510,603	2,148,012,962
<u>LIABILITIES</u>			
Accounts payable	40,286,771	6,593,786	46,880,557
Accrued salaries and benefits	3,006,604	851,704	3,858,308
Approved loans payable	76,529	-	76,529
Interest payable	14,646	524,538	539,184
Unearned revenue	2,139,859	3,584,313	5,724,172
Refundable deposits	7,176,712	2,414,878	9,591,590
Derivative instrument - interest swap	4,090,604	18,340,709	22,431,313
Pollution remediation liability	-	12,792,649	12,792,649
Long-term liabilities:			
Due within one year	11,424,086	16,321,881	27,745,967
Due in more than one year	78,856,665	270,528,627	349,385,292
Net OPEB liability	22,749,222	6,802,648	29,551,870
Net pension liability	213,452,356	36,351,360	249,803,716
Total liabilities	383,274,054	375,107,093	758,381,147
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	695,782	220,417	916,199
Deferred pensions	71,854,139	16,947,101	88,801,240
Deferred leases	7,172,027	9,930,700	17,102,727
Total deferred inflows of resources	79,721,948	27,098,218	106,820,166
Total liabilities and deferred inflows of resources	462,996,002	402,205,311	865,201,313
<u>NET POSITION</u>			
Net investment in capital assets	457,620,157	687,640,266	1,145,260,423
Restricted for:			
Capital projects	77,245,135	-	77,245,135
Housing and community development	69,995,123	-	69,995,123
Pollution remediation	-	13,503,921	13,503,921
Health and human services	8,624,000	-	8,624,000
Public safety	19,991,017	-	19,991,017
Refundable deposits	-	2,414,878	2,414,878
General government and support services	19,938,371	-	19,938,371
Unrestricted	(189,907,446)	115,746,227	(74,161,219)
Total net position	\$ 463,506,357	\$ 819,305,292	\$ 1,282,811,649

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

CITY OF MODESTO
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental activities:				
General government	\$ 20,268,611	\$ 6,572,771	\$ -	\$ -
Community development	20,615,432	19,488,129	9,039,445	684,429
Highways and streets	27,463,523	651,082	-	11,726,044
Public works	3,086,419	2,711,433	109,057	-
Parks and recreation	12,439,250	2,205,344	-	-
Public safety	121,675,443	8,960,454	6,204,232	425,426
Interest on long-term debt	1,954,306	-	-	-
Total governmental activities	<u>207,502,984</u>	<u>40,589,213</u>	<u>15,352,734</u>	<u>12,835,899</u>
Business-type activities:				
Water	73,421,868	86,231,116	246,174	151,294
Sewer	44,263,767	65,367,417	389,802	2,301,689
Parking	1,926,834	1,281,097	-	-
Storm drain	5,965,352	6,216,242	-	-
Compost	11,497,333	10,944,785	430,119	-
Airport	1,686,375	722,767	578,243	-
Golf	3,229,764	3,010,990	-	-
Community center	1,570,818	166,370	-	-
Abatement and public nuisance	124,097	640,686	-	-
Total business-type activities	<u>143,686,208</u>	<u>174,581,470</u>	<u>1,644,338</u>	<u>2,452,983</u>
Total	<u>\$ 351,189,192</u>	<u>\$ 215,170,683</u>	<u>\$ 16,997,072</u>	<u>\$ 15,288,882</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
- Cannabis tax
- Business license tax, levied for general purposes
- Business license tax, levied for downtown improvement district

Intergovernmental revenue:

- Sales tax (state appropriation)
- Motor vehicle license fee
- Transportation tax funding
- Special assessments, levied
- Proceeds from Modesto Regional Fire Authority dissolution

Other

Unrestricted investment earnings

Connection fees

Miscellaneous

Transfers, net

Special items

Total general revenues, transfers, and special items

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
\$ (13,695,840)	\$ -	\$ (13,695,840)
8,596,571	-	8,596,571
(15,086,397)	-	(15,086,397)
(265,929)	-	(265,929)
(10,233,906)	-	(10,233,906)
(106,085,331)	-	(106,085,331)
(1,954,306)	-	(1,954,306)
<u>(138,725,138)</u>	<u>-</u>	<u>(138,725,138)</u>
-	13,206,716	13,206,716
-	23,795,141	23,795,141
-	(645,737)	(645,737)
-	250,890	250,890
-	(122,429)	(122,429)
-	(385,365)	(385,365)
-	(218,774)	(218,774)
-	(1,404,448)	(1,404,448)
-	516,589	516,589
<u>-</u>	<u>34,992,583</u>	<u>34,992,583</u>
(138,725,138)	34,992,583	(103,732,555)
20,918,653	-	20,918,653
19,757,550	-	19,757,550
-	212,978	212,978
3,621,190	-	3,621,190
7,402,770	-	7,402,770
4,022,799	-	4,022,799
15,263,225	-	15,263,225
205,995	-	205,995
40,389,650	-	40,389,650
19,881,139	-	19,881,139
23,404,322	-	23,404,322
5,578,262	-	5,578,262
-	-	-
54,289,046	-	54,289,046
(3,911,830)	(8,124,559)	(12,036,389)
1,643,071	1,301,658	2,944,729
21,077,584	(21,077,584)	-
-	(19,461,712)	(19,461,712)
<u>233,543,426</u>	<u>(47,149,219)</u>	<u>186,394,207</u>
94,818,288	(12,156,636)	82,661,652
373,589,871	843,876,401	1,217,466,272
(4,901,802)	(12,414,473)	(17,316,275)
<u>\$ 463,506,357</u>	<u>\$ 819,305,292</u>	<u>\$ 1,282,811,649</u>

CITY OF MODESTO
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Operating Grants	Housing and Community Development	Capital Grants	Other Governmental	Total Governmental
ASSETS						
Cash and cash equivalents	\$ 23,671,472	\$ 42,016,152	\$ 1,158,509	\$ 284,949	\$ 43,456,315	\$ 110,587,397
Receivables:						
Accounts, net	2,080,591	107,295	147,586	-	438,722	2,774,194
Interest	32,648	5,686	-	-	228,786	267,120
Utilities, net	1,858,288	-	-	-	-	1,858,288
Taxes	14,433,128	1,094	-	-	140,217	14,574,439
Leases	4,635,221	-	-	-	1,515,797	6,151,018
Due from governments	506,572	941,508	4,329,993	28,238,053	12,044,331	46,060,457
Prepaid expenditures	212,543	26,810	1,559	-	4,365	245,277
Restricted assets:						
Cash and cash equivalents	3,989,829	-	-	-	67,893,671	71,883,500
Cash and cash equivalents with fiscal agent	3,867,707	705,822	-	3,161,068	5,245,920	12,980,517
Due from governments	300,000	-	-	-	30,314	330,314
Notes receivable, net	-	70,179	56,630,104	-	2,211,000	58,911,283
Advances to other funds	2,129,441	-	-	-	-	2,129,441
Total assets	\$ 57,717,440	\$ 43,874,546	\$ 62,267,751	\$ 31,684,070	\$ 133,209,438	\$ 328,753,245
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,927,630	\$ 147,525	\$ 2,481,022	\$ 28,435,760	\$ 2,147,777	\$ 36,139,714
Accrued salaries and benefits	2,450,087	125,085	18,929	-	156,725	2,750,826
Accrued interest payable	-	1,199	1,119	-	857	3,175
Approved loans payable	-	-	76,529	-	-	76,529
Unearned revenue	333,128	-	-	-	1,733,065	2,066,193
Refundable deposits	7,137,266	-	-	-	39,446	7,176,712
Advances from other funds	708,973	-	-	-	1,235,182	1,944,155
Total liabilities	13,557,084	273,809	2,577,599	28,435,760	5,313,052	50,157,304
Deferred inflows of resources:						
Unavailable revenue	127,340	41,122,400	25,876,225	5,430,426	4,930,823	77,487,214
Leases	4,613,891	-	-	-	1,492,748	6,106,639
Total deferred inflows of resources	4,741,231	41,122,400	25,876,225	5,430,426	6,423,571	83,593,853
Fund balances:						
Nonspendable	2,341,984	26,810	1,559	-	4,365	2,374,718
Restricted	8,157,536	2,451,527	33,812,368	3,161,068	75,390,366	122,972,865
Committed	18,397,817	-	-	-	-	18,397,817
Assigned	579,390	-	-	-	46,078,354	46,657,744
Unassigned	9,942,398	-	-	(5,343,184)	(270)	4,598,944
Total fund balances	39,419,125	2,478,337	33,813,927	(2,182,116)	121,472,815	195,002,088
Total liabilities, deferred inflows of resources, and fund balances	\$ 57,717,440	\$ 43,874,546	\$ 62,267,751	\$ 31,684,070	\$ 133,209,438	\$ 328,753,245

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, 2022

Total fund balances - governmental funds \$ 195,002,088

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	\$ 193,234,294	
Depreciable	178,800,768	
Accumulated depreciation on general capital assets	(113,550,336)	
Lease assets - right to use	887,645	
Accumulated amortization on lease assets, right to use	(230,268)	
Infrastructure:		
Depreciable	581,233,381	
Accumulated depreciation on infrastructure	<u>(388,730,075)</u>	451,645,409

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

Deferred in the governmental funds	\$ 77,487,214	
Reimbursement agreement with Successor Agency	12,862,950	
Investments in joint ventures	<u>7,138,476</u>	97,488,640

Derivative instruments:

Rate swaps are not reported in governmental funds.	\$ (4,090,604)	
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivatives also are not reported in governmental funds.	<u>4,090,604</u>	-

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

22,508,903

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	\$ 37,410,476	
Deferred inflows of resources	<u>(67,220,052)</u>	(29,809,576)

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	\$ 5,605,730	
Deferred inflows of resources	<u>(636,387)</u>	4,969,343

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

Net pension liability	\$ (203,512,288)	
Net OPEB liability	(20,922,228)	
Bonds payable, and other long-term debt	(53,852,825)	
Accrued interest	<u>(11,109)</u>	<u>(278,298,450)</u>

Net position - governmental activities \$ 463,506,357

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, 2022

	General	Operating Grants	Housing and Community Development	Capital Grants	Other Governmental	Total Governmental
REVENUES:						
Taxes	\$ 68,997,168	\$ 359,352	\$ -	\$ -	\$ 1,835,662	\$ 71,192,182
Licenses and permits	389,431	43,632	-	-	1,055	434,118
Intergovernmental	77,648,238	12,794,384	8,000,014	42,385,064	25,977,185	166,804,885
Charges for services	18,248,428	4,492,533	776,012	-	10,227,350	33,744,323
Special assessments levied	397,261	71,619	-	-	5,109,382	5,578,262
Interest and rent	851,323	172,001	-	-	1,168,142	2,191,466
Net (decrease) in fair value of investments	(467,680)	(68,027)	-	-	(3,781,916)	(4,317,623)
Fines and forfeits	617,607	-	-	-	214,903	832,510
Donations and contributions	-	44,338	-	-	-	44,338
Miscellaneous	1,070,605	183,692	-	-	207,010	1,461,307
Total revenues	167,752,381	18,093,524	8,776,026	42,385,064	40,958,773	277,965,768
EXPENDITURES:						
Current:						
General government	13,508,887	244,407	7,356,964	-	-	21,110,258
Community development	5,916,615	7,612,089	-	1,773,672	6,126,764	21,429,140
Highways and streets	-	63,169	-	3,088,046	13,359,219	16,510,434
Public works	-	3,215,409	-	-	-	3,215,409
Parks and recreation	12,696,983	69,229	-	67,380	109,748	12,943,340
Public safety	119,431,734	6,707,310	-	-	510,263	126,649,307
Capital outlay	3,781,648	315,784	-	40,933,273	5,011,959	50,042,664
Debt service:						
Principal retirement	675,904	-	297,000	-	2,390,000	3,362,904
Interest	182,269	-	30,150	-	1,700,627	1,913,046
Other	-	-	638	-	47,972	48,610
Total expenditures	156,194,040	18,227,397	7,684,752	45,862,371	29,256,552	257,225,112
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,558,341	(133,873)	1,091,274	(3,477,307)	11,702,221	20,740,656
OTHER FINANCING SOURCES (USES):						
Transfers in	4,270,678	512,230	-	3,182,231	8,028,455	15,993,594
Transfers out	(11,050,912)	(3,540)	(1,078,170)	(24,688)	(5,519,809)	(17,677,119)
Proceeds from finance purchase agreements	3,741,926	-	-	-	-	3,741,926
Sale of assets	-	-	-	-	32,551	32,551
TOTAL OTHER FINANCING SOURCES (USES)	(3,038,308)	508,690	(1,078,170)	3,157,543	2,541,197	2,090,952
CHANGES IN FUND BALANCES FUND BALANCES, JULY 1 PRIOR PERIOD ADJUSTMENTS	8,520,033	374,817	13,104	(319,764)	14,243,418	22,831,608
	30,899,092	2,103,520	34,146,986	(1,862,352)	107,229,397	172,516,643
	-	-	(346,163)	-	-	(346,163)
FUND BALANCES, JUNE 30	\$ 39,419,125	\$ 2,478,337	\$ 33,813,927	\$ (2,182,116)	\$ 121,472,815	\$ 195,002,088

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, 2022

Net change in fund balances - governmental funds	\$	22,831,608
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	\$ 50,042,664	
Depreciation expense	<u>(19,111,515)</u>	30,931,149
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.		
		(11,364,624)
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	\$ 5,631,479	
Change in investments in joint ventures	<u>(654,641)</u>	4,976,838
Recognition of Successor Agency annual payment for their Reimbursement Agreement receivable associated with long-term debt.		
		(749,650)
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	3,362,904	
Proceeds of long-term debt	<u>(3,741,926)</u>	(379,022)
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	\$ 7,353	
OPEB expense associated with net OPEB liability	(302,724)	
Pension expense associated with net pension liability	<u>30,579,221</u>	30,283,850
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.		
		<u>18,288,139</u>
Change in net position - governmental activities	\$	<u><u>94,818,288</u></u>

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

CITY OF MODESTO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 138,470,018	\$ 119,837,512	\$ -	\$ 15,514,425	\$ 273,821,955	\$ 24,664,403
Receivables:						
Accounts, net	55,189	831,556	-	2,804,407	3,691,152	509,846
Interest	313,789	299,771	-	41,951	655,511	93,567
Utilities, net	11,128,798	7,606,590	-	1,118,776	19,854,164	-
Leases	21,244	22,754	-	279,397	323,395	51,738
Prepaid expenses	2,299,942	66,284	-	4,088	2,370,314	85,554
Due from governments	1,559,422	650,541	-	1,538,084	3,748,047	1,463,032
Inventories	35,435	-	-	54,168	89,603	1,808,468
Total current assets	<u>153,883,837</u>	<u>129,315,008</u>	<u>-</u>	<u>21,355,296</u>	<u>304,554,141</u>	<u>28,676,608</u>
Noncurrent assets:						
Advances to other funds	3,720,000	1,698,976	-	158,642	5,577,618	-
Restricted cash and cash equivalents	5,528,112	9,740,808	-	649,879	15,918,799	5,387,856
Restricted cash and cash equivalents with fiscal agent	2,917,320	58,833	-	665,373	3,641,526	195,611
Leases receivable	182,587	299,383	-	9,259,179	9,741,149	967,381
Land and construction in progress	34,839,418	43,096,467	-	11,007,831	88,943,716	11,236,614
Other capital assets, net of accumulated depreciation	394,491,474	348,832,784	-	29,260,308	772,584,566	30,473,445
Intangible assets right-to-use, net of accumulated amortization	451,313	-	-	-	451,313	8,644
Total noncurrent assets	<u>442,130,224</u>	<u>403,727,251</u>	<u>-</u>	<u>51,001,212</u>	<u>896,858,687</u>	<u>48,269,551</u>
Total assets	<u>596,014,061</u>	<u>533,042,259</u>	<u>-</u>	<u>72,356,508</u>	<u>1,201,412,828</u>	<u>76,946,159</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred OPEB	821,867	552,810	-	371,104	1,745,781	489,543
Deferred pensions	2,625,309	2,830,513	-	1,446,334	6,902,156	1,887,354
Loss on refunding	333,089	155,512	-	-	488,601	-
Accumulated decrease in fair value of hedging derivatives	18,340,709	-	-	-	18,340,709	-
Total deferred outflows of resources	<u>22,120,974</u>	<u>3,538,835</u>	<u>-</u>	<u>1,817,438</u>	<u>27,477,247</u>	<u>2,376,897</u>
Total assets and deferred outflows of resources	<u>\$ 618,135,035</u>	<u>\$ 536,581,094</u>	<u>\$ -</u>	<u>\$ 74,173,946</u>	<u>\$ 1,228,890,075</u>	<u>\$ 79,323,056</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 3,083,061	\$ 2,604,208	\$ -	\$ 906,517	\$ 6,593,786	\$ 4,147,057
Accrued salaries and benefits	318,546	321,361	-	211,797	851,704	255,778
Interest payable	2,662	509,644	-	12,232	524,538	362
Current portion - compensated absences	-	-	-	-	-	1,533,757
Current portion - claims liability	-	-	-	-	-	6,297,828
Current portion - long-term debt	6,273,476	9,012,668	-	462,352	15,748,496	-
Current portion - developer advances	83,725	-	-	-	83,725	-
Current portion - leases	181,795	-	-	-	181,795	8,651
Unearned revenue	39,171	2,294,197	-	1,250,945	3,584,313	73,666
Total current liabilities	<u>9,982,436</u>	<u>14,742,078</u>	<u>-</u>	<u>2,843,843</u>	<u>27,568,357</u>	<u>12,317,099</u>
Noncurrent liabilities:						
Payable from restricted assets - refundable deposits	1,365,777	1,049,101	-	-	2,414,878	-
Advances from other funds	-	-	-	5,762,904	5,762,904	-
Compensated absences	-	-	-	-	-	10,428,316
Claims liability	-	-	-	-	-	20,560,470
Derivative instrument - interest swap	18,340,709	-	-	-	18,340,709	-
Pollution remediation liability	5,248,885	6,587,713	-	956,051	12,792,649	-
Long-term debt:						
Reimbursement agreement related to MID debt	93,760,726	-	-	-	93,760,726	-
Revenue bonds payable	-	105,274,842	-	-	105,274,842	-
Finance purchase obligations	-	-	-	1,001	1,001	-
Loans payable	290,830	25,424,053	-	-	25,714,883	-
Certificates of participation	42,313,037	-	-	480,000	42,793,037	-
Developer advances	615,617	-	-	-	615,617	-
Leases payable long-term	275,290	-	-	-	275,290	-
Net OPEB liability	2,936,341	2,152,583	-	1,713,724	6,802,648	1,826,994
Net pension liability	13,826,630	14,907,373	-	7,617,357	36,351,360	9,940,068
Total noncurrent liabilities	<u>178,973,842</u>	<u>155,395,665</u>	<u>-</u>	<u>16,531,037</u>	<u>350,900,544</u>	<u>42,755,848</u>
Total liabilities	<u>188,956,278</u>	<u>170,137,743</u>	<u>-</u>	<u>19,374,880</u>	<u>378,468,901</u>	<u>55,072,947</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred OPEB	83,411	69,774	-	67,232	220,417	59,395
Deferred pensions	6,446,012	6,949,857	-	3,551,232	16,947,101	4,634,087
Deferred leases	199,525	315,508	-	9,415,667	9,930,700	1,065,388
Total deferred inflows of resources	<u>6,728,948</u>	<u>7,335,139</u>	<u>-</u>	<u>13,034,131</u>	<u>27,098,218</u>	<u>5,758,870</u>
NET POSITION						
Net investment in capital assets	289,943,232	357,706,875	-	39,990,159	687,640,266	41,718,703
Restricted for pollution remediation	4,162,335	8,691,707	-	649,879	13,503,921	-
Restricted refundable deposits	1,365,777	1,049,101	-	-	2,414,878	5,583,467
Unrestricted	126,978,465	(8,339,471)	-	1,124,897	119,763,891	(28,810,931)
Total net position	<u>422,449,809</u>	<u>359,108,212</u>	<u>-</u>	<u>41,764,935</u>	<u>823,322,956</u>	<u>18,491,239</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 618,135,035</u>	<u>\$ 536,581,094</u>	<u>\$ -</u>	<u>\$ 74,173,946</u>	<u>\$ 1,228,890,075</u>	<u>\$ 79,323,056</u>
Adjustment to reflect the consolidation of internal service fund activities					(4,017,664)	
Net position of business-type activities					\$ 819,305,292	

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, 2022

	Enterprise					Internal Service
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	
OPERATING REVENUES:						
Charges for services	\$ 84,975,835	\$ 63,788,443	\$ -	\$ 22,528,456	\$ 171,292,734	\$ 92,171,064
Miscellaneous	1,255,281	108,124	-	454,481	1,817,886	426,888
Total operating revenues	<u>86,231,116</u>	<u>63,896,567</u>	<u>-</u>	<u>22,982,937</u>	<u>173,110,620</u>	<u>92,597,952</u>
OPERATING EXPENSES:						
Salaries and wages	9,322,014	9,286,687	-	5,493,802	24,102,503	8,174,460
Cost of goods sold	-	-	-	-	-	4,022,553
Contractual services	10,059,945	2,957,393	-	6,446,733	19,464,071	5,468,196
Utilities	2,817,179	3,477,745	-	666,037	6,960,961	528,085
Maintenance and supplies	7,655,748	5,131,651	-	5,231,563	18,018,962	10,797,675
Water purchases	10,784,117	-	-	-	10,784,117	-
Insurance	486,996	1,114,123	-	587,457	2,188,576	20,656,448
Claims	-	-	-	-	-	8,649,263
Employee benefits	2,851,672	3,000,086	-	1,908,468	7,760,226	32,558,398
Administration services	1,204,837	1,832,417	-	3,191,385	6,228,639	1,290,230
Allocated indirect administrative costs	1,404,346	821,002	-	553,218	2,778,566	412,063
Depreciation	20,440,834	13,943,021	-	1,740,583	36,124,438	3,993,945
Total operating expenses	<u>67,027,688</u>	<u>41,564,125</u>	<u>-</u>	<u>25,819,246</u>	<u>134,411,059</u>	<u>96,551,316</u>
OPERATING INCOME (LOSS)	<u>19,203,428</u>	<u>22,332,442</u>	<u>-</u>	<u>(2,836,309)</u>	<u>38,699,561</u>	<u>(3,953,364)</u>
NONOPERATING REVENUES (EXPENSES)						
Operating grants	246,174	389,802	-	1,008,362	1,644,338	-
Gain (loss) on disposition of capital assets	3,680	4,950	-	27,550	36,180	(87,687)
Tax revenue	-	-	-	212,978	212,978	-
Tax expense	(124,478)	(70,686)	-	(20,637)	(215,801)	-
Interest income	1,221,482	1,174,516	-	291,145	2,687,143	513,094
Net (decrease) in fair value of investments	(5,172,019)	(4,945,856)	-	(693,827)	(10,811,702)	(1,644,126)
Connection fees	-	1,470,850	-	-	1,470,850	-
Rental income	44,023	513,625	-	744,009	1,301,657	5,381
Interest expense and amortization	(5,914,655)	(2,419,591)	-	(52,202)	(8,386,448)	(8,659)
Trustee and letter of credit fees	(153)	(3,000)	-	(3,535)	(6,688)	-
Total nonoperating revenues (expenses)	<u>(9,695,946)</u>	<u>(3,885,390)</u>	<u>-</u>	<u>1,513,843</u>	<u>(12,067,493)</u>	<u>(1,221,997)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>9,507,482</u>	<u>18,447,052</u>	<u>-</u>	<u>(1,322,466)</u>	<u>26,632,068</u>	<u>(5,175,361)</u>
Capital contributions	151,294	2,301,689	-	-	2,452,983	-
Transfers in	413,899	14,592	-	4,188,221	4,616,712	26,802,546
Transfers out	(1,170,836)	(1,231,732)	(19,328,695)	(3,963,033)	(25,694,296)	(4,041,437)
Total contributions and transfers	<u>(605,643)</u>	<u>1,084,549</u>	<u>(19,328,695)</u>	<u>225,188</u>	<u>(18,624,601)</u>	<u>22,761,109</u>
SPECIAL ITEM						
Loss in transfer of operations	-	-	(19,461,712)	-	(19,461,712)	-
CHANGES IN NET POSITION	<u>8,901,839</u>	<u>19,531,601</u>	<u>(38,790,407)</u>	<u>(1,097,278)</u>	<u>(11,454,245)</u>	<u>17,585,748</u>
NET POSITION, JULY 1	423,902,035	341,532,098	38,763,577	42,993,964		1,925,460
PRIOR YEAR ADJUSTMENTS	<u>(10,354,065)</u>	<u>(1,955,487)</u>	<u>26,830</u>	<u>(131,751)</u>		<u>(1,019,969)</u>
NET POSITION, JUNE 30	<u>\$ 422,449,809</u>	<u>\$ 359,108,212</u>	<u>\$ -</u>	<u>\$ 41,764,935</u>		<u>\$ 18,491,239</u>
Adjustment to reflect the consolidation of internal service funds					<u>(702,391)</u>	
Change in net position of business-type activities					<u>\$ (12,156,636)</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, 2022

	Enterprise			Other Enterprise	Total Enterprise	Internal Service
	Water	Sewer	Bus			
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	\$ 86,480,080	\$ 63,665,252	\$ 304,695	\$ 22,472,662	\$ 172,922,689	\$ 1,456,601
Receipts from interfund services provided	277,603	7,176	-	-	284,779	92,171,064
Payments to suppliers	(28,015,556)	(10,946,830)	(3,394,620)	(8,473,163)	(50,830,169)	(42,334,360)
Payment of insurance claims	-	-	-	-	-	(10,544,495)
Payments to employees	(13,903,757)	(14,063,099)	(88,159)	(8,238,650)	(36,293,665)	(40,182,681)
Payments for interfund services used	(8,803,023)	(6,090,830)	-	(8,589,412)	(23,483,265)	(2,752,596)
Net cash provided (used) by operating activities	<u>36,035,347</u>	<u>32,571,669</u>	<u>(3,178,084)</u>	<u>(2,828,563)</u>	<u>62,600,369</u>	<u>(2,186,467)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	246,174	389,802	49,127	1,008,362	1,693,465	-
Operating grant payments	-	-	(4,659,274)	-	(4,659,274)	-
Taxes received	-	-	-	212,978	212,978	-
Transfers in	413,899	14,592	-	4,188,221	4,616,712	7,499,928
Transfers out	(1,170,836)	(1,231,732)	(26,077)	(3,963,033)	(6,391,678)	(4,041,437)
Advances from/to other funds	620,000	501,973	(471,416)	(601,319)	49,238	-
Net cash provided (used) by noncapital financing activities	<u>109,237</u>	<u>(325,365)</u>	<u>(5,107,640)</u>	<u>845,209</u>	<u>(4,478,559)</u>	<u>3,458,491</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(6,496,191)	(10,458,160)	-	(253,307)	(17,207,658)	(9,240,858)
Proceeds from sale of capital assets	14,818	4,950	-	27,550	47,318	14,075
Principal repayments	(6,640,344)	(9,866,016)	-	(435,000)	(16,941,360)	-
Interest paid	(6,095,181)	(2,419,591)	-	(55,534)	(8,570,306)	(8,297)
Trustee and letter of credit fees	(153)	(3,000)	-	(3,535)	(6,688)	-
Capital contributions	151,294	2,301,689	-	-	2,452,983	-
Connection fees for capital purposes	-	1,470,850	-	-	1,470,850	-
Net cash provided (used) by capital and related financing activities	<u>(19,065,757)</u>	<u>(18,969,278)</u>	<u>-</u>	<u>(719,826)</u>	<u>(38,754,861)</u>	<u>(9,235,080)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	1,197,258	1,180,230	19,897	253,220	2,650,605	523,671
Net (decrease) in the fair value of investments	(5,172,019)	(4,945,856)	-	(693,828)	(10,811,703)	(1,644,126)
Rental income received	44,023	513,625	-	744,009	1,301,657	5,381
Net cash provided (used) by investing activities	<u>(3,930,738)</u>	<u>(3,252,001)</u>	<u>19,897</u>	<u>303,401</u>	<u>(6,859,441)</u>	<u>(1,115,074)</u>
Net increase (decrease) in cash and cash equivalents	13,148,089	10,025,025	(8,265,827)	(2,399,779)	12,507,508	(9,078,130)
CASH AND CASH EQUIVALENTS, JULY 1	<u>133,767,361</u>	<u>119,612,128</u>	<u>8,265,827</u>	<u>19,229,456</u>	<u>280,874,772</u>	<u>39,326,000</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 146,915,450</u>	<u>\$ 129,637,153</u>	<u>\$ -</u>	<u>\$ 16,829,677</u>	<u>\$ 293,382,280</u>	<u>\$ 30,247,870</u>
RECONCILIATION TO STATEMENT OF NET POSITION:						
Cash and cash equivalents	\$ 138,470,018	\$ 119,837,512	\$ -	\$ 15,514,425	\$ 273,821,955	\$ 24,664,403
Restricted cash and cash equivalents	5,528,112	9,740,808	-	649,879	15,918,799	5,387,856
Restricted cash and cash equivalents with fiscal agent	2,917,320	58,833	-	665,373	3,641,526	195,611
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 146,915,450</u>	<u>\$ 129,637,153</u>	<u>\$ -</u>	<u>\$ 16,829,677</u>	<u>\$ 293,382,280</u>	<u>\$ 30,247,870</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, 2022

