

# IN PARTNERSHIP WE THRIVE

Collaborative Success in our City



Annual Comprehensive Financial Report  
Fiscal Year Ended June 30, 2023

**2022/23**



CITY OF  
**Modesto, California**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2023**

**Prepared by**  
**Finance Department**



**CITY OF MODESTO**  
 June 30, 2023  
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INTRODUCTORY TAB



## **INTRODUCTORY SECTION**

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December 08, 2023

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, 2023.

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 Vasquez + Company, LLP was selected in 2023 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, 2023, 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 37.8 square miles and serves a population of 216,995. 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) increased during the 2022-2023 fiscal year. Unemployment reached its lowest level in the City at 4.6% in December 2022. As of June 30, 2023, the City's unemployment rate was recorded at 6.5%, up from the 5.2% rate of a year ago due to the economic impacts to employers as a result of higher inflation and interest rates approved by the Federal Government.

According to Zillow, the ZHVI (Zillow Home Value Index) for homes listed in Modesto was \$424,220 (as of June 30, 2023), a decrease of 6% over 2022. CoStar Realty Information stated the average Modesto MSA multifamily unit asking rent was \$1,510, up 2.2% from \$1,478 in 2022. Modesto building permit activity during fiscal year 2022-2023 ended with a total of 4,790 permits issued with a valuation of \$173,801,514.

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.

### **New Growth**

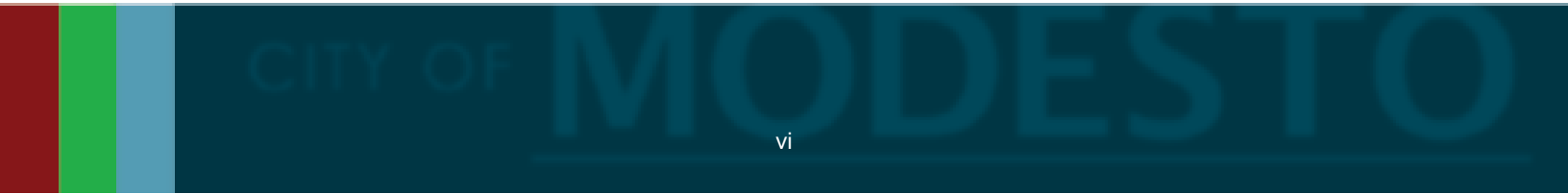
In April 2021, President Biden signed into law the American Rescue Plan Act (ARPA) a \$1.9 trillion emergency relief measure intended to provide relief to address the impact of COVID-19. Key allocations from the American Rescue Plan have been made available directly from the federal government for the 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, and Resolution 2022-237 on July 12, 2022, Resolution 2023-97 on March 7, 2023, and finally Resolution 2023-254 on June 6, 2023. It included various allocations of funding approved by Council identified in the 2021 spending plan, totaling \$44.8 million. At the time of this report, \$20.2 million of the Spending Plan has been expended, and \$25.6 million is allocated to programs currently in progress.

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. Throughout FY 2022-2023, the spending plan has been updated and approved by Council based on reallocating funding to other programs based on the time sensitivity of the ARPA deadlines. City staff continue to monitor and manage these programs to ensure all expenditures comply with the Treasury guidelines.

**ARPA Funds Spending Plan – Economic Vitality**

<b>Eligible Category</b>	<b>Year</b>	<b>Description</b>	<b>Allocation</b>
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
Exp Claim / Rev Loss	Reall.	Funding to support the development of Enhanced Infrastructure Financing District	\$218,286
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
Exp Claim / Rev Loss	Reall.	Support for Convention and Visitor’s Bureau	\$250,000
Exp Claim / Rev Loss	Reall.	Support for State Theatre	\$75,000
Exp Claim / Rev Loss	Reall.	Support for Modesto Area Partners in Science	\$50,000
Exp Claim / Rev Loss	Reall.	Support for Gallo Arts Center	\$25,000
Exp Claim / Rev Loss	Reall.	Support for Modesto Sister Cities	\$35,000
Exp Claim / Rev Loss	Reall.	Support for Central Valley Opportunity Center	\$25,000
Business Support	Reall.	Opportunity Stanislaus (2nd Allocation)	\$200,000
Business Support	Reall.	Business Incentives - Expand outside of Downtown	\$500,000
<b>TOTAL</b>			<b>\$10,586,786</b>



**ARPA Funds Spending Plan – Quality of Life**

<b>Eligible Category</b>	<b>Year</b>	<b>Description</b>	<b>Allocation</b>
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
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
Exp Claim / Rev Loss	Reall.	Cesar Chavez Renovation Project	\$1,200,000
Exp Claim / Rev Loss	Reall.	Expand Downtown Beautification	\$500,000
Homeless Services	Reall.	Homeless Services (Day Center, Safe Park, Bridge Housing)	\$1,500,000
<b>TOTAL</b>			<b>\$15,123,000</b>

**ARPA Funds Spending Plan – Governance and Service Delivery**

<b>Eligible Category</b>	<b>Year</b>	<b>Description</b>	<b>Allocation</b>
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	\$50,000
Exp Claim / Rev Loss	1	Upgrade secure online service application software for Utility billing	\$23,063
Exp Claim / Rev Loss	2	Forestry Maintenance	\$1,000,000
Hazard Pay	Reall.	Employee Hazard Pay	\$6,552,810
Public Health/Safety Labor	2	Reserve (Unallocated)	\$1,369
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	LED Lighting	\$250,000
<b>TOTAL</b>			<b>\$20,187,270</b>

## **New Growth**

### **Establishing a Community Police Review Board and Independent Police Auditor**

On May 22, 2021, a listening session was held as a formal launch of the Forward Together initiative where the following key primary themes emerged: 1) Accountability, 2) Policies and Practices, and 3) Alternate Response Models. Subsequently, on June 8, 2021, by Resolution No. 2021-216, the City Council approved the formation of the Forward Together working group in support of a community engagement process to educate and explore solutions that address broad areas of concern as expressed in the listening session. The Forward Together working group then held a series of facilitated public workshops and ad hoc meetings focused on improving police-community relations in the City of Modesto.

On August 23, 2022, by Resolution No. 2022-358, the City Council accepted the Forward Together work group's report which contained several recommendations and directed staff to carry out the appropriate next steps. Staff completed a comprehensive evaluation of various accountability models involving a community oversight board and independent police auditor, prepared an overview of this research to obtain Council and Community input on these topics, and utilized this input to develop a model to best meet the needs of Modesto.

As a result, in December of 2022, the City Council established a Community Police Review Board (CPRB) in conjunction with contracting the services of an Independent Police Auditor (IPA). The recommendation to establish a Community Police Review Board, as a dual component of a hybrid police accountability model, is the culmination of the efforts of the Forward Together work group.

### **Passage of Measure H, a One-Cent Sales Tax for General City Services**

On November 8, 2022, the Modesto voters approved Measure H, a one-cent local sales tax for general city services. On November 29, 2022, by Resolution No. 2022-453 the Modesto City Council certified the election results.

With the passage of Measure H, the City began collecting sales tax revenue in April of 2023. While the sales tax revenue generated by Measure H can be used for any general city purpose, the ordinance language did identify examples of expenditures that allow the City to proactively develop a plan to improve City services and the quality of life in Modesto. The expenditures include:

- Funding to address police patrols, gang, drug, and crime prevention.
- Funding to address fire protection, paramedic, and 911 emergency response.
- Funding to address homelessness.
- Funding for cleaning up trash and illegal dumping.
- Funding for keeping streets, parks, sidewalks, landscapes, and infrastructure safe, clean, and well-maintained.

As part of the ordinance language that was passed with Measure H, a citizen Oversight Board was created to audit the revenues and expenditures of the new sales tax to ensure that funds are being spent appropriately by the City and for the purposes approved by Council.

Measure H Sales Tax is estimated to bring in an additional amount estimated at over \$41 million annually. This funding will be critical in the City's ability to provide improved and sustainable services to the citizens of Modesto.

## **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.

Annually, the community supports some of its treasured events like the Celebration of Lights Parade, Historic Graffiti Cruise Route Parade, Fourth of July Parade, Music in the Plaza, Veteran's Day Parade, and MoBand summer concert series at Mancini Bowl. Several new events made their debut this past year, including Visit Modesto's Almond Blossom Cruise with hopes of being selected as a Visit California site in the future. It is nice to see visitors return each year to Modesto to enjoy all the wonderful places and events we have to offer.

Some examples of the places and events are:

- Downtown Modesto is home to the world-class Gallo Center for the Arts which 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, for the second time, the NorCal Interscholastic Cycling League at Tuolumne River Regional Park and have plans to return to Modesto annually.
- The McHenry Mansion and McHenry Museum anchor the city's loving preservation of its historical heritage, drawing visitors from all over the world. The iconic State Theatre hosts countless non-profit events and provides an enhanced cinematic experience. Arts live year-round with monthly Art Walks, and seasonal activities including the Spirit of Giving Run, Graffiti Cruise, parades, the Modesto on Ice downtown skating rink, the Victorian Christmas Faire (formerly 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 2022-23, General Fund Balance was as follows: Restricted and Nonspendable: \$10.6 million; Committed: \$18.4 million; Assigned: \$1.1 million; and Unassigned: \$23.4 million. The Committed Fund Balance allows the City to respond to unplanned circumstances and maintain adequate working capital to meet its cash flow needs.

The City’s long-term maintenance of a stable fund balance is a direct reflection of the Mayor and Council’s leadership and prudent fiscal management. 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 4,191 broken limb issues and completed 10,141 tree pruning activities.
- The Solid Waste Division collected 2,587 tons of bulky items and recycled 3,549 waste tires and 821 mattresses.
- The Modesto Police Department (MPD) Street Gang Unit took 335 firearms off the street.
- After securing funding the Community Health and Assistance Team (CHAT) is currently recruiting to increase the unit from 6 to 12 Outreach Specialists.



- Adopted a Park Ranger program after successful completion of a pilot phase. Park Rangers address quality of life issues at City parks, trails and outdoor recreational areas. 12 full-time positions were created to properly staff the unit.



- The Modesto Senior Citizens Center continues to provide a wide array of programming with over 15,500 participants attending this past year. The recreation team added an adult Barre class and Circle Crafts to the offering at the facility.



- Recreation programming served nearly 1,000 participants in specialty youth and adaptive programming including Winter Camp, Adaptive Bowling, Friday Night Out, Archery, Dance, Tennis, Crime Scene Investigation (CSI) Camp and Driver's Education and Soccer. This year the Modesto City Kickers Soccer League was implemented with every class reaching capacity.



- The Aquatics program was in full force and taught 1,944 children to swim through our Learn-to-Swim classes at one of our 5 operating pools.



- Both Celebration of Lights Parade Dashing through the Decades with a Tree Lighting Ceremony and 7 MoBand Concerts in the Park at Graceada Park had over 20,000 in attendance.