	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)	\$ 19,203,428	\$ 22,332,442	\$ -	\$ (2,836,309)	\$ 38,699,561	\$ (3,953,364)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	20,440,834	13,943,021	-	1,740,583	36,124,438	3,993,945
Taxes paid	(124,478)	(70,686)	-	(20,637)	(215,801)	-
Change in assets, liabilities, and deferred resources:						
(Increase) decrease in accounts receivable	(9,526)	825,951	304,695	(1,150,877)	(29,757)	962,786
(Increase) in utilities receivable	(568,798)	(605,728)	-	(111,360)	(1,285,886)	-
(Increase) decrease in due from governments	1,070,340	51,418	-	219,249	1,341,007	(1,434,130)
(Increase) decrease in prepaid expenses	640,510	16,735	5,582	1,046	663,873	(63,825)
(Increase) in inventories	-	-	-	(114,619)	(114,619)	(462,136)
Increase (decrease) in accounts payable	(2,106,507)	(1,278,161)	(3,400,202)	(326,519)	(7,111,389)	1,157,915
Increase (decrease) in accrued salaries and benefits	43,473	27,358	(88,159)	32,872	15,544	65,115
(Decrease) in compensated absences	-	-	-	-	-	(313,587)
(Increase) decrease in net OPEB liability and deferred resources	(194,435)	(109,993)	-	(66,114)	(370,542)	1,950,073
(Decrease) in net pension liability and deferred resources	(1,579,112)	(1,693,691)	-	(801,206)	(4,074,009)	(2,277,697)
(Decrease) in claims liability	-	-	-	-	-	(1,894,559)
Increase (decrease) in pollution remediation liability	(814,936)	(371,219)	-	51,099	(1,135,056)	-
Increase (decrease) in unearned revenue	7,720	(499,564)	-	577,497	85,653	36,728
(Increase) decrease in lease receivable	-	(6,629)	-	(23,268)	(29,897)	46,269
Increase in refundable deposits	26,834	10,415	-	-	37,249	-
Total adjustments	16,831,919	10,239,227	(3,178,084)	7,746	23,900,808	1,766,897
Net cash provided (used) by operating activities	<u>\$ 36,035,347</u>	<u>\$ 32,571,669</u>	<u>\$ (3,178,084)</u>	<u>\$ (2,828,563)</u>	<u>\$ 62,600,369</u>	<u>\$ (2,186,467)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Transfer of fixed assets upon transfer of operations	\$ -	\$ -	\$ 38,737,483	-	\$ 38,737,483	\$ -
Relief of payroll related debt and associated deferred outflows/inflows upon transfer of operations	-	-	3,782,751	-	3,782,751	-
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,520,234</u>	<u>\$ -</u>	<u>\$ 42,520,234</u>	<u>\$ -</u>

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

CITY OF MODESTO
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	Private Purpose Funds		Total Private Purpose	Investment Trust Funds
	Redevelopment Successor Agency	Special Districts		
ASSETS				
Cash and cash equivalents	\$ 2,383,760	\$ 1,059,107	\$ 3,442,867	\$ 605,459
Cash and cash equivalents held with fiscal agent	1,977,349	2,938,523	4,915,872	-
Interest receivable	5,582	4,706	10,288	1,159
Taxes receivable	-	76,612	76,612	25,136
Assessments receivable	-	27,900,105	27,900,105	-
Leases receivable	-	-	-	1,214,758
Due from governments	-	-	-	23,884
Land and construction in progress	-	-	-	3,024,743
Other capital assets, net of accumulated depreciation	-	-	-	4,142,152
Total assets	4,366,691	31,979,053	8,358,739	9,037,291
Deferred outflows of resources:				
Loss on refunding	-	974,255	974,255	-
LIABILITIES				
Accounts payables and other liabilities	36,859	2,500	39,359	340,899
Due to local governments	1,492,004	-	1,492,004	-
Interest payable	26,655	416,766	443,421	-
Long-term liabilities:				
Due within one year	2,284,650	1,081,659	3,366,309	-
Due in more than one year	14,128,300	27,757,678	41,885,978	-
Total liabilities	17,968,468	29,258,603	41,885,978	340,899
Deferred inflows of resources				
Leases	-	-	-	1,184,964
Unavailable revenues	-	759,097	759,097	-
Total deferred inflows of resources	-	759,097	759,097	1,184,964
NET POSITION				
Net invested in capital assets	-	-	-	7,166,895
Restricted	-	2,938,523	2,938,523	-
Unrestricted	(13,601,777)	(2,915)	(13,604,692)	344,533
Total net position (deficit)	\$ (13,601,777)	\$ 2,935,608	\$ (10,666,169)	\$ 7,511,428

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

CITY OF MODESTO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	Private Purpose Funds		Total Private Purpose	Investment Trust Funds
	Redevelopment Successor Agency	Special Districts		
ADDITIONS:				
Contributions:				
Members investment pool	\$ -	\$ -	\$ -	\$ 408,800
Total contributions				
Collections on behalf of other governments:				
Special assessments	-	2,318,519	2,318,519	292,007
Property taxes	3,258,912	-	3,258,912	371,696
Other	-	-	-	114,471
Total collections on behalf of other governments	<u>3,258,912</u>	<u>2,318,519</u>	<u>5,577,431</u>	<u>778,174</u>
Interest and investment earnings:				
Interest earnings	21,304	17,945	39,249	4,722
Net (decrease) in fair value of investments	<u>(85,952)</u>	<u>(73,446)</u>	<u>(159,398)</u>	<u>(22,490)</u>
Total interest and investment earnings	<u>(64,648)</u>	<u>(55,501)</u>	<u>(120,149)</u>	<u>(17,768)</u>
Total additions	<u>3,194,264</u>	<u>2,263,018</u>	<u>5,457,282</u>	<u>1,169,206</u>
DEDUCTIONS:				
Distribution of property taxes to other taxing entities	503,146	-	503,146	640,927
Obligation retirements:				
Principal retirement	-	915,000	915,000	-
Interest expense	186,238	1,257,714	1,443,952	-
Trustee fees	-	4,301	4,301	-
City administrative expenses	467,232	37,397	504,629	146,490
Other expenses	-	5,047	5,047	-
Depreciation expense	-	-	-	438,683
Operating expenses	-	-	-	416,689
Total deductions	<u>1,156,616</u>	<u>2,219,459</u>	<u>3,376,075</u>	<u>1,642,789</u>
Net increase (decrease) in fiduciary net position	2,037,648	43,559	2,081,207	(473,583)
Net position, July 1 - restated	(15,639,425)	2,892,049	(12,747,376)	7,983,878
Prior year adjustment	-	-	-	1,133
Net position (deficit), June 30	<u>\$ (13,601,777)</u>	<u>\$ 2,935,608</u>	<u>\$ (10,666,169)</u>	<u>\$ 7,511,428</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, 2022**

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, 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 Operating Grants Fund to account for a variety of governmental fund operating grants, including law enforcement grants.

The Housing and Community Development Fund to account 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. Effective July 1, 2021 the City transferred all of its transit operations to Stanislaus Regional Transit Authority (StanRTA). This led to the closing of the Bus enterprise fund of the City.

Additionally, the City reports the following fund types:

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. Additionally, the fund also reports the assets, primarily cash and investment, and related liabilities and net position of Special Districts which are used to account for collection of special assessment from property owners which are collected and forwarded to trustees for payment to bondholders.

Investment Trust Funds accounts for the assets and investments in the City's investment pool, of legally separate entities held by the City as an agent of various assessment districts, governmental entities and non-profit organizations.

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.

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, 2022 is \$51,601,850.

Utility service accounts receivable are \$21,712,452 net of an allowance for doubtful collections of \$1,419,507 and include unbilled receivables using actual amounts billed in July for June services for all City funds. City accounts receivable of \$6,975,192 are reported net of an allowance for doubtful collections of \$867,626 and are based on miscellaneous receivables from the City's invoice system as well as other receivables accrued at year-end.

The City is a lessee for noncancelable leases of land, buildings, office space, and equipment and recognizes the liability and an intangible right-to-use lease asset at the inception of the lease agreement at the current present value of future payments, in the government-wide and proprietary fund financial statements.

The City is a lessor for noncancelable leases of buildings, hangers, office space and land use and parking spaces. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund and governmental fund financial statements at the inception of the lease agreement at current present value of all future payments.

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 not included as part of the capitalized value of the assets constructed.

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, 3 to 10 years for buses, 3 to 10 years for furnishings and equipment, 3 to 10 years for vehicles, 3 to 5 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.

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. Non-cancellable lease agreements exceeding a 12-month term are recorded as an intangible right-to-use asset with an amortization calculated based on the term of the lease agreement.

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 assets by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets 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, management leave, bilingual leave and compensating time off, as well as 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, 2022, the total estimated liability for all compensated absences, including vacation and sick leave, is \$11,962,073.

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 a minimum level of no less than the average of two months of regular General Fund operating expenditures.

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, 2020
Measurement Date: June 30, 2021
Measurement Period: July 1, 2020 to June 30, 2021

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: June 30, 2020
Measurement Date: June 30, 2021
Measurement Period: June 30, 2020, to June 30, 2021

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.

5. Change in Accounting Principles

During the fiscal year ended June 30, 2022, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, Leases, which establishes criteria for identifying and reporting noncancelable lease agreements. This provision defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this provision a lessee is required to recognize a lease liability and an intangible right-to-use asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

F. NEW ACCOUNTING STANDARDS

During the fiscal year ended June 30, 2022, the City implemented the following GASB Standards:

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. 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. 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.

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

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. 93 – Replacement of 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. 99 – Omnibus 2022. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 – Accounting Changes and Error Corrections. The requirements of this statement are effective for periods beginning after June 15, 2023.

GASB Statement No. 101 – Compensated Absences. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

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	\$ 409,073,755
Restricted cash and cash equivalents	93,190,155
Cash and cash equivalents held with fiscal agent	16,817,654
Successor Agency Private-Purpose Trust Fund	
Cash and cash equivalents	2,383,760
Cash and cash equivalents held with fiscal agent	1,977,349
Private Purpose and Investment Trust Funds	
Cash and cash equivalents	1,664,566
Cash and cash equivalents held with fiscal agent	<u>2,938,523</u>
Total cash and investments	<u>\$ 528,045,762</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:

Investment Type	Maximum Maturity	Maximum Specified % of Portfolio	Maximum % per Issuer	Minimum Quality Requirements
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 percent	5 percent	AA
Banker's Acceptances	180 days	40 percent	5 percent	Federal Reserve eligible
Commercial Paper	270 days	25 percent	5 percent	A1/P1 rating
Negotiable Certificates of Deposit	5 Years	30 percent	5 percent	A rating
Certificates of Deposit	1 Year	20 percent	5 percent	FDIC insured or collateralized
Repurchase Agreements	90 days	None	5 percent	None
Reverse Repurchase Agreements	92 days	20 percent of combined base value	5 percent	None
Medium Term Notes	5 Years	30 percent	5 percent	A rating
Money Market Mutual Funds	N/A	20 percent	10 percent	Multiple
Mortgage and Asset-backed Securities	5 Years	20 percent	5 percent	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, 2022, the fair value approximated the City's cost. At June 30, 2022, these investments range from a maximum maturity of 5 years to some maturity limits of 270 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 Bank, 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, 2022, the City had collected deposit balances of \$10,087,403. On this amount, the FDIC insurance coverage was \$250,000.

For further information, as of June 30, 2022, Bank of the West has over \$6.14 billion in public fund deposits and over 3,200 accounts that are collateralized in accordance with the state's government codes and other applicable laws. Of the total \$6.14 billion public fund deposits, the minimum collateral required is \$5.38 billion and the market value of pledged securities (aka related collateral) is \$8.58 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, 2022, the City owned eleven callable bonds. Of the eleven, nine were Corporate bonds, and the other two were Municipal and US Government bonds. Information on those bonds has been provided as follows:

<u>Amount</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Call Terms</u>
\$3,119,505	1/28/2026	12/28/2025	Callable on and any time after 12/28/2025
\$2,032,377	11/13/2025	10/13/2025	Callable on and any time after 10/13/2025
\$2,265,434	9/21/2023	9/21/2022	Callable on and any time after 9/21/2022
\$2,208,728	2/14/2025	1/14/2025	Callable on and any time after 1/14/2025
\$1,346,524	9/16/2024	9/16/2023	Callable annually after 9/16/2023
\$2,853,479	2/5/2024	1/5/2024	Callable on and any time after 1/5/2024
\$808,343	6/1/2025	6/1/2024	Callable one-time on 6/1/2024
\$3,430,738	3/15/2024	2/15/2024	Callable on and any time after 2/15/2024

Amount	Maturity Date	Call Date	Call Terms
\$2,883,210	8/8/2026	5/8/2026	Callable on and any time after 5/8/2026
\$3,980,840	7/8/2024	4/15/2023	Callable on and any time after 4/15/2023
\$679,674	5/15/2025	4/15/2025	Callable on and any time after 4/15/2025

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 various investments based on maturity dates and credit ratings:

	Credit Rating		Remaining Maturity (in Months)			
	Standard & Poor's	Moody's Investors Service	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Investments Held by City						
Foreign Government Bonds	AAA	Aaa	\$ 5,595,113	\$ -	\$ 1,725,256	\$ 3,869,857
US Treasury Bonds and Notes	AA+	Aaa	201,562,992	13,516,947	52,744,230	135,301,815
US Agencies	AA+	Aaa	73,661,469	14,669,714	22,875,296	36,116,459
Short-Term Fixed Deposits	AA+	Aaa	1,244,573	1,244,573	-	-
Commercial Paper	A-1	P-1	39,832,700	39,832,700	-	-
Corporate Bonds and Notes	See Below	See Below	46,945,101	8,088,327	13,357,233	25,499,541
Corporate Paydown Securities	See Below	See Below	7,027,175	113,615	2,091,777	4,821,783
Municipal Bonds	See Below	See Below	7,214,069	-	2,291,312	4,922,757
CAMP	AAAm	Not Rated	75,106,115	75,106,115	-	-
Total Investments Held by City			\$ 458,189,307	\$ 152,571,991	\$ 95,085,104	\$ 210,532,212
Investments Held by Fiscal Agent						
Money Market Funds	AAAm	Aaa-mf	\$ 8,391,946	\$ 8,391,946	\$ -	\$ -
CAMP	AAAm	Not Rated	9,473,872	9,473,872	-	-
PARS – OPEB	Not Rated	Not Rated	1,387,318	1,387,318	-	-
PARS – Pension	Not Rated	Not Rated	2,480,390	2,480,390	-	-
Total Investments Held by Fiscal Agent			\$ 21,733,526	\$ 21,733,526	\$ -	\$ -
City of Modesto Banking Accts & Cash on Hand	A/A-1	A1/P1	29,838,676			
Timing Differences for Deposit & Electronic Vendor Payments			(1,011,055)			
Fund Overdraft			19,295,308			
Total Cash and Investments			\$ 528,045,762			

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

Amount	Standard & Poors	Moody's Investors Service
\$ 2,883,210	AAA	Aaa
4,906,958	AA	A1
3,980,840	AA	Aa2
2,208,728	AA-	A1
8,088,327	A-1	P-1
5,659,009	A+	A1
8,316,593	A+	A2
3,119,505	A	A1
338,585	A	A2
7,443,346	A-	A2
<u>\$ 46,945,101</u>		

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

Amount	Standard & Poors	Moody's Investors Service
\$ 2,664,507	AAA	Aaa
2,682,047	AAA	Not Rated
1,680,621	Not Rated	Aaa
<u>\$ 7,027,175</u>		

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

Amount	Standard & Poors	Moody's Investors Service
\$ 587,084	AAA	Aaa
93,475	AAA	Aa1
852,767	AA+	Aaa
679,674	AA	Aa2
1,684,098	AA	Aa3
2,853,866	AA-	Aa2
463,105	AA-	A1
<u>\$ 7,214,069</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, 2022:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Portfolio</u>
Fannie Mae (FNMA)	Federal agency securities	\$44,386,707	8.41%

Fair Value Measurement and Application

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.

US Bank is the custodian of the City's investments. Fair value is measured by using all assumptions utilized by marketplace participants, including risk assumptions considered by those participants. The measurement of fair value assumes an orderly, hypothetical transaction in the principal market for the asset or liability. However, if the volume and level of market activity for an asset or liability has significantly decreased, and transactions in a particular market are not orderly, other factors are considered in estimating fair value. Moreover, if no principal market exists, and there are multiple markets, then the most advantageous market is used.

The Pool has the following recurring fair value measurements as of June 30, 2022:

Investments Held by City	Fair Value Measurements Using	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
US Treasury Bonds and Notes	\$ 201,562,992	\$ -
Short-Term Fixed Deposits	1,244,573	-
US Agencies	73,661,469	73,661,469
Foreign Government Bonds	5,595,113	5,595,113
Commercial Paper	39,832,700	39,832,700
Corporate Bonds and Notes	46,945,101	46,945,101
Corporate Paydown Securities	7,027,175	7,027,175
Municipal Bonds	7,214,069	7,214,069
Total Investments by Fair Value Level	383,083,192	\$ 180,275,627
Investments Not Subject to Fair Value Hierarchy		
CAMP	75,106,115	
Total Investments Held by City	\$ 458,189,307	
Investments Held by Fiscal Agents		
Investments Not Subject to Fair Value Hierarchy		
CAMP	\$ 9,473,872	
Money Market Funds	8,391,946	
PARS – OPEB	1,387,318	
PARS – Pension	2,480,390	
Total Investments Held by Fiscal Agents	21,733,526	
Grand Total of Investments	\$ 479,922,833	

B. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Transfers/Adjus</u>			<u>Ending Balance</u>
	<u>Restated</u>	<u>t-ments</u>	<u>Additions</u>	<u>Deletions</u>	
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 29,149,707	\$ 4,060,454	\$ 564,450	\$ -	\$ 33,774,611
Construction in progress	124,500,840	-	52,772,112	(6,576,655)	170,696,297
Total capital assets, not being depreciated:	<u>153,650,547</u>	<u>4,060,454</u>	<u>53,336,562</u>	<u>(6,576,655)</u>	<u>204,470,908</u>
Capital assets being depreciated:					
Buildings	33,010,345	23,503,116	489,905	-	57,003,366
Improvements other than buildings	127,265,389	2,923,067	2,835,270	(45,097)	132,978,629
Furnishings & equipment	13,952,568	1,054,091	896,231	(60,250)	15,842,640
Buses and fareboxes	278,852	-	-	-	278,852
Service animals	38,512	38,512	22,653	(7,439)	53,726
Intangible assets	7,974,303	7,974,303	-	-	7,974,303
Equipment pool	44,448,389	164,472	5,575,641	(1,322,932)	48,865,570
Infrastructure					
Streets	515,740,549	515,740,549	2,666,168	-	518,406,717
Signals	25,329,952	25,329,952	-	-	25,329,952
Bridges	37,078,565	37,078,565	-	-	37,078,565
Pipeline	418,147	418,147	-	-	418,147
Right-to-use Leases					
Buildings	224,950	224,950	-	-	224,950
Equipment	17,287	17,287	-	-	17,287
Land	662,695	662,695	-	-	662,695
Total capital assets, being depreciated:	<u>806,440,503</u>	<u>615,129,706</u>	<u>12,485,868</u>	<u>(1,435,718)</u>	<u>845,135,399</u>
Less accumulated depreciation for:					
Buildings	(23,460,273)	(9,998,071)	(1,638,933)	-	(35,097,277)
Improvements	(73,561,622)	(1,197,077)	(5,182,812)	49,858	(79,891,653)
Furnishings & equipment	(11,344,771)	(817,879)	(710,885)	679	(12,872,856)
Buses and fareboxes	(253,749)	-	-	-	(253,749)
Service animals	(31,230)	-	(5,195)	7,455	(28,970)
Intangible assets	(5,977,938)	-	(409,657)	-	(6,387,595)
Equipment pool	(30,483,263)	(158,667)	(3,314,900)	1,215,716	(32,741,114)
Infrastructure					
Streets	(347,820,982)	-	(10,368,313)	-	(358,189,295)
Signals	(18,866,314)	-	(488,713)	-	(19,355,027)
Bridges	(10,431,874)	-	(741,571)	-	(11,173,445)
Pipelines	(6,733)	-	(5,570)	-	(12,303)
Right-to-use Leases					
Buildings	-	-	(147,633)	-	(147,633)
Equipment	-	-	(8,643)	-	(8,643)
Land	-	-	(82,635)	-	(82,635)
Total accumulated depreciation	<u>(522,238,749)</u>	<u>(12,171,694)</u>	<u>(23,105,460)</u>	<u>1,273,708</u>	<u>(556,242,195)</u>
Total capital assets being depreciated, net	<u>284,201,754</u>	<u>602,958,012</u>	<u>(10,619,592)</u>	<u>(162,010)</u>	<u>288,893,204</u>
Governmental activities capital assets, net	<u>\$ 437,852,301</u>	<u>\$ 607,018,466</u>	<u>\$ 42,716,970</u>	<u>\$ (6,738,665)</u>	<u>\$ 493,364,112</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 512,226
Community development	1,246,804
Highways and streets	12,219,085
Public works	118,085
Parks and recreation	482,060
Public safety	4,533,255

Capital assets held by the government's internal service funds are charged to the various functions

based on their usage of the assets

Total depreciation expense – Governmental activities

3,993,945

\$ 23,105,460

	<u>Beginning Balance</u> <u>Restated</u>	<u>Transfers/Adjust-</u> <u>ments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 34,512,819	\$ (4,060,454)	\$ -	\$ -	\$ 30,452,365
Construction in progress	219,953,672		14,432,556	(175,894,877)	58,491,351
Total capital assets, not being depreciated:	<u>254,466,491</u>	<u>(4,060,454)</u>	<u>14,432,556</u>	<u>(175,894,877)</u>	<u>88,943,716</u>
Capital assets being depreciated:					
Capitalized interest	19,496,181		-	-	19,496,181
Buildings	101,986,294	(23,503,116)	17,601,528	(300,370)	95,784,336
Improvements other than buildings	459,300,112	(2,923,068)	29,547,193	(1,730,467)	484,193,770
Furnishings and equipment	16,004,077	(1,218,563)	247,205	(1,999,785)	13,032,934
Intangible assets	403,384		-	-	403,384
Water rights	358,226,691		-	-	358,226,691
Buses and fareboxes	36,638,465		-	(36,638,465)	-
Pipelines	206,457,321		126,648,760	-	333,106,081
Right-to-use Leases					-
Land	-	631,838	-	-	631,838
Total capital assets, being depreciated:	<u>1,198,512,525</u>	<u>(27,012,909)</u>	<u>174,044,686</u>	<u>(40,669,087)</u>	<u>1,304,875,215</u>
Less accumulated depreciation for:					
Capitalized interest	(14,516,729)		(504,786)	-	(15,021,515)
Buildings	(73,477,126)	9,993,716	(1,577,745)	131,362	(64,929,793)
Improvements other than buildings	(226,750,297)	1,220,366	(16,832,629)	1,260,809	(241,101,751)
Furnishings and equipment	(11,249,794)	933,644	(705,901)	1,073,858	(9,948,193)
Intangible assets	(397,262)		(6,119)	-	(403,381)
Water rights	(131,349,789)		(11,940,890)	-	(143,290,679)
Buses and fareboxes	(19,893,817)		-	19,893,817	-
Pipelines	(52,587,656)		(4,375,843)	-	(56,963,499)
Right-to-use Leases					-
Land	-	-	(180,525)	-	(180,525)
Total accumulated depreciation	<u>(530,222,470)</u>	<u>12,147,726</u>	<u>(36,124,438)</u>	<u>22,359,846</u>	<u>(531,839,336)</u>
Total capital assets being depreciated, net	<u>668,290,055</u>	<u>(14,865,183)</u>	<u>137,920,248</u>	<u>(18,309,241)</u>	<u>773,035,879</u>
Business-type activities capital assets, net	<u>\$ 922,756,546</u>	<u>\$ (18,925,637)</u>	<u>\$ 152,352,804</u>	<u>\$ (194,204,118)</u>	<u>\$ 861,979,595</u>

Business-type activities:

Water	\$20,440,834
Sewer	13,943,021
Parking	385,570
Storm drain	435,928
Compost	70,107
Airport	738,556
Golf	48,634
Community center	61,788
Total depreciation expense – Business-type activities	<u>\$36,124,438</u>

C. LEASES RECEIVABLE

The City is a lessor for leases of buildings, hangers and office space, land use and parking spaces. The City uses the interest rate contained within the agreements as the discount rate except in cases when the interest rate charged is not provided; in those situations, the City uses the incremental borrowing rate as provided by the California State Controller's Office.

Payment increases include flat percentage increases and the use of an index (such as the consumer price index). For those leases that have payment increases utilizing an index; they were initially calculated using the index at the measurement period.

The length of the lease period includes any noncancellable period of the lease as well as any extension options that are reasonably certain to be taken.

The City's lease receivable of \$17,234,681 was composed of the following:

Governmental Activities

Buildings, hangers and office space leases - annual payments totaling \$130,922 plus interest at rates ranging from 0.2% to 1.5% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2024 through 2027. \$ 1,388,085

Land use leases (including land use for cell towers) - annual payments totaling \$268,792 plus interest at rates ranging from 0.2% to 1.5% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2023 through 2064. 5,782,052

Total Principal Balances - Governmental Activities \$ 7,170,137

Payments for the lease receivables are expected to be received in the following subsequent years:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2023	\$ 399,713	\$ 104,532
2024	390,829	98,542
2025	366,268	92,861
2026	365,050	87,356
2027	348,774	82,037
2028 - 2032	1,509,007	339,500
2033 - 2037	1,230,510	234,837
2038 - 2042	928,091	154,511
2043 - 2047	762,256	93,031
2048 - 2052	644,377	41,532
2053 - 2057	134,422	9,605
2058 - 2062	59,368	4,711
2063 - 2067	31,472	559
Total	<u>\$ 7,170,137</u>	<u>\$ 1,343,614</u>

Business-Type Activities

Buildings, hangers and office space leases - annual payments totaling \$71,287 plus interest at rates ranging from 0.2% to 1.5% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2025 through 2053. \$ 2,484,838

Land use leases (including land use for cell towers) - annual payments totaling \$146,857 plus interest at rates ranging from 0.2% to 1.5% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2023 through 2064. 3,388,068

Parking spaces lease - annual payments totaling \$105,247 plus interest at a rate of 1.5% and annual increases in base payments per CPI or flat increase. Final payment date is 2053 4,191,638

Total Principal Balances – Business-Type Activities \$ 10,064,544

Payments for the lease receivables are expected to be received in the following subsequent years:

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2023	\$ 323,393	\$ 148,693
2024	331,144	143,809
2025	325,757	138,850
2026	312,889	132,290
2027	316,183	129,389
2028 - 2032	1,492,810	578,454
2033 - 2037	1,190,338	478,087
2038 - 2042	1,310,345	385,653
2043 - 2047	1,382,677	283,344
2048 - 2052	1,494,010	176,931
2053 - 2057	767,433	81,896
2058 - 2062	534,316	42,399
2063 - 2067	283,249	5,033
Total	<u>\$10,064,544</u>	<u>\$2,724,828</u>

D. 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, 2022, 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

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.

\$ 319,308

Sewer Enterprise Fund:

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 zero percent (0%) per annum and an administrative service charge of one percent (1%) 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.

26,313,083

Total Principal Balances – Business-Type Activities

\$ 26,632,391

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

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ -	\$ -	\$ 917,508	\$ 270,941
2024	-	-	927,116	261,334
2025	500,000	-	936,830	251,620
2026	-	-	946,653	241,798
2027	-	-	956,584	231,865
2028-2032	-	-	4,935,843	1,006,412
2033-2037	-	-	5,009,406	751,401
2038-2042	-	-	5,264,936	495,871
2043-2047	-	-	5,533,501	227,306
2048-2049	-	-	1,204,014	12,040
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 26,632,391</u>	<u>\$ 3,750,588</u>

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-lease 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.

\$ 940,000

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 3.295% for the fiscal year ending June 30, 2022.

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.

	42,840,000
Total Principal Balances – Business-Type Activities	43,780,000
Less:	
Unamortized Bond Discount – 2008 Water Refunding Certificates of Participation	(76,963)
Total Business-Type Activities – Certificates of Participation	\$ 43,703,037

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 \$45,326,712. 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 \$12,576,351, and net operating revenues of the Fund were \$34,886,874, which represented coverage of 277%. The Golf Fund’s principal and interest paid on certificates totaled \$491,506, and net operating revenues of the Fund were \$430,919, which represented coverage of 87.67%.

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

Year Ending	Business-Type Activities	
June 30,	Principal	Interest
2023	\$ 910,000	\$ 217,758
2024	2,780,000	183,274
2025	2,410,000	160,807
2026	2,515,000	150,355
2027	2,595,000	139,541
2028-2032	14,700,000	519,922
2033-2037	17,870,000	175,055
Total	\$ 43,780,000	\$ 1,546,712

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 combination of the variable rate 2008 bonds and the floating rate swap creates a synthetic fixed-rate debt for the City. The average synthetic fixed-rate was 3.47% for the fiscal year ending June 30, 2022.

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.

\$ 44,355,000

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

Year Ending	Governmental Activities	
	Principal	Interest
June 30,		
2023	\$ 2,585,000	\$ 269,003
2024	2,785,000	249,258
2025	2,990,000	229,968
2026	3,240,000	209,823
2027	3,470,000	188,208
2028-2032	20,010,000	576,131
2033-2034	9,275,000	39,819
Total	<u>\$ 44,355,000</u>	<u>\$ 1,762,210</u>

Revenue Bonds

Business-Type Activities:

Sewer Enterprise Fund:

Wastewater Revenue Refunding Bonds, Series 2020 A&B; interest payable on November 1 and May 1; principal is payable in annual installments on each November 1. Principal repayments for the 2020A federally taxable bonds commence November 1, 2021 and pause November 1, 2026, with interest rates from 0.38% to 1.2%. Principal repayments for the 2020B federally tax-exempt bonds commence November 1, 2027 and end November 1, 2030, with interest rates of 5%. Principal repayments for the 2020A federally taxable bonds recommence November 1, 2031 and end

November 1, 2036 with interest rates from 2.079% to 2.479%. Payment of principal and interest on the Series 2020 A&B Bonds is secured by a pledge of Net Revenues of the Sewer Enterprise Fund. The Series 2020 A&B Bonds constitute "Parity Debt" under the Indenture.

On October 27, 2020, the City issued the Series 2020 A&B Bonds as a Parity Debt to fully payoff the loan payable to California State Water Resources Control Board, State Revolving Fund. The proceeds were used to repay the loan and cost of issuance in connection with the financing. The loan payable has been fully paid off, the City will realize annual savings of around \$510,000 in cash flow with an overall economic gain of 6.61% or \$7,056,050 in present value savings.

The original loan was taken out in connection with the Tertiary Treatment Phase 1B Project, generally consisting 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 following are significant terms that pertain to the Wastewater Revenue Refunding Bonds, Series 2020 A&B. 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 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.

\$ 88,920,000

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.

	4,483,201
Total Principal Balances – Business-Type Activities	104,743,201
Add: Unamortized Bond Premium – 2018A Wastewater Bonds	1,630,510
Unamortized Bond Premium – 2020B Wastewater Bonds	7,024,770
Total Business-Type Activities Revenue Bonds	\$ 113,398,481

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

Year Ending	Business-Type Activities	
June 30,	Principal	Interest
2023	\$ 2,708,639	\$ 75,719
2024	876,795	32,335
2025	897,767	10,862
Total	\$ 4,483,201	\$ 118,916

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

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2023	\$ 8,123,639	\$ 2,955,762
2024	6,316,795	2,883,412
2025	6,377,767	2,822,250
2026	6,240,000	2,743,524
2027	6,350,000	2,637,112
2028-2032	36,295,000	8,614,528
2033-2037	35,040,000	2,128,043
Total	<u>\$ 104,743,201</u>	<u>\$ 24,784,631</u>

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.

\$ 985,000

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2023	\$ 312,000	\$ 22,838
2024	328,000	14,424
2025	345,000	4,916
Total	<u>\$ 985,000</u>	<u>\$ 42,178</u>

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, 2022, the total outstanding on the MID bonds is: \$5,795,000 for the 2013 G Bonds and \$93,190,000 for the 2007 F Bonds, for a total of \$98,985,000. For the 2013 G Bonds, the annual principal payments began on September 1, 2014 and mature on September 1, 2022, the final payment amount is \$5,795,000 at an interest rate of 2.5%. 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 a lawsuit. Termination Events: the termination of swap triggers a 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 June 30,	Business-Type Activities	
	Principal	Interest
2023	\$ 5,795,000	\$ 2,298,057
2024	4,275,000	2,223,411
2025	4,455,000	2,110,384
2026	4,650,000	2,001,583
2027	4,885,000	1,884,388
2028-2032	27,955,000	7,443,972
2033-2037	35,100,000	3,507,426
2038	11,870,000	74,154
Total	<u>\$ 98,985,000</u>	<u>\$ 21,543,375</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. Due to the negative position of the revenue bonds being less than the Pledgor’s Threshold of \$20 million, at the end of fiscal year 2022, the City did not have any collateral posted.

Terms – The terms, including the counterparty credit rating of the outstanding swaps, as of June 30, 2022 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	\$ 42,840,000	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	44,355,000	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, 2022, 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	(\$ 4,583,298)
2008 Lease Revenue Bonds	(\$ 4,090,604)
2007 MID Domestic Water Revenue Bonds	(\$ 13,757,411)

Credit risk - As of June 30, 2022, 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, 2022, 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 June 30,	Variable-Rate Bonds		Net Swap Payments, Letter of Credit, & Remarketing Fees	Total
	Principal	Interest		
2023	\$ 3,035,000	\$ 2,749,320	\$ 3,972,270	\$ 9,756,590
2024	9,360,000	2,643,944	3,837,700	15,841,644
2025	9,855,000	2,501,160	3,619,491	15,975,651
2026	10,405,000	2,361,763	3,384,149	16,150,912
2027	10,950,000	2,212,138	3,141,407	16,303,545
2028-2032	62,665,000	8,540,026	11,651,118	82,856,144
2033-2037	62,245,000	3,722,301	4,392,120	70,359,421
2038	11,870,000	74,155	189,359	12,133,514
Total	\$ 180,385,000	\$ 24,804,807	\$ 34,187,614	\$ 239,377,421

Changes in Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Loans Payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Lease Revenue Bonds	46,745,000	-	(2,390,000)	44,355,000	2,585,000
Notes Payable	1,282,000	-	(297,000)	985,000	312,000
Leases Payable	-	856,576	(184,523)	672,053	229,243
Finance Purchase Obligations	4,098,878	3,741,926	(491,381)	7,349,423	774,123
Total Governmental Activities	\$ 52,625,878	\$ 4,598,502	\$ (3,362,904)	\$ 53,861,476	\$ 3,900,366
<u>Business-Type Activities:</u>					
Loans Payable	\$ 27,540,403	\$ -	\$ (908,012)	\$ 26,632,391	\$ 917,508
Certificates of Participation	44,640,000	-	(860,000)	43,780,000	910,000
Unamortized Discount	(82,460)	-	(5,497)	(76,963)	-
Leases Payable	-	496,799	(39,714)	457,085	181,795
Finance Purchase Obligations	5,625	-	(2,275)	3,350	2,349
MID Bonds	104,500,000	-	(5,515,000)	98,985,000	5,795,000
Unamortized Premium	1,141,454	-	(570,728)	570,726	-
Sewer Bonds	105,650,000	-	(5,390,000)	100,260,000	5,415,000
Unamortized Premium	9,606,953	-	(951,673)	8,655,280	-
Sewer Bonds – Direct Placement	7,127,315	-	(2,644,114)	4,483,201	2,708,639
Developer Advances	782,885	-	(83,543)	699,342	83,725
Total Business-Type Activities	\$ 300,912,175	\$ 496,799	\$ (16,970,556)	\$ 284,449,412	\$ 16,014,016

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. In fiscal year 2022 the City adopted GASB Statement No. 87, Leases. Existing leases in effect July 1, 2021 were added to the table as additions.

E. CHANGES IN OTHER LONG-TERM LIABILITIES

Other long-term liability activity for the year ended June 30, 2022, was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 9,453,148	\$ 10,785,621	\$ 10,677,793	\$ 9,560,977	\$ 1,225,892
Claims Liability	28,752,857	6,754,708	8,649,267	26,858,298	6,297,828
Total Governmental Activities	\$ 38,206,005	\$ 17,540,329	\$ 19,327,060	\$ 36,419,275	\$ 7,523,720
Business-Type Activities:					
Compensated Absences	\$ 2,822,512	\$ 3,795,818	\$ 4,217,235	\$ 2,401,096	\$ 307,865
Total Business-Type Activities	\$ 2,822,512	\$ 3,795,818	\$ 4,217,235	\$ 2,401,096	\$ 307,865

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.

F. FINANCE PURCHASE OBLIGATIONS

Governmental Activities

As of June 30, 2022, the City has three governmental activities finance purchase obligations. Two with Pierce Manufacturing Inc. for the purchase of Velocity Pumpers and Velocity Tillers valued at \$9,625,682, less accumulated depreciation of \$2,039,165. The other with Turf Tank for the purchase of one Autonomous Robot valued at \$39,204, less accumulated depreciation of \$7,080.

The following is a schedule of the future minimum lease payments, as of June 30, 2022:

Year Ending June 30,	Amount
2023	\$ 952,375
2024	952,375
2025	952,375
2026	945,376
2027	945,376
2028-2032	3,512,777
Total minimum payments	8,260,654
Less: amount representing interest	(911,231)
Present value of minimum payments	\$ 7,349,423

Business-Type Activities

As of June 30, 2022, the City has one business-type activities active finance purchase obligation with Cushman for the purchase of the Hauler 800 Utility Golf Cart valued at \$9,079, less accumulated depreciation of \$1,436. The following is a schedule of the future minimum payments, as of June 30, 2022:

Year Ending June 30,	Amount
2023	\$ 2,422
2024	1,009
Total minimum payments	3,431
Less: amount representing interest	(81)
Present value of minimum payments	<u>\$ 3,350</u>

G. LEASES PAYABLE

The City is a lessee for leases of land, buildings and office space, and equipment. The City uses the interest rate charged by the lessor as the discount rate except in cases when the interest rate charged by the lessor is not provided; in those situations, the City uses the incremental borrowing rate as provided by the California State Controller's Office.

Payment increases include flat percentage increases and the use of an index (such as the consumer price index). For those leases that have payment increases utilizing an index; they were initially calculated using the index at the measurement period.

The length of the lease period includes any noncancellable period of the lease as well as any extension options that are reasonably certain to be taken.

The City's lease payable of \$ \$1,129,138 was composed of the following:

Governmental Activities

Buildings and office space leases - annual payments totaling \$177,519 plus interest at rates ranging from 0.2% to 0.9% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2023 through 2026.	\$ 8,651
Equipment lease - annual payments totaling \$8,651 plus interest at 0.2% and annual increases in base payments per CPI or flat increase. Final payment date is 2023.	553,940
Land leases - annual payments totaling \$43,073 plus interest at rates ranging from 0.2% to 0.9% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2023 through 2025.	<u>109,462</u>
Total Principal Balances - Governmental Activities	<u>\$ 672,053</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2023	\$ 229,243	\$ 3,341
2024	189,883	2,270
2025	175,996	1,207
2026	76,931	289
Total	<u>\$ 672,053</u>	<u>\$ 7,107</u>

Business-Type Activities

Land leases - annual payments totaling \$181,795 plus interest at 0.9% and annual increases in base payments per CPI or flat increase. Final payment dates are all in 2025. \$ 457,085

Total Principal Balances – Business-Type Activities \$ 457,085

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

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2023	\$ 181,795	\$ 2,838
2024	183,178	1,453
2025	92,112	204
Total	<u>\$ 457,085</u>	<u>\$ 4,495</u>

H. 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, 2022, the total outstanding balance due under the agreements is \$699,342. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 2022, the amount of \$83,725 due during fiscal year 2023 has been reported as "current portion-developer advances" on the Water Enterprise Fund statement of net position. The remaining \$615,617 of outstanding principal has been reported under noncurrent liabilities, as "developer advances."

I. INTERFUND BALANCES

Interfund balances as of June 30, 2022 consist of the following:

Advances from General Fund to:

Other governmental funds	\$ 804,737
Other enterprise funds	1,324,704

Advances from General Fund	<u>2,129,441</u>
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Advances from Water Fund to other enterprise funds	<u>3,720,000</u>
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Advances from Sewer Fund to:

General Fund	708,973
Other governmental funds	271,803
Other enterprise funds	718,200

Advances from Sewer Fund	<u>1,698,976</u>
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Advances from other enterprise funds to other governmental funds	<u>158,642</u>
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Total Advances from/Advances to	<u><u>\$ 7,707,059</u></u>
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Balances reported as "advance to/from" were for capital projects expenditures and are either in the process of being repaid or have scheduled repayments in future years.

J. FUND BALANCE

Detailed classifications of the City's Fund Balances, as of June 30, 2022, are provided below:

	General Fund	Operating Grants	Housing and Community Development	Capital Grants	Other Governmental	Total Governmental Funds
Nonspendable						
Advances to other funds	\$ 2,129,441	\$ -	\$ -	\$ -	\$ -	\$ 2,129,441
Prepaid Items	212,543	26,810	1,559	-	4,365	245,277
Total Nonspendable Fund Balance	2,341,984	26,810	1,559	-	4,365	2,374,718
Restricted						
Capital Facility Fees	-	-	-	-	38,758,551	38,758,551
Cash with Fiscal Agent	3,867,707	705,822	-	3,161,068	5,245,920	12,980,517
Community Facilities District	-	-	-	-	21,585,855	21,585,855
Grants and Donations	-	1,675,526	-	-	5,430,237	7,105,763
Notes Receivable	-	70,179	33,812,368	-	30,314	33,912,861
Deposits	3,989,829	-	-	-	-	3,989,829
Loan for Settlement	300,000	-	-	-	-	300,000
Traffic Fines	-	-	-	-	4,339,489	4,339,489
Total Restricted Fund Balance	8,157,536	2,451,527	33,812,368	3,161,068	75,390,366	122,972,865
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	579,390	-	-	-	-	579,390
Successor Redevelopment Housing Agency	-	-	-	-	788,838	788,838
Transportation Tax Funding	-	-	-	-	43,338,627	43,338,627
Strategic Planning and Development	-	-	-	-	1,949,491	1,949,491
Debt Service	-	-	-	-	1,398	1,398
Total Assigned Fund Balance	579,390	-	-	-	46,078,354	46,657,744
Unassigned - General Fund	9,942,398	-	-	-	-	9,942,398
Unassigned - Special Revenue Funds	-	-	-	-	(270)	(270)
Unassigned - Capital Project Funds	-	-	-	(5,343,184)	-	(5,343,184)
Total Unassigned Fund Balance	9,942,398	-	-	(5,343,184)	(270)	4,598,944
Total Fund Balance	\$ 39,419,125	\$ 2,478,337	\$ 33,813,927	\$ (2,182,116)	\$ 121,472,815	\$ 195,002,088

K. DEFICIT FUND EQUITY

The Capital Grants Fund has a fund balance deficit of \$2,182,116, which will be recovered through future grant revenues and local matches covered through the General Fund or other City funds.

The Downtown Improvement District Fund has a fund balance deficit of \$270 which will be recovered through future tax revenues and special assessments levied.

The Compost Fund has a net position deficit of \$7,374,565, due mainly to other post-employment benefit liability and net pension liability for the employees which reside in this fund, in addition to the pollution remediation liability reported for the Carpenter Landfill and Geer Road Landfill. The remediation funding has been incorporated into the utility fees related to garbage rates to cover the anticipated costs.

The Central Services Fund has a net position deficit of \$312,713, which will be recovered through future overhead charges.

The Employee Benefits Management Fund has a net position deficit of \$7,122,850. 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 \$10,575,329 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.

L. INTERFUND TRANSFERS

The following is a schedule of interfund transfers.

Transfers (in) to:	Transfers from (out):										
	General Fund	Operating Grants	Housing and Urban Development	Capital Grants	Other Governmental	Water	Sewer	Bus	Other Enterprise Funds	Internal Service	Total
General Fund	-	-	-	-	\$ 404,164	\$ 65,000	\$ 68,640	-	-	\$ 3,732,874	\$ 4,270,678
Capital Grants	-	-	\$ 845,917	-	2,310,200	37	-	-	-	26,077	3,182,231
Operating Grants	\$ 142,114	-	231,322	-	-	-	-	-	-	138,794	512,230
Other Governmental	5,410,315	-	-	\$ 24,688	2,573,717	-	19,735	-	-	-	8,028,455
Water	-	-	-	-	31494	-	344,404	-	\$ 38,001	-	413,899
Sewer	-	-	-	-	4,736	-	-	-	9,856	-	14,592
Other Enterprise	3,485,451	-	-	-	2,770	700,000	-	-	-	-	4,188,221
Internal Service	2,013,032	\$ 3,540	931	-	192,728	405,799	798,953	\$19,328,695	3,915,176	143,692	26,802,546
Grand Total	\$11,050,912	\$ 3,540	\$ 1,078,170	\$ 24,688	\$ 5,519,809	\$ 1,170,836	\$ 1,231,732	\$19,328,695	\$ 3,963,033	\$ 4,041,437	\$47,412,852

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.

M. 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, 2022, 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, 2022 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. \$ 12,862,950

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 749,650	\$ 78,011	\$ 827,661
2024	807,650	72,285	879,935
2025	867,100	66,691	933,791
2026	939,600	60,849	1,000,449
2027	1,006,300	54,580	1,060,880
2028-2032	5,802,900	167,078	5,969,978
2033-2034	2,689,750	11,548	2,701,298
Total	<u>\$ 12,862,950</u>	<u>\$ 511,042</u>	<u>\$ 13,373,992</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, 2022, are as follows:

Year Ending June 30,	Principal	Total
2022	\$ -	\$ -
2023	-	-
2024	405,000	405,000
Total	<u>\$ 405,000</u>	<u>\$ 405,000</u>

As of June 30, 2022, 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. \$ 3,145,000

Future debt service requirements to maturity for the Certificates of Participation, as of June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,535,000	\$ 118,875	\$ 1,653,875
2024	1,610,000	40,250	1,650,250
Total	<u>\$ 3,145,000</u>	<u>\$ 159,125</u>	<u>\$ 3,304,125</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.

N. NOTES AND LOANS RECEIVABLE

The notes receivable in the Operating Grants Fund and Other Governmental Funds of \$58,911,283 net of \$111,012 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.

O. APPROVED LOANS PAYABLE

The approved loans payable in the Housing and Community Development Special Revenue Fund of \$76,529 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.

P. 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, 2022, the City reported a pollution remediation liability from the Water and Sewer funds in the amount of \$5,248,885 and \$6,587,713, respectively.

The City also records a liability for two landfill pollution remediation efforts. For 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 receded, the project went out to bid, and was awarded to Pacific States Environmental Contractors in August 2018. A permitting delay pushed the project start but as of September 2021, all waste has been moved from the eastern fill to the western fill, a storm water retention basin is complete, and final, small or cosmetic work is being completed. The City will submit completion and permitting paperwork when the project is complete. Monitoring continued throughout the project on functional gas and groundwater wells. As of June 30, 2022, the City reported a pollution remediation liability from Carpenter Road Landfill Fund in the amount of \$288,102.

For the Geer Road Landfill Mitigation Costs Fund, a liability was reported related to the Geer Road Landfill which is located in Stanislaus County, 8 miles southeast of the City of Modesto on the Tuolumne River. The site is jointly owned by Stanislaus County and the City of Modesto, but was formerly operated by Stanislaus County Department of Environmental Resources. It consists of 168 acres and accepted an estimated 4.5 million tons of waste from 1970 until July of 1990. This landfill precedes Subtitle-D and had no liner or leachate collection or removal system. The landfill closed in 1995 and a geomembrane liner was overlain by vegetative soil. Closure was approved in July 1996, and post closure and correction action requirements, as well as requirements to maintain financial assurances and conduct monitoring, were prescribed in the Waste Discharge Requirements (WDR's). Pollution was first identified in 1985 and since that time, several investigations were completed. In 1993, a groundwater extraction and treatment system of 12 extraction wells that pump water to a treatment plant, as well as 34 monitoring wells were installed. The treated water was then released to a leach field where it was recharged to groundwater. The landfill methane gas was monitored by 83 gas probes in and around the landfill connected to a landfill gas flare facility. To cover the potential liability, the City of Modesto established a fee within the Garbage rates to collect around \$200,000 annually. As of June 30, 2022, the City reported a pollution remediation liability from the Geer Road Landfill Mitigation Costs Fund in the amount of \$667,949.

Q. 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, Operating Grants, Housing and Community Development, Capital Grants and other governmental funds reported deferred inflows of resources in the amount of \$4,741,231, \$41,122,400, \$25,876,225 \$5,430,426, and \$6,423,571 for unavailable resources related to note, grant receivables and lease 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 thirteen members of the Authority for California Cities Excess Liability (ACCEL) risk pool. This pool covers City claims between \$1,000,000 and \$10,000,000. 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 \$10,000,000 in several excess layers for a total coverage of \$55,000,000 per claim. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years. General liability claims are handled by the City's third-party administrator George Hills Company of Rancho Cordova, CA, and risk management. 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, 2022 is \$26,858,298 consisting of \$18,891,230 workers' compensation, \$7,722,826 general liability, \$203,096 dental, and \$41,146 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 \$22,155,452 and \$8,183,413 respectively. The actuarial liability for workers' compensation and general liability were based on 2022 actuarial reports.

The current portion of the total liability claims, is estimated to be \$6,297,828 and the balance of \$20,560,470 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, 2022 through June 30, 2022 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>
2020-21	\$ 26,169,123	\$ 12,358,612	\$ (9,774,878)	\$ 28,752,857
2021-22	28,752,857	6,751,885	(8,646,444)	26,858,298

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, 2022, the balance of these districts' outstanding debt was as follows:

<u>Debt Issued</u>	<u>Outstanding Amount</u>
Village One #2 Community Facilities District	\$ 24,345,000
Fairview Village Community Facilities District	\$ 3,550,000

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, 2022, 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 \$4,275,000.

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 \$26,279,485 for the City's governmental funds as of June 30, 2022 for contracts awarded but not completed and other outstanding purchase requisitions and orders. This amount consists of \$579,390 in the General Fund, \$358,142 in the Operating Grants Fund, \$711,754 in the Housing and Community Development, and \$8,153,027 in the Capital Grants Fund, and \$16,477,172 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, 2022, there are major contracts for State Route 132 project (WSP USA Inc \$12,240,251 Bay Cities Paving and Grading \$92,805,772), and Fleet Management (Western Truck Center \$514,130 and Towne Ford Sales \$602,868).

In the process of completing the work mandated by the Regional Water Control Board, additional waste was discovered in the southern wall of the bank of the Tuolumne River. The City provided this information to the Regional Water Control Board in May of 2021, they asked the City to submit a general plan and schedule to investigate and ultimately address the residual waste materials that were found in the area and appear to be on Army Corps lands. The State is planning to complete their review of the report into the additional waste during calendar year 2022.

A feasibility study will be undertaken to provide guidance to City staff in order to make informed decisions on the future of the City's composting operations and compliance with SB1383. Necessary improvements are required to ensure compliance with violations received from the regional water board and other areas of concern notifications received from CalRecycle. A consultant will assess what improvements are needed and the City will hire an engineering firm to complete the necessary work. The feasibility study is anticipated to start in January 2023.

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 City 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 \$186,193 for the fiscal year ended June 30, 2022. As of June 30, 2022, the City's investment in this joint venture was \$1,486,946, 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 two (2) members of the City Council, two (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, 2022, the City's payments to the Agency were \$1,142,649 for operations and capital reserve. The City's equity interest in the Agency is \$5,651,530, 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, 2022, 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, 2022, 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 provides health care benefits to employees who retire from the City based on certain criteria related to their hired and retirement dates, their employee bargaining unit, and their grandfathered sick leave at retirement.

For employees that retire from the Modesto City Firefighters Association (MCFFA) bargaining unit, the City contributes toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. MCFFA is covered by a 1995 resolution with the California Public Employees' Retirement System defining the level of the City's contribution toward the cost of medical plan premiums for employees and retirees to be the minimum employer contribution (MEC). The MEC is \$149 in 2021, and \$151 in 2022.

All other full-time employees hired before January 1, 2011, are eligible to convert their accumulated grandfathered sick leave towards a contribution for future health care costs at retirement (sick leave conversion). The City has no obligation to pay health insurance allowance for retirees with no grandfathered sick leave. Any employee who retires after January 1, 2017, or retirees who elect the buy-out option, receive a contribution to a Retiree Health Savings Account. Those employees are then removed from the City's medical plan and ineligible to re-enroll.

The City has no assets accumulated in a qualified OPEB trust that meets the criteria as per GASB Statement No. 75.

II. Employees Covered

As of June 30, 2021, actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

Active employees	467
Inactive employees	<u>351</u>
Total	818

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, 2022, the City's cash contributions were \$4,114,604 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, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	2.16% at June 30, 2021. 2.21% at June 30, 2020 (Bond Buyer 20-Bond Index)
General Inflation	2.5% annually
Salary Increases	3%
Medical Trend	5.8% for 2021, fluctuating to an ultimate rate of 4.0% in 2076
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally from 2015

V. Discount Rate

The discount rate used to measure the total OPEB liability was 2.16 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, 2021 (Measurement Date June 30, 2020)	\$ 30,427,400
Changes recognized for the measurement period:	
Service cost	1,196,410
Interest	667,183
Changes of Assumptions	129,927
Benefit Payments	(2,869,050)
Net Changes	(875,530)
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 29,551,870

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 2.16 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 (2.16 percent) or 1 percentage-point higher (3.16 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.16%	2.16%	3.16%
Net OPEB Liability	\$ 32,407,343	\$ 29,551,870	\$ 27,159,350

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, 2021:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 27,690,354	\$ 29,551,870	\$ 31,940,987

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

As of the start of the measurement period (June 30, 2020), the OPEB liability was \$30,427,400.

For the measurement period ended June 30, 2021 (the measurement date), the City incurred an OPEB expense of \$2,426,924.

Components of OPEB Expense	
Service cost	\$ 1,196,410
Interest	667,183
Expensed portion of current-period changes of assumptions or other inputs	563,331
OPEB Expense	\$ 2,426,924

As of June 30, 2022, 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	\$ 4,114,604	\$ -
Changes of assumptions or other inputs	2,635,772	750,130
Difference between actual and expected experience in the Total OPEB Liability	1,090,678	166,069
Total	\$ 7,841,054	\$ 916,199

The amounts above are net of outflows and inflows recognized in the 2020-2021 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, 2023.

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
2023	\$ 563,331
2024	802,506
2025	1,055,142
2026	380,320
2027	8,952
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, 2022 are summarized as follows:

Miscellaneous Plan:

	Prior to January 17, 2012	January 17, 2012 to December 31, 2012	On or after January 1, 2013
Hire date			
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 to 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, 2021 (the measurement date) for the Plans, the average active employee contribution rate was 7.00% of annual pay for Miscellaneous and 10.14% for Safety and the employer's contribution rate is 8.13% of annual payroll for Miscellaneous and 20.45% for Safety. The employee and employer contributions made for fiscal year June 30, 2022 was \$17.995 million for the Miscellaneous plan and \$28.266 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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

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

	Miscellaneous Plan	Safety Plan
	Entry-Age Normal	Entry-Age Normal
Actuarial Cost Method		
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.5%	2.5%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return	7.00% ⁽¹⁾	7.00% ⁽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 2017 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, 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, 2021 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 ACFR, 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, 2020 ⁽¹⁾	\$ 497,269,825	\$ 358,840,146	\$ 138,429,679
Changes Recognized for the Measurement Period:			
Service Cost	7,916,536	-	7,916,536
Interest on the Total Pension Liability	34,981,202	-	34,981,202
Differences between Expected and Actual Experience	1,935,811	-	1,935,811
Contributions - Employer	-	13,607,488	(13,607,488)
Contributions - Employees	-	3,732,886	(3,732,886)
Net Investment Income	-	80,411,612	(80,411,612)
Benefit Payments, including Refunds of Employee Contributions	(27,832,629)	(27,832,629)	-
Administrative Expense	-	(358,459)	358,459
Net Change during 2020-21	17,000,920	69,560,898	(52,559,978)
Balance at June 30, 2021 ⁽¹⁾	\$ 514,270,745	\$ 428,401,044	\$ 85,869,701

Safety Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2020 ⁽¹⁾	\$ 654,391,208	\$ 428,570,245	\$ 225,820,963
Changes Recognized for the Measurement Period:			
Service Cost	11,100,896	-	11,100,896
Interest on the Total Pension Liability	46,176,343	-	46,176,343
Differences between Expected and Actual Experience	3,056,480	-	3,056,480
Contributions - Employer	-	21,650,057	(21,650,057)
Contributions - Employees	-	3,864,069	(3,864,069)
Net Investment Income	-	97,134,657	(97,134,657)
Benefit Payments, including Refunds of Employee Contributions	(34,350,284)	(34,350,284)	-
Administrative Expense	-	(428,116)	428,116
Net Change during 2020-21	25,983,435	87,870,383	(61,886,948)
Balance at June 30, 2021 ⁽¹⁾	\$ 680,374,643	\$ 516,440,628	\$ 163,934,015

⁽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)	\$ 149,440,659	\$ 85,869,701	\$ 32,969,782

Safety Plan	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 255,625,142	\$ 163,934,015	\$ 88,712,807

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

As of the start of the measurement period (July 1, 2020), the net pension liability was \$138,429,679 for the Miscellaneous Plan and \$225,820,963 for the Safety Plan.

For the measurement period ended June 30, 2021 (the measurement date), the City incurred a pension expense of \$3,226,307 for the Miscellaneous Plan and \$13,451,817 for the Safety Plan.

As of June 30, 2021, 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
Differences between Expected and Actual Experiences Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 1,996,018	\$ (17,106)
Contributions subsequent to the measurement date	-	(40,015,578)
Total	14,308,353	-
	\$ 16,304,371	\$ (40,032,684)

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ -	\$ (115,921)
Differences between Expected and Actual Experiences	6,563,992	(48,652,635)
Contributions subsequent to the measurement date	23,331,623	-
Total	\$ 29,895,615	\$ (48,768,556)

The amounts above are net of outflows and inflows recognized in the 2020-2021 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, 2023.