- Mary Grogan Park was visited by over 100,000 players and spectators.
- The Parks, Recreation and Neighborhoods (PRN) Department coordinated the City's volunteer efforts at 297 events, including Love Modesto, historical properties, and river trail clean-ups. Overall, there were 3,107 volunteers that provided 21,659 hours of service with a total leveraged value of \$681,582.
- The PRN Department increased its website and social media presence utilizing Instagram and Facebook platforms to connect directly with the community and have another form of communication to answer questions.
  - Facebook followers- 8,321 followers, increased by 1,224 followers
  - Instagram followers- 3,452 followers, increased by 625 followers
  - PRND Homepage Website- 16,556 pageviews
  - PRND Activity Guide Website- 19,675 pageviews
- After School Education and Safety (ASES) program took place at seven school sites with a total of 32,456 students for the year. The program has increased to include Expanded Learning Opportunities Programming (ELOP) during winter, spring, and summer breaks.



- The City of Modesto Youth Commission returned for the 2022-2023 school year. Eight students from several high schools. During their term, the Commission partnered with Stanislaus County Commission for Women at the State Theatre’s release of “The Swimmers”; participated at panelist in the 2023 StanYea Youth Summit on resources and strategies for youth mental health; oversaw the Hope Blooms Garden project during Love Modesto; and held student workshops at several junior high schools.



- Maddux Youth Center enriched 2,376 youth 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 League served 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.



- McHenry Mansion and McHenry Museum tours provided a window to the past for 18,344 visitors.



- The CalVIP Grant added seven events to the Recreation roster with 3 SportsFests, 2 Pop Up Parties and 2 Movie Nights serving over 400 members of the community.



- The Norcal Interscholastic Cycling League returned to Modesto to host their Northern California races. The races 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.



- In July 2022, the City of Modesto Fire Department entered into an agreement with the City of Ceres, Stanislaus Consolidated Fire Protection District and City of Turlock for fire department shared training services. The participating agencies realized operational and fiscal efficiencies by sharing resources to deliver a common training platform. The partnership provides training staff, equipment, and facilities to meet the training needs of the agencies and better serve the communities.



- In September 2022, the City of Modesto Fire Department entered into an agreement with the Salida Fire Protection District to provide fire protection services. With this agreement, the City of Modesto was able to add three Fire Captains, three Fire Engineers and three Firefighters, ultimately staffing one additional fire station (Station 12).



- In November 2022, the Modesto Fire Department established a Type III all-hazard Incident Management Team, better known as Central Valley IMT, with agencies from Stanislaus County and CalFire Tuolumne Calaveras Unit (TCU). The IMT is deployed as a team of 10-35 trained personnel to manage major and/or complex incidents, as well as incidents that extend into multiple operational periods and require written Incident Action Plans (IAPs). Incidents include, but are not limited to fires, tornado touchdowns, earthquakes, floods, and hostage/standoff situations.



- 14 firefighters graduated from the academy in January 2023. Several employees were also promoted, including one Battalion Chief, six Fire Captains and 9 Fire Engineers.



- Through the City's Park Partners Program, multiple projects were completed: new bench seating at the Mancini Bowl, fundraising was continued for The Awesome Spot Playground, and conversion of four tennis courts to twelve pickleball courts at Graceada Park.



*The Awesome Spot Playground*



*Pickleball Court at Graceada Park*



*Bench seating at the Mancini Bowl*

- Purchased the parking lot at the Monterosso Trailhead to increase the available parking at Dry Creek Regional Park.
- In partnership with Modesto City Schools, the tennis courts at Davis Park and Downey Park were resurfaced.

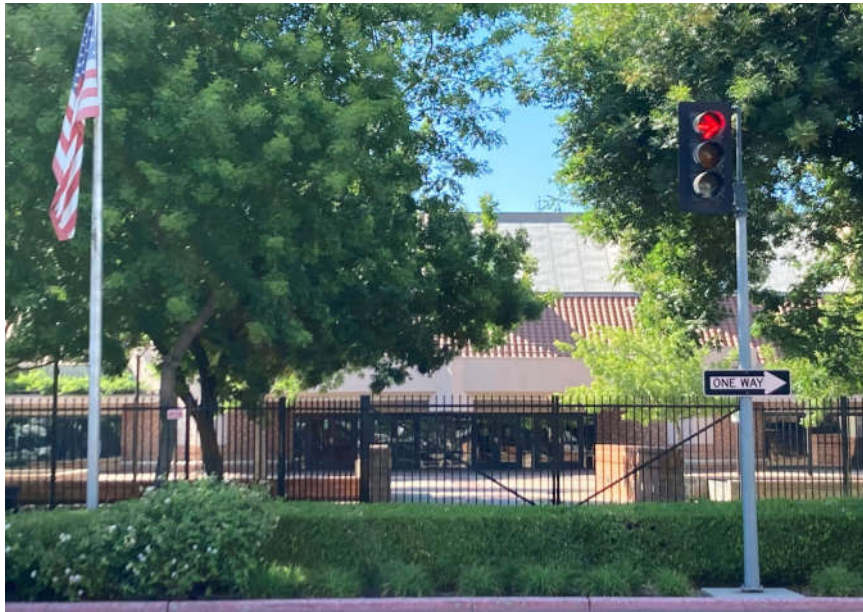


- Construction of a new park near Ralston Tower was completed in June 2023. The Senior playground features an open area for Tai Chi, seating area, drinking fountain, and low-impact and durable exercise features designed to improve strength, balance, and coordination. This park is a public facility open to all citizens.



- Golf rounds for Dryden and Creekside Golf Courses totaled 72,432.
- Centre Plaza successfully held 186 events, a 92% increase from FY 2022-23.

- A rod iron security fence was successfully installed around the Centre Plaza.



- Two new annual public events were held at the Centre Plaza this year including the Modesto Tattoo Convention and a Car Show.



- Park Operations completed the Pelandale cleanup resulting in 9.93 tons of trash collection funded by Measure H.
- Park Operations completed the Sisk Road cleanup resulting in 4.75 tons of trash collection funded by Measure H.
- Marshall Park's ballfield underwent a mini renovation. The Park Operations team removed weeds and overgrown grass from the infield, leveled it and added 10 yards of cinder clay mix, repaired the irrigation, and installed a new gently used Homeplate.
- Orchard Park underwent improvements to its Basketball Court by renewing its striping.
- Beyer Park's Volleyball Pit and adjacent Sand and Turf areas underwent improvements and renovations. Overgrown turf, weeds and debris were removed.
- The bridge at TRRP Picnic Area B was repaired by Park Operations staff with new wood after a gaping hole was found.
- A spiral slide was installed at Fairview Park in the Rancho Encantado neighborhood.

- Martone Tot Lot playground underwent renovations with installation of a new slide and deck stairs.



- Partnered with RH Community Builders for a State of California Homekey 3.0 award in the amount of \$17 million for the acquisition and rehab of the Traveler’s Motel into 54 units of permanent supportive housing.
- Partnered with Visionary Homebuilders for a State of California Affordable Housing and Sustainable Communities Award in the amount of \$43 million for the construction of a 79-unit mixed-use development in downtown – the first of its kind.
- Partnered with Self Help Enterprises for a Multifamily Housing Program Award in the amount of \$12.5 million for the construction of 45-housing units.
- Partnered with Stanislaus Equity Partners and R3 development for a 9-unit transitional housing project at 225 E. Orangeburg.
- Camp2Home program has assisted 114 individuals with job and housing readiness services.

- Camp2Home has also assisted 10 individuals in obtaining employment and has housed a total of 27 individuals.



- A total of \$255,998 was distributed in loans and grants through the City's Homeowner Rehabilitation Program. A total of ten (10) eligible households were served through this program. The City assisted eligible households with health and safety repairs including, but not limited to installation of energy efficient windows, energy efficient HVAC systems, re-roof, ADA bathroom improvements, electrical repairs, and ADA ramps. Provided below are before and after images of a Homeowner Repair Program Project.



*Before Repair*



*After Repair*

- The Planning Division, working with consultant Opticos Design, Inc., completed a Housing Plan for the City that provides strategies and recommendations on how to increase housing supply in Modesto. The Housing Plan was adopted by the City Council in January 2023.

### **Economic Vitality**

- The Compost Division processed over 49,235 tons of residential and commercial organics into compost.



- The Solid Waste Division collected and recycled 9,847 pounds of California Redemption Value (CRV) keeping it out of the waste stream.
- The Solid Waste Division recycled 474 gallons of used oil and 174 used oil filters.
- The Streets Division completed 33.6 lane miles of crack seal application and 154.12 lane miles of slurry seal application.
- The Traffic Division replaced 2,509 traffic signs and completed 120,983 square feet of striping for legends and crosswalks.
- The Traffic Division converted 126 high voltage lights to regular voltage.

- The Traffic Division installed 297 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 submitted a first draft of the City of Modesto's 2023-2031 Housing Element to the California Department of Housing and Community Development for review.
- 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 two-subdivision map in the plan area, which will create 354 new residential lots, and the formation of a new Community Facilities District to provide funding for new infrastructure in the area. An additional map, totaling 74 lots, are currently under review.
- The Planning Division also approved two new high-density housing projects, one a six-story mixed use building comprised of 74 low-income units and ground floor retail/office/child daycare uses, located at 7th and J Streets, and a four-story building comprised of 49 low-income units and supportive services to be located on E. Morris Ave east of McHenry Avenue.
- A new three-story 112,500 sq. ft. medical office building was approved on Dale Road as part of the Kaiser Permanente Modesto Medical Center development.
- The Economic Development Division hosted a small business webinar with the State Controller's Office providing business resource information to nearly 200 area small businesses.
- The Economic Development Division received three Downtown Occupancy Incentive applications and one Downtown Façade Incentive application which was awarded to the State Theatre for their Intermission project at the corner of J St and 13<sup>th</sup> Street.
- The Economic Development Division restarted the "Portraits in Success" program that recognizes outstanding Modesto businesses in the 2<sup>nd</sup> and 3<sup>rd</sup> floor lobby showcases.
- The Economic Development Division completed the first phase of an ARPA-funded Feasibility Study for the creation of an Enhanced Infrastructure Financing District to generate funds for infrastructure investment that can attract private development.

### **Governance and Service Delivery**

- Received the first Triple Crown Award through the Government Finance Officers Award for receiving the GFOA's Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award in the same year.
- Assisted over 700 utility customers in participating in State Low Income Household Water Assistance Program which assists utility customers with one-time payments on past due utility bills.
- Implemented two new Utility Billing Discount programs to encourage utility customers to enroll in Auto Pay or eBilling.
- Established an extension of the Letter of Credit for the 2008 Lease Revenue Bond and establish a new Standby Certificate Purchase Agreement for the 2008 Water Certificates of Participation saving the Water Fund over \$200,000.
- Appointed two new Public Members for the Audit Committee as part of the implementation of Measure G updates.

- 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 30+ different languages options which equates to over 700 language interpretations pairs.



- In addition to Wordly, Closed Captioning in English and Spanish was implemented via our cable TV outlets for all City Council Meetings.
- IT Department submitted itself for review by the Municipal Information Systems Association of California (MISAC) and won the 2022 MISAC Excellence Award for IT Best Practices.
- IT Department presented the City of Modesto's various digital capabilities and improvements for the benefit of residents to the Digital Cities Survey and was named one of the Top 10 Digital Cities in the USA.



- IT Department implemented the City's first "Zoom Room" which allows for residents to interact with City Committees in-person and online (hybrid meetings).
- MPD reestablished the Mobile Crisis Emergency Response Team (M.C.E.R.T.). Mental Health clinicians will be responding with officers to calls involving individuals in crisis.