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
2022	\$ (8,984,959)	\$ (8,066,548)
2023	(8,673,547)	(9,988,667)
2024	(9,343,823)	(10,776,835)
2025	(11,034,337)	(13,372,514)
Total	\$ (38,036,666)	\$ (42,204,564)

H. DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2022, expenditures exceeded appropriations as follows:

General Fund

<u>Expenditures</u>	<u>Amount</u>
Parks and recreations – Administration	\$25,885
Parks and recreations - Convention visitors bureau	381,958

Operating Grants Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Highways and Streets	\$8,817
Public Safety	117,563

Housing and Community Development Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Debt Service - Other	\$638
Transfers out	222,200

Local Transportation Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Parks and recreation	\$1,060

<u>Strategic Planning and Development Special Revenue Fun</u>	<u>Amount</u>
Transfers out	\$2,770

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 \$3,535,670 to account for the correction to Construction Work In Progress (CWIP) from prior years.

A prior period adjustment was made to the Housing and Community Development to decrease fund balance in the amount of \$346,163 to correct loans booked in the prior year.

A prior year adjustment was made to the Central Service Fund to decrease the net position in the amount of \$466,728 to account for the correction to Construction Work In Progress (CWIP) from prior years.

A prior year adjustment was made to the Information Technology Fund to decrease the net position in the amount of \$553,241 to account for the correction to Construction Work In Progress (CWIP) from prior years.

Total Governmental Activities prior year adjustments: (\$4,901,802)

Business-type Activities

A prior year adjustment was made to the Water Fund to decrease the net position in the amount of \$10,354,065 to account for the correction to Construction Work In Progress (CWIP) from prior years.

A prior year adjustment was made to the Sewer Fund to decrease the net position in the amount of \$1,955,487 to account for the correction to Construction Work In Progress (CWIP) from prior years.

A prior year adjustment was made to the Bus Fund to increase the net position in the amount of \$26,830 to correct revenues from prior years.

A prior year adjustment was made to the Storm Drain Fund to decrease the net position in the amount of \$131,751 to account for the correction to Construction Work In Progress (CWIP) from prior years.

Total Business-type Activities prior year adjustments: (\$12,414,473)

Total prior year adjustments: (\$17,316,275)

J. SUBSEQUENT EVENTS

On June 28, 2022 the Council called an election to be held on November 8, 2022 for voter consideration of a ballot measure seeking voter approval to impose a one-cent transaction and use (sales) tax for general City services. On November 8, 2022 Modesto Citizens voted to increase the sales tax from 7.875% to 8.875%. This increase to the sales tax rate is expected to generate \$39 million annually to the City's general fund which will be used to fund public safety, cleaner and safer parks, blight and to address homelessness, amongst other things.

On September 13, 2022, the Council authorized an agreement between the City of Modesto and the Salida Fire Protection District for a five-year term, with a two-year extension option in which the City of Modesto agrees to provide fire protection services beyond the City's current jurisdictional boundaries. This agreement will generate approximately \$9.5 million in new revenues to the General Fund over the five- year term. The approximate anticipated expenses to the General Fund in order to fulfill this agreement are approximately \$9.2 million.

On September 20, 2022, trial began in a case brought by the City against the Dow Chemical Company and PPG involving tetrachloroethylene also known as PCE, a chemical manufactured by Dow and PPG Industries for use in dry cleaning. The complaints in the case were originally filed in 1998 and the case has been through multiple trials and appeals over the last 24 years. The current trial involves more than fifteen(15) dry cleaning sites, each of which will be tried separately. It will take several years to try all sites, and no final judgment will be entered until all sites have been tried. The first site to be tried involved the former Vogue Cleaners location. The jury awarded the City \$4 million in compensatory damages and \$56.3 million in punitive damages, but these awards are subject to challenge and will not in any event become final until after the rest of the case is tried.

K. DISPOSAL OF TRANSIT OPERATIONS

On January 6, 2021, the City Council authorized the Joint Powers Agency Agreement to form the Stanislaus Regional Transit Authority (StanRTA), which consolidated Stanislaus County's public transportations services and City of Modesto's public transportations services into one regionalized public transportation agency. This consolidation has the potential to enhance transit service, reduce overall costs of service and will lead to a ore "easy to use" public transportation option for residents by having a more coordinated transit service in the County. Effective July 1, 2021, the City Transferred all of its transit operations to StanRTA. This led to the closing of the Bus Enterprise Fund, transit assets and liabilities were transferred to StanRTA to support the new transit operator for the County. All remaining transit assets held by the City after the dissolution of the Bus Fund were transferred to other City funds. This disposal of transit operations led to a loss of transfer of operations of \$19,461,712 for year ended June 30 2022.

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REQUIRED SUPPLEMENTARY INFORMATION TAB

REQUIRED SUPPLEMENTARY INFORMATION

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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	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
TOTAL PENSION LIABILITY								
Service Cost	\$ 7,916,536	\$ 7,723,070	\$ 7,583,252	\$ 7,365,767	\$ 6,992,542	\$ 6,092,179	\$ 5,768,082	\$ 6,400,912
Interest on Total Pension Liability	34,981,202	33,802,792	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	1,935,811	(39,916)	3,777,379	2,514,973	(1,956,450)	(2,005,545)	(3,177,191)	-
Benefit Payments, Including Refunds of Employee Contributions	(27,832,629)	(26,321,649)	(24,951,032)	(23,596,900)	(22,727,426)	(21,686,131)	(20,945,229)	(20,334,821)
Net Change in Total Pension Liability	17,000,920	15,164,297	19,159,430	15,240,019	36,833,508	12,152,681	3,810,059	14,104,006
Total Pension Liability – Beginning	497,269,825	482,105,528	462,946,098	447,706,079	410,872,571	398,719,890	394,909,831	380,805,825
Total Pension Liability – Ending (a)	\$ 514,270,745	\$ 497,269,825	\$ 482,105,528	\$ 462,946,098	\$ 447,706,079	\$ 410,872,571	\$ 398,719,890	\$ 394,909,831
PLAN FIDUCIARY NET POSITION								
Contributions – Employer	\$ 13,607,488	\$ 11,857,136	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358	\$ 5,632,179	\$ 4,654,055
Contributions – Employee	3,732,886	3,522,762	3,479,149	3,393,722	3,396,338	3,349,400	3,061,157	2,853,492
Net Investment Income	80,411,612	17,470,077	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	(27,832,629)	(26,321,649)	(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	(358,459)	(497,374)	(244,082)	(510,454)	(450,482)	(192,011)	(355,544)	-
Other Miscellaneous Income/(Expense) ⁽¹⁾	-	-	796	(969,360)	-	-	-	-
Net Change in Fiduciary Net Position	69,560,898	6,030,952	10,776,273	14,456,938	22,461,037	(9,941,962)	(5,514,466)	35,875,529
Plan Fiduciary Net Position – Beginning ⁽²⁾	358,840,146	352,809,194	342,032,921	327,575,983	305,114,946	315,056,908	320,571,374	284,695,845
Plan Fiduciary Net Position – Ending (b)	428,401,044	358,840,146	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)	\$ 85,869,701	\$ 138,429,679	\$ 129,296,334	\$ 120,913,177	\$ 120,130,096	\$ 105,757,625	\$ 83,662,982	\$ 74,338,457
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.30%	72.16%	73.18%	73.88%	73.17%	74.26%	79.02%	81.18%
Covered-Employee Payroll ⁽³⁾	\$ 53,688,851	\$ 53,453,630	\$ 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-Employee Payroll ⁽³⁾	159.94%	258.97%	253.98%	242.74%	257.04%	233.94%	201.29%	168.47%

NOTE: There are no assets accumulated in a trust to pay related benefits for the pension plan.

(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>	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Measurement Period								
TOTAL PENSION LIABILITY								
Service Cost	\$ 11,100,896	\$ 10,961,188	\$ 9,984,949	\$ 9,648,518	\$ 9,298,519	\$ 8,193,455	\$ 8,633,865	\$ 8,970,868
Interest on Total Pension Liability	46,176,343	44,407,891	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	3,056,480	2,147,305	12,017,379	2,992,729	(3,102,753)	(2,184,871)	(849,707)	-
Benefit Payments, Including Refunds of Employee Contributions	(34,350,284)	(33,173,358)	(31,487,589)	(29,678,588)	(28,147,381)	(26,911,771)	(25,426,619)	(24,313,823)
Net Change in Total Pension Liability	25,983,435	24,343,026	33,274,576	21,018,671	50,314,026	17,101,648	9,890,257	19,967,777
Total Pension Liability – Beginning	654,391,208	630,048,182	596,773,606	575,754,935	525,440,909	508,339,261	498,449,004	478,481,227
Total Pension Liability – Ending (a)	\$ 680,374,643	\$ 654,391,208	\$ 630,048,182	\$ 596,773,606	\$ 575,754,935	\$ 525,440,909	\$ 508,339,261	\$ 498,449,004
PLAN FIDUCIARY NET POSITION								
Contributions – Employer	\$ 21,650,057	\$ 20,241,960	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,899	\$ 10,210,101	\$ 8,963,542
Contributions – Employee	3,864,069	3,770,808	3,402,676	3,400,369	3,165,011	2,962,566	2,800,626	2,939,117
Net Investment Income	97,134,657	20,809,917	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	(34,350,284)	(33,173,358)	(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	(428,116)	(588,586)	(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	87,870,383	11,060,741	14,814,220	19,226,594	26,746,243	(11,135,842)	(4,614,383)	43,974,579
Plan Fiduciary Net Position – Beginning ⁽²⁾	428,570,245	417,509,504	402,695,284	383,468,690	356,722,447	367,858,289	372,472,672	328,498,093
Plan Fiduciary Net Position – Ending (b)	516,440,628	428,570,245	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)	\$ 163,934,015	\$ 225,820,963	\$ 212,538,678	\$ 194,078,322	\$ 192,286,245	\$ 168,718,462	\$ 140,480,972	\$ 125,976,332
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.91%	65.49%	66.27%	67.48%	66.60%	67.89%	72.36%	74.73%
Covered-Employee Payroll ⁽³⁾	\$ 40,453,345	\$ 38,050,908	\$ 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-Employee Payroll ⁽³⁾	405.24%	593.47%	628.45%	601.61%	628.21%	561.97%	450.22%	405.19%

NOTE: There are no assets accumulated in a trust to pay related benefits for the pension plan.

(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 year ended 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	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution ⁽²⁾	\$ 14,308,353	\$ 12,406,705	\$ 11,856,209	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358	\$ 5,632,179
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(14,308,353)	(12,406,705)	(11,856,209)	(10,158,019)	(8,553,955)	(8,382,192)	(6,920,358)	(5,632,179)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll ⁽³⁾	\$ 53,475,967	\$ 53,688,651	\$ 53,453,630	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621	\$ 41,562,776
Contributions as a Percentage of Covered-Employee Payroll ⁽³⁾	26.76%	23.11%	22.18%	19.95%	17.17%	17.94%	15.31%	13.55%

Safety Plan

Fiscal Year	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution ⁽²⁾	\$ 23,331,623	\$ 18,745,767	\$ 18,940,948	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,889	\$ 10,210,101
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(23,331,623)	(18,745,767)	(18,940,948)	(16,758,148)	(14,809,730)	(12,812,060)	(11,137,889)	(10,210,101)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll ⁽³⁾	\$ 36,824,044	\$ 36,973,443	\$ 38,050,908	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552	\$ 31,202,983
Contributions as a Percentage of Covered-Employee Payroll ⁽³⁾	63.36%	50.70%	49.78%	49.55%	45.91%	41.86%	37.10%	32.72%

NOTE: There are no assets accumulated in a trust to pay related benefits for the pension plan.

(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 2017- 18; 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*

<i>Measurement Period</i>	FY 2021-2022 June 30, 2021	FY 2020-21 June 30, 2020	FY 2019-2020 June 30, 2019	FY 2018-2019 June 30, 2018	FY 2017-2018 June 30, 2017
Total OPEB liability					
Service cost	\$ 1,196,410	\$ 836,292	\$ 811,934	\$ 963,490	\$ 935,427
Interest	667,183	903,896	1,013,863	1,038,035	892,669
Differences between expected and actual experience	-	1,737,964	-	(468,009)	-
Changes of assumptions	129,927	3,430,611	754,247	(1,306,633)	(1,600,635)
Benefit payments	(2,869,050)	(2,941,351)	(3,012,214)	(2,733,246)	(2,430,468)
Net change in total OPEB liability	(875,530)	3,967,412	(432,170)	(2,506,363)	(2,203,007)
Total OPEB liability - beginning	30,427,400	26,459,988	26,892,158	29,398,521	31,601,528
Total OPEB liability - ending (a)	<u>\$ 29,551,870</u>	<u>\$ 30,427,400</u>	<u>\$ 26,459,988</u>	<u>\$ 26,892,158</u>	<u>\$ 29,398,521</u>
Covered-Employee Payroll	\$ 52,545,565	\$ 54,106,179	\$ 50,879,818	\$ 49,647,245	\$ 55,637,076
Total OPEB liability as a Percentage of Covered-Employee Payroll	56.24%	56.24%	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

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

*There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

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

Fiscal Year	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
Actuarially Determined Contribution (ADC)	\$ 4,114,604	\$ 2,869,050	\$ 3,569,890	\$ 3,012,214	\$ 2,733,246	\$ 2,430,468	\$ 2,527,076
Contributions in Relation to the ADC	(4,114,604)	(2,869,050)	(3,569,890)	(3,012,214)	(2,733,246)	(2,430,468)	(2,527,076)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$52,727,185	\$52,545,565	\$54,106,179	\$50,879,818	\$49,647,245	\$55,637,076	\$49,552,706
Contributions as a Percentage of Covered-Employee Payroll	7.80%	5.46%	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 2019-20 were as follows for June 30, 2019 measurement date actuarial valuations.

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.21% at June 30, 2020 (Bond Buyer 20-Bond Index). 3.5% at June 30, 2019 (Bond Buyer 20-Bond Index).
Asset Valuation Method	N/A – Couldn't find this in the 2020 report
General Inflation	2.5% annually
Salary Increases	3%
Trend	5.8% for 2021, fluctuating 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 MW Scale 2020

*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.

*There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

CITY OF MODESTO
SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
<u>TAXES</u>				
Utility users tax	\$ 20,510,000	\$ 20,710,000	\$ 20,918,653	\$ 208,653
Property tax	20,020,000	20,020,000	19,757,550	(262,450)
Transient occupancy tax	3,266,575	3,393,210	3,621,190	227,980
Franchise tax	4,852,284	4,852,284	5,413,751	561,467
Cannabis tax	5,200,000	5,200,000	4,022,799	(1,177,201)
Business license tax	13,400,000	13,551,800	15,263,225	1,711,425
Total taxes	67,248,859	67,727,294	68,997,168	1,269,874
<u>LICENSES AND PERMITS</u>	421,350	421,350	389,431	(31,919)
<u>INTERGOVERNMENTAL</u>				
Sales tax	33,090,991	37,191,553	40,389,650	3,198,097
Motor vehicle license fees	19,704,039	19,770,039	19,881,139	111,100
State	975,000	975,000	1,366,939	391,939
County	44,482	44,482	231,185	186,703
Other intergovernmental	7,998,107	13,964,599	15,779,325	1,814,726
Total intergovernmental	61,812,619	71,945,673	77,648,238	5,702,565
<u>CHARGES FOR SERVICES</u>				
General government	2,899,604	2,850,261	2,598,192	(252,069)
Community development	2,860,077	2,859,942	2,585,310	(274,632)
Parks and recreation	2,659,498	2,657,900	1,793,195	(864,705)
Public safety	5,059,992	4,358,128	7,691,560	3,333,432
Indirect cost recovery	3,894,887	3,581,340	3,580,171	(1,169)
Total charges for services	17,374,058	16,307,571	18,248,428	1,940,857
<u>SPECIAL ASSESSMENT</u>	315,425	411,111	397,261	(13,850)
<u>INTEREST AND RENT</u>	674,029	674,029	851,323	177,294
<u>NET DECREASE IN FAIR VALUE OF INVESTMENTS</u>	-	-	(467,680)	(467,680)
<u>FINES AND FORFEITS</u>	375,753	516,753	617,607	100,854
<u>MISCELLANEOUS</u>				
Mandated cost recovery	70,000	70,000	155,145	85,145
Other	467,231	467,231	915,460	448,229
Total miscellaneous	537,231	537,231	1,070,605	533,374
Total revenues	\$ 148,759,324	\$ 158,541,012	\$ 167,752,381	\$ 9,211,369

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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government:				
City council	\$ 469,386	\$ 462,357	\$ 459,016	\$ 3,341
Human resources	1,716,639	1,749,913	1,679,381	70,532
City manager	2,775,294	3,119,767	3,074,402	45,365
City attorney	1,866,358	1,898,763	1,888,706	10,057
City clerk/auditor	948,865	955,718	600,050	355,668
Finance	5,822,592	5,963,137	5,401,192	561,945
Other	433,100	981,981	445,862	536,119
Total general government	<u>14,032,234</u>	<u>15,131,636</u>	<u>13,548,609</u>	<u>1,583,027</u>
Community development:	<u>6,615,651</u>	<u>6,752,465</u>	<u>5,916,615</u>	<u>835,850</u>
Parks and recreation:				
Administration	803,593	823,436	849,321	(25,885)
Planning and development	853,982	869,265	763,419	105,846
Convention visitors bureau	682,000	493,210	875,168	(381,958)
Operations service and maintenance	6,120,465	6,213,104	5,836,567	376,537
Facilities	1,316,265	1,791,815	1,264,453	527,362
Recreation division	4,468,415	4,559,231	3,108,055	1,451,176
Total parks and recreation	<u>14,244,720</u>	<u>14,750,061</u>	<u>12,696,983</u>	<u>2,053,078</u>
Public safety:				
Fire protection	44,939,064	56,032,196	56,032,196	-
Police protection	71,403,334	70,752,132	67,141,464	3,610,668
Total public safety	<u>116,342,398</u>	<u>126,784,328</u>	<u>123,173,660</u>	<u>3,610,668</u>
Debt service:				
Principal retirement	491,383	680,360	675,904	4,456
Interest expenditures	114,162	182,269	182,269	-
Total debt service	<u>605,545</u>	<u>862,629</u>	<u>858,173</u>	<u>4,456</u>
 Total expenditures	 <u>\$ 151,840,548</u>	 <u>\$ 164,281,119</u>	 <u>\$ 156,194,040</u>	 <u>\$ 8,087,079</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 - OPERATING GRANTS SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 380,000	380,000	\$ 359,352	\$ (20,648)
Licenses and permits	35,000	35,000	43,632	8,632
Intergovernmental	13,707,347	16,774,749	12,794,384	(3,980,365)
Charges for services	5,764,999	5,764,999	4,492,533	(1,272,466)
Special assessments	69,474	69,474	71,619	2,145
Interest and rent	65,690	90,056	172,001	81,945
Net (decrease) in fair value of investments	-	-	(68,027)	(68,027)
Donations and contributions	353,273	412,005	44,338	(367,667)
Miscellaneous	224,670	261,670	183,692	(77,978)
Total revenues	<u>20,600,453</u>	<u>23,787,953</u>	<u>18,093,524</u>	<u>(5,694,429)</u>
EXPENDITURES:				
General government	282,917	336,578	244,407	92,171
Community development	9,832,106	10,892,543	7,612,089	3,280,454
Highways and streets	-	54,352	63,169	(8,817)
Public works	3,964,288	4,735,478	3,215,409	1,520,069
Parks and recreation	2,428,579	2,490,182	69,229	2,420,953
Public safety	4,515,331	6,899,531	7,017,094	(117,563)
Total expenditures	<u>21,023,221</u>	<u>25,408,664</u>	<u>18,221,397</u>	<u>7,187,267</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(422,768)</u>	<u>(1,620,711)</u>	<u>(127,873)</u>	<u>1,492,838</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	416,552	964,436	512,230	(452,206)
Transfers out	-	(3,686)	(3,540)	146
TOTAL OTHER FINANCING SOURCES (USES)	<u>416,552</u>	<u>960,750</u>	<u>508,690</u>	<u>(452,060)</u>
CHANGES IN FUND BALANCE	(6,216)	(659,961)	380,817	1,040,778
FUND BALANCE, JULY 1	<u>2,103,520</u>	<u>2,103,520</u>	<u>2,103,520</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 2,097,304</u>	<u>\$ 1,443,559</u>	<u>\$ 2,484,337</u>	<u>\$ 1,040,778</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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental - federal grants	\$ 13,666,091	\$ 22,670,437	\$ 8,000,014	\$ (14,670,423)
Charges for services	1,069,606	1,069,606	776,012	(293,594)
Total revenues	<u>14,735,697</u>	<u>23,740,043</u>	<u>8,776,026</u>	<u>(14,964,017)</u>
EXPENDITURES:				
Community development	17,309,336	28,292,930	7,356,964	20,935,966
Debt service:				
Principal retirement	297,000	297,000	297,000	-
Interest	30,150	30,150	30,150	-
Other	-	-	638	(638)
Total expenditures	<u>17,636,486</u>	<u>28,620,080</u>	<u>7,684,752</u>	<u>20,935,328</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,900,789)</u>	<u>(4,880,037)</u>	<u>1,091,274</u>	<u>5,971,311</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(550,000)	(855,970)	(1,078,170)	(222,200)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(550,000)</u>	<u>(855,970)</u>	<u>(1,078,170)</u>	<u>(222,200)</u>
CHANGES IN FUND BALANCE	(3,450,789)	(5,736,007)	13,104	5,749,111
FUND BALANCE, JULY 1	34,146,986	34,146,986	34,146,986	-
PRIOR PERIOD ADJUSTMENT	-	-	(346,163)	(346,163)
FUND BALANCE, JUNE 30	<u>\$ 30,696,197</u>	<u>\$ 28,410,979</u>	<u>\$ 33,813,927</u>	<u>\$ 5,402,948</u>

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

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CITY OF MODESTO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2022

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, 2022

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. 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**

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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:

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.

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.

Nonmajor Capital Projects Funds (continued)

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, 2022

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,733,065	\$ 4,104	\$ 223,179	\$ 2,134,297	\$ 38,659,471
Receivables:					
Accounts, net	-	-	-	-	438,082
Interest	-	-	174	3,717	83,284
Taxes	-	-	51,695	-	-
Leases	-	-	-	-	-
Due from governments	-	-	-	-	5,050,003
Prepaid expenditures	-	-	-	83	3,806
Restricted assets:					
Cash and cash equivalents	1,774	4,309,175	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-	-
Due from governments	-	30,314	-	-	-
Notes receivable, net	-	-	-	-	-
Total assets	\$ 1,734,839	\$ 4,343,593	\$ 275,048	\$ 2,138,097	\$ 44,234,646
<u>LIABILITIES AND AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 275,318	\$ 29,881	\$ 730,517
Accrued salaries and benefits	-	4,104	-	-	133,784
Interest payable	-	-	-	-	-
Unearned revenue	1,733,065	-	-	-	-
Payable from restricted assets:					
Refundable deposits	-	-	-	-	-
Advances from other funds	-	-	-	158,642	-
Total liabilities	1,733,065	4,104	275,318	188,523	864,301
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	27,912
Leases	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	27,912
Fund balances:					
Nonspendable	-	-	-	83	3,806
Restricted	1,774	4,339,489	-	-	-
Assigned	-	-	-	1,949,491	43,338,627
Unassigned	-	-	(270)	-	-
Total fund balances	1,774	4,339,489	(270)	1,949,574	43,342,433
Total liabilities and fund balances	\$ 1,734,839	\$ 4,343,593	\$ 275,048	\$ 2,138,097	\$ 44,234,646

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
\$ 265,516	\$ -	\$ -	\$ 194,381	\$ -	\$ 38,306	\$ 104,330
-	-	-	40	-	600	-
6,287	1,562	-	47,648	-	86,114	-
-	-	-	88,522	-	-	-
-	424,203	-	1,091,594	-	-	-
-	-	-	-	1,192,004	5,802,324	-
-	-	-	251	-	-	-
2,552,453	612,068	73,795	21,585,855	-	38,758,551	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,211,000	-	-
<u>\$ 2,824,256</u>	<u>\$ 1,037,833</u>	<u>\$ 73,795</u>	<u>\$ 23,008,291</u>	<u>\$ 3,403,004</u>	<u>\$ 44,685,895</u>	<u>\$ 104,330</u>
\$ -	\$ -	\$ -	\$ 183,650	\$ 256,582	\$ 469,231	\$ 104,330
-	-	-	18,837	-	-	-
-	-	-	-	857	-	-
-	-	-	-	-	-	-
-	-	-	39,446	-	-	-
271,803	-	-	50,279	145,727	608,731	-
<u>271,803</u>	<u>-</u>	<u>-</u>	<u>292,212</u>	<u>403,166</u>	<u>1,077,962</u>	<u>104,330</u>
-	-	-	53,529	-	4,849,382	-
-	416,304	-	1,076,444	-	-	-
-	416,304	-	1,129,973	-	4,849,382	-
-	-	-	251	-	-	-
2,552,453	621,529	73,795	21,585,855	2,211,000	38,758,551	-
-	-	-	-	788,838	-	-
-	-	-	-	-	-	-
<u>2,552,453</u>	<u>621,529</u>	<u>73,795</u>	<u>21,586,106</u>	<u>2,999,838</u>	<u>38,758,551</u>	<u>-</u>
<u>\$ 2,824,256</u>	<u>\$ 1,037,833</u>	<u>\$ 73,795</u>	<u>\$ 23,008,291</u>	<u>\$ 3,403,004</u>	<u>\$ 44,685,895</u>	<u>\$ 104,330</u>

CITY OF MODESTO
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)
JUNE 30, 2022

	Debt Service Public Financing Authority	Total
<u>ASSETS</u>		
Cash and cash equivalents	\$ 99,666	\$ 43,456,315
Receivables:		
Accounts, net	-	438,722
Interest	-	228,786
Taxes	-	140,217
Leases	-	1,515,797
Due from governments	-	12,044,331
Prepaid expenditures	225	4,365
Restricted assets:		
Cash and cash equivalents	-	67,893,671
Cash and cash equivalents with fiscal agent	5,245,920	5,245,920
Due from governments	-	30,314
Notes receivable, net	-	2,211,000
	\$ 5,345,811	\$ 133,209,438
Total assets		
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 98,268	\$ 2,147,777
Accrued salaries and benefits	-	156,725
Interest payable	-	857
Unearned revenue	-	1,733,065
Payable from restricted assets:		
Refundable deposits	-	39,446
Advances from other funds	-	1,235,182
	98,268	5,313,052
Total liabilities		
Deferred inflows of resources:		
Unavailable revenue	-	4,930,823
Leases	-	1,492,748
	-	6,423,571
Fund balances:		
Nonspendable	225	4,365
Restricted	5,245,920	75,390,366
Assigned	1,398	46,078,354
Unassigned	-	(270)
	5,247,543	121,472,815
Total fund balances		
Total liabilities and fund balances	\$ 5,345,811	\$ 133,209,438

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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, 2022

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
REVENUES:					
Taxes	\$ -	\$ -	\$ 205,995	\$ -	\$ 1,629,667
Licenses and permits	-	-	-	-	1,055
Intergovernmental	428,475	-	-	-	23,404,322
Charges for services	-	287,941	-	210,131	930,997
Special assessments levied	-	-	706,624	-	-
Interest and rent	665	-	425	15,072	338,030
Net increase (decrease) in fair value of investments	-	-	(2,294)	(57,134)	(1,329,675)
Fines and forfeits	-	214,903	-	-	-
Miscellaneous	-	-	-	100,000	72,220
Total revenues	<u>429,140</u>	<u>502,844</u>	<u>910,750</u>	<u>268,069</u>	<u>25,046,616</u>
EXPENDITURES:					
Current:					
Community development	-	-	911,060	422,513	-
Highways and streets	-	-	-	-	13,058,980
Parks and recreation	1,060	-	-	-	-
Public safety	-	510,263	-	-	-
Capital outlay:					
Community development	-	-	-	-	-
Highways and streets	-	-	-	-	171,381
Parks and recreation	-	-	-	-	-
Public safety	-	40,540	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	<u>1,060</u>	<u>550,803</u>	<u>911,060</u>	<u>422,513</u>	<u>13,230,361</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>428,080</u>	<u>(47,959)</u>	<u>(310)</u>	<u>(154,444)</u>	<u>11,816,255</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	705,000	1,564,793
Transfers out	(428,082)	-	-	(2,770)	(2,776,356)
Sale of assets	-	-	-	-	32,551
TOTAL OTHER FINANCING SOURCES (USES)	<u>(428,082)</u>	<u>-</u>	<u>-</u>	<u>702,230</u>	<u>(1,179,012)</u>
CHANGES IN FUND BALANCES	(2)	(47,959)	(310)	547,786	10,637,243
FUND BALANCES, JULY 1	1,776	4,387,448	40	1,401,788	32,705,190
FUND BALANCES, JUNE 30	<u>\$ 1,774</u>	<u>\$ 4,339,489</u>	<u>\$ (270)</u>	<u>\$ 1,949,574</u>	<u>\$ 43,342,433</u>