- MPD created a 3 year Strategic Plan which will act as a roadmap aiming at meeting the public safety needs and concerns of Modesto.
- The MPD created an air support unit to help assist with its crime reduction efforts. The plane was chosen due to its lower cost of purchase and operation. Its success has already attracted interest from other public safety agencies.
- The MPD added an all-electric Ford Mach-E to its fleet of patrol cars. The vehicle will help MPD assess usability of an EV for police use.
- MPD is continuing to enroll staff in Cultural Relations Community Coaching Series classes.
- MPD is working closely with the recently established Community Police Review Board and Independent Auditor to continue its efforts of transparency and accountability to the community.
- The Forestry Division responded to 9,951 forestry service requests.
- In honor of Building Safety Month, the Building Safety Division presented a workshop on the 2022 California Building Code updates to developers in the community.



- In June, the Building Safety Division was selected as the recipients of the 2023 Smart Community Award from CentralSquare Technologies for their work on automating green energy permits.



## 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, 2022. This was the 40<sup>th</sup> consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized 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 third time the distinguished Budget Presentation Award from GFOA for fiscal year ended June 30, 2023. 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 sixth year for the Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2022. 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 2023 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, 2022, the City received GFOA's Triple Crown Award for the second 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 these 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, 2022

*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      Nick Bavaro, Dist. 4  
 Eric Alvarez, Dist. 2              Jeremiah Williams, Dist. 5  
 Chris Ricci, Dist. 3                David Wright, Dist. 6

**CITY ATTORNEY**  
 Jose Sanchez

**CITY AUDITOR**  
 Vacant

**CITY CLERK**  
 Diane Nayaes-Perez

**CITY MANAGER**  
 Joseph P. Lopez

**DEPUTY CITY MANAGER OPERATIONS**  
 Allison Van Guilder

**PUBLIC WORKS**  
 Bill Sandhu

**UTILITIES**  
 William Wong

**PARKS, RECREATION & NEIGHBORHOODS**  
 Laurie Smith

**COMMUNITY & ECONOMIC DEVELOPMENT**  
 Jessica Hill (Interim)

**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**  
 Vacant

**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.

FINANCIAL SECTION TAB



# **FINANCIAL SECTION**

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## Independent Auditor's Report

**Honorable Members of the City Council  
City of Modesto, California**

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the 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, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Modesto, California, as of June 30, 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's 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.

#### ***Emphasis of Matter***

As discussed in Note I, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the fiscal year ended June 30, 2023. 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.

### ***Auditor's 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 auditor's 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 GAAS 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 GAAS 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 pension plan contributions, schedule of changes in the OPEB liability and related ratios, schedule of OPEB 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 GAAS, 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 combining and individual fund financial statements and budgetary comparison schedules as listed in the table of contents 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 GAAS. In our opinion, the supplementary information is 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 report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's 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 a report dated December 8, 2023 on our consideration of the City's internal control over financial reporting and 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.

**Glendale, California  
December 8, 2023**

# 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, 2023. 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 2023 fiscal year by \$1,337,162,490 (*total net position*). Of this amount, \$225,261,510 is restricted for a specific purpose (*restricted net position*), \$1,057,301,510 is net investment in capital assets and \$54,599,470 is unrestricted (*unrestricted net position*).
- The City's total deferred outflows of resources increased by \$61,499,865 as compared to the prior year.
- The City's total deferred inflows of resources decreased by \$74,128,816 as compared to the prior year.
- The City's total liabilities increased by \$104,584,100 as compared to the prior year.
- The City's total net position increased by \$54,350,841 compared to the prior year. This increase is attributed mainly to an increase in unrestricted investment earnings of \$18,002,636 as compared to prior year, an increase in operating grants and contributions of \$3,805,546 as compared to prior year, an increase in sales tax revenue with the voters approval under Measure H which increased the sales tax rates by 1% from 7.875% to 8.875% increasing sales tax revenues in the amount of \$11,116,219 and a decrease in general government expenses in the amount of \$3,715,539 as compared to prior year.
- As of June 30, 2023, the City's governmental funds reported combined fund balances of \$223,905,892 an increase of \$28,903,804 in comparison with the prior year.
- As of June 30, 2023, 43.77% of the General fund balance, \$23,445,340 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 \$53,570,568 or 32.2% of total General Fund expenditures. Of this, \$8,486,061 is the restricted fund balances. The unassigned fund balance of \$23,445,340 represents 13.5% 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 \$19,464,944 in comparison with the prior year. This decrease was attributed to a 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).

## Management's Discussion and Analysis (continued)

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities

of the City include general government, community development, highways and streets, public works, parks and recreation, and public safety. The business-type activities of the City include the Water, Sewer, Parking, Storm Drain, Compost, Airport, Golf, Community Center and Abatement and Public Nuisance operations.

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

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

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

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

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

The City reports 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, 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 22-25 of this report.**

**Proprietary funds** are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Parking, Storm Drain, Compost, Airport, 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, and Sewer funds are considered to be major funds of the City. The City's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

**The proprietary funds financial statements can be found on pages 26-29 of this report.**

**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

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

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.

**The fiduciary fund financial statements can be found on page 30-31 of this report.**

**Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on **pages 32-81** of this report.

**Required Supplementary Information** is also presented. The City adopts an annual appropriated budget. Budgetary comparison schedules for the General Fund, Operating Grants Fund, Housing and Urban Development Fund, and Special Revenue 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 82-95 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 96-138** 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 \$1,337,162,490 at the close of the most recent fiscal year.

#### Statements of Net Position

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$382,722,741	\$383,654,540	\$351,861,218	\$332,053,761	\$734,583,959	\$715,708,301
Capital assets	502,335,113	493,364,112	857,439,196	861,979,595	1,359,774,309	1,355,343,707
Total assets	885,057,854	877,018,652	1,209,300,414	1,194,033,356	2,094,358,268	2,071,052,008
Deferred outflows of resources	105,199,286	49,483,707	33,261,533	27,477,247	138,460,819	76,960,954
Current and other liabilities	396,128,708	292,993,303	109,170,225	88,256,585	505,298,933	\$381,249,888
Long-term liabilities	88,174,629	90,280,751	269,491,685	286,850,508	357,666,314	377,131,259
Total liabilities	484,303,337	383,274,054	378,661,910	375,107,093	862,965,247	758,381,147
Deferred inflows of resources	16,520,102	79,721,948	16,171,248	27,098,218	32,691,350	106,820,166
Net position:						
Net investment in capital assets	468,002,326	457,620,157	589,299,184	687,640,266	1,057,301,510	1,145,260,423
Restricted net position	208,472,568	195,793,646	16,788,942	15,918,799	225,261,510	211,712,445
Unrestricted net position	(187,041,193)	(189,907,446)	241,640,663	115,746,227	54,599,470	(74,161,219)
Total net position	\$489,433,701	\$463,506,357	\$847,728,789	\$819,305,292	\$1,337,162,490	\$1,282,811,649

The largest portion of the City’s net position, \$1,057,301,510 or 79.1%, reflects its investment in capital assets (e.g. land, water rights, buildings, improvements, furnishings and equipment, fare boxes, pipelines, leases – right to use, SBITAs – right to use 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 \$54,599,470 or 4.1%.

The remaining balance of the City’s net position of \$225,261,510 or 16.8% represents resources that are subject to external restrictions on how they may be used.

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

The City's net position increased by \$54,350,841 during the current fiscal year was largely due to the increases to unrestricted investment earnings in the amount of \$18,002,636, an increase in operating grants and contributions in the amount of \$3,805,546 and an increase in sales tax revenues under Measure H in the amount of \$11,116,219 as compared to prior year.

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

### Statement of Activities

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$36,398,285	\$40,589,213	\$175,253,435	\$174,581,470	\$211,651,720	\$215,170,683
Operating grants and contributions	19,539,354	15,352,734	1,263,264	1,644,338	20,802,618	16,997,072
Capital grants and contributions	4,174,014	12,835,899	3,310,141	2,452,983	7,484,155	15,288,882
<b>General revenues:</b>						
Taxes	75,043,463	71,192,182	291,711	212,978	75,335,174	71,405,160
Intergovernment revenue not restricted for specific purposes	135,764,740	143,542,419	-	-	135,764,740	143,542,419
Unrestricted investment earnings	3,403,539	(3,911,830)	2,562,708	(8,124,559)	5,966,247	(12,036,389)
Miscellaneous	923,411	1,643,071	1,707,204	1,301,658	2,630,615	2,944,729
Total revenues	<u>275,246,806</u>	<u>281,243,688</u>	<u>184,388,463</u>	<u>172,068,868</u>	<u>459,635,269</u>	<u>453,312,556</u>
<b>Expenses:</b>						
General government	16,573,945	20,268,611	-	-	16,573,945	20,268,611
Community development	28,589,701	20,615,432	-	-	28,589,701	20,615,432
Highways and streets	27,337,181	27,463,523	-	-	27,337,181	27,463,523
Public works	7,795,895	3,086,419	-	-	7,795,895	3,086,419
Parks and recreation	16,227,064	12,439,250	-	-	16,227,064	12,439,250
Public safety	147,700,874	121,675,443	-	-	147,700,874	121,675,443
Interest on long-term debt	1,719,479	1,954,306	-	-	1,719,479	1,954,306
Water	-	-	77,533,248	73,421,868	77,533,248	73,421,868
Sewer	-	-	48,558,199	44,263,767	48,558,199	44,263,767
Parking	-	-	2,026,547	1,926,834	2,026,547	1,926,834
Storm drain	-	-	6,767,327	5,965,352	6,767,327	5,965,352
Compost	-	-	11,902,440	11,497,333	11,902,440	11,497,333
Airport	-	-	2,130,694	1,686,375	2,130,694	1,686,375
Golf	-	-	3,238,111	3,229,764	3,238,111	3,229,764
Community center	-	-	1,899,017	1,570,818	1,899,017	1,570,818
Abatement and public nuisance	-	-	137,992	124,097	137,992	124,097
Total expenses	<u>245,944,139</u>	<u>207,502,984</u>	<u>154,193,575</u>	<u>143,686,208</u>	<u>400,137,714</u>	<u>351,189,192</u>
<b>Change in net position before transfers</b>						
	29,302,667	73,740,704	30,194,888	28,382,660	59,497,555	102,123,364
Transfers	66,244	21,077,584	(66,244)	(21,077,584)	-	-
Total transfers	<u>66,244</u>	<u>21,077,584</u>	<u>(66,244)</u>	<u>(21,077,584)</u>	<u>-</u>	<u>-</u>
Special item	-	-	-	(19,461,712)	-	(19,461,712)
<b>Change in net position</b>						
	29,368,911	94,818,288	30,128,644	(12,156,636)	59,497,555	82,661,652
Net position - beginning	463,506,357	373,589,871	819,305,292	843,876,401	1,282,811,649	1,217,466,272
Prior year adjustments	(3,441,567)	(4,901,802)	(1,705,147)	(12,414,473)	(5,146,714)	(17,316,275)
Net position - ending	<u>\$489,433,701</u>	<u>\$463,506,357</u>	<u>\$847,728,789</u>	<u>\$819,305,292</u>	<u>\$1,337,162,490</u>	<u>\$1,282,811,649</u>

**Governmental activities.** Governmental activities increased the City's net position by \$25,927,344 mainly due to City voter's approval of Measure H in November 2022, which went into effect on April 1, 2023, and increased sales tax rates by 1% from 7.875% to 8.875%. Revenues collected under Measure H can be used for any general City purposes. The long-term liabilities decrease was attributed mainly to the principal debt payments of \$4,210,255 and \$11,043,483 in claim liability made during the fiscal year.

Intergovernmental revenue decreased by \$7,777,679, this revenue source established in Fiscal Year 2017-18 from the Stanislaus County county-wide, 25-year, half-cent sales tax increase known as Measure L, is mainly used as a local fund contribution, required by other grant sources, or to fund projects for which other funding sources such as

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

grants, are not available. During Fiscal Year 2022-23, the need for local match requirements decreased as other funding sources were available to fund local transportation improvement projects.

Total expenses increased compared to the prior year by \$38,441,155. This increase is mainly attributed to an increase in salary and benefit costs, along with an increase in hiring of previously vacant positions in public safety and the one-time hazard pay issued to active employees who worked full time and who provided their services during the pandemic.

**Business-type activities.** Business-type activities increased the City's net position by \$28,423,497. The increase was mainly attributed to increases in capital grants and contributions in the amount of \$857,158 and an increase in unrestricted investment earnings in the amount of \$10,687,267. Also, during fiscal year 2022 the net position for business activities was decreased by \$19,461,712 due to the transfer of operations of the bus funds to the Stanislaus Regional Transit Authority (StanRTA) that was a one-time impact to the City's net position.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At June 30, 2023, the City's governmental funds reported combined fund balances of \$223,905,892 an increase of \$28,903,804 from the prior year. The total unassigned fund balance for the governmental funds was \$16,372,486 which includes a positive \$23,445,340 which represents the General Fund unassigned fund balance that is available to meet the City's current and future needs. The remainder of the 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 \$13,502,942.

The General Fund is the chief operating fund of the City. At June 30, 2023, unassigned fund balance of the General Fund was \$23,445,340 while total fund balance was \$53,570,568. 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 14.1% of total General Fund expenditures, while total fund balance represents 32.2% of that same amount. The prior year ratios were 5.9% and 25.2%, respectively.

The Operating Grants fund accounts for receipts and disbursements of a variety of Governmental Fund Operating grants. At June 30, 2023, total fund balance was \$4,731,444 this is an increase of \$2,253,107 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, 2023, the total fund balance was \$33,771,463, a decrease of \$42,464 from the prior year.

The Capital Grants fund accounts for receipts and disbursements of a variety of Governmental Fund capital grants. At June 30, 2023, total fund balance was (\$4,751,207) which was a decrease of \$2,569,091 from prior year, due to large scale construction projects nearing completion. During fiscal year 2022-23, construction for the State Route 132 project has been on-going, and nearing completion for the first phase of the project. This is a large-scale construction project which is funded by grants from various local and State agencies.

Revenues of governmental funds totaled \$284,439,964 in fiscal year 2022-23, which represents an increase of \$6,474,196 from fiscal year 2021-22.

Expenditures of governmental funds totaled \$255,587,573 in fiscal year 2022-23, representing a decrease of \$1,637,539 from fiscal year 2021-22.

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

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

Revenues Classified by Source – Governmental Funds

Revenues by Source	FY 2023		FY 2022		Increase (Decrease)
	Amount	Percent	Amount	Amount	% Change
Taxes	\$75,043,463	26.4%	\$71,192,182	\$3,851,281	5.4%
Licenses and permits	409,082	0.1%	434,118	(\$25,036)	-5.8%
Intergovernmental	168,444,765	59.4%	166,804,885	\$1,639,880	1.0%
Charges for services	30,208,091	10.6%	33,744,323	(\$3,536,232)	-10.5%
Special assessments	4,900,860	1.7%	5,578,262	(\$677,402)	-12.1%
Interest and rent	4,113,653	1.4%	2,191,466	\$1,922,187	87.7%
Net increase (decrease) in fair value of investments	(487,727)	-0.2%	(4,317,623)	\$3,829,896	-88.7%
Fines and forfeits	880,252	0.3%	832,510	\$47,742	5.7%
Donations and contributions	-	-	44,338	(\$44,338)	-100%
Miscellaneous	927,525	0.3%	1,461,307	(\$533,782)	-36.5%
<b>Total</b>	<b>\$284,439,964</b>	<b>100.0%</b>	<b>\$277,965,768</b>	<b>\$6,474,196</b>	<b>2.3%</b>

- 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, additionally, effective April 1, 2023, sales tax rate increased by 1% to 8.875% under the Citizen's vote to approve Measure H.
- Licenses and Permits – Revenues decreased by \$25,036 due to a decrease in Cannabis annual permit fees.
- Intergovernmental – Revenues increased by \$1,639,880 due to an increase in Federal and State grants awarded to the City for the mitigation efforts against the novel coronavirus (COVID-19). As well as an increase in the revenue source for the Stanislaus County county-wide, 25 year, half-cent sales tax increase known as Measure L to assist with the funding for local transportation improvements for the City.
- Charges for Services – Revenues decreased by \$3,536,232, due primarily to a reduction to permits issuance for new construction developments. During the prior year the City experienced an increase in new construction development permits, as opposed to the fiscal year when construction is occurring for those new developments.
- Interest and Net decrease in fair value of investments – The increase in interest earned along with the increase in fair market value of the city's investment portfolio is showing a positive outturn due to the current market conditions and continuous on-going improvements to the City's investment strategy which has increased our return on investment in the City's portfolio.

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

Expenditures by Function – Governmental Funds

Exp by Function	FY 2023		FY 2022		Increase (Decrease)
	Amount	Percent	Amount	Amount	% Change
General government	\$15,483,071	6.1%	\$21,110,258	(\$5,627,187)	-26.7%
Community development	26,878,953	10.5%	21,429,140	\$5,449,813	25.4%
Highways and streets	14,694,631	5.7%	16,510,434	(\$1,815,803)	-11.0%
Public works	7,359,391	2.9%	3,215,409	\$4,143,982	128.9%
Parks and recreation	15,247,166	6.0%	12,943,340	\$2,303,826	17.8%
Public safety	139,450,451	54.7%	126,649,307	\$12,801,144	10.1%
Capital outlay	30,540,807	11.9%	50,042,664	(\$19,501,857)	-39.0%
Debt Service-principal retirement	4,210,255	1.6%	3,362,904	\$847,351	25.2%
Debt Service-interest charges	1,609,215	0.6%	1,913,046	(\$303,831)	-15.9%
Debt Service-other	113,633	-	48,610	\$65,023	133.8%
<b>Total</b>	<b>\$255,587,573</b>	<b>100.0%</b>	<b>\$257,225,112</b>	<b>(\$1,637,539)</b>	<b>-0.6%</b>

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

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

- General Government – Expenditures decreased in the amount of \$5,627,187 or 26.7% mainly due to the GASB 87- “Leases”, implementation during Fiscal Year 2021-22 resulting in higher overall expenditures for general governmental functions during the prior year. Expenditures during Fiscal Year 2022-23 are more reflective of the regular fiscal year general governmental expenditures.
- Community Development – Expenditures increased by \$5,449,813 or 25.4% over the prior year, mainly due to the one-time hazard pay awarded to all active, full time City staff who worked in full time positions during the pandemic. Additionally, the total expenditures increased as more projects were undertaken by the City due to increase in grant funding.
- Public Works – Expenditures increased in the amount of \$4,143,982 or 128.9% mainly due to a one time the one-time hazard pay awarded to all active City staff who worked in full time positions during the pandemic. Additionally, the total expenditure increased as more projects were undertaken by City staff due to increase in available funding.
- Parks and Recreations – Expenditures increased by \$2,303,826 or 17.8% over the prior year due to the reopening of parks and increase in recreational activities which had been closed or limited during the prior years due the effects of the pandemic.
- Public safety – Expenditures increased by \$12,801,144 or 10.1% 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, during fiscal year 2023 the City entered into an agreement with City of Salida for temporary Fire Chief services to assist City of Salida with Fire Services Program Planning and administration amongst other leadership services. The City incurred additional salary and benefit costs which were then reimbursed by City of Salida.
- Capital Outlay – Expenditures decreased in the amount of \$19,501,857 or 39.0% due to large scale multi-year projects, such as the State Route 132, nearing completion during Fiscal Year 2022-23 which resulted in less construction expenditures during this fiscal year as compared to the prior year.

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

	FY 2023	FY 2022	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$17,408,119	\$15,993,594	\$1,414,525	8.8%
Transfers out	(19,129,521)	(17,677,119)	(1,452,402)	8.2%
Other financing proceeds	1,772,045	3,741,926	(1,969,881)	-52.6%
Sale of assets	10,540	32,551	(22,011)	-67.6%
Net financing (uses)	\$61,183	\$2,090,952	(\$2,029,769)	-97.1%

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

- The net financing (uses) *from* governmental funds for 2023 were \$61,183 compared to \$2,090,952 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 \$14,151,443 during the fiscal year. This result is consistent with the City Council’s budgetary direction to reduce spending and identify additional revenue sources

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

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	Other	Total
Operating revenues	\$81,863,397	\$63,813,925	\$28,871,874	\$174,549,196
Operating expenses	(73,190,944)	(46,555,621)	(28,475,857)	(148,162,422)
Operating income (loss)	8,732,453	17,258,304	396,017	26,386,774
Nonoperating revenues (expenses), net	(3,453,433)	73,320	2,625,133	(754,980)
Income (loss) before capital contributions and transfers	5,279,020	17,331,624	3,021,150	25,631,794
Contributions and transfers	(5,958,033)	7,605,509	1,596,421	3,243,897
Changes in net position	(\$679,013)	\$24,937,133	\$4,617,571	\$28,875,691

The Sewer fund had a rate increase of 3.5% effective July 1, 2022. This rate was approved on April 12, 2022.

A pollution remediation liability was reported for the Water and Sewer fund in the amounts of \$3,855,856 and \$6,541,398, respectively based on net recoveries the City has received from various settlements. Additional information regarding these liabilities can be found under Note II-Q.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the General Fund is presented as Required Supplementary Information, beginning on **page 89-90** 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 \$9,352,197 while total appropriations increased by \$4,807,516. These amendments were to adjust the actual beginning balances and carryovers after closing the prior fiscal year, to reflect adjustments to current estimates based on the periodic monitoring of revenue and expenditures throughout the year and to factor in the much-anticipated increase to sales tax by 1% to a total 8.875% sales tax rate. On November 2022, Citizens voted to approve a sales tax increase under Measure H which went into effect on April 1, 2023.

Revenues came in \$9,039,454 more than final estimates. Variances in Franchise Tax \$818,382, Utility Users Tax \$1,413,013, Property Tax \$704,830, and Intergovernmental \$7,375,272, were due to an increase in collection efforts, and a quicker recovery from the pandemic than was anticipated and stronger property values.

Expenditures, overall, were \$10,862,422 under budget, primarily due to efforts of departments to realize savings, and certain purchases being deferred to future periods.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$1,359,774,309 (net of accumulated depreciation). The total decrease in the City's investment in capital assets compared to 2022 was less than 1.0%.