Special Fund for Capital Outlays	Capital Projects					
	Parks	Securities for Future Improvements	Community Facilities Districts	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	948,142	-
-	5,525	-	962,740	-	7,830,016	-
-	-	-	4,402,758	-	-	-
27,419	50,384	191	240,799	99,686	387,165	-
(110,724)	(22,200)	-	(795,810)	17,525	(1,481,604)	-
-	-	-	-	-	-	-
-	22,000	-	-	-	12,790	-
<u>(83,305)</u>	<u>55,709</u>	<u>191</u>	<u>4,810,487</u>	<u>117,211</u>	<u>7,696,509</u>	<u>-</u>
-	-	-	3,239,875	-	208,419	1,344,897
-	-	-	-	-	300,239	-
-	108,688	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	16,555	37,178
-	-	-	-	-	3,514,996	1,143,874
-	1,346	-	-	-	43,002	35,064
-	-	-	-	-	-	8,023
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>110,034</u>	<u>-</u>	<u>3,239,875</u>	<u>-</u>	<u>4,083,211</u>	<u>2,569,036</u>
<u>(83,305)</u>	<u>(54,325)</u>	<u>191</u>	<u>1,570,612</u>	<u>117,211</u>	<u>3,613,298</u>	<u>(2,569,036)</u>
120,000	28,681	-	-	-	241,838	2,569,036
(4,736)	-	-	(11,356)	-	(2,296,509)	-
-	-	-	-	-	-	-
<u>115,264</u>	<u>28,681</u>	<u>-</u>	<u>(11,356)</u>	<u>-</u>	<u>(2,054,671)</u>	<u>2,569,036</u>
31,959	(25,644)	191	1,559,256	117,211	1,558,627	-
2,520,494	647,173	73,604	20,026,850	2,882,627	37,199,924	-
<u>\$ 2,552,453</u>	<u>\$ 621,529</u>	<u>\$ 73,795</u>	<u>\$ 21,586,106</u>	<u>\$ 2,999,838</u>	<u>\$ 38,758,551</u>	<u>\$ -</u>

CITY OF MODESTO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (continued)
FISCAL YEAR ENDED JUNE 30, 2022

	Debt Service Public Financing Authority	Total
REVENUES:		
Taxes	\$ -	\$ 1,835,662
Licenses and permits	-	1,055
Intergovernmental	1,196,246	25,977,185
Charges for services	-	10,227,350
Special assessments levied	-	5,109,382
Interest and rent	8,306	1,168,142
Net increase (decrease) in fair value of investments	-	(3,781,916)
Fines and forfeits	-	214,903
Miscellaneous	-	207,010
Total revenues	1,204,552	40,958,773
EXPENDITURES:		
Current:		
Community development	-	6,126,764
Highways and streets	-	13,359,219
Parks and recreation	-	109,748
Public safety	-	510,263
Capital outlay:		
Community development	-	53,733
Highways and streets	-	4,830,251
Parks and recreation	-	79,412
Public safety	-	48,563
Debt service:		
Principal retirement	2,390,000	2,390,000
Interest	1,700,627	1,700,627
Other	47,972	47,972
Total expenditures	4,138,599	29,256,552
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,934,047)	11,702,221
OTHER FINANCING SOURCES (USES):		
Transfers in	2,799,107	8,028,455
Transfers out	-	(5,519,809)
Sale of assets	-	32,551
TOTAL OTHER FINANCING SOURCES (USES)	2,799,107	2,541,197
CHANGES IN FUND BALANCES	(134,940)	14,243,418
FUND BALANCES, JULY 1	5,382,483	107,229,397
FUND BALANCES, JUNE 30	\$ 5,247,543	\$ 121,472,815

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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 428,475	\$ 428,475
Interest and rent	-	-	665	665
Total revenues	<u>-</u>	<u>-</u>	<u>429,140</u>	<u>429,140</u>
EXPENDITURES:				
Highways and streets	125,000	125,000	-	125,000
Parks and recreation	-	-	1,060	(1,060)
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>1,060</u>	<u>123,940</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(125,000)</u>	<u>(125,000)</u>	<u>428,080</u>	<u>553,080</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(931,082)	(428,082)	503,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(931,082)</u>	<u>(428,082)</u>	<u>503,000</u>
CHANGES IN FUND BALANCE	(125,000)	(1,056,082)	(2)	1,056,080
FUND BALANCE, JULY 1	<u>1,776</u>	<u>1,776</u>	<u>1,776</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ (123,224)</u>	<u>\$ (1,054,306)</u>	<u>\$ 1,774</u>	<u>\$ 1,056,080</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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 220,000	\$ 220,000	\$ 287,941	\$ 67,941
Fines and forfeits	300,000	300,000	214,903	(85,097)
Total revenues	<u>520,000</u>	<u>520,000</u>	<u>502,844</u>	<u>(17,156)</u>
EXPENDITURES:				
Public safety	747,740	768,000	550,803	217,197
Total expenditures	<u>747,740</u>	<u>768,000</u>	<u>550,803</u>	<u>217,197</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(227,740)</u>	<u>(248,000)</u>	<u>(47,959)</u>	<u>200,041</u>
CHANGES IN FUND BALANCE	(227,740)	(248,000)	(47,959)	200,041
FUND BALANCE, JULY 1	<u>4,387,448</u>	<u>4,387,448</u>	<u>4,387,448</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 4,159,708</u>	<u>\$ 4,139,448</u>	<u>\$ 4,339,489</u>	<u>\$ 200,041</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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental:				
State	\$ 18,736,521	\$ 23,736,521	\$ 23,404,322	\$ (332,199)
Taxes	1,200,000	1,200,000	1,629,667	429,667
Licenses and permits	-	-	1,055	1,055
Charges for services	875,252	749,005	930,997	181,992
Interest and rent	-	-	338,030	338,030
Net (decrease) in fair value of investments	-	-	(1,329,675)	(1,329,675)
Miscellaneous	10,000	10,000	72,220	62,220
Total revenues	<u>20,821,773</u>	<u>25,695,526</u>	<u>25,046,616</u>	<u>(648,910)</u>
EXPENDITURES:				
Current:				
Highway and streets	14,692,181	16,363,641	13,230,361	3,133,280
EXCESS OF REVENUES OVER EXPENDITURES	<u>6,129,592</u>	<u>9,331,885</u>	<u>11,816,255</u>	<u>2,484,370</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,540,105	1,540,105	1,564,793	24,688
Transfers out	-	(13,835,753)	(2,776,356)	11,059,397
Sale of assets	-	-	32,551	32,551
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,540,105</u>	<u>(12,295,648)</u>	<u>(1,179,012)</u>	<u>11,116,636</u>
CHANGES IN FUND BALANCE	7,669,697	(2,963,763)	10,637,243	13,601,006
FUND BALANCE, JULY 1	<u>32,705,190</u>	<u>32,705,190</u>	<u>32,705,190</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 40,374,887</u>	<u>\$ 29,741,427</u>	<u>\$ 43,342,433</u>	<u>\$ 13,601,006</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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 175,000	\$ 222,386	\$ 205,995	\$ (16,391)
Special assessments levied	-	780,150	706,624	(73,526)
Interest and rent	-	-	425	425
Net (decrease) in fair value of investments	-	-	(2,294)	(2,294)
Total revenues	<u>175,000</u>	<u>1,002,536</u>	<u>910,750</u>	<u>(91,786)</u>
EXPENDITURES:				
Current:				
Community development	175,000	1,002,536	911,060	91,476
Total expenditures	<u>175,000</u>	<u>1,002,536</u>	<u>911,060</u>	<u>91,476</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(310)</u>	<u>(310)</u>
CHANGES IN FUND BALANCE	-	-	(310)	(310)
FUND BALANCE, JULY 1	<u>40</u>	<u>40</u>	<u>40</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 40</u>	<u>\$ 40</u>	<u>\$ (270)</u>	<u>\$ (310)</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, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 10,000	\$ 430,701	\$ 210,131	\$ (220,570)
Intergovernmental	70,000	647,284	-	(647,284)
Interest and rent	-	-	15,072	15,072
Net (decrease) in fair value of investments	-	-	(57,134)	(57,134)
Donations and contributions	150,000	150,000	-	(150,000)
Miscellaneous	-	-	100,000	100,000
Total revenues	<u>230,000</u>	<u>1,227,985</u>	<u>268,069</u>	<u>(959,916)</u>
EXPENDITURES:				
Community development	<u>1,197,905</u>	<u>2,896,262</u>	<u>422,513</u>	<u>2,473,749</u>
Total expenditures	<u>1,197,905</u>	<u>2,896,262</u>	<u>422,513</u>	<u>2,473,749</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(967,905)</u>	<u>(1,668,277)</u>	<u>(154,444)</u>	<u>1,513,833</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	905,181	1,610,181	705,000	(905,181)
Transfers out	-	-	(2,770)	(2,770)
TOTAL OTHER FINANCING SOURCES (USES)	<u>905,181</u>	<u>1,610,181</u>	<u>702,230</u>	<u>(907,951)</u>
CHANGES IN FUND BALANCE	(62,724)	(58,096)	547,786	605,882
FUND BALANCE, JULY 1	<u>1,401,788</u>	<u>1,401,788</u>	<u>1,401,788</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 1,339,064</u>	<u>\$ 1,343,692</u>	<u>\$ 1,949,574</u>	<u>\$ 605,882</u>

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

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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, 2022

	Parking	Storm Drain
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 139,149	\$ 10,112,811
Receivables:		
Accounts	1,695	370
Interest	432	22,624
Utilities, net	-	611,843
Leases	110,723	-
Prepaid expenses	152	1,125
Due from governments	101,250	18,152
Inventories	-	-
	353,401	10,766,925
Noncurrent assets:		
Advances to other funds	-	-
Restricted cash and cash equivalents	-	-
Restricted cash and cash equivalents with fiscal agent	-	-
Leases receivable	4,097,588	-
Land and construction in progress	3,131,803	928,316
Other capital assets, net of accumulated depreciation	3,006,954	13,451,547
Total noncurrent assets	10,236,345	14,379,863
Total assets	10,589,746	25,146,788
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred OPEB	48,681	42,437
Deferred pensions	103,826	110,215
Total deferred outflows of resources	152,507	152,652
Total assets and deferred outflows of resources	\$ 10,742,253	\$ 25,299,440
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 28,447	\$ 71,371
Accrued salaries and benefits	19,185	14,113
Interest payable	-	-
Unearned revenue	-	-
Current portion - long-term debt	-	-
Total current liabilities	47,632	85,484
Noncurrent liabilities:		
Pollution remediation liability	-	-
Finance purchase obligations	-	-
Certificates of participation	-	-
Advances from other funds	-	1,324,704
Net OPEB liability	195,590	183,662
Net pension liability	546,815	580,467
Total noncurrent liabilities	742,405	2,088,833
Total liabilities	790,037	2,174,317
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred OPEB	6,536	4,345
Deferred pensions	254,927	270,615
Deferred leases	4,156,779	-
Total deferred inflows of resources	4,418,242	274,960
<u>NET POSITION</u>		
Net investment in capital assets	6,138,757	14,379,863
Restricted for pollution remediation	-	-
Unrestricted	(604,783)	8,470,300
Total net position	5,533,974	22,850,163
Total liabilities, deferred inflows of resources, and net position	\$ 10,742,253	\$ 25,299,440

	Compost	Airport	Golf	Community Center	Abatement and Public Nuisance	Total
\$	2,007,342	\$ 2,638,753	\$ 91,486	\$ 234,080	\$ 290,804	\$ 15,514,425
	1,319,419	70,129	330,313	55,760	1,026,721	2,804,407
	11,636	5,708	997	-	554	41,951
	506,933	-	-	-	-	1,118,776
	-	71,288	89,174	8,212	-	279,397
	2,218	319	-	274	-	4,088
	129,505	-	-	1,289,177	-	1,538,084
	-	-	54,168	-	-	54,168
	<u>3,977,053</u>	<u>2,786,197</u>	<u>566,138</u>	<u>1,587,503</u>	<u>1,318,079</u>	<u>21,355,296</u>
	-	-	-	-	158,642	158,642
	649,879	-	-	-	-	649,879
	-	-	665,373	-	-	665,373
	-	2,413,550	2,731,241	16,800	-	9,259,179
	1,140,000	1,352,141	788,551	3,667,020	-	11,007,831
	886,782	8,441,515	919,737	2,553,773	-	29,260,308
	<u>2,676,661</u>	<u>12,207,206</u>	<u>5,104,902</u>	<u>6,237,593</u>	<u>158,642</u>	<u>51,001,212</u>
	<u>6,653,714</u>	<u>14,993,403</u>	<u>5,671,040</u>	<u>7,825,096</u>	<u>1,476,721</u>	<u>72,356,508</u>
	249,084	-	-	30,902	-	371,104
	1,036,136	103,994	-	92,163	-	1,446,334
	<u>1,285,220</u>	<u>103,994</u>	<u>-</u>	<u>123,065</u>	<u>-</u>	<u>1,817,438</u>
\$	<u><u>7,938,934</u></u>	<u><u>15,097,397</u></u>	<u><u>5,671,040</u></u>	<u><u>7,948,161</u></u>	<u><u>1,476,721</u></u>	<u><u>74,173,946</u></u>
\$	455,375	\$ 29,869	\$ 254,674	\$ 54,354	\$ 12,427	\$ 906,517
	121,627	13,323	24,480	19,069	-	211,797
	4,403	-	7,829	-	-	12,232
	107,325	-	665,952	-	477,668	1,250,945
	-	-	462,352	-	-	462,352
	<u>688,730</u>	<u>43,192</u>	<u>1,415,287</u>	<u>73,423</u>	<u>490,095</u>	<u>2,843,843</u>
	956,051	-	-	-	-	956,051
	-	-	1,001	-	-	1,001
	-	-	480,000	-	-	480,000
	4,438,200	-	-	-	-	5,762,904
	1,179,273	-	-	155,199	-	1,713,724
	5,456,983	547,702	-	485,390	-	7,617,357
	<u>12,030,507</u>	<u>547,702</u>	<u>481,001</u>	<u>640,589</u>	<u>-</u>	<u>16,531,037</u>
	<u>12,719,237</u>	<u>590,894</u>	<u>1,896,288</u>	<u>714,012</u>	<u>490,095</u>	<u>19,374,880</u>
	50,202	-	-	6,149	-	67,232
	2,544,060	255,340	-	226,290	-	3,551,232
	-	2,464,607	2,762,962	31,319	-	9,415,667
	<u>2,594,262</u>	<u>2,719,947</u>	<u>2,762,962</u>	<u>263,758</u>	<u>-</u>	<u>13,034,131</u>
	2,026,782	9,793,656	1,430,308	6,220,793	-	39,990,159
	649,879	-	-	-	-	649,879
	<u>(10,051,226)</u>	<u>1,992,900</u>	<u>(418,518)</u>	<u>749,598</u>	<u>986,626</u>	<u>1,124,897</u>
	<u>(7,374,565)</u>	<u>11,786,556</u>	<u>1,011,790</u>	<u>6,970,391</u>	<u>986,626</u>	<u>41,764,935</u>
\$	<u><u>7,938,934</u></u>	<u><u>15,097,397</u></u>	<u><u>5,671,040</u></u>	<u><u>7,948,161</u></u>	<u><u>1,476,721</u></u>	<u><u>74,173,946</u></u>

CITY OF MODESTO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	<u>Parking</u>	<u>Storm Drain</u>
OPERATING REVENUES:		
Charges for services	\$ 1,280,754	\$ 6,212,032
Miscellaneous	343	4,210
Total operating revenues	<u>1,281,097</u>	<u>6,216,242</u>
OPERATING EXPENSES:		
Salaries and wages	452,381	335,948
Contractual services	301,227	480,619
Utilities	141,026	25,468
Maintenance and supplies	155,037	2,253,677
Insurance	107,726	15,621
Employee benefits	145,168	7,718
Administration services	167,920	2,237,584
Allocated indirect administrative costs	39,850	152,335
Depreciation	385,570	435,928
Total operating expenses	<u>1,895,905</u>	<u>5,944,898</u>
OPERATING INCOME (LOSS)	<u>(614,808)</u>	<u>271,344</u>
NONOPERATING REVENUES (EXPENSES):		
Gain on disposition of capital assets	-	11,050
Operating grants	-	-
Tax revenue	-	-
Tax expense	(20,525)	-
Interest income	58,950	100,566
Net (decrease) in fair value of investments	(3,517)	(410,581)
Rental income	131,708	-
Interest expense and amortization	-	-
Trustee fees	-	-
Total nonoperating revenues (expenses)	<u>166,616</u>	<u>(298,965)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(448,192)	(27,621)
Transfers in	-	700,000
Transfers out	<u>(11,089)</u>	<u>(2,522,774)</u>
CHANGES IN NET POSITION	(459,281)	(1,850,395)
NET POSITION (DEFICIT), JULY 1	5,993,255	24,832,309
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>(131,751)</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 5,533,974</u>	<u>\$ 22,850,163</u>

Compost	Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$ 10,580,262	\$ 700,255	\$ 2,974,821	\$ 139,646	\$ 640,686	\$ 22,528,456
364,523	22,512	36,169	26,724	-	454,481
<u>10,944,785</u>	<u>722,767</u>	<u>3,010,990</u>	<u>166,370</u>	<u>640,686</u>	<u>22,982,937</u>
3,831,444	328,556	-	545,473	-	5,493,802
2,582,520	121,043	2,600,087	327,995	33,242	6,446,733
28,819	110,030	70,114	290,580	-	666,037
2,259,424	133,334	263,263	166,828	-	5,231,563
330,330	56,347	33,321	44,112	-	587,457
1,559,377	109,379	1,096	85,730	-	1,908,468
505,361	53,783	95,192	41,447	90,098	3,191,385
289,042	27,304	44,687	-	-	553,218
70,107	738,556	48,634	61,788	-	1,740,583
<u>11,456,424</u>	<u>1,678,332</u>	<u>3,156,394</u>	<u>1,563,953</u>	<u>123,340</u>	<u>25,819,246</u>
(511,639)	(955,565)	(145,404)	(1,397,583)	517,346	(2,836,309)
16,500	-	-	-	-	27,550
430,119	578,243	-	-	-	1,008,362
-	212,978	-	-	-	212,978
-	-	(112)	-	-	(20,637)
32,732	57,145	39,363	325	2,064	291,145
(137,039)	(86,767)	(46,758)	-	(9,165)	(693,827)
-	192,524	112,216	307,561	-	744,009
-	-	(52,202)	-	-	(52,202)
-	-	(3,535)	-	-	(3,535)
<u>342,312</u>	<u>954,123</u>	<u>48,972</u>	<u>307,886</u>	<u>(7,101)</u>	<u>1,513,843</u>
(169,327)	(1,442)	(96,432)	(1,089,697)	510,245	(1,322,466)
1,463,916	-	647,429	1,374,106	2,770	4,188,221
<u>(1,409,374)</u>	<u>(11,555)</u>	<u>(326)</u>	<u>(7,589)</u>	<u>(326)</u>	<u>(3,963,033)</u>
(114,785)	(12,997)	550,671	276,820	512,689	(1,097,278)
(7,259,780)	11,799,553	461,119	6,693,571	473,937	42,993,964
-	-	-	-	-	(131,751)
<u>\$ (7,374,565)</u>	<u>\$ 11,786,556</u>	<u>\$ 1,011,790</u>	<u>\$ 6,970,391</u>	<u>\$ 986,626</u>	<u>\$ 41,764,935</u>

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	<u>Parking</u>	<u>Storm Drain</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 1,241,627	\$ 6,170,429
Payments to suppliers	(455,550)	(1,383,844)
Payments to employees	(641,368)	(577,693)
Payments for interfund services used	(470,102)	(3,887,881)
Net cash provided (used) by operating activities	<u>(325,393)</u>	<u>321,011</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	-	-
Taxes received	-	-
Transfers in	-	700,000
Transfers out	(11,089)	(2,522,774)
Advances from/to other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>(11,089)</u>	<u>(1,822,774)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	(88,333)
Proceeds from sale of capital assets	-	11,050
Principal repayments	-	-
Interest paid	-	-
Trustee fees	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(77,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	59,014	101,230
Net (decrease) in the fair value of investments	(3,517)	(410,581)
Rental income received	131,708	-
Net cash provided (used) by investing activities	<u>187,205</u>	<u>(309,351)</u>
Net increase (decrease) in cash and cash equivalents	(149,277)	(1,888,397)
CASH AND CASH EQUIVALENTS, JULY 1	288,426	12,001,208
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 139,149</u>	<u>\$ 10,112,811</u>
RECONCILIATION TO STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 139,149	\$ 10,112,811
Restricted cash and cash equivalents	-	-
Restricted cash and cash equivalents with fiscal agent	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 139,149</u>	<u>\$ 10,112,811</u>

Compost	Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$ 10,835,517	\$ 894,188	\$ 3,069,407	\$ 166,370	\$ 95,124	\$ 22,472,662
(2,968,629)	(191,681)	(2,775,159)	(677,485)	(20,815)	(8,473,163)
(5,782,359)	(514,484)	-	(722,746)	-	(8,238,650)
(3,395,058)	(290,571)	(249,238)	(206,464)	(90,098)	(8,589,412)
<u>(1,310,529)</u>	<u>(102,548)</u>	<u>45,010</u>	<u>(1,440,325)</u>	<u>(15,789)</u>	<u>(2,828,563)</u>
430,119	578,243	-	-	-	1,008,362
-	212,978	-	-	-	212,978
1,463,916	-	647,429	1,374,106	2,770	4,188,221
(1,409,374)	(11,555)	(326)	(7,589)	(326)	(3,963,033)
(654,200)	-	-	-	52,881	(601,319)
<u>(169,539)</u>	<u>779,666</u>	<u>647,103</u>	<u>1,366,517</u>	<u>55,325</u>	<u>845,209</u>
-	-	(164,974)	-	-	(253,307)
16,500	-	-	-	-	27,550
-	-	(435,000)	-	-	(435,000)
-	-	(55,534)	-	-	(55,534)
-	-	(3,535)	-	-	(3,535)
<u>16,500</u>	<u>-</u>	<u>(659,043)</u>	<u>-</u>	<u>-</u>	<u>(719,826)</u>
35,467	54,943	281	325	1,960	253,220
(137,039)	(86,768)	(46,758)	-	(9,165)	(693,828)
-	192,524	112,216	307,561	-	744,009
<u>(101,572)</u>	<u>160,699</u>	<u>65,739</u>	<u>307,886</u>	<u>(7,205)</u>	<u>303,401</u>
(1,565,140)	837,817	98,809	234,078	32,331	(2,399,779)
4,222,361	1,800,936	658,050	2	258,473	19,229,456
<u>\$ 2,657,221</u>	<u>\$ 2,638,753</u>	<u>\$ 756,859</u>	<u>\$ 234,080</u>	<u>\$ 290,804</u>	<u>\$ 16,829,677</u>
\$ 2,007,342	\$ 2,638,753	\$ 91,486	\$ 234,080	\$ 290,804	\$ 15,514,425
649,879	-	-	-	-	649,879
-	-	665,373	-	-	665,373
<u>\$ 2,657,221</u>	<u>\$ 2,638,753</u>	<u>\$ 756,859</u>	<u>\$ 234,080</u>	<u>\$ 290,804</u>	<u>\$ 16,829,677</u>

(continued)

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS (Continued)
FISCAL YEAR ENDED JUNE 30, 2022

	Parking	Storm Drain
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (614,808)	\$ 271,344
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	385,570	435,928
Taxes paid	(20,525)	-
Change in assets, liabilities, and deferred resources:		
(Increase) decrease in accounts receivable	113,615	15,495
(Increase) in utilities receivable	-	(64,721)
(Increase) decrease in due from other governments	(101,250)	8,607
Increase (decrease) in accounts payable	7,796	(115,028)
(Increase) in inventories	-	-
(Increase) decrease in prepaid expenses	(137)	3,413
Increase in accrued salaries and benefits	2,374	4,115
(Decrease) in net pension liability and deferred resources	(35,942)	(230,789)
(Increase) decrease in net OPEB liability and deferred resources	(10,251)	(7,353)
Increase pollution remediation	-	-
Increase (decrease) in unearned revenue	(303)	-
(Increase) decrease in lease receivable	(51,532)	-
Total adjustments	289,415	49,667
Net cash provided (used) by operating activities	\$ (325,393)	\$ 321,011

<u>Compost</u>	<u>Airport</u>		<u>Community Center</u>	<u>Abatement and Public Nuisance Fund</u>	<u>Total</u>
\$ <u>(511,639)</u>	\$ <u>(955,565)</u>	\$ <u>(145,404)</u>	\$ <u>(1,397,583)</u>	\$ <u>517,346</u>	\$ <u>(2,836,309)</u>
70,107	738,556	48,634	61,788	-	1,740,583
-	-	(112)	-	-	(20,637)
(165,451)	(41,877)	(4,179)	(55,760)	(1,012,720)	(1,150,877)
(46,639)	-	-	-	-	(111,360)
7,116	239,001	-	65,775	-	219,249
(417,072)	19,601	195,066	(29,309)	12,427	(326,519)
-	-	(114,619)	-	-	(114,619)
(2,218)	(12)	-	-	-	1,046
15,495	3,193	3,028	4,667	-	32,872
(358,489)	(79,742)	-	(96,244)	-	(801,206)
(48,544)	-	-	34	-	(66,114)
51,099	-	-	-	-	51,099
95,706	(5,472)	20,408	-	467,158	577,497
-	(20,231)	42,188	6,307	-	(23,268)
<u>(798,890)</u>	<u>853,017</u>	<u>190,414</u>	<u>(42,742)</u>	<u>(533,135)</u>	<u>7,746</u>
\$ <u><u>(1,310,529)</u></u>	\$ <u><u>(102,548)</u></u>	\$ <u><u>45,010</u></u>	\$ <u><u>(1,440,325)</u></u>	\$ <u><u>(15,789)</u></u>	\$ <u><u>(2,828,563)</u></u>

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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, 2022

	Fleet Management	Central Services
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,926,182	\$ 3,435
Receivables:		
Accounts	10,093	37,850
Interest	2,886	117
Leases	-	-
Prepaid expenses	18,669	1,382
Due from governments	1,380,210	-
Inventories	-	1,808,468
Total current assets	4,338,040	1,851,252
Noncurrent assets:		
Restricted assets - cash and cash equivalents	-	-
Restricted assets - cash from fiscal agent	-	-
Leases receivable	-	-
Land and construction in progress	9,121,399	-
Other capital assets, net of accumulated depreciation	23,876,198	-
Intangible assets right-to-use, net of accumulated amortization	-	8,644
Total noncurrent assets	32,997,597	8,644
Total assets	37,335,637	1,859,896
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred OPEB	161,697	-
Deferred pensions	639,554	82,927
Total deferred outflows of resources	801,251	82,927
Total assets and deferred outflows of resources	\$ 38,136,888	\$ 1,942,823
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,680,648	\$ 1,590,363
Accrued salaries and benefits	103,851	16,160
Interest payable	362	-
Unearned revenue	-	-
Current portion - compensated absences	-	-
Current portion - claims liability	-	-
Current portion - leases	-	8,651
Total current liabilities	1,784,861	1,615,174
Noncurrent liabilities:		
Compensated absences	-	-
Claims liability	-	-
Net OPEB liability	694,884	-
Net pension liability	3,368,320	436,748
Total noncurrent liabilities	4,063,204	436,748
Total liabilities	5,848,065	2,051,922
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred OPEB	27,583	-
Deferred pensions	1,570,320	203,614
Deferred leases	-	-
Total deferred inflows of resources	1,597,903	203,614
<u>NET POSITION</u>		
Net investment in capital assets	32,997,597	8,644
Restricted	-	-
Unrestricted	(2,306,677)	(321,357)
Total net position	30,690,920	(312,713)
Total liabilities, deferred inflows of resources, and net position	\$ 38,136,888	\$ 1,942,823

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 3,549,207	\$ 16,559,643	\$ -	\$ 1,625,936	\$ 24,664,403
-	423,353	33,750	4,800	509,846
7,495	64,531	14,778	3,760	93,567
-	-	-	51,738	51,738
3,206	60,972	1,296	29	85,554
-	-	-	82,822	1,463,032
-	-	-	-	1,808,468
<u>3,559,908</u>	<u>17,108,499</u>	<u>49,824</u>	<u>1,769,085</u>	<u>28,676,608</u>
-	329,094	5,058,762	-	5,387,856
-	195,611	-	-	195,611
-	-	-	967,381	967,381
-	-	-	2,115,215	11,236,614
3,980,904	-	-	2,616,343	30,473,445
-	-	-	-	8,644
<u>3,980,904</u>	<u>524,705</u>	<u>5,058,762</u>	<u>5,698,939</u>	<u>48,269,551</u>
<u>7,540,812</u>	<u>17,633,204</u>	<u>5,108,586</u>	<u>7,468,024</u>	<u>76,946,159</u>
315,055	-	-	12,791	489,543
856,266	105,024	37,145	166,438	1,887,354
<u>1,171,321</u>	<u>105,024</u>	<u>37,145</u>	<u>179,229</u>	<u>2,376,897</u>
\$ <u>8,712,133</u>	\$ <u>17,738,228</u>	\$ <u>5,145,731</u>	\$ <u>7,647,253</u>	\$ <u>79,323,056</u>
\$ 201,889	\$ 556,080	\$ 14,548	\$ 103,529	\$ 4,147,057
99,674	14,520	5,125	16,448	255,778
-	-	-	-	362
-	73,666	-	-	73,666
-	-	1,533,757	-	1,533,757
-	6,297,828	-	-	6,297,828
-	-	-	-	8,651
<u>301,563</u>	<u>6,942,094</u>	<u>1,553,430</u>	<u>119,977</u>	<u>12,317,099</u>
-	-	10,428,316	-	10,428,316
-	20,560,470	-	-	20,560,470
1,067,455	-	-	64,655	1,826,994
4,509,670	553,125	195,631	876,574	9,940,068
<u>5,577,125</u>	<u>21,113,595</u>	<u>10,623,947</u>	<u>941,229</u>	<u>42,755,848</u>
<u>5,878,688</u>	<u>28,055,689</u>	<u>12,177,377</u>	<u>1,061,206</u>	<u>55,072,947</u>
28,617	-	-	3,195	59,395
2,102,420	257,868	91,204	408,661	4,634,087
-	-	-	1,065,388	1,065,388
<u>2,131,037</u>	<u>257,868</u>	<u>91,204</u>	<u>1,477,244</u>	<u>5,758,870</u>
3,980,904	-	-	4,731,558	41,718,703
-	524,705	5,058,762	-	5,583,467
(3,278,496)	(11,100,034)	(12,181,612)	377,245	(28,810,931)
<u>702,408</u>	<u>(10,575,329)</u>	<u>(7,122,850)</u>	<u>5,108,803</u>	<u>18,491,239</u>
\$ <u>8,712,133</u>	\$ <u>17,738,228</u>	\$ <u>5,145,731</u>	\$ <u>7,647,253</u>	\$ <u>79,323,056</u>