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

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

	Governmental		Business-type		Total		Increase (decrease)	
	2023	2022 Restated	2023	2022	2023	2022 Restated	Percent Change	\$ Change
Land	\$34,995,346	\$33,774,611	\$30,647,169	\$30,452,365	\$65,642,515	\$64,226,976	88%	\$1,415,539
Capitalized interest	-	-	3,969,880	4,474,666	3,969,880	\$4,474,666	-11%	(504,786)
Buildings	20,264,105	21,906,089	29,115,695	30,854,543	49,379,800	\$52,760,632	-6%	(3,380,832)
Improvements	57,885,970	53,086,976	243,047,851	243,092,019	300,933,821	\$296,178,995	2%	4,754,826
Furnishings and equipment	2,517,365	2,969,784	2,565,952	3,084,741	5,083,317	\$6,054,525	-16%	(971,208)
Intangible assets	1,178,550	1,586,708	3	3	1,178,553	\$1,586,711	-26%	(408,158)
Equipment pool	16,825,643	16,124,456	-	-	16,825,643	\$16,124,456	4%	701,187
Service animals	27,435	24,756	-	-	27,435	\$24,756	11%	2,679
Water rights	-	-	202,995,122	214,936,012	202,995,122	\$214,936,012	-6%	(11,940,890)
Streets	153,607,619	160,217,422	-	-	153,607,619	\$160,217,422	-4%	(6,609,803)
Signalization	5,486,212	5,974,925	-	-	5,486,212	\$5,974,925	-8%	(488,713)
Bridges	25,163,549	25,905,120	-	-	25,163,549	\$25,905,120	-3%	(741,571)
Buses & fareboxes	25,103	25,103	-	-	25,103	\$25,103		
Pipelines	400,269	405,844	279,380,650	276,142,582	279,780,919	\$276,548,426	1%	3,232,493
Construction in progress	181,780,996	170,696,297	65,251,234	58,491,351	247,032,230	229,187,648	8%	17,844,582
Right to use SBITAS	1,742,623	2,372,661	194,851	-	1,937,474	2,372,661.00	100%	(435,187)
Right to use Leases								
Buildings	367,428	515,062	-	-	367,428	\$515,062	-29%	(147,634)
Equipment pool	1	8,644	-	-	1	\$8,644	-100%	(8,643)
Land	66,899	142,630	270,789	451,313	337,688	\$593,943	-43%	(256,255)
<b>Total</b>	<b>\$502,335,113</b>	<b>\$495,737,088</b>	<b>\$857,439,196</b>	<b>\$861,979,595</b>	<b>\$1,359,774,309</b>	<b>\$1,357,716,683</b>	<b>0%</b>	<b>\$2,057,626</b>

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

- Improvements – Fleet maintenance facility was completed in fiscal year 2022-23 in the amount of \$6.2 million. The Del Rio water tank was completed in fiscal year 2022-23 in the amount of \$13.7 million. Replacement water well 226 was completed in fiscal year 2022-23 in the amount of \$2.5 million.
- Water rights – Depreciation expense for fiscal year 2022-23 in the amount of \$11.9 million.
- Pipelines – The Wastewater Sonoma trunk extension was completed in fiscal year 2022-23 in the amount of \$2.7 million. Roosevelt Park cross connection was completed in fiscal year 2022-23 in the amount of \$5.0 million.
- Construction in progress – Ongoing water construction projects related to improvements to the City's water infrastructure were made during fiscal year 2022-23, ongoing construction of the Jennings water quality control (WQC) entrance, Sutter Trunk, West Trunk Crossing Highway 132, and River Trunk Gravity system, River Trunk Shackelford pump, 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 **46-48** of this report and the purchase of additional fleet vehicles in the amount of \$1.0 million. Additional information on the City's commitments can be found in note III-D on page **70-71** of this report.

### Long-term debt and liabilities

At June 30, 2023, the City had total long-term liabilities outstanding of \$357,666,314 net of unamortized discounts and premiums, as compared to \$377,131,259 in the prior year. This amount was comprised of \$41,770,000 of lease revenue bonds, \$42,798,534 of certificates of participation, \$104,323,169 of revenue bonds payable, \$93,190,000 of reimbursement agreement related to Modesto Irrigation District bonds, \$11,919,153 of estimated compensated absences, \$27,038,914 of claims liability, \$26,214,883 of loans payable, \$582,953 of developer advances, \$6,576,301 of finance purchase obligations, \$718,103 of lease payables, \$1,861,304 of SBITAs payables and \$673,000 of notes payable.

For the governmental and business activities, the long-term debt decrease 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 **50-61** of this report.

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

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	AA/A-1	
Wastewater Revenue Bonds, Series 2018A		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, 2023 was \$18,938,102. 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 \$23,142,482, deferred inflows of resources-leases in the amount of \$22,121,597, and lease liability in the amount of \$718,103 as of June 30, 2023.

With the implementation of GASB Statement No 96 “Subscription-Based Information Technology Arrangements SBITAS”, the City reported SBITA liability in the amount of \$1,861,304 as of June 30, 2023.

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

- *Consumer Price Index* – Growth in the CPI had been relatively stable during the previous ten year, however, as a result of the COVID pandemic the CPI became volatile. During fiscal year 2023 CPI begin to stabilize but it has not been as low as in prior years, due to factors such as inflation and higher rates approved by the Federal Government. CPI 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, 2023, the CPI-Western Urban Index did see a continuous increase up to 3.1%.
- *Utility Service Charges* – Wastewater rates increased by 3.5% for residential, commercial, industrial, and septage sewer and 2.5% for canary segregation, effective July 1, 2022. Rate increases were approved by City Council on April 12, 2022. Water rates increased by 4.5% annually effective October 1, 2023 to fiscal year 2027-2028 were approved by Council on August 22, 2023.

All of these factors were considered in preparing the City’s budget for fiscal year 2022-23.

During the current fiscal year, fund balance in the General Fund increased by \$14,151,443, to \$53,570,568 which represents 30.9% 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 2022-2023 reflects the Council policy reserve level of a minimum \$18,397,817 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, 2023**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 120,989,218	\$ 289,669,601	\$ 410,658,819
Accounts receivable, net	3,089,785	4,372,829	7,462,614
Interest receivable	861,905	833,330	1,695,235
Utility billings receivable, net	2,267,253	18,452,568	20,719,821
Taxes receivable	23,378,092	1,890	23,379,982
Leases receivable	8,167,219	14,975,263	23,142,482
Due from governments, net	38,113,632	2,856,641	40,970,273
Prepaid expenses	1,339,108	2,338,724	3,677,832
Internal balances	(436,626)	436,626	-
Inventories	4,331,375	89,674	4,421,049
Investments in joint ventures	6,408,759	-	6,408,759
Restricted assets:			
Cash and cash equivalents	86,627,373	14,515,236	101,142,609
Cash and cash equivalents with fiscal agent	13,013,373	3,318,836	16,332,209
Due from governments, net	4,871,631	-	4,871,631
Reimbursement agreement	12,113,300	-	12,113,300
Notes and loan receivable, net	57,587,344	-	57,587,344
Capital assets:			
Land and construction in progress	216,776,342	95,898,403	312,674,745
Other capital assets, net of accumulated depreciation	283,381,820	761,075,153	1,044,456,973
Intangible assets right-to-use, net of accumulated amortization	2,176,951	465,640	2,642,591
<b>Total assets</b>	<b>885,057,854</b>	<b>1,209,300,414</b>	<b>2,094,358,268</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	4,000,845	1,124,890	5,125,735
Deferred pensions	99,117,408	19,860,736	118,978,144
Loss on refunding	-	398,162	398,162
Accumulated decrease in fair value of hedging derivatives	2,081,033	11,877,745	13,958,778
<b>Total deferred outflows of resources</b>	<b>105,199,286</b>	<b>33,261,533</b>	<b>138,460,819</b>
<b>Total assets and deferred outflows of resources</b>	<b>990,257,140</b>	<b>1,242,561,947</b>	<b>2,232,819,087</b>
<u>LIABILITIES</u>			
Accounts payable	14,713,889	8,619,565	23,333,454
Accrued salaries and benefits	3,849,089	1,082,829	4,931,918
Approved loans payable	627,564	-	627,564
Interest payable	18,220	516,429	534,649
Unearned revenue	2,893,285	2,329,130	5,222,415
Refundable deposits	7,920,369	2,273,706	10,194,075
Derivative instrument - interest swap	2,081,033	11,877,745	13,958,778
Pollution remediation liability	-	11,503,992	11,503,992
Long-term liabilities:			
Due within one year	12,407,800	14,827,576	27,235,376
Due in more than one year	75,766,829	254,664,109	330,430,938
Net OPEB liability	14,368,920	4,569,182	18,938,102
Net pension liability	349,656,339	66,397,647	416,053,986
<b>Total liabilities</b>	<b>484,303,337</b>	<b>378,661,910</b>	<b>862,965,247</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	5,880,808	1,590,700	7,471,508
Deferred pensions	2,798,309	299,936	3,098,245
Deferred leases	7,840,985	14,280,612	22,121,597
<b>Total deferred inflows of resources</b>	<b>16,520,102</b>	<b>16,171,248</b>	<b>32,691,350</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>500,823,439</b>	<b>394,833,158</b>	<b>895,656,597</b>
<u>NET POSITION</u>			
Net investment in capital assets	468,002,326	589,299,184	1,057,301,510
Restricted for:			
Capital projects	97,328,868	-	97,328,868
Housing and community development	69,935,169	-	69,935,169
Pollution remediation	-	14,515,236	14,515,236
Health and human services	7,915,493	-	7,915,493
Public safety	3,671,213	-	3,671,213
Refundable deposits	7,920,369	2,273,706	10,194,075
General government and support services	21,701,456	-	21,701,456
Unrestricted	(187,041,193)	241,640,663	54,599,470
<b>Total net position</b>	<b>\$ 489,433,701</b>	<b>\$ 847,728,789</b>	<b>\$ 1,337,162,490</b>

See Notes to Basic Financial Statements

**CITY OF MODESTO**  
**STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
General government	\$ 16,573,945	\$ 5,945,470	\$ 713,700	\$ 132,476
Community development	28,589,701	16,094,070	6,353,381	11,071
Highways and streets	27,337,181	1,077,458	-	3,664,487
Public works	7,795,895	3,780,309	3,237,341	171,908
Parks and recreation	16,227,064	2,507,683	621,371	194,072
Public safety	147,700,874	6,993,295	8,613,561	-
Interest on long-term debt	1,719,479	-	-	-
Total governmental activities	<u>245,944,139</u>	<u>36,398,285</u>	<u>19,539,354</u>	<u>4,174,014</u>
Business-type activities:				
Water	77,533,248	81,863,397	334,720	42,419
Sewer	48,558,199	64,518,164	318,169	3,267,722
Parking	2,026,547	1,606,145	-	-
Storm drain	6,767,327	6,288,237	-	-
Compost	11,902,440	15,621,445	267,196	-
Airport	2,130,694	1,008,052	343,179	-
Golf	3,238,111	3,099,845	-	-
Community center	1,899,017	247,351	-	-
Abatement and public nuisance	137,992	1,000,799	-	-
Total business-type activities	<u>154,193,575</u>	<u>175,253,435</u>	<u>1,263,264</u>	<u>3,310,141</u>
Total	<u>\$ 400,137,714</u>	<u>\$ 211,651,720</u>	<u>\$ 20,802,618</u>	<u>\$ 7,484,155</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)