CITY OF MODESTO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	<u>Fleet Management</u>	<u>Central Services</u>
OPERATING REVENUES:		
Charges for services	\$ 13,316,941	\$ 5,090,307
Miscellaneous	218,977	-
Total operating revenues	<u>13,535,918</u>	<u>5,090,307</u>
OPERATING EXPENSES:		
Salaries and wages	2,820,630	251,062
Cost of goods sold	-	4,022,553
Contractual services	331,237	103,179
Utilities	159,132	5,099
Maintenance and supplies	8,141,576	89,921
Insurance	134,748	8,334
Claims	-	-
Employee benefits	1,717,633	263,253
Administration services	600,275	154,403
Allocated indirect administrative costs	395,144	-
Depreciation	3,068,688	-
Total operating expenses	<u>17,369,063</u>	<u>4,897,804</u>
OPERATING INCOME (LOSS)	<u>(3,833,145)</u>	<u>192,503</u>
NONOPERATING REVENUES (EXPENSES):		
Gain (loss) on disposition of capital assets	(87,687)	-
Interest income	16,557	3,187
Net (decrease) in fair value of investments	(62,122)	(2,304)
Rental income	-	-
Interest expense and amortization	-	(8,659)
Total nonoperating revenues (expenses)	<u>(133,252)</u>	<u>(7,776)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(3,966,397)	184,727
Transfers in	19,091,700	-
Transfers out	<u>(76,344)</u>	<u>(5,222)</u>
CHANGES IN NET POSITION	15,048,959	179,505
NET POSITION (DEFICIT), JULY 1	15,641,961	(25,490)
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>(466,728)</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 30,690,920</u>	<u>\$ (312,713)</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 8,776,769	\$ 31,490,296	\$ 30,060,014	\$ 3,436,737	\$ 92,171,064
-	143,830	9,510	54,571	426,888
<u>8,776,769</u>	<u>31,634,126</u>	<u>30,069,524</u>	<u>3,491,308</u>	<u>92,597,952</u>
2,835,181	325,736	1,424,654	517,197	8,174,460
-	-	-	-	4,022,553
936,151	2,241,796	238,404	1,617,429	5,468,196
125,993	777	2,008	235,076	528,085
2,040,640	4,467	7,613	513,458	10,797,675
94,811	20,390,273	3,492	24,790	20,656,448
-	8,646,444	2,819	-	8,649,263
579,675	159,184	29,552,372	286,281	32,558,398
6,563	142,849	278,829	107,311	1,290,230
-	-	-	16,919	412,063
645,233	-	-	280,024	3,993,945
<u>7,264,247</u>	<u>31,911,526</u>	<u>31,510,191</u>	<u>3,598,485</u>	<u>96,551,316</u>
<u>1,512,522</u>	<u>(277,400)</u>	<u>(1,440,667)</u>	<u>(107,177)</u>	<u>(3,953,364)</u>
-	-	-	-	(87,687)
32,666	233,057	197,179	30,448	513,094
(138,788)	(1,087,441)	(289,147)	(64,324)	(1,644,126)
-	-	-	5,381	5,381
-	-	-	-	(8,659)
<u>(106,122)</u>	<u>(854,384)</u>	<u>(91,968)</u>	<u>(28,495)</u>	<u>(1,221,997)</u>
1,406,400	(1,131,784)	(1,532,635)	(135,672)	(5,175,361)
37,838	-	2,731,617	4,941,391	26,802,546
<u>(200,994)</u>	<u>(9,489)</u>	<u>(3,733,200)</u>	<u>(16,188)</u>	<u>(4,041,437)</u>
1,243,244	(1,141,273)	(2,534,218)	4,789,531	17,585,748
12,405	(9,434,056)	(4,588,632)	319,272	1,925,460
<u>(553,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,019,969)</u>
<u>\$ 702,408</u>	<u>\$ (10,575,329)</u>	<u>\$ (7,122,850)</u>	<u>\$ 5,108,803</u>	<u>\$ 18,491,239</u>

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	<u>Fleet Management</u>	<u>Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 224,515	\$ -
Receipts from interfund services provided	13,316,941	5,090,307
Payments to suppliers	(9,768,374)	(4,399,642)
Payment of insurance claims	-	-
Payments to employees	(2,810,629)	(453,845)
Payments for interfund services used	(1,554,711)	(217,682)
Net cash provided (used) by operating activities	<u>(592,258)</u>	<u>19,138</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	4,730,473	-
Transfers out	(76,344)	(5,222)
Net cash provided (used) by noncapital financing activities	<u>4,654,129</u>	<u>(5,222)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(8,502,174)	-
Proceeds from sale of capital assets	14,075	-
Interest paid	362	(8,659)
Net cash provided (used) by capital and related financing activities	<u>(8,487,737)</u>	<u>(8,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	34,574	481
Net (decrease) in the fair value of investments	(62,122)	(2,304)
Rental income received	-	-
Net cash provided (used) by investing activities	<u>(27,548)</u>	<u>(1,823)</u>
Net increase (decrease) in cash and cash equivalents	(4,453,414)	3,434
CASH AND CASH EQUIVALENTS, JULY 1	<u>7,379,596</u>	<u>1</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 2,926,182</u>	<u>\$ 3,435</u>
RECONCILIATION TO STATEMENT OF NET POSITION:		
Cash and cash equivalents	\$ 2,926,182	\$ 3,435
Restricted cash and cash equivalents	-	-
Restricted cash and cash equivalents with fiscal agent	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,926,182</u>	<u>\$ 3,435</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 327	\$ 1,157,071	\$ 33,267	\$ 41,421	\$ 1,456,601
8,776,769	31,490,296	30,060,014	3,436,737	92,171,064
(2,900,031)	(22,790,326)	(333,197)	(2,142,790)	(42,334,360)
-	(10,541,003)	(3,492)	-	(10,544,495)
(4,201,494)	(607,841)	(31,293,697)	(815,175)	(40,182,681)
(178,013)	(197,793)	(312,540)	(291,857)	(2,752,596)
<u>1,497,558</u>	<u>(1,489,596)</u>	<u>(1,849,645)</u>	<u>228,336</u>	<u>(2,186,467)</u>
37,838	-	2,731,617	-	7,499,928
(200,994)	(9,489)	(3,733,200)	(16,188)	(4,041,437)
<u>(163,156)</u>	<u>(9,489)</u>	<u>(1,001,583)</u>	<u>(16,188)</u>	<u>3,458,491</u>
(738,684)	-	-	-	(9,240,858)
-	-	-	-	14,075
-	-	-	-	(8,297)
<u>(738,684)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,235,080)</u>
31,528	229,229	198,890	28,969	523,671
(138,788)	(1,087,441)	(289,147)	(64,324)	(1,644,126)
-	-	-	5,381	5,381
<u>(107,260)</u>	<u>(858,212)</u>	<u>(90,257)</u>	<u>(29,974)</u>	<u>(1,115,074)</u>
488,458	(2,357,297)	(2,941,485)	182,174	(9,078,130)
3,060,749	19,441,645	8,000,247	1,443,762	39,326,000
<u>\$ 3,549,207</u>	<u>\$ 17,084,348</u>	<u>\$ 5,058,762</u>	<u>\$ 1,625,936</u>	<u>\$ 30,247,870</u>
\$ 3,549,207	\$ 16,559,643	\$ -	\$ 1,625,936	\$ 24,664,403
-	329,094	5,058,762	-	5,387,856
-	195,611	-	-	195,611
<u>\$ 3,549,207</u>	<u>\$ 17,084,348</u>	<u>\$ 5,058,762</u>	<u>\$ 1,625,936</u>	<u>\$ 30,247,870</u>

CITY OF MODESTO
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)
FISCAL YEAR ENDED JUNE 30, 2022

	Fleet Management	Central Services
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (3,833,145)	\$ 192,503
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,068,688	-
Change in assets, liabilities, and deferred resources:		
(Increase) decrease in accounts receivable	632	(37,850)
(Increase) decrease in due from governments	(1,375,304)	-
(Increase) decrease in prepaid expenses	(17,985)	(1,382)
(Increase) in inventories	-	(462,136)
Increase (decrease) in accounts payable	1,001,345	229,683
Increase (decrease) in accrued salaries and benefits	48,993	7,606
(Decrease) in compensated absences	-	-
(Increase) decrease in net OPEB liability and deferred resources	(49,662)	-
(Increase) decrease in net pension liability and deferred resources	564,180	90,714
Increase in unearned revenue	-	-
Decrease in lease receivable	-	-
(Decrease) in claims liability	-	-
Total adjustments	3,240,887	(173,365)
Net cash provided (used) by operating activities	\$ (592,258)	\$ 19,138

**NONCASH INVESTING, CAPITAL AND FINANCING
ACTIVITIES:**

Transfer of fixed assets from Bus funds upon transfer of operations	\$ 14,361,227	\$ -
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Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 1,512,522	\$ (277,400)	\$ (1,440,667)	\$ (107,177)	\$ (3,953,364)
645,233	-	-	280,024	3,993,945
-	976,134	23,730	140	962,786
327	379	27	(59,559)	(1,434,130)
14,139	(60,405)	767	1,041	(63,825)
-	-	-	-	(462,136)
111,975	(147,552)	(116,831)	79,295	1,157,915
4,405	4,324	1,404	(1,617)	65,115
-	-	(313,587)	-	(313,587)
2,003,575	-	-	(3,840)	1,950,073
(2,794,618)	(127,245)	(4,488)	(6,240)	(2,277,697)
-	36,728	-	-	36,728
-	-	-	46,269	46,269
-	(1,894,559)	-	-	(1,894,559)
(14,964)	(1,212,196)	(408,978)	335,513	1,766,897
\$ 1,497,558	\$ (1,489,596)	\$ (1,849,645)	\$ 228,336	\$ (2,186,467)

\$ - \$ - \$ - \$ 4,941,391 \$ 19,302,618

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Investment Trust Funds

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

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.

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
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS
JUNE 30, 2022

	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	City/County Joint Powers Financing Authority	Total
ASSETS				
Cash and cash equivalents	\$ 345,403	\$ 260,056	-	\$ 605,459
Restricted cash and cash equivalents held with fiscal agent	-	-	-	-
Receivables:				
Interest receivable	-	1,159	-	1,159
Taxes receivable	-	25,136	-	25,136
Assessments receivable	-	-	-	-
Leases receivable	1,214,758	-	-	1,214,758
Due from governments	23,884	-	-	23,884
Land and construction in progress	3,024,743	-	-	3,024,743
Other capital assets, net of	4,142,152	-	-	4,142,152
Total assets	8,750,940	286,351	-	9,037,291
Deferred outflows of resources:				
Loss on refunding	-	-	-	-
LIABILITIES				
Accounts payable and other liabilities	55,707	285,192	-	340,899
Interest payable	-	-	-	-
Long-term liabilities:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Total liabilities	55,707	285,192	-	340,899
Deferred inflows of resources:				
Leases	1,184,964	-	-	1,184,964
Unavailable revenues	-	-	-	-
Total deferred inflows of resources	1,184,964	-	-	1,184,964
NET POSITION				
Net invested in capital assets	7,166,895	-	-	7,166,895
Restricted	-	-	-	-
Unrestricted	343,374	1,159	-	344,533
Total net position	\$ 7,510,269	\$ 1,159	\$ -	\$ 7,511,428

CITY OF MODESTO
COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS
JUNE 30, 2022

	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	City/County Joint Powers Financing Authority	Total
ADDITIONS:				
Contributions:				
Members investment pool	\$ 408,800	\$ -	\$ -	\$ 408,800
Total contributions	<u>408,800</u>	<u>-</u>	<u>-</u>	<u>408,800</u>
Collections on behalf of other governments:				
Special assessments	-	292,007	-	292,007
Property taxes	-	371,696	-	371,696
Other	114,471	-	-	114,471
Total collections on behalf of other governments	<u>114,471</u>	<u>663,703</u>	<u>-</u>	<u>778,174</u>
Interest and investment earnings:				
Interest and rent earnings	2,230	2,454	38	4,722
Net (decrease) in fair value of investments	<u>(9,509)</u>	<u>(12,917)</u>	<u>(64)</u>	<u>(22,490)</u>
Total interest and investment earnings	<u>(7,279)</u>	<u>(10,463)</u>	<u>(26)</u>	<u>(17,768)</u>
Total additions	<u>515,992</u>	<u>653,240</u>	<u>(26)</u>	<u>1,169,206</u>
DEDUCTIONS:				
Distribution of property taxes to other taxing entities	-	640,927	-	640,927
Obligation retirements:				
Principal retirement	-	-	-	-
Interest expense	-	-	-	-
Trustee fees	-	-	-	-
City administrative expenses	143,522	2,968	-	146,490
Other expenses	-	-	-	-
Depreciation expense	438,683	-	-	438,683
Operating expenses	385,583	9,321	21,785	416,689
Total deductions	<u>967,788</u>	<u>653,216</u>	<u>21,785</u>	<u>1,642,789</u>
Net increase (decrease) in net position	(451,796)	24	(21,811)	(473,583)
Net position, July 1	7,962,065	2	21,811	7,983,878
Prior year adjustment	-	1,133	-	1,133
Net position, June 30	<u>\$ 7,510,269</u>	<u>\$ 1,159</u>	<u>\$ -</u>	<u>\$ 7,511,428</u>

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STATISTICAL SECTION TAB

STATISTICAL SECTION

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Statistical Section

This part of the Annual Comprehensive 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

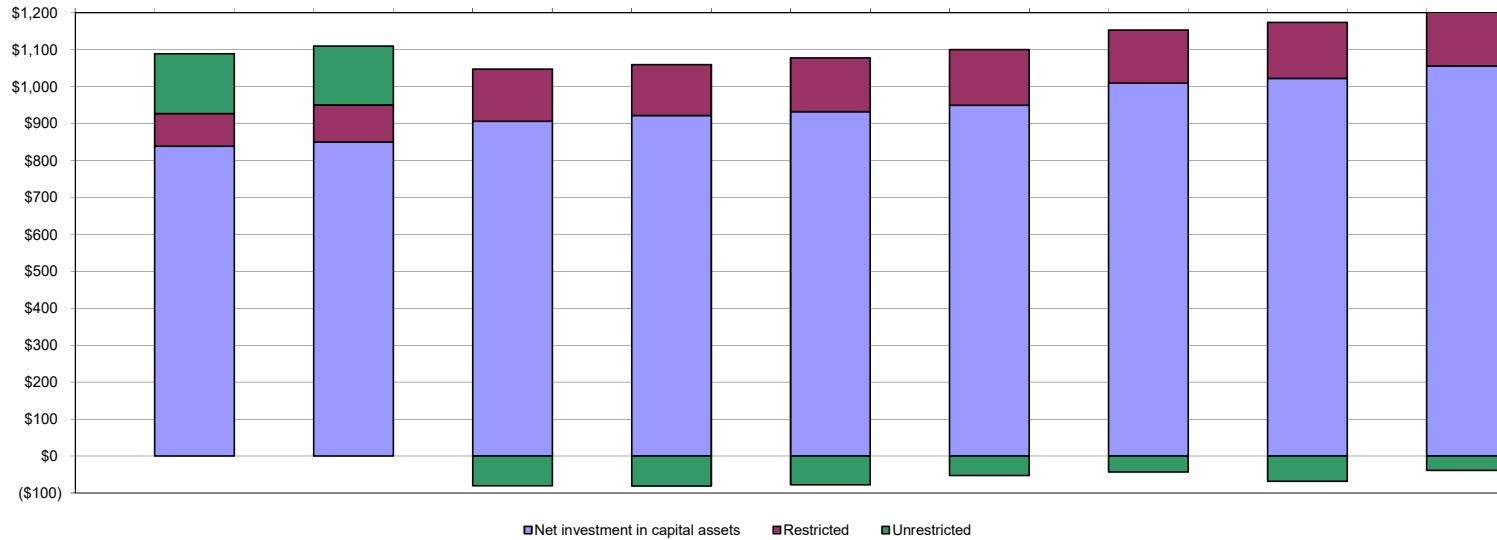
Operating Information

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 Annual Comprehensive Financial Reports for the relevant year.

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



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 361,582,237	\$ 347,647,419	\$ 378,145,625	\$ 381,887,289	\$ 376,743,556	\$ 377,529,238	\$ 401,515,805	\$ 374,618,780	\$ 407,347,307	\$ 457,620,157
Restricted ⁽²⁾	63,381,356	77,564,677	121,105,182	115,619,807	123,851,082	130,192,278	127,885,787	135,818,614	183,357,207	195,793,646
Unrestricted	(1,102,658)	9,167,253	(179,570,210)	(173,275,294)	(191,483,628)	(182,197,396)	(191,345,565)	(206,772,243)	(217,114,643)	(189,907,446)
Total governmental activities net position	\$ 423,860,935	\$ 434,379,349	\$ 319,680,597	\$ 324,231,802	\$ 309,111,010	\$ 325,524,120	\$ 338,056,027	\$ 303,665,151	\$ 373,589,871	\$ 463,506,357
Business-type activities										
Net investment in capital assets	\$ 476,681,835	\$ 502,684,950	\$ 527,784,338	\$ 539,821,175	\$ 555,163,217	\$ 571,811,118	\$ 607,813,261	\$ 647,695,354	\$ 648,609,186	\$ 687,640,266
Restricted ⁽²⁾	25,571,860	22,398,957	20,622,619	22,052,595	21,525,961	21,071,542	15,569,107	15,857,655	17,004,338	15,918,799
Unrestricted	162,882,299	150,187,831	99,450,370	92,324,550	113,595,981	130,146,975	148,005,231	138,508,360	178,262,877	115,746,227
Total business-type activities net position	\$ 665,135,994	\$ 675,271,738	\$ 647,857,327	\$ 654,198,320	\$ 690,285,159	\$ 723,029,635	\$ 771,387,599	\$ 802,061,369	\$ 843,876,401	\$ 819,305,292
Primary government										
Net investment in capital assets	\$ 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	\$ 1,055,956,493	\$ 1,145,260,423
Restricted	88,953,216	99,963,634	141,727,801	137,672,402	145,377,043	151,263,820	143,454,894	151,676,269	200,361,545	211,712,445
Unrestricted	161,779,641	159,355,084	(80,119,840)	(80,950,744)	(77,887,647)	(52,050,421)	(43,340,334)	(68,263,883)	(38,851,766)	(74,161,219)
Total primary government net position	\$ 1,088,996,929	\$ 1,109,651,087	\$ 967,537,924	\$ 978,430,122	\$ 999,396,169	\$ 1,048,553,755	\$ 1,109,443,626	\$ 1,105,726,520	\$ 1,217,466,272	\$ 1,282,811,649

(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) Starting in fiscal year 2015, 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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 12,041,953	\$ 11,221,704	\$ 12,085,051	\$ 12,838,583	\$ 13,945,824	\$ 15,432,617	\$ 13,973,768	\$ 14,808,371	\$ 14,727,031	\$ 20,268,611
Community development	25,162,533	13,002,466	11,888,475	12,552,115	15,419,529	17,268,926	15,720,280	25,698,343	30,782,573	20,615,432
Highways and streets	20,525,496	21,316,315	21,269,704	20,149,011	22,481,002	22,997,140	23,937,423	25,858,611	25,863,042	27,463,523
Public works	4,064,497	3,241,135	9,810,989	10,749,465	13,169,149	8,674,538	3,472,405	3,736,696	3,126,390	3,086,419
Parks and recreation	13,036,579	11,659,816	4,641,611	3,493,743	3,947,898	4,456,508	15,680,980	14,725,590	13,750,865	12,439,250
Public safety	83,857,207	72,301,682	86,782,741	86,907,876	104,348,464	120,629,673	111,059,794	140,709,104	129,785,835	121,675,443
Interest on long-term debt	3,193,997	2,958,471	3,204,203	2,691,894	2,500,849	2,510,224	2,402,299	2,302,626	2,039,849	1,954,306
Total governmental activities expenses	\$ 161,882,262	\$ 135,701,589	\$ 149,682,774	\$ 149,382,687	\$ 175,812,715	\$ 191,969,626	\$ 186,246,949	\$ 227,839,341	\$ 220,075,585	\$ 207,502,984
Business-type activities:										
Water	\$ 1,252,660	\$ 1,605,829	\$ 54,718,239	\$ 59,127,625	\$ 63,008,231	\$ 56,526,729	\$ 62,745,688	\$ 69,187,391	\$ 68,792,875	\$ 73,421,868
Sewer	48,656,862	63,498,896	30,281,361	33,093,921	36,248,877	41,444,220	41,216,914	45,832,671	46,500,454	44,263,767
Bus (1)	24,155,935	31,895,568	18,614,175	19,709,745	21,979,360	20,538,934	24,276,760	25,261,736	28,889,011	-
Parking	4,239,567	6,372,418	1,513,185	1,625,943	1,628,226	1,553,258	1,899,479	1,905,382	1,700,607	1,926,834
Storm drain	4,350,079	4,951,441	3,913,204	5,312,896	6,119,472	5,202,444	7,157,290	7,384,884	5,585,980	5,965,352
Compost	1,534,242	2,291,222	7,841,048	11,998,345	9,648,481	9,652,175	8,477,947	10,330,237	12,022,746	11,497,333
Airport	18,025,010	19,618,547	2,025,146	1,787,081	1,744,557	1,578,654	1,646,800	1,841,645	1,865,063	1,686,375
Golf	2,197,368	2,845,109	2,998,505	3,130,536	2,871,167	2,616,077	3,052,785	2,939,639	2,865,795	3,229,764
Community center	1,864,996	2,031,928	1,852,585	1,981,307	1,934,179	1,780,010	1,541,592	1,603,302	1,961,576	1,570,818
Abatement and public nuisance	42,879	31,877	93,067	84,152	51,624	351,557	63,312	142,124	82,166	124,097
Total business-type activities expenses	106,319,598	135,142,835	123,850,515	137,851,551	145,234,174	141,244,058	152,078,567	166,429,011	170,266,273	143,686,208
Total primary government expenses	\$ 268,201,860	\$ 270,844,424	\$ 273,533,289	\$ 287,234,238	\$ 321,046,889	\$ 333,213,684	\$ 338,325,516	\$ 394,268,352	\$ 390,341,858	\$ 351,189,192
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,262,963	\$ 5,825,407	\$ 5,912,157	\$ 6,539,908	\$ 5,082,405	\$ 6,544,581	\$ 6,387,743	\$ 5,973,621	\$ 6,237,530	\$ 6,572,771
Community development	4,123,811	4,537,984	3,385,050	6,885,850	10,378,999	16,049,727	12,106,237	17,327,298	16,611,118	19,488,129
Highway and streets	761,394	873,566	1,744,505	1,154,290	1,101,813	758,952	748,319	909,580	651,061	651,082
Public works	3,565,048	4,146,641	6,621,704	5,469,419	5,908,332	1,637,024	2,779,546	2,921,053	2,869,808	2,711,433
Parks and recreation	3,623,647	3,004,001	1,344,923	771,733	1,614,443	2,346,211	2,450,965	3,358,983	2,145,685	2,205,344
Public safety	3,668,302	3,123,758	4,218,000	3,868,346	4,847,914	5,127,433	4,502,546	11,354,045	5,849,193	8,960,454
Operating grants and contributions	16,477,474	5,868,684	5,862,566	3,630,185	5,050,771	5,802,634	6,591,435	16,838,122	12,010,918	15,352,734
Capital grants and contributions	9,046,762	8,206,154	5,878,550	1,708,602	2,117,867	3,062,292	8,831,664	5,894,717	57,825,011	12,835,899
Total governmental activities program revenues	47,529,401	35,586,195	34,967,455	30,028,333	36,102,544	41,328,854	44,398,455	64,577,419	104,200,324	68,777,846
Business-type activities:										
Charges for services:										
Water	\$ 1,169,293	\$ 1,092,347	\$ 59,800,535	\$ 55,992,533	\$ 69,075,873	\$ 74,842,451	\$ 76,806,740	\$ 82,796,199	\$ 87,713,122	\$ 86,231,116
Sewer	61,474,235	60,254,110	46,193,997	47,859,680	49,905,078	52,799,102	57,562,619	58,168,552	63,614,677	65,367,417
Bus	43,414,773	46,046,304	3,424,662	3,352,615	3,253,046	3,305,910	3,176,134	2,443,208	1,624,167	-
Parking	5,780,644	5,831,133	1,239,439	1,289,211	1,284,269	1,434,311	1,519,954	1,264,938	983,353	1,281,097
Storm drain	8,012,611	4,853,133	5,874,349	5,588,169	5,910,988	6,004,682	6,133,801	6,114,242	6,167,491	6,216,242
Compost	619,904	634,530	7,191,145	7,352,767	8,903,917	8,934,075	10,090,662	10,216,018	10,433,758	10,944,785
Airport	2,946,937	2,989,504	551,373	622,383	596,152	651,693	737,072	651,447	686,923	722,767
Golf	1,568,532	2,196,280	2,574,496	2,431,904	2,236,100	2,485,688	2,419,938	2,005,588	3,343,027	3,010,990
Community center	263,581	230,801	257,991	326,839	305,436	294,524	285,685	188,589	36,914	166,370
Abatement and public nuisance	302,563	201,825	128,636	166,641	117,677	112,199	231,167	67,181	115,999	640,686
Operating grants and contributions	13,766,061	13,721,179	14,223,954	14,153,568	15,975,703	17,858,762	25,668,280	21,780,920	29,310,591	1,644,338
Capital grants and contributions	4,282,549	4,971,940	13,820,127	4,753,223	19,617,513	7,196,698	5,198,721	546,375	8,672,597	2,452,983
Total business-type activities program revenues	143,601,683	143,023,086	155,280,704	143,889,533	177,181,752	175,920,095	189,830,773	186,243,257	212,702,619	178,678,791
Total primary government program revenues	\$ 191,131,084	\$ 178,609,281	\$ 190,248,159	\$ 173,917,866	\$ 213,284,296	\$ 217,248,949	\$ 234,229,228	\$ 250,820,676	\$ 316,902,943	\$ 247,456,637
Net (Expense)/Revenue										
Governmental activities	\$ (114,352,861)	\$ (100,115,394)	\$ (114,715,319)	\$ (119,354,354)	\$ (139,710,171)	\$ (150,640,772)	\$ (141,848,494)	\$ (163,261,922)	\$ (115,875,261)	\$ (138,725,138)
Business-type activities	37,282,085	7,880,251	31,430,189	6,037,982	31,947,578	34,676,037	37,752,206	19,814,246	42,436,346	34,992,583
Total primary government net expense	\$ (77,070,776)	\$ (92,235,143)	\$ (83,285,130)	\$ (113,316,372)	\$ (107,762,593)	\$ (115,964,735)	\$ (104,096,288)	\$ (143,447,676)	\$ (73,438,915)	\$ (103,732,555)

(continued)

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Utility users tax	\$ 20,399,116	\$ 20,153,653	\$ 19,591,170	\$ 19,564,921	\$ 20,113,023	\$ 20,609,874	\$ 19,803,859	\$ 19,803,218	\$ 20,764,694	\$ 20,918,653
Property taxes, levied for general purposes ⁽¹⁾	11,618,481	12,304,010	13,551,827	14,552,304	15,384,518	16,356,095	17,316,735	18,113,180	19,106,595	19,757,550
Transient occupancy tax	1,884,188	1,879,825	2,097,952	2,523,087	2,669,484	2,826,160	2,961,406	2,727,061	2,850,229	3,621,190
Franchise tax	5,785,355	5,003,130	5,768,146	6,194,733	6,431,223	6,433,869	6,762,101	6,996,152	7,117,014	7,402,770
Cannabis tax ⁽⁵⁾	-	-	-	-	-	-	352,208	3,201,364	5,379,402	4,022,799
Business license tax, levied for general purposes	10,176,791	10,573,820	11,421,759	11,944,291	12,255,062	13,053,199	13,715,997	13,269,468	13,899,554	15,263,225
Business license tax, levied for downtown improvement district	170,222	181,689	188,247	186,123	192,540	189,070	202,014	190,543	225,051	205,995
Grants and contributions not restricted to specific programs: ⁽⁴⁾										
Sales tax (state appropriation)	27,110,911	27,651,939	28,437,594	29,878,815	30,204,125	31,302,950	31,665,700	30,534,694	35,670,236	40,389,650
Motor vehicle license fee	12,038,983	12,494,642	13,871,248	14,548,427	15,385,069	16,206,760	17,057,003	17,977,807	18,855,971	19,881,139
Transportation tax funding	-	-	5,924,101	4,533,572	3,968,029	5,672,563	19,002,236	19,438,347	22,501,876	23,404,322
Community facilities district fees	-	-	4,570,403	3,829	1,830	274,494	8,432	16,567	14,628	-
Special assessments, levied	-	-	1,924,623	3,168,260	3,014,768	5,715,030	4,260,281	4,622,697	4,851,750	5,578,262
Proceeds from Modesto Regional Fire Authority dissolution	-	-	2,500,721	-	-	-	-	-	-	-
Other	12,844,926	15,269,250	25,866,105	13,101,149	15,842,047	17,469,209	13,832,686	27,469,638	39,528,038	54,289,046
Unrestricted investment earnings	52,893	441,383	564,314	582,565	362,856	726,199	5,753,083	6,044,156	(287,088)	(3,911,830)
Miscellaneous	1,861,660	5,402,480	2,281,008	2,440,696	515,206	818,542	3,421,783	3,660,429	2,184,677	1,643,071
Transfers	1,055,670	(41,312)	(775,377)	(567,177)	(1,750,401)	(354,287)	(1,675,373)	479,917	824,609	21,077,584
Total government activities	104,999,196	111,314,509	137,783,841	122,655,595	124,589,379	137,299,727	154,440,151	174,545,238	193,487,236	233,543,426
Business-type activities:										
Taxes:										
Property taxes, generated by and allocated to the airport	257,687	254,200	237,546	206,854	199,124	207,849	201,931	190,995	266,272	212,978
Unrestricted investment earnings	1,184,422	2,726,148	554,180	2,247,061	872,935	1,047,604	7,290,802	8,082,331	(192,489)	(8,124,559)
Connection fees ⁽²⁾	1,200,800	524,914	-	-	-	-	-	-	-	-
Miscellaneous	-	-	1,214,729	1,368,761	1,316,801	1,472,809	1,528,727	1,390,820	1,686,667	1,301,658
Settlements	(1,055,670)	41,317	13,851	-	-	-	-	-	-	-
Transfers, net	116,711	110,376	775,377	567,177	1,750,401	354,287	1,675,373	(479,917)	(824,609)	(21,077,584)
Special item ⁽³⁾⁽⁶⁾	(1,143,257)	(1,356,418)	-	-	-	-	-	-	-	(19,461,712)
Total business-type activities	560,693	2,300,537	2,795,683	4,389,853	4,139,261	3,082,549	10,696,833	9,184,229	935,841	(47,149,219)
Total primary government	\$ 105,559,889	\$ 113,615,046	\$ 140,579,524	\$ 127,045,448	\$ 128,728,640	\$ 140,382,276	\$ 165,136,984	\$ 183,729,467	\$ 194,423,077	\$ 186,394,207
Change in Net Position										
Governmental activities	\$ (9,353,665)	\$ 11,199,115	\$ 23,068,522	\$ 3,301,241	\$ (15,120,792)	\$ (13,341,045)	\$ 12,591,657	\$ 11,283,316	\$ 77,611,975	\$ 94,818,288
Business-type activities	37,842,778	10,180,788	34,225,872	10,427,835	36,086,839	37,758,586	48,449,039	28,998,475	43,372,187	(12,156,636)
Total primary government	\$ 28,489,113	\$ 21,379,903	\$ 57,294,394	\$ 13,729,076	\$ 20,966,047	\$ 24,417,541	\$ 61,040,696	\$ 40,281,791	\$ 120,984,162	\$ 82,661,652

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

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

(3) Starting in fiscal year 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.