Sales tax Measure H

Motor vehicle license fee

Transportation tax funding

Special assessments, levied

Other

Unrestricted investment earnings

Miscellaneous

Transfers, net

Total general revenues and transfers

Changes in net position

Net position, July 1

Prior year adjustments

Net position, June 30

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

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (9,782,299)	\$ -	\$ (9,782,299)
(6,131,179)	-	(6,131,179)
(22,595,236)	-	(22,595,236)
(606,337)	-	(606,337)
(12,903,938)	-	(12,903,938)
(132,094,018)	-	(132,094,018)
(1,719,479)	-	(1,719,479)
<u>(185,832,486)</u>	<u>-</u>	<u>(185,832,486)</u>
-	4,707,288	4,707,288
-	19,545,856	19,545,856
-	(420,402)	(420,402)
-	(479,090)	(479,090)
-	3,986,201	3,986,201
-	(779,463)	(779,463)
-	(138,266)	(138,266)
-	(1,651,666)	(1,651,666)
-	862,807	862,807
<u>-</u>	<u>25,633,265</u>	<u>25,633,265</u>
<u>(185,832,486)</u>	<u>25,633,265</u>	<u>(160,199,221)</u>
22,363,013	-	22,363,013
21,893,830	-	21,893,830
-	291,711	291,711
3,513,477	-	3,513,477
8,569,338	-	8,569,338
3,185,203	-	3,185,203
15,306,957	-	15,306,957
211,645	-	211,645
39,611,849	-	39,611,849
11,116,219	-	11,116,219
21,194,886	-	21,194,886
23,171,728	-	23,171,728
4,900,860	-	4,900,860
35,769,198	-	35,769,198
3,403,539	2,562,708	5,966,247
923,411	1,707,204	2,630,615
66,244	(66,244)	-
<u>215,201,397</u>	<u>4,495,379</u>	<u>219,696,776</u>
29,368,911	30,128,644	59,497,555
463,506,357	819,305,292	1,282,811,649
<u>(3,441,567)</u>	<u>(1,705,147)</u>	<u>(5,146,714)</u>
<u>\$ 489,433,701</u>	<u>\$ 847,728,789</u>	<u>\$ 1,337,162,490</u>

**CITY OF MODESTO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General	Operating Grants	Housing and Community Development	Capital Grants	Other Governmental	Total Governmental
<b>ASSETS</b>						
Cash and cash equivalents	\$ 14,882,926	\$ 26,255,569	\$ 3,537,256	\$ 50,797	\$ 52,682,234	\$ 97,408,782
Receivables:						
Accounts, net	1,745,022	79,998	37,593	42,142	1,054,970	2,959,725
Interest	458,430	7,911	-	-	312,735	779,076
Utilities, net	2,267,253	-	-	-	-	2,267,253
Taxes	23,236,985	1,497	-	-	139,610	23,378,092
Leases	6,663,860	-	-	-	1,498,882	8,162,742
Due from governments	473,935	2,224,857	5,509,611	21,741,743	6,621,771	36,571,917
Due from other funds	14,641,812	-	-	-	-	14,641,812
Prepaid expenditures	108,753	3,949	2,775	-	21,104	136,581
Restricted assets:						
Cash and cash equivalents	4,387,496	3,997,660	-	-	71,932,691	80,317,847
Cash and cash equivalents with fiscal agent	4,098,565	733,784	-	2,223,199	5,210,527	12,266,075
Due from governments	-	-	-	-	4,871,631	4,871,631
Notes receivable, net	-	-	55,376,344	-	2,211,000	57,587,344
Leases receivable	-	-	-	-	4,477	4,477
Advances to other funds	1,983,338	-	-	-	-	1,983,338
<b>Total assets</b>	<b>\$ 74,948,375</b>	<b>\$ 33,305,225</b>	<b>\$ 64,463,579</b>	<b>\$ 24,057,881</b>	<b>\$ 146,561,632</b>	<b>\$ 343,336,692</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 3,134,006	\$ 713,805	\$ 1,146,936	\$ 3,153,646	\$ 3,258,812	\$ 11,407,205
Accrued salaries and benefits	3,121,600	178,209	27,181	-	196,737	3,523,727
Accrued interest payable	-	-	10,196	-	284	10,480
Approved loans payable	-	-	627,564	-	-	627,564
Due to other funds	-	-	-	14,486,374	155,438	14,641,812
Unearned revenue	373,986	-	-	-	2,479,479	2,853,465
Refundable deposits	7,821,104	-	-	-	99,265	7,920,369
Advances from other funds	330,973	-	-	-	946,013	1,276,986
<b>Total liabilities</b>	<b>14,781,669</b>	<b>892,014</b>	<b>1,811,877</b>	<b>17,640,020</b>	<b>7,136,028</b>	<b>42,261,608</b>
Deferred inflows of resources:						
Unavailable revenue	197,533	27,681,767	28,880,239	11,169,068	1,399,600	69,328,207
Leases	6,398,605	-	-	-	1,442,380	7,840,985
<b>Total deferred inflows of resources</b>	<b>6,596,138</b>	<b>27,681,767</b>	<b>28,880,239</b>	<b>11,169,068</b>	<b>2,841,980</b>	<b>77,169,192</b>
Fund balances:						
Nonspendable	2,092,091	3,949	2,775	-	21,104	2,119,919
Restricted	8,486,061	4,731,444	33,768,688	2,223,199	84,230,326	133,439,718
Committed	18,397,817	-	-	-	-	18,397,817
Assigned	1,149,259	-	-	-	52,426,693	53,575,952
Unassigned	23,445,340	(3,949)	-	(6,974,406)	(94,499)	16,372,486
<b>Total fund balances</b>	<b>53,570,568</b>	<b>4,731,444</b>	<b>33,771,463</b>	<b>(4,751,207)</b>	<b>136,583,624</b>	<b>223,905,892</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 74,948,375</b>	<b>\$ 33,305,225</b>	<b>\$ 64,463,579</b>	<b>\$ 24,057,881</b>	<b>\$ 146,561,632</b>	<b>\$ 343,336,692</b>

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

**CITY OF MODESTO**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2023**

Total fund balances - governmental funds \$ 223,905,892

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	\$ 210,715,050	
Depreciable	183,275,472	
Accumulated depreciation on general capital assets	(120,566,319)	
Lease assets and SBITAS - right to use	2,677,796	
Accumulated amortization on lease assets, right to use	(946,012)	
Infrastructure:		
Depreciable	585,037,338	
Accumulated depreciation on infrastructure	<u>(400,379,689)</u>	459,813,636

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds;

Deferred in the governmental funds	\$ 69,328,207	
Reimbursement agreement with Successor Agency	12,113,300	
Investments in joint ventures	<u>6,408,759</u>	87,850,266

Derivative instruments:

Rate swaps are not reported in governmental funds.	\$ (2,081,033)	
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivatives also are not reported in governmental funds.	<u>2,081,033</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.

23,992,255

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	\$ 93,388,448	
Deferred inflows of resources	<u>(2,711,791)</u>	90,676,657

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	\$ 3,705,494	
Deferred inflows of resources	<u>(5,387,076)</u>	(1,681,582)

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

Net pension liability	\$ (330,503,501)	
Net OPEB liability	(13,249,139)	
Bonds payable, and other long-term debt	(51,363,043)	
Accrued interest	<u>(7,740)</u>	<u>(395,123,423)</u>

Net position - governmental activities \$ 489,433,701

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, 2023**

	General	Operating Grants	Housing and Community Development	Capital Grants	Other Governmental	Total Governmental
<b>REVENUES:</b>						
Taxes	\$ 72,414,662	\$ 328,586	\$ -	\$ -	\$ 2,300,215	\$ 75,043,463
Licenses and permits	353,880	52,665	-	-	2,537	409,082
Intergovernmental	93,426,279	17,360,413	8,278,335	19,511,565	29,868,173	168,444,765
Charges for services	16,692,420	5,964,360	1,304,727	-	6,246,584	30,208,091
Special assessments levied	385,194	78,459	-	-	4,437,207	4,900,860
Interest and rent	434,973	1,333,330	2,229	32,478	2,310,643	4,113,653
Net (decrease) in fair value of investments	496,980	(15,665)	4,035	-	(973,077)	(487,727)
Fines and forfeits	679,529	-	-	-	200,723	880,252
Miscellaneous	637,579	202,229	10,000	-	77,717	927,525
Total revenues	<u>185,521,496</u>	<u>25,304,377</u>	<u>9,599,326</u>	<u>19,544,043</u>	<u>44,470,722</u>	<u>284,439,964</u>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government	14,404,534	1,078,537	-	-	-	15,483,071
Community development	6,608,633	5,376,691	8,645,854	1,468,934	4,778,841	26,878,953
Highways and streets	-	-	-	746,264	13,948,367	14,694,631
Public works	498,271	6,861,120	-	-	-	7,359,391
Parks and recreation	14,547,130	500,825	-	78,252	120,959	15,247,166
Public safety	128,008,782	10,082,686	-	-	1,358,983	139,450,451
Capital outlay	764,870	103,916	-	19,942,259	9,729,762	30,540,807
<b>Debt service:</b>						
Principal retirement	1,258,752	-	312,000	-	2,639,503	4,210,255
Interest	133,168	13,103	22,838	-	1,440,106	1,609,215
Other	-	474	289	-	112,870	113,633
Total expenditures	<u>166,224,140</u>	<u>24,017,352</u>	<u>8,980,981</u>	<u>22,235,709</u>	<u>34,129,391</u>	<u>255,587,573</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>19,297,356</u>	<u>1,287,025</u>	<u>618,345</u>	<u>(2,691,666)</u>	<u>10,341,331</u>	<u>28,852,391</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	853,578	1,143,564	-	1,531,541	13,879,436	17,408,119
Transfers out	(7,471,109)	(203,872)	(651,039)	(1,408,966)	(9,394,535)	(19,129,521)
Other financing proceeds	1,471,618	26,390	-	-	274,037	1,772,045
Sale of assets	-	-	-	-	10,540	10,540
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,145,913)</u>	<u>966,082</u>	<u>(651,039)</u>	<u>122,575</u>	<u>4,769,478</u>	<u>61,183</u>
<b>CHANGES IN FUND BALANCES</b>	14,151,443	2,253,107	(32,694)	(2,569,091)	15,110,809	28,913,574
<b>FUND BALANCES, JULY 1</b>	39,419,125	2,478,337	33,813,927	(2,182,116)	121,472,815	195,002,088
<b>PRIOR PERIOD ADJUSTMENTS</b>	-	-	(9,770)	-	-	(9,770)
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 53,570,568</u>	<u>\$ 4,731,444</u>	<u>\$ 33,771,463</u>	<u>\$ (4,751,207)</u>	<u>\$ 136,583,624</u>	<u>\$ 223,905,892</u>

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

**CITY OF MODESTO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES**  
**FISCAL YEAR ENDED JUNE 30, 2023**

Net change in fund balances - governmental funds	\$	28,913,574
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	\$ 30,540,807	
Depreciation and amortization expense	<u>(19,470,158)</u>	11,070,649
In the statement of activities, only the gain or loss on the sales and transfer of capital assets is reported, whereas in the governmental funds, the proceeds from such sales or transfer increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets sold.		
		1,712,468
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	\$ (8,159,007)	
Change in investments in joint ventures	<u>(729,717)</u>	(8,888,724)
Recognition of Successor Agency annual payment for their Reimbursement Agreement receivable associated with long-term debt.		
		(807,650)
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	4,210,255	
Proceeds of long-term debt	<u>(1,772,045)</u>	2,438,210
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	\$ 3,374	
OPEB expense associated with net OPEB liability	7,063,981	
Pension expense associated with net pension liability	<u>(12,374,201)</u>	(5,306,846)
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>237,230</u>
Change in net position - governmental activities	\$	<u><u>29,368,911</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, 2023**

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 145,781,887	\$ 123,767,173	\$ 20,120,541	\$ 289,669,601	\$ 23,580,436
Receivables:					
Accounts, net	30,332	410,584	3,931,913	4,372,829	130,060
Interest	411,004	365,875	56,452	833,331	82,829
Taxes	-	-	1,889	1,889	-
Utilities, net	10,550,454	6,574,693	1,327,421	18,452,568	-
Leases	18,803	475,819	276,653	771,275	-
Prepaid expenses	2,168,919	11,642	158,163	2,338,724	1,202,527
Due from governments	834,483	1,109,517	912,641	2,856,641	1,541,715
Due from other funds	1,467,637	-	-	1,467,637	-
Inventories	35,435	-	54,239	89,674	4,331,375
Total current assets	<u>161,298,954</u>	<u>132,715,303</u>	<u>26,839,912</u>	<u>320,854,169</u>	<u>30,868,942</u>
Noncurrent assets:					
Advances to other funds	3,100,000	1,196,591	105,761	4,402,352	-
Restricted cash and cash equivalents	4,796,456	9,718,780	-	14,515,236	6,309,526
Restricted cash and cash equivalents with fiscal agent	2,293,900	473,859	551,077	3,318,836	747,298
Leases receivable	1,720,182	484,729	11,999,077	14,203,988	-
Land and construction in progress	26,208,034	58,344,207	11,346,162	95,898,403	6,061,292
Other capital assets, net of accumulated depreciation	389,744,219	343,779,260	27,551,674	761,075,153	36,015,018
Intangible assets right-to-use, net of accumulated amortization	353,814	82,815	29,011	465,640	445,167
Total noncurrent assets	<u>428,216,605</u>	<u>414,080,241</u>	<u>51,582,762</u>	<u>893,879,608</u>	<u>49,578,301</u>
Total assets	<u>589,515,559</u>	<u>546,795,544</u>	<u>78,422,674</u>	<u>1,214,733,777</u>	<u>80,447,243</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred OPEB	518,726	358,583	247,581	1,124,890	295,351
Deferred pensions	7,538,679	8,035,236	4,286,821	19,860,736	5,728,960
Loss on refunding	309,298	88,864	-	398,162	-
Accumulated decrease in fair value of hedging derivatives	11,877,745	-	-	11,877,745	-
Total deferred outflows of resources	<u>20,244,448</u>	<u>8,482,683</u>	<u>4,534,402</u>	<u>33,261,533</u>	<u>6,024,311</u>
Total assets and deferred outflows of resources	<u>\$ 609,760,007</u>	<u>\$ 555,278,227</u>	<u>\$ 82,957,076</u>	<u>\$ 1,247,995,310</u>	<u>\$ 86,471,554</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 2,527,801	\$ 5,210,110	\$ 881,654	\$ 8,619,565	\$ 3,306,684
Accrued salaries and benefits	412,240	389,535	281,054	1,082,829	325,362
Interest payable	2,425	504,369	9,635	516,429	-
Due to other funds	-	-	-	-	1,467,637
Current portion - compensated absences	-	-	-	-	1,070,824
Current portion - claims liability	-	-	-	-	6,660,398
Current portion - long-term debt	6,604,195	7,214,715	481,001	14,299,911	-
Current portion - developer advances	88,330	-	-	88,330	-
Current portion - leases and SBITAS	198,919	15,700	5,500	220,119	144,635
Unearned revenue	-	1,472,034	857,096	2,329,130	39,820
Total current liabilities	<u>9,833,910</u>	<u>14,806,463</u>	<u>2,515,940</u>	<u>27,156,313</u>	<u>13,015,360</u>
Noncurrent liabilities:					
Payable from restricted assets - refundable deposits	1,290,103	983,603	-	2,273,706	-
Advances from other funds	-	-	5,108,704	5,108,704	-
Compensated absences	-	-	-	-	10,848,329
Claims liability	-	-	-	-	20,378,516
Derivative instrument - interest swap	11,877,745	-	-	11,877,745	-
Pollution remediation liability	3,855,856	6,541,398	1,106,738	11,503,992	-
Long-term debt:					
Reimbursement agreement related to MID debt	88,915,000	-	-	88,915,000	-
Revenue bonds payable	-	98,006,374	-	98,006,374	-
Loans payable	261,631	24,526,136	-	24,787,767	-
Certificates of participation	40,018,534	-	-	40,018,534	-
Developer advances	494,623	-	-	494,623	-
Leases and SBITAS payable	147,023	54,767	19,185	220,975	148,936
Net OPEB liability	1,748,008	1,537,282	1,283,892	4,569,182	1,119,781
Net pension liability	25,203,020	26,863,092	14,331,535	66,397,647	19,152,838
Total noncurrent liabilities	<u>173,811,543</u>	<u>158,512,652</u>	<u>21,850,054</u>	<u>354,174,249</u>	<u>51,648,400</u>
Total liabilities	<u>183,645,453</u>	<u>173,319,115</u>	<u>24,365,994</u>	<u>381,330,562</u>	<u>64,663,760</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred OPEB	817,514	442,988	330,198	1,590,700	493,732
Deferred pensions	113,848	121,347	64,741	299,936	86,518
Deferred leases	1,661,120	805,855	11,813,637	14,280,612	-
Total deferred inflows of resources	<u>2,592,482</u>	<u>1,370,190</u>	<u>12,208,576</u>	<u>16,171,248</u>	<u>580,250</u>
<b>NET POSITION</b>					
Net investment in capital assets	279,585,810	271,292,213	38,421,161	589,299,184	42,227,906
Restricted for pollution remediation	4,796,456	9,718,780	-	14,515,236	-
Restricted refundable deposits	1,290,103	983,603	-	2,273,706	7,056,824
Unrestricted	137,849,703	98,594,326	7,961,345	244,405,374	(28,057,186)
Total net position	<u>423,522,072</u>	<u>380,588,922</u>	<u>46,382,506</u>	<u>850,493,500</u>	<u>21,227,544</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 609,760,007</u>	<u>\$ 555,278,227</u>	<u>\$ 82,957,076</u>	<u>\$ 1,247,995,310</u>	<u>\$ 86,471,554</u>
Adjustment to reflect the consolidation of internal service fund activities				(2,764,711)	
Net position of business-type activities				<u>\$ 847,728,789</u>	

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

**CITY OF MODESTO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Enterprise			Total Enterprise	Internal Service
	Water	Sewer	Other Enterprise		
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 81,376,371	\$ 63,771,474	\$ 28,029,139	\$ 173,176,984	\$ 104,290,487
Miscellaneous	487,026	42,451	842,735	1,372,212	619,890
Total operating revenues	<u>81,863,397</u>	<u>63,813,925</u>	<u>28,871,874</u>	<u>174,549,196</u>	<u>104,910,377</u>
<b>OPERATING EXPENSES:</b>					
Salaries and wages	9,943,716	9,566,064	5,837,511	25,347,291	8,466,079
Cost of goods sold	-	-	-	-	3,968,810
Contractual services	8,251,417	4,615,055	5,986,326	18,852,798	5,227,411
Utilities	2,437,125	3,206,135	644,784	6,288,044	575,221
Maintenance and supplies	9,068,206	4,800,271	5,427,007	19,295,484	11,441,236
Water purchases	13,552,347	-	-	13,552,347	-
Insurance	611,672	1,313,925	816,358	2,741,955	22,508,142
Claims	-	-	-	-	11,043,481
Employee benefits	5,070,457	5,134,334	3,521,996	13,726,787	38,094,286
Administration services	1,647,722	2,431,814	4,015,492	8,095,028	1,167,915
Allocated indirect administrative costs	1,374,635	795,139	516,301	2,686,075	220,610
Depreciation	21,173,647	14,692,884	1,710,082	37,576,613	4,319,142
Total operating expenses	<u>73,130,944</u>	<u>46,555,621</u>	<u>28,475,857</u>	<u>148,162,422</u>	<u>107,032,333</u>
OPERATING INCOME (LOSS)	<u>8,732,453</u>	<u>17,258,304</u>	<u>396,017</u>	<u>26,386,774</u>	<u>(2,121,956)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Operating grants	334,720	318,169	610,375	1,263,264	-
Gain (loss) on disposition of capital assets	(31,342)	16,348	165,404	150,410	(11,324)
Tax revenue	-	-	291,711	291,711	-
Tax expense	(97,742)	(68,942)	(29)	(166,713)	(16,073)
Interest income	2,490,645	2,125,535	544,969	5,161,149	564,112
Net (decrease) in fair value of investments	(1,301,914)	(1,162,502)	(134,025)	(2,598,441)	(56,782)
Connection fees	-	704,239	-	704,239	-
Rental income	52,090	476,095	1,179,016	1,707,201	93,950
Interest expense and amortization	(4,898,294)	(2,330,622)	(31,707)	(7,260,623)	(2,600)
Trustee and letter of credit fees	(1,596)	(5,000)	(581)	(7,177)	-
Total nonoperating revenues (expenses)	<u>(3,453,433)</u>	<u>73,320</u>	<u>2,625,133</u>	<u>(754,980)</u>	<u>571,283</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>5,279,020</u>	<u>17,331,624</u>	<u>3,021,150</u>	<u>25,631,794</u>	<u>(1,550,673)</u>
Capital contributions	42,419	3,267,722	-	3,310,141	1,253,210
Transfers in	50,964	4,670,581	2,494,510	7,216,055	1,961,950
Transfers out	(6,051,416)	(332,794)	(898,089)	(7,282,299)	(174,304)
Total contributions and transfers	<u>(5,958,033)</u>	<u>7,605,509</u>	<u>1,596,421</u>	<u>3,243,897</u>	<u>3,040,856</u>
CHANGES IN NET POSITION	(679,013)	24,937,133	4,617,571	28,875,691	1,490,183
NET POSITION, JULY 1	422,449,809	359,108,212	41,764,935		18,491,239
PRIOR YEAR ADJUSTMENTS	<u>1,751,276</u>	<u>(3,456,423)</u>	<u>-</u>		<u>1,246,122</u>
NET POSITION, JUNE 30	<u>\$ 423,522,072</u>	<u>\$ 380,588,922</u>	<u>\$ 46,382,506</u>		<u>\$ 21,227,544</u>
Adjustment to reflect the consolidation of internal service funds				<u>1,252,953</u>	
Change in net position of business-type activities				<u>\$ 30,128,644</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, 2023**