(4) Starting in fiscal year 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.

(5) During fiscal years 2019 and 2020, Cannabis tax was previously reported as Business license tax levied for general purposes. In fiscal year 2021 financials have been updated to report Cannabis tax as such.

(6) Effective July 1, 2021 bus fund operations seized at the City of Modesto, due to the formation of the regionalized transit agency, Stanislaus Regional Transit Agency (StanRTA), resulting in a loss in transfer of operations for the City.

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund										
Nonspendable	\$ 126,603	\$ 102,152	\$ 2,770,844	\$ 2,647,692	\$ 2,515,146	\$ 2,881,523	\$ 2,723,032	\$ 2,503,547	\$ 2,388,852	\$ 2,341,984
Restricted	3,713,640	3,718,682	1,341,972	2,092,126	1,970,622	2,674,200	2,209,485	2,137,896	3,367,488	8,157,536
Committed	-	3,000,000	3,000,000	3,000,000	15,800,000	18,397,817	18,397,817	18,397,817	18,397,817	18,397,817
Assigned	1,173,377	1,024,149	3,119,753	6,503,769	4,854,307	1,096,566	509,751	309,114	349,022	579,390
Unassigned	11,758,746	12,069,864	14,586,931	12,822,134	4,509,693	1,695,476	1,742,785	2,407,575	6,395,913	9,942,398
Total General Fund	<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>	<u>\$ 30,899,092</u>	<u>\$ 39,419,125</u>
All Other Governmental Funds										
Nonspendable	\$ 746	\$ 3,907	\$ 88,057	\$ 86,242	\$ 81,007	\$ 23,816	\$ 13,290	\$ 101,173	\$ 543,554	\$ 32,734
Restricted	106,724,809	108,672,378	79,643,971	80,563,574	85,531,411	91,786,367	89,210,020	104,838,269	111,141,528	114,815,329
Assigned	3,965,851	3,700,733	14,962,522	10,063,058	7,975,865	17,126,893	19,304,837	26,193,552	34,308,329	46,078,354
Unassigned	(32,965,286)	(34,656,617)	(3,866,450)	(724,841)	(3,156,679)	(1,723,380)	(2,809,303)	(7,112,005)	(4,375,860)	(5,343,454)
Total all other governmental funds	<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>	<u>\$ 141,617,551</u>	<u>\$ 155,582,963</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.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$50,034,153	\$50,096,127	\$52,619,101	\$ 54,965,459	\$ 57,045,850	\$ 59,468,267	\$ 61,114,320	\$ 64,300,986	\$ 69,342,539	\$71,192,182
Licenses and permits	175,720	174,734	149,888	186,624	201,445	153,226	344,855	408,645	473,693	434,118
Intergovernmental	75,737,161	67,426,885	88,906,770	76,317,229	72,069,739	85,629,758	96,174,839	125,072,949	154,356,852	166,804,885
Charges for services	19,800,718	19,457,298	22,337,357	20,429,860	24,454,286	25,467,795	23,226,714	36,147,116	28,378,842	33,744,323
Special assessments levied	1,781,896	2,063,784	1,924,623	3,168,260	3,014,768	5,715,030	4,260,281	4,622,697	4,851,750	5,578,262
Interest and rent	835,994	1,019,357	957,846	1,297,734	1,402,387	1,574,347	2,219,282	2,018,446	1,320,686	2,191,466
Net increase (decrease) in fair value of investments	(584,090)	(423,827)	(320,398)	102,422	(572,616)	(645,593)	1,294,543	1,728,158	(985,713)	(4,317,623)
Fines and forfeits	2,004,133	1,844,607	1,171,076	904,802	1,263,407	1,127,877	1,143,506	666,120	660,110	832,510
Donations and Contribution	-	-	-	-	-	-	-	-	370,958	44,338
Miscellaneous	2,081,776	4,653,746	2,784,295	2,286,597	516,844	818,542	722,662	989,858	1,392,784	1,461,307
Total Revenues	151,867,461	146,312,711	170,530,558	159,658,987	159,396,110	179,309,249	190,501,002	235,954,975	260,162,501	277,965,768
Expenditures										
Current:										
General government	11,169,669	11,643,579	11,334,202	12,414,982	11,542,131	11,837,635	12,262,797	12,028,015	12,483,217	21,110,258
Community development	23,673,373	12,589,817	11,511,154	12,453,678	13,264,050	13,234,820	13,796,154	20,945,194	26,215,559	21,429,140
Highways and streets	8,560,717	8,744,899	9,672,790	8,498,783	9,240,654	8,936,163	10,102,646	11,039,619	12,152,803	16,510,434
Public works	2,993,702	3,088,701	9,228,780	10,393,169	10,919,102	6,509,418	3,017,247	3,035,851	2,635,907	3,215,409
Parks and recreation	11,299,979	11,947,862	4,212,301	3,385,484	3,269,360	3,420,453	13,843,885	11,944,940	11,634,840	12,943,340
Public safety	74,094,399	74,595,533	81,353,131	84,022,670	86,475,891	92,341,706	97,411,634	114,540,829	110,275,920	126,649,307
Capital outlay	26,616,638	12,901,002	30,339,677	19,817,025	21,431,186	19,037,250	38,522,334	38,425,318	51,533,054	50,042,664
Debt service:										
Principal retirement	1,451,000	1,596,000	1,789,335	2,345,362	2,535,093	2,849,343	2,562,498	2,734,132	2,931,077	3,362,904
Interest	2,330,962	2,159,672	2,417,840	2,043,278	2,075,202	2,114,488	1,897,384	1,996,806	1,985,927	1,913,046
Other	932,460	872,350	783,264	697,405	430,779	396,686	506,333	307,928	51,814	48,610
Total Expenditures	163,122,899	140,139,415	162,642,474	156,071,836	161,183,448	160,677,962	193,922,912	216,998,632	231,900,118	257,225,112
Excess of revenues over (under) expenditures	(11,255,438)	6,173,296	7,888,084	3,587,151	(1,787,338)	18,631,287	(3,421,910)	18,956,343	28,262,383	20,740,656
Other Financing Sources (Uses)										
Transfers in	18,230,774	7,962,817	8,157,278	6,960,425	5,559,720	10,707,217	21,496,638	15,292,128	14,249,431	15,993,594
Transfers out	(18,417,413)	(11,164,994)	(10,682,539)	(10,572,346)	(6,659,759)	(13,568,675)	(20,760,150)	(17,397,619)	(15,500,194)	(17,677,119)
Capital leases	-	-	1,070,472	330,947	5,883,756	-	-	39,204	-	3,741,926
Sale of assets	72,489	200,838	94,489	106,582	31,239	154,458	87,608	132,485	1,934	32,551
Total other financing sources (uses)	(114,150)	(3,001,339)	(1,360,300)	(3,174,392)	4,814,956	(2,707,000)	824,096	(1,933,802)	(1,248,829)	2,090,952
Change in fund balances	(11,369,588)	3,171,957	6,527,784	412,759	3,027,618	15,924,287	(2,597,814)	17,022,541	27,013,554	22,831,608
FUND BALANCES, July 1	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	172,516,643
PRIOR PERIOD ADJUSTMENTS	(2,475,890)	(35,195)	11,484,568	993,395	-	(2,046,381)	(59,750)	1,452,683	(4,273,849)	(346,163)
FUND BALANCES, June 30	\$94,498,486	\$97,635,248	\$115,647,600	\$117,053,754	\$120,081,372	\$133,959,278	\$131,301,714	\$149,776,938	\$172,516,643	\$195,002,088
Debt service as a percentage of noncapital expenditures	2.77%	2.95%	3.18%	3.22%	3.30%	3.50%	2.87%	2.65%	2.73%	2.55%

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, 2022)

Ten Largest Customers of Water Utility System, Year Ended 06/30/2022

<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	550,206	2.42%	\$ 1,442,306	1.89%
2) City of Modesto	368,439	1.62%	1,161,840	1.52%
3) Foster Farms	422,907	1.86%	870,256	1.14%
4) Stanislaus Food Products	349,278	1.54%	763,063	1.00%
5) Sunopta	262,791	1.16%	553,119	0.72%
6) E & J Gallo Winery	169,453	0.74%	478,601	0.63%
7) Stanislaus Housing Authority	165,745	0.73%	510,052	0.67%
8) Modesto Irrigation District	161,256	0.71%	406,260	0.53%
9) Yosemite Community College	102,041	0.45%	313,365	0.41%
10) STANCO	83,700	0.37%	319,533	0.42%
Total Top Ten	<u>2,635,816</u>	<u>11.60%</u>	<u>\$ 6,818,395</u>	<u>8.93%</u>

Total Flat/Metered Revenues (Water Sales)

\$ 76,482,992

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

Water Sales Revenue, Year Ended 06/30/2022

Residential - Flat Rates

\$ 1,414,328

Commercial, Industrial and Municipal - Metered Rates

75,068,664

Total Water Sales ⁽²⁾

\$ 76,482,992

Water Rates and Charges as of 07/01/2021

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

\$ 69.44

Commercial Accounts:

<u>Meter Size</u>	
3/4"	\$ 25.44
1"	36.83
1 1/2"	65.32
2"	99.50
3"	207.73
4"	367.24
6"	748.90
8"	1,375.53
10"	2,173.05
12"	2,856.63

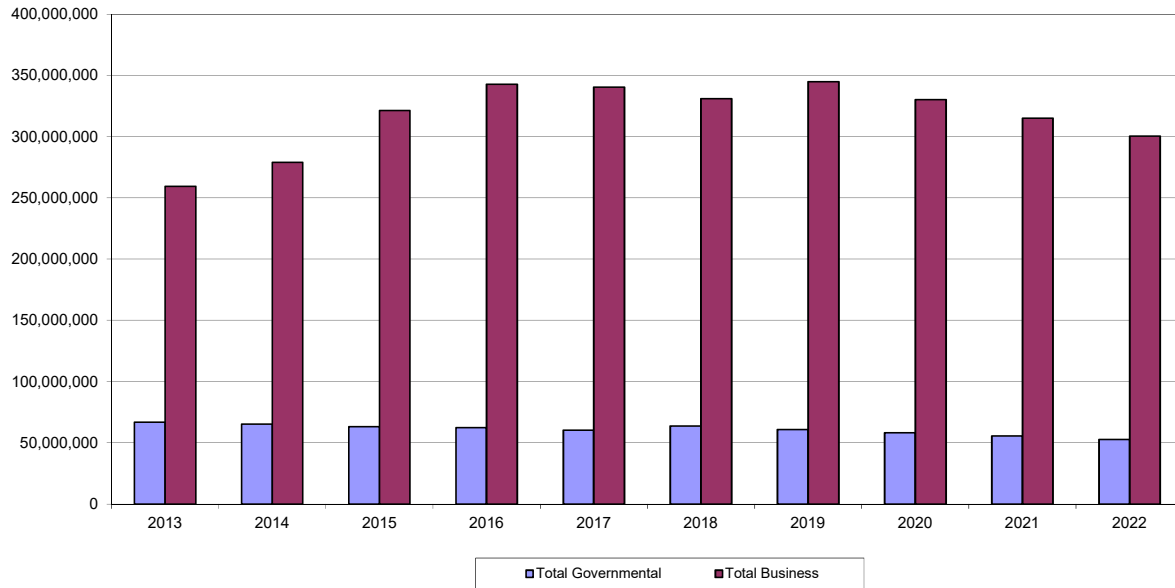
In addition to these minimum charges, commercial accounts are charged \$2.02 per 100 cubic feet of water used.

(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	Lease Revenue Bonds	Notes Payable	Finance Purchase Obligations and Leases ⁽⁷⁾	Total
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
2021	500,000	46,745,000	1,282,000	4,098,878	52,625,878
2022	500,000	44,355,000	985,000	8,021,476	53,861,476

Business-Type Activities

Fiscal Year	Loans Payable ⁽³⁾⁽⁶⁾	Certificates of Participation ⁽⁵⁾	Reimbursement Agreement related to MID ⁽⁴⁾⁽⁵⁾	Revenue Bonds ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Finance Purchase Obligations and Leases ⁽⁷⁾	Total	Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
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	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	6.41%	1,696
2021	27,540,402	44,557,540	105,641,454	122,384,268	5,625	300,129,289	352,755,167	5.89%	1,613
2022	26,632,391	43,703,037	99,555,726	113,398,481	460,435	283,750,070	337,611,546	5.52%	1,550

(1) See Demographic and Economic Statistics for personal income and population data.

(2) In fiscal year 2012 the Loans Payable increase is from the bond reimbursements related to the State Revolving Fund loan approved for the construction of a new tertiary treatment plant.

(3) Until fiscal year 2015, the MID Treatment and Delivery issued by MID on behalf of the City was reported as a City liability under Revenue Bonds.

(4) In fiscal year 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.

(5) Starting in fiscal year 2016, the amounts presented include net of unamortized premiums or discounts.

(6) In fiscal year 2021 the decrease in Loans Payable and increase in Revenue Bonds is due to the issuance of Revenue Bonds to pay off the State Revolving Fund loan for the tertiary treatment plant.

(7) In fiscal year 2022 the City adopted GASB Statement No. 87, Leases

CITY OF MODESTO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2022

<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>\$ 53,861,476</u>	100%	<u>\$ 53,861,476</u>
Overlapping General Obligation debt - school districts:			
Ceres Unified School District	83,682,988.00	5.37%	4,493,737
Hart-Ransom Union School District	3,401,989.00	31.40%	1,068,354
Modesto Elementary School District ⁽³⁾	84,826,674.00	77.05%	65,360,578
Modesto High School District	18,519,795.00	67.38%	12,478,046
Paradise Elementary School District	250,000.00	0.00%	0
Salida Union Elementary District	9,165,000.00	27.86%	2,553,127
Stanislaus Union School District	18,545,000.00	75.02%	13,912,413
Sylvan School District	30,271,098.00	78.26%	23,690,193
Yosemite Community College District ⁽⁴⁾	263,621,372.00	33.11%	87,281,613
Total overlapping debt	<u>512,283,916</u>		<u>210,838,061</u>
Total direct and overlapping debt	<u>\$ 566,145,392</u>		<u>\$ 264,699,537</u>

(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.

(3) Increase from Modesto Elementary 2018, Mearsure D & E, General Obligation Bond Series B

(4) Increase from Yosemite 2020 General Obligation Bonds refunding Series A & B.

Note: Source of data for School Districts: Stanislaus County Auditor.

CITY OF MODESTO
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2022

Net assessed value ⁽¹⁾⁽³⁾	18,963,538,995
Plus homeowners' exemption ⁽¹⁾⁽³⁾	<u>197,561,852</u>
Gross assessed value ⁽¹⁾⁽³⁾	<u><u>\$ 19,161,100,847</u></u>
Debt limit - 15% of gross assessed value ⁽²⁾	\$ 2,874,165,127
Legal debt margin	<u><u>\$ 2,874,165,127</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
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%
2021	2,734,540,136	-	2,734,540,136	0%
2022	2,874,165,127	-	2,874,165,127	0%

(1) Source: Stanislaus County Auditor.

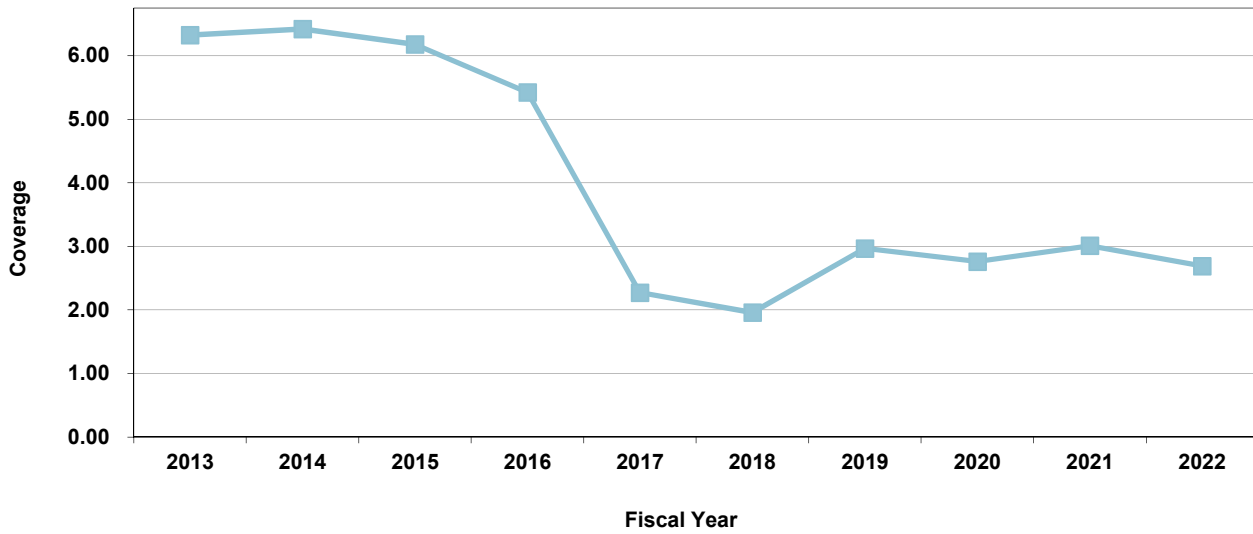
(2) Section 43605 California Government Code.

(3) Figures are based on Stanislaus County.

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

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

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



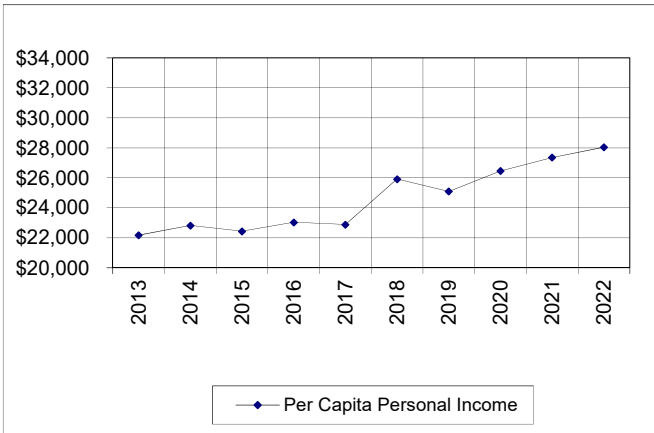
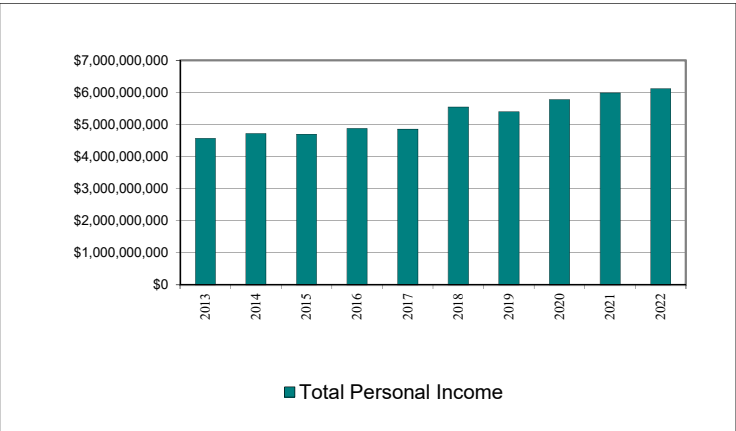
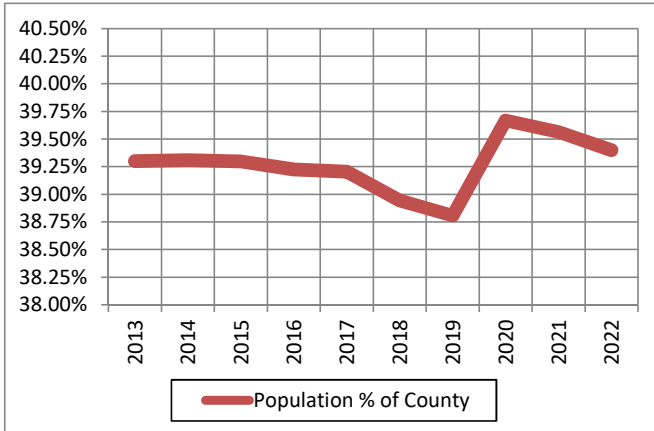
Fiscal Year ⁽³⁾	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
2013	45,018,125	19,586,799	25,431,326	4,019,558	6.33
2014	47,233,028	19,860,430	27,372,598	4,261,980	6.42
2015	46,853,368	21,207,025	25,646,343	4,150,322	6.18
2016	50,207,559	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
2021	67,012,041	29,187,910	37,824,131	12,560,711	3.01
2022	65,071,038	32,152,205	32,918,833	12,232,431	2.69

(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) The amount reported in fiscal year 2014 was corrected from \$28.20m to \$19.86m. The former amount included \$8.34m 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⁾⁽²⁾⁽³⁾	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Stanislaus County Population	City Population % of County
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	218,440	5,779,485,520	26,458	13.30%	550,660	39.67%
2021	218,745	5,984,425,710	27,358	7.60%	552,878	39.56%
2022	217,880	6,111,969,760	28,052	5.20%	552,999	39.40%

(1) The population for 2020 was previously overreported as 222,335
(2) In 2020, unemployment rates increased due to the effects of the novel coronavirus, COVID-19.
(3) The population for 2021 was previously overreported as 219,294 based on demographic data reported by California Department of Finance Demographic Research Unit.

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

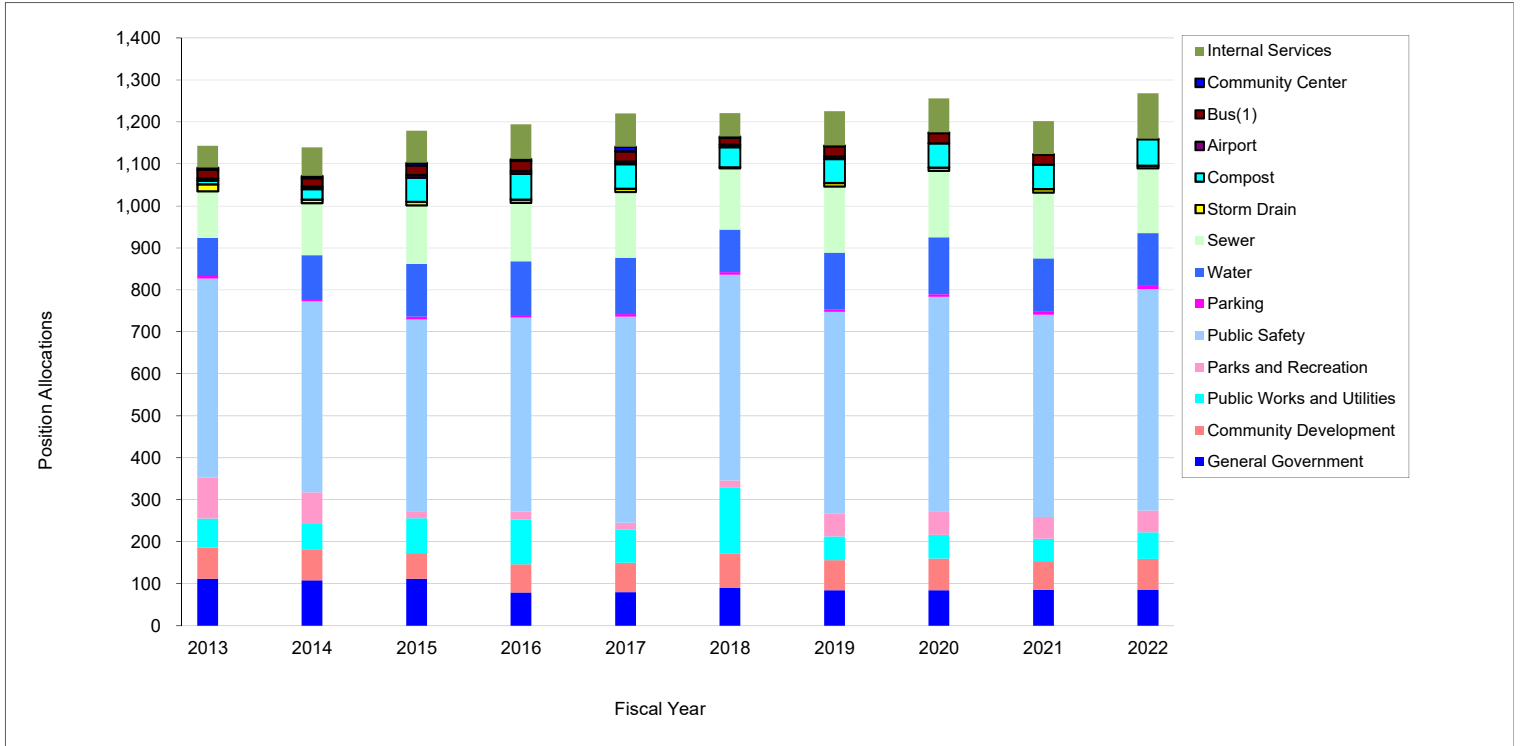
**CITY OF MODESTO
PRINCIPAL EMPLOYERS**

Employer	2021/22			2013/14		
	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment
E & J Gallo Winery	6,700	1	2.77%	3,300	1	3.21%
Stanislaus County	3,886	2	1.61%			
Modesto City Schools	3,200	3	1.32%	3,189	2	3.10%
Dotors Medical Center	2,600	4	1.07%	2,100	6	2.04%
Memorial Medical Ctr	2,087	5	0.86%	2,600	3	2.53%
Foster Farms Poultry	2,000	6	0.83%			
Del Monte Foods Inc	1,500	7	0.62%	2,300	4	2.24%
City of Modesto	1,273	8	0.53%	1,139	9	1.11%
Sylvan Union School District	900	9	0.37%			
Modesto Junior College	783	10	0.32%	1,322	8	1.28%
Stanislaus Food Products				1,850	7	1.80%
Seneca				2,275	5	2.21%
Kaiser Permanente				800	10	0.78%
Subtotal	<u>24,929</u>		<u>10.30%</u>	<u>20,875</u>		<u>20.30%</u>
Total Labor Force	242,000					
Total City Population	217,880					

Source: Stanislaus Economic Development & Workforce Alliance

(1) The number of employees include both part-time and full time.

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



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function										
General Government	112.00	108.00	112.10	79.00	80.00	90.00	84.00	84.00	85.00	86.00
Community Development	74.00	73.80	60.75	67.00	70.00	81.00	72.00	76.00	69.00	73.00
Public Works and Utilities	69.00	60.00	83.00	107.00	78.00	157.00	56.00	56.00	53.00	63.00
Parks and Recreation	97.50	75.38	16.50	18.50	17.50	17.50	54.75	56.75	51.75	51.75
Public Safety	474.00	455.00	456.50	462.50	490.50	490.50	480.50	510.50	482.00	528.00
Parking	6.00	6.00	7.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00
Water	91.00	104.00	126.00	128.00	134.00	101.00	135.00	136.00	127.00	126.00
Sewer	111.00	124.00	139.00	139.00	157.00	146.80	158.00	158.00	157.00	155.00
Storm Drain	17.00	9.00	9.00	8.00	8.00	2.00	8.00	8.00	8.00	6.00
Compost	8.00	24.80	57.80	61.80	58.80	48.00	57.80	57.80	58.00	63.00
Airport	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Bus ⁽¹⁾	20.00	20.00	23.00	24.00	24.00	16.00	24.00	24.00	24.00	-
Community Center	5.50	5.50	6.00	5.00	11.00	3.00	2.00	2.00	1.00	1.00
Internal Services	52.00	67.30	76.00	82.00	79.00	56.00	81.00	81.00	79.00	108.00
Total	1,143.00	1,138.78	1,178.65	1,193.80	1,219.80	1,220.80	1,225.05	1,262.05	1,207.75	1,273.75

(1) Effective July 1, 2021, bus services at the City of Modesto seized due to the formation of the Stanislaus Regional Transit Authority (StanRTA).

Source: City of Modesto

**CITY OF MODESTO
OPERATING INDICATORS BY FUNCTION**

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public safety:										
Fire:										
Fire calls for service ⁽¹⁾	22,846	24,281	24,712	21,135	26,288	28,444	30,341	31,415	30,741	32,618
Primary fire inspections conducted	818	989	1,050	764	1,060	1,509	2,011	2,687	1,993	2,167
Police:										
Communication Center calls answered										
Police calls for service	174,113	123,357	122,270	129,439	129,802	194,931	181,430	178,649	165,126	148,710
Law violations: ⁽⁶⁾										
Part I and Part II crimes	52,272	53,032	50,729	53,609	53,142	53,543	47,141	36,898	33,067	28,204
Physical arrests (adult and juvenile)	12,418	15,039	18,634	12,303	11,760	13,247	12,388	13,302	12,360	10,962
Traffic violations	14,761	15,477	12,700	11,451	15,428	16,930	17,098	16,263	13,767	7,978
Parking violations	12,150	12,327	5,493	6,139	10,841	9,414	7,443	3,781	477	429
Public works										
Streets:										
Street resurfacing (Slurry Seal lane miles)	6	12	8	4	12	4	8	1	123	118
Potholes repaired (Total # of repairs)	13,282	12,573	14,515	24,059	8,745	25,004	36,709	2,831	21,863	9,230
Water utility customer repaired (sq. ft)	81,261	29,108	611	-	-	-	-	-	-	-
Crack sealing (lane miles)	20	33	12	37	29	48	29	23	43	32
Airport:										
Number of passengers enplaned ⁽²⁾	16,532	11,703	-	-	-	-	-	-	-	-
Number of tenant aircraft	184	172	162	173	162	153	167	160	164	156
Number of hangars	118	118	119	119	119	119	119	119	119	119
Number of runways	2	2	2	2	2	2	2	2	2	2
Annual fuel consumption in gallons	653,153	682,769	582,473	443,272	582,602	580,383	631,891	511,928	540,226	647,631
Bus service:⁽⁵⁾										
Number of buses	65	55	56	60	59	57	61	61	69	-
Number of routes	20	20	21	21	21	17	17	17	19	-
Total route miles	362	362	362	362	362	245	245	245	338	-
Average weekday number of passengers	11,616	12,538	11,598	12,441	10,523	9,354	8,869	7,475	6,686	-
Total number of passengers carried	3,434,409	3,666,824	3,416,314	3,664,689	3,108,307	2,762,922	2,589,049	2,182,079	1,987,698	-
Community development										
Building safety & NPU:										
Permits issued	3,566	3,871	4,511	4,939	4,973	5,033	4,335	4,146	4,808	4,690
Estimated cost of construction	\$ 81,095,370	\$ 58,850,241	\$ 137,453,763	\$ 92,768,634	\$ 118,527,812	\$ 172,595,385	\$ 112,433,029	\$ 170,765,326	\$ 201,953,969	\$ 216,000,327
Building Inspections made	27,816	30,034	31,571	23,187	36,158	42,891	39,086	34,218	34,730	21,064
Traffic electrical:										
Street lights	13,765	13,761	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,764
Traffic signals	144	144	147	151	153	155	155	156	156	156
Lighted ped walks	28	29	28	28	28	24	26	26	26	26
Beacons	8	11	11	11	11	3	4	4	4	4
Four way flashers	10	10	10	10	10	5	3	3	3	3
School flashers	22	22	22	23	24	16	13	14	14	14
CCTV	41	41	41	41	41	30	24	24	24	24
Hubs	6	6	6	6	6	2	6	6	6	6
Culture and recreation:										
Recreation class participants ⁽³⁾	264,670	150,514	151,323	150,091	150,500	154,000	160,656	116,131	28,240	58,426
Solid waste:										
Recyclables processed (tons per year)	37,647	46,936	55,020	56,493	71,155	62,701	60,947	62,617	60,332	17,008
Organic Waste ⁽⁴⁾	-	-	-	-	-	-	-	-	-	29,111
Green Waste ⁽⁴⁾	55,147	39,117	48,832	58,730	62,859	64,873	66,017	82,866	46,373	14,691
Commercial food waste	765	827	817	845	914	1,550	1,145	1,192	2,783	3,368
Waste tires	1,674	4,969	4,152	4,497	4,931	4,285	4,320	5,089	4,501	4,883

(1) Fiscal year 2012-2013 Fire calls for service was originally reported incorrectly due to duplicate entries found on the National Fire Incident Report System (NFIRS) reports. This figure was corrected October 24, 2014.

(2) The enplanements subsided with the loss of commercial service in fiscal year 2013-2014.

(3) Fiscal year 2020-2021 Recreation class participants had decreased due the COVID-19 outbreak and classes were suspended.

(4) Fiscal year 2021-2022 Yard waste is to be changed to Green Waste and was split into Organic Waste and Green Waste. This was the first year for recording Organic Waste.

(5) Effective July 1, 2021, the operations of the Bus services seized as the newly regional transit agency, Stanislaus Regional Transit Agency (StanRTA) formed and took over the public transit services within some areas of Stanislaus County.

(6) Effective January 1, 2021, every law enforcement is now required to use the National Incident Based Reporting System (NIBRS), which has a focus on whether the crime was attempted or completed. Under prior reporting requirements, attempted crimes and completed crimes were reported as crimes.

Source: City of Modesto - Various Departments

CITY OF MODESTO
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	105	105	105	105	104	104	100	105	100	105
Public works										
Streets:										
Miles of streets ⁽¹⁾	684	691	691	692	692	692	693	693	694	700
Water:										
Miles of water mains	1,009	1,009	914	887	887	908	908	914	916	914
Fire hydrants	7,584	7,596	7,748	7,845	7,859	7,921	7,974	8,026	8,043	8,077
Storage capacity (gallons)	12,300,000	12,300,000	12,300,000	18,300,000	18,300,000	18,300,000	22,300,000	22,300,000	22,550,000	22,545,000
Wastewater:										
Miles of sanitary sewers	639	639	639	639	655	656	656	656	657	650
Miles of storm sewers	183	183	183	183	170	170	170	170	170	165
Number of treatment plants ⁽²⁾	2	2	2	2	2	2	2	2	2	2
Treatment capacity (millions of gallons) ⁽⁵⁾	70	70	70	70	19	19	19	19	19	19
Community services:										
City parks ⁽³⁾	76	76	76	76	76	76	76	76	76	76
City parks acreage	1,110	1,110	1,110	1,240	1,240	1,240	1,240	1,240	1,246	1,246
Playgrounds ⁽⁶⁾	55	55	58	58	58	58	58	54	55	55
City trails ⁽⁷⁾	7	7	6	6	6	6	6	6	9	9
City trails miles	14	14	15	15	15	16	16	17	17	17
Regional park acreage ⁽⁸⁾	324	324	375	375	375	375	375	375	653	653
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	3	3	3	3	3	3	3
Community gardens	2	2	2	2	1	1	1	1	1	1
Community centers	7	7	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	1	1	1	1	1	1
Tennis courts	37	37	37	37	37	37	37	37	37	37
Baseball/softball diamonds ⁽⁸⁾	24	24	24	24	24	24	24	24	29	29
Soccer/football fields ⁽⁸⁾	29	29	29	29	29	29	29	29	31	31
Splash play in Existing parks	10	10	10	10	10	10	9	9	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 million gallons daily seasonal Oct. through May. Current permit is 19 million gallons daily year round.

(6) In 2020 the number of playgrounds was reduced as playgrounds were removed to rebuild.

(7) Bike trails are being combined with City trails.

(8) Starting in 2021, the full survey of Parks, Sports fields & inventory methodology was changed. Park acreage is now defined more exactly.

Source: City of Modesto - Various Departments

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CONTINUING DISCLOSURE TAB

**CONTINUING DISCLOSURE
SECTION**

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Continuing Disclosure Section

This part of the Annual Comprehensive 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 2018A
2. Wastewater Revenue Refunding Bonds, Series 2020A
3. Wastewater Revenue Refunding Bonds, Series 2020B
4. Water Revenue Refinancing Certificates of Participation, 2008 Series A
5. Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 2013G
6. Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds, Series 2007F

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION
YEAR ENDED JUNE 30, 2022

Wastewater Revenue Refunding Bonds, Series 2015,
Wastewater Revenue Refunding Bonds, Series 2018 A, and
Wastewater Revenue Refunding Bonds, Series 2020 A & B

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>Customer Base by Type of Account</u>		
	<u>Number of Accounts</u>	<u>% of Total Accounts</u>	<u>% of Sewer Fee Operating Revenue</u>
Residential	59,183	94.7%	58.12%
Commercial	3,259	5.2%	18.46%
Industrial	53	0.1%	23.42%
Total	62,495	100.00%	100.00%

Ten Largest Users of Sewer Facilities, Year Ended 6/30/22

<u>User</u>	<u>Sewer Fee Revenue</u>	<u>% of Sewer Fee Operating Revenue</u>
1) E & J Gallo Winery	\$ 2,954,100	5.07%
2) Foster Farms	\$ 2,185,852	3.75%
3) Stanislaus Food Products	\$ 1,883,398	3.23%
4) Del Monte Foods	\$ 1,469,156	2.52%
5) City of Ceres	\$ 1,390,571	2.38%
6) Frito-Lay, Inc.	\$ 1,186,446	2.03%
7) Sunopta	\$ 797,023	1.37%
8) Rizo Food Company	\$ 698,971	1.20%
9) Nestle Food Company	\$ 584,567	1.00%
10) Paeteria	\$ 518,577	0.89%
Total (Top Ten Customers)	\$ 13,668,661	23.44%
Total (All Customers)	\$ 58,314,864	

The average single-family residence monthly sewer charge is: \$41.78

<u>Commercial Group</u>	<u>Charge Per 1,000 Gallons</u>	<u>Fixed Charge</u>
Group 1 (no food, just toilets or working facilities)	\$3.69	\$4.68
Group 2 (commercial laundromats, service stations, hotels without food)	\$4.89	\$4.68
Group 3 (industrial laundromats, hotels with food)	\$6.08	\$4.68
Group 4 (restaurants, bakeries, auto steam, markets)	\$7.52	\$4.68

Industrial users pay a minimum account charge of \$4.86 with additional charges of: \$3,739.76 per million gallons of flow, \$278.79 per 1,000 pounds of excess biochemical oxygen demand (BOD), and \$519.81 per 1,000 pounds of Total Suspended Solids (TSS).

Industrial users on the Cannery Segregation line pay a minimum account charge of \$4.86 with additional charges of: \$2,852.34 per million gallons of flow, \$19.01 per 1,000 pounds of biochemical oxygen demand (BOD), and \$37.46 per 1,000 pounds of Total Suspended Solids (TSS) while in production during the months of July, August and September.

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

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

Statement of Revenues, Expenses and Changes in Fund Net Position	Page 25	
Principal Amount of Bonds and Other Parity Debt	Page 50-53	(Note III-C)
Historical Debt Service Coverage	Page 147	
	(continued)	

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2022

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>
2012-13	6.0%
2013-14	6.0%
2014-15	2.0%
2015-16	3.0%
2016-17	6.0%
2017-18	6.0%
2018-19	6.0%
2019-20	6.0%
2020-21	4.0%
2021-22	4.0%

Comparative Monthly Wastewater Service Charges.

The City's residential charges as of July 1, 2021 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, 2021

<u>City</u>	<u>Monthly Residential Charge</u>
Fresno	\$ 25.75
Lodi	43.37
Modesto	41.78
Stockton	45.19
Tracy	34.00
Turlock	28.95

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2022

CITY OF MODESTO
WASTEWATER SYSTEM
Wastewater Connection Fees Comparison
As of July 1, 2021

<u>City</u>	<u>Connection Fee</u>
Fresno ⁽¹⁾	\$ 2,119.00
Lodi ⁽²⁾	5,686.00
Modesto	2,643.00
Stockton	2,288.25
Tracy	9,476.00
Turlock	2,461.00

(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, 2022

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 6/30/22	\$ 4,011,410
Surety Policy Value:	2,082,513
Balance in Parity Reserve Account as of 6/30/22	<u>1,934,534</u>
Shortfall/(Excess) Reserve Coverage:	<u>\$ (5,637)</u>

Ten Largest Customers of Water Utility System, Year Ended 6/30/22

<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	550,206	2.42%	\$ 1,442,306	1.89%
2) City of Modesto	Local Government	368,439	1.62%	1,161,840	1.52%
3) Foster Farms	Dairy Processor	422,907	1.86%	870,256	1.14%
4) Stanislaus Food Products	Cannery	349,278	1.54%	763,063	1.00%
5) Sunopta	Cannery	262,791	1.16%	553,119	0.72%
6) Stanislaus Housing Authority	Housing Authority	165,745	0.73%	510,052	0.67%
7) E & J Gallo Winery	Processor	169,453	0.74%	478,601	0.63%
8) Modesto Irrigation District	Power Company	161,256	0.71%	406,260	0.53%
9) STANCO	Local Government	83,700	0.37%	319,533	0.42%
10) Yosemite Community College	Education	102,041	0.45%	313,365	0.41%
Total Top Ten		<u>2,635,816</u>	<u>11.60%</u>	<u>\$6,818,395</u>	<u>8.93%</u>

Total Flat/Metered Revenues (Water Sales) \$ 76,482,992

(1) Grover Landscaping maintains City parks

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

Water Sales Revenue, Year Ended 6/30/2022

Residential - flat rates	\$ 1,414,328
Commercial, industrial and municipal - metered rates	<u>75,068,664</u>
Total Water Sales	<u>\$ 76,482,992</u>

The average monthly flat rate service charge for residential customers is: \$ 69.44

Current Water Rates as of 07/01/2021- Commercial Accounts

<u>Meter Size</u>	<u>\$</u>
3/4"	25.44
1"	36.83
1 1/2"	65.32
2"	99.50
3"	207.73
4"	367.24
6"	748.90
8"	1,375.53
10"	2,173.05
12"	2,856.63

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. In fiscal year 2013- 2014 Modesto Irrigation District Financing Authority refunded the 1998 D Bond, with the 2013 G Bond. At fiscal year end 2021-2022, the balance of the 2013 G Bond was \$5,795,000 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

	2013 ⁽¹⁾	2014 ⁽⁹⁾	2015 ⁽⁷⁾	2016 ⁽⁸⁾	2017	2018 ⁽¹³⁾	2019 ⁽¹⁴⁾	2020 ⁽¹⁶⁾	2021	2022 ⁽¹⁷⁾
Charges for services	\$ 56,906,488	\$ 56,940,812	\$ 54,779,417	\$ 51,489,077	\$ 63,253,114	\$ 68,928,504	\$ 71,952,653	\$ 76,996,091	\$ 80,908,193	\$ 79,318,075
Connection charges	295,632	357,432	1,024,626	935,987	1,435,654	1,661,151	1,081,913	1,904,330	1,559,621	1,194,261
Refunds, damages & recoveries	260,802	215,271	20,988	511,063	57,533	(121,929)	95,591	92,786	(801,155)	(4,141,774)
Interest and rental income	174,224	235,246	353,305	535,823	574,899	689,500	999,269	1,086,126	864,989	971,868
Service credits	3,201,951	2,678,999	3,033,487	3,026,911	3,304,911	3,408,238	3,309,703	3,576,012	3,654,881	3,405,150
Miscellaneous ⁽¹⁵⁾	150,949	154,700	365,808	2,979,500	231,134	1,117,571	1,120,960	1,243,999	1,738,084	1,995,136
Total gross operating revenues	\$ 60,990,046	\$ 60,582,460	\$ 59,577,631	\$ 59,478,361	\$ 68,857,245	\$ 75,683,035	\$ 78,560,089	\$ 84,899,344	\$ 87,924,613	\$ 82,742,716
Operating expenses ^{(2) (12)}	\$ 28,530,554	\$ 36,598,298	\$ 33,773,198	\$ 38,722,320	\$ 35,508,887	\$ 35,685,576	\$ 38,806,127	\$ 39,167,326	\$ 42,088,154	\$ 47,165,967
Operating transfers ⁽³⁾	838,421	765,000	765,000	765,954	765,000	1,239,943	3,129,583	2,241,135	3,283,246	689,875
Total operating expenses ⁽⁴⁾	\$ 29,368,975	\$ 37,363,298	\$ 34,538,198	\$ 39,488,274	\$ 36,273,887	\$ 36,925,519	\$ 41,935,710	\$ 41,408,461	\$ 45,371,400	\$ 47,855,842
Net operating revenues	\$ 31,621,071	\$ 23,219,162	\$ 25,039,433	\$ 19,990,087	\$ 32,583,358	\$ 38,757,516	\$ 36,624,379	\$ 43,490,883	\$ 42,553,213	\$ 34,886,874
2008 Revenue Certificates of Participation	\$ 2,632,225	\$ 2,648,783	\$ 2,531,179	\$ 2,313,857	\$ 2,468,593	\$ 2,268,298	\$ 2,121,410	\$ 2,309,687	\$ 2,130,448	\$ 2,138,850
MID Treatment & Delivery Agreement ⁽⁵⁾	10,889,760	8,885,208	9,930,040	10,203,352	10,202,108	10,208,384	10,214,947	10,213,274	10,709,280	10,400,158
CDWR Loan	264,719	264,719	262,692	131,322	-	-	-	-	-	-
ARRA Grant	36,289	36,103	36,095	36,089	36,084	36,080	37,123	39,350	37,540	37,343
Total debt service	\$ 13,822,993	\$ 11,834,813	\$ 12,760,006	\$ 12,684,620	\$ 12,706,785	\$ 12,512,762	\$ 12,373,480	\$ 12,562,311	\$ 12,877,268	\$ 12,576,351
Debt service coverage ^{(10) (11)}	2.29	1.96	1.96	1.58	2.56	3.10	2.96	3.46	3.30	2.77

- (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) 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.
- (6) Reduced fiscal year 2014-2015 Operating expenses from \$40,349,338 to \$33,773,198.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) The financial figures reported only reflect net operating revenues in the Water Operating Fund.
- (12) Fiscal year 2017-2018 Miscellaneous revenues include \$1,048,863 of one-time transfer as result of the dissolution of the Central Stores Fund.
- (13) 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.
- (14) 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.
- (15) 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.
- (16) Fiscal year 2020-2021, Negative refunds, damages, and recoveries is due to large negative change in Fair Market Value. Operating Transfers include a new \$1,540,000 loan to the Carpenter Road Landfill.
- (17) Fiscal Year 2021-2022 Negative refunds, damages, and recoveries is due to large negative change in Fair Market Value. Miscellaneous Revenues includes repayment of the Carpenter Road Landfill loan.

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 2023-27. 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 2023	Fiscal Year Projected 2024	Fiscal Year Projected 2025	Fiscal Year Projected 2026	Fiscal Year Projected 2027
Charges for services ⁽¹⁾	\$ 82,110,000	\$ 81,232,793	\$ 81,232,793	\$ 81,232,793	\$ 81,232,793
Connection charges	\$ 1,220,500	\$ 1,244,910	\$ 1,269,808	\$ 1,295,204	\$ 1,321,108
Refunds, damages & recoveries	\$ 10,000	\$ 10,200	\$ 10,404	\$ 10,612	\$ 10,824
Interest and rental income	\$ 542,000	\$ 492,840	\$ 448,697	\$ 409,071	\$ 373,512
Service credits	\$ 3,062,214	\$ 3,092,836	\$ 3,123,764	\$ 3,155,002	\$ 3,186,552
Miscellaneous	\$ 200,902	\$ -	\$ -	\$ -	\$ -
6-year Loan Repayment from fund 4893 (Carpenter Road Landfill)	\$ 707,421	\$ 707,421	\$ 707,421	\$ 707,421	\$ 707,421
Total gross operating revenues	<u>\$ 87,853,037</u>	<u>\$ 86,781,000</u>	<u>\$ 86,792,887</u>	<u>\$ 86,810,103</u>	<u>\$ 86,832,210</u>
Operating expenses	\$ 49,542,114	\$ 49,871,276	\$ 50,831,983	\$ 51,848,623	\$ 52,885,597
Operating transfers	\$ 765,000	\$ 765,000	\$ 765,000	\$ 765,000	\$ 765,000
Total operating expenses	<u>\$ 50,307,114</u>	<u>\$ 50,636,276</u>	<u>\$ 51,596,983</u>	<u>\$ 52,613,623</u>	<u>\$ 53,650,597</u>
Net operating revenues	<u>\$ 37,545,923</u>	<u>\$ 36,144,724</u>	<u>\$ 35,195,904</u>	<u>\$ 34,196,480</u>	<u>\$ 33,181,613</u>
2008 Revenue Certificates of Participation	\$ 2,164,623	\$ 4,244,303	\$ 4,240,014	\$ 4,240,014	\$ 4,240,014
MID Treatment & Delivery Agreement	\$ 9,075,200	\$ 8,398,606	\$ 8,409,205	\$ 8,409,205	\$ 8,409,205
ARRA Grant	\$ 46,723	\$ 36,600	\$ 36,600	\$ 36,600	\$ 36,600
Total debt service	<u>\$ 11,286,546</u>	<u>\$ 12,679,509</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>
Debt service coverage	3.33	2.85	2.77	2.70	2.62

Source: City of Modesto.

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
YEAR ENDED JUNE 30, 2022

CITY WATER UTILITY SYSTEM STATISTICS
(Calendar Years 2013 through 2022)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of Service Accounts	75,357.0	75,006.0	74,665.0	72,825.0	73,135.0	73,423.0	73,591.0	73,897.0	74,094.0	74,356.0
Total Water Production ^(MG) (1)	21,606.0	20,630.0	17,692.0	15,155.0	15,319.5	16,782.0	16,059.0	17,141.6	17,569.0	17,018
Capacity ^(MGD) (2)(3)	175.2	175.2	175.2	175.2	175.2	168.0	168.2	170.3	135.0	130.0
Peak Daily Distribution ^(MGD)	99.8	95.3	84.6	74.7	84.3	77.5	83.5	75.1	75.9	73.63
Average Daily Distribution ^(MGD)	59.2	56.5	48.5	41.5	42.0	46.0	44.0	47.0	48.1	46.62

(1) "MG" means million gallons.

(2) "MGD" means million gallons daily.

(3) Capacity for FY 2021 was reported using source (wells) and surface water capacity; will be reported this way moving forward.

CITY WATER UTILITY SYSTEM
Service Area Total Production (Billion Gallons)
(Fiscal Years 2012 through 2021)

Fiscal Year			Total	
	Ended	Well Water		Surface Water
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
2021		7.12	9.56	16.68
2022		8.81	8.21	17.02

CITY WATER UTILITY SYSTEM
Average Monthly Water Rates Comparison
Flat Rate (1" Service)
As of July 1, 2021

City	Flat Rate Typical Home
Fresno ⁽¹⁾	\$17.90
Lodi ⁽²⁾	34.01
Modesto	69.44
Stockton ⁽¹⁾	33.90
Tracy ⁽²⁾	30.90
Turlock ⁽¹⁾	105.00

(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, 2022

The following table sets forth connection fees for all users except multi-family units by meter size for year 2021-2022:

CITY WATER UTILITY SYSTEM
Connection Fees Comparison
Except Multiple Family Units
(Fiscal Year 2021-2022)

<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, 2022

CITY WATER UTILITY SYSTEM
Sale of Water
(Year Ended June 30, 2022)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Residential (Flat Rates)	\$12,955,005	\$10,723,594	\$9,037,477	\$7,320,096	\$6,767,446	\$5,506,216	\$4,385,017	\$3,450,868	\$2,533,090	\$1,414,328
Commercial, Industrial and Municipal (Metered)	42,452,862	44,093,862	43,118,855	40,242,493	51,960,729	60,113,019	62,933,627	70,175,513	76,169,202	\$75,068,664
Total Water Sales	<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>	<u>\$78,702,292</u>	<u>\$76,482,992</u>

The table below sets forth the adopted single family residential flat rates effective each fiscal year

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

Lot Size	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
0-5,000 sq. ft. lot	\$39.89	\$40.81	\$40.81	\$40.81	\$47.38	\$48.77	\$52.97	\$56.11	\$59.48	\$60.66
5,001-7,000 sq. ft. lot	45.34	46.38	46.38	46.38	54.72	56.23	60.89	64.23	68.08	69.44
7,001-11,000 sq. ft. lot	53.80	55.04	55.04	55.04	69.22	70.98	76.52	80.26	85.08	86.78
11,001-17,000 sq. ft. lot	57.12	58.43	58.43	58.43	90.88	93.00	99.87	104.22	110.47	112.68
over 17,000 sq. ft. lot	67.15	68.69	68.69	68.69	101.80	104.10	111.65	116.3	123.28	125.75

(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, 2022

The following table sets forth the adopted monthly service charge and volume charge for commercial accounts through fiscal year 2021-22.

CITY WATER UTILITY SYSTEM
Water Rates and Charges
Commercial Accounts

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Volume-based Rate (\$/hcf)	\$ 1.37	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.79	\$ 1.82	\$ 1.93	\$ 1.98	\$ 1.98	\$ 2.02
Fixed Monthly Meter Charge (in addition to volume-based charges)										
5/8"-3/4" meter	\$ 14.69	\$ 15.03	\$ 15.03	\$ 15.03	\$ 20.79	\$ 21.47	\$ 23.34	\$ 24.94	\$ 24.94	\$ 25.44
1" meter	20.85	21.33	21.33	21.33	29.30	30.39	33.48	36.11	36.11	36.83
1-1/2" meter	36.07	36.90	36.90	36.90	50.58	52.71	58.83	64.04	64.04	65.32
2" meter	54.43	55.68	55.68	55.68	76.11	79.49	89.25	97.55	97.55	99.50
3" meter	103.42	105.80	105.80	105.80	156.98	164.30	185.59	203.66	203.66	207.73
4" meter	158.48	162.13	162.13	162.13	276.14	289.28	327.55	360.04	360.04	367.24
6" meter	311.31	318.47	318.47	318.47	561.28	588.33	667.24	734.22	734.22	748.90
8" meter	494.82	506.20	506.20	506.20	1,029.42	1,079.32	1,224.95	1,348.56	1,348.56	1,375.53
10" meter	708.95	725.26	725.26	725.26	1,625.23	1,704.21	1,934.76	2,130.44	2,130.44	2,173.05
12" meter	1,320.55	1,350.92	1,350.92	1,350.92	2,135.93	2,239.84	2,543.16	2,800.62	2,800.62	2,856.63

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

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
FISCAL YEAR ENDED JUNE 30, 2022

BOND RATINGS

<u>Bonds</u>	<u>Moody's Rating</u>	<u>Standard & Poor's Rating</u>	<u>Fitch Rating</u>
2008 Lease Revenue Bonds	A1	AA+/A-1	AA-
2008 Water Certificates of Participation	Aa1		
Wastewater Revenue Bonds, Series 2018A		AA	
Wastewater Revenue Bonds, Series 2020A		AA	
Wastewater Revenue Bonds, Series 2020B		AA	

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