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 82,570,267	\$ 63,764,919	\$ 26,881,814	\$ 173,217,000	\$ 958,359
Receipts from interfund services provided	248,172	7,176	-	255,348	104,313,931
Payments to suppliers	(33,559,984)	(8,526,223)	(6,772,599)	(48,858,806)	(46,535,154)
Payment of insurance claims	-	-	-	-	(10,865,564)
Payments to employees	(14,940,712)	(14,769,605)	(8,948,973)	(38,659,290)	(45,788,792)
Payments for interfund services used	(6,681,444)	(6,078,823)	(10,116,132)	(22,876,399)	(1,915,691)
Net cash provided (used) by operating activities	<u>27,636,299</u>	<u>34,397,444</u>	<u>1,044,110</u>	<u>63,077,853</u>	<u>167,089</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating grants received	334,720	318,169	610,375	1,263,264	-
Taxes received	-	-	291,711	291,711	-
Transfers in	50,964	4,670,581	2,494,510	7,216,055	1,961,950
Transfers out	(6,051,416)	(332,794)	(898,089)	(7,282,299)	(174,304)
Advances from/to other funds	620,000	502,385	(601,319)	521,066	-
Net cash provided (used) by noncapital financing activities	<u>(5,045,732)</u>	<u>5,158,341</u>	<u>1,897,188</u>	<u>2,009,797</u>	<u>1,787,646</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(6,685,852)	(28,342,397)	(341,663)	(35,369,912)	(2,071,898)
Proceeds from sale of capital assets	39,658	4,950	164,415	209,023	37,436
Principal repayments	(6,273,478)	(9,012,669)	(462,352)	(15,748,499)	(2,600)
Interest paid	(4,898,532)	(2,945,784)	(30,234)	(7,874,550)	(139,950)
Trustee and letter of credit fees	(1,596)	(5,000)	(581)	(7,177)	-
Capital contributions	42,419	3,267,722	-	3,310,141	-
Connection fees for capital purposes	-	704,239	-	704,239	-
Net cash provided (used) by capital and related financing activities	<u>(17,777,381)</u>	<u>(36,328,939)</u>	<u>(670,415)</u>	<u>(54,776,735)</u>	<u>(2,177,012)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received	2,393,431	1,782,220	526,066	4,701,717	574,499
Net (decrease) in the fair value of investments	(1,301,914)	(1,162,502)	(134,025)	(2,598,441)	(56,782)
Rental income received	52,090	476,095	1,179,017	1,707,202	93,950
Net cash provided (used) by investing activities	<u>1,143,607</u>	<u>1,095,813</u>	<u>1,571,058</u>	<u>3,810,478</u>	<u>611,667</u>
Net increase in cash and cash equivalents	5,956,793	4,322,659	3,841,941	14,121,393	389,390
CASH AND CASH EQUIVALENTS, JULY 1	<u>146,915,450</u>	<u>129,637,153</u>	<u>16,829,677</u>	<u>293,382,280</u>	<u>30,247,870</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 152,872,243</u>	<u>\$ 133,959,812</u>	<u>\$ 20,671,618</u>	<u>\$ 307,503,673</u>	<u>\$ 30,637,260</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>					
Cash and cash equivalents	\$ 145,781,887	\$ 123,767,173	\$ 20,120,541	\$ 289,669,601	\$ 23,580,436
Restricted cash and cash equivalents	4,796,456	9,718,780	-	14,515,236	6,309,526
Restricted cash and cash equivalents with fiscal agent	<u>2,293,900</u>	<u>473,859</u>	<u>551,077</u>	<u>3,318,836</u>	<u>747,298</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 152,872,243</u>	<u>\$ 133,959,812</u>	<u>\$ 20,671,618</u>	<u>\$ 307,503,673</u>	<u>\$ 30,637,260</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, 2023**

	Enterprise			Total Enterprise	Internal Service
	Water	Sewer	Other Enterprise		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 8,732,453	\$ 17,258,304	\$ 396,017	\$ 26,386,774	\$ (2,121,956)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	21,173,647	14,692,884	1,710,082	37,576,613	4,319,142
Taxes paid	(97,742)	(68,942)	(29)	(166,713)	(16,073)
Change in assets, liabilities, and deferred resources:					
(Increase) decrease in accounts receivable	24,857	420,972	(1,127,505)	(681,676)	379,784
(Increase) in taxes receivable	-	-	(1,889)	(1,889)	-
(Increase) decrease in utilities receivable	578,344	1,031,899	(208,644)	1,401,599	-
(Increase) decrease in due from governments	724,939	(458,976)	625,443	891,406	(78,683)
(Increase) decrease in prepaid expenses	131,023	54,642	(154,075)	31,590	(1,116,973)
(Increase) in inventories	-	-	(71)	(71)	(2,522,907)
Increase (decrease) in accounts payable	(802,731)	2,605,901	(25,983)	1,777,187	(1,311,129)
Increase in accrued salaries and benefits	93,694	68,174	69,257	231,125	69,584
(Decrease) in compensated absences	-	-	-	-	(42,920)
(Decrease) in net OPEB liability and deferred resources	(151,089)	(47,860)	(43,344)	(242,293)	(78,684)
Increase (decrease) in net pension liability and deferred resources	130,856	(77,514)	387,200	440,542	823,595
Increase in claims liability	-	-	-	-	180,616
Increase (decrease) in pollution remediation liability	(1,393,029)	(46,315)	150,687	(1,288,657)	-
(Increase) in due from other funds	(1,467,637)	-	-	(1,467,637)	-
Increase in due to other funds	-	-	-	-	1,467,637
(Decrease) in unearned revenue	(39,171)	(822,163)	(393,849)	(1,255,183)	(33,846)
(Increase) decrease in lease receivable	73,559	-	(320,633)	(247,074)	-
Increase (decrease) in lease/SBITA payable	-	(148,064)	(18,554)	(166,618)	249,902
(Decrease) in refundable deposits	(75,674)	(65,498)	-	(141,172)	-
Total adjustments	<u>18,903,846</u>	<u>17,139,140</u>	<u>648,093</u>	<u>36,691,079</u>	<u>2,289,045</u>
Net cash provided (used) by operating activities	<u>\$ 27,636,299</u>	<u>\$ 34,397,444</u>	<u>\$ 1,044,110</u>	<u>\$ 63,077,853</u>	<u>\$ 167,089</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Intangible assets right-to-use - SBITAS	\$ 87,191	\$ 86,970	\$ 58,022	\$ 232,183	\$ 582,510
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	<u>\$ 87,191</u>	<u>\$ 86,970</u>	<u>\$ 58,022</u>	<u>\$ 232,183</u>	<u>\$ 582,510</u>

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

**CITY OF MODESTO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2023**

	Private Purpose Trust Funds	Investment Trust Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,950,384	\$ 3,891,281
Cash and cash equivalents held with fiscal agent	5,273,521	-
Interest receivable	6,054	1,970
Taxes receivable	70,097	26,534
Assessments receivable	26,880,000	-
Prepays	2,966	1,086
Leases receivable	-	1,185,368
Due from governments	-	133,659
Land and construction in progress	-	2,946,745
Other capital assets, net of accumulated depreciation	-	3,683,597
Total assets	34,183,022	11,870,240
Deferred outflows of resources:		
Loss on refunding	904,920	-
Total assets and deferred outflows of resources	35,087,942	11,870,240
<b>LIABILITIES</b>		
Accounts payables and other liabilities	20,666	480,592
Due to local governments	1,192,004	-
Interest payable	413,730	-
Long-term liabilities:		
Due within one year	3,527,650	-
Due in more than one year	38,358,328	-
Total liabilities	43,512,378	480,592
Deferred inflows of resources		
Leases	-	1,135,392
Unavailable revenues	706,169	-
Total deferred inflows of resources	706,169	1,135,392
<b>NET POSITION</b>		
Net invested in capital assets	-	6,630,342
Restricted	5,273,521	-
Unrestricted	(14,404,126)	3,623,914
Total net position (deficit)	\$ (9,130,605)	\$ 10,254,256

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, 2023**

	Private Purpose Trust Funds	Investment Trust Funds
	<u>                    </u>	<u>                    </u>
ADDITIONS:		
Contributions:		
Members investment pool	\$ -	\$ 625,183
Total contributions	<u>                    </u>	<u>                    </u>
Collections on behalf of other governments:		
Special assessments	1,519,095	291,148
Property taxes	1,619,627	393,710
Grants	-	235,203
Other	-	3,000
Insurance recoveries	-	3,316,441
Total collections on behalf of other governments	<u>3,138,722</u>	<u>4,239,502</u>
Interest and investment earnings:		
Interest earnings	285,463	138,661
Net increase (decrease) in fair value of investments	3,053	(8,242)
Total interest and investment earnings	<u>288,516</u>	<u>130,419</u>
Total additions	<u>3,427,238</u>	<u>4,995,104</u>
DEDUCTIONS:		
Distribution of property taxes to other taxing entities	369,593	674,844
Obligation retirements:		
Interest expense	1,319,946	-
Trustee fees	3,760	-
City administrative expenses	120,054	152,049
Other expenses	78,321	8,032
Depreciation expense	-	438,048
Insurance expenses	-	1,177
Operating expenses	-	978,126
Total deductions	<u>1,891,674</u>	<u>2,252,276</u>
Net increase in fiduciary net position	1,535,564	2,742,828
Net position, July 1	(10,666,169)	7,511,428
Net position (deficit), June 30	<u>\$ (9,130,605)</u>	<u>\$ 10,254,256</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, 2023**

**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 thirteen active Districts, which are combined for presentation in these financial statements. Individual component unit financial statements are prepared for each District.

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 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.

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 after 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 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 Capital Grants Fund to account for receipts and disbursements of a variety of Governmental Fund capital grants.

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.

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

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 after 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, 2023 is \$45,841,904.

Utility service accounts receivable are \$20,719,821 net of an allowance for doubtful collections of \$1,764,240 and include unbilled receivables using actual amounts billed in July for June services for all City funds. City accounts receivable of \$7,462,614 are reported net of an allowance for doubtful collections of \$874,754 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.

The City has Information Technology software contract agreements also known as Subscription Based Information Technology Arrangements (SBITAs) in which the contract conveys control of the right to use another party's IT software, alone or in combination with a tangible capital asset for a defined period of time in an exchange or exchange like transaction. The City recognizes the liability and non-cancellable right to use of the IT software asset at the inception of the agreement in the government-wide and proprietary fund financial statements.

### 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. Interfund Balances

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.

## 6. 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 as of the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities 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.

Subscription Based Information Technology Arrangements (SBITAs) are recorded as an asset and an obligation at an amount equal to the present value at the beginning of the arrangement term of minimum arrangement payments during the arrangement term. Non-cancellable 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 agreement.

## 7. 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.

## 8. 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, 2023, the total estimated liability for all compensated absences, including vacation and sick leave, is \$11,919,153.

## 9. 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.

#### 10. 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.

#### 11. Net Position

The governmental and business-type activities in the government-wide financial statements and the proprietary funds in the fund financial statements utilize a net position presentation. Net position is classified in the following categories:

- *Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt (including premiums) and any other capital related liabilities that are debt (including premiums) and any other capital related liabilities that are attributed to the acquisition, construction, or improvement of assets.

- *Restricted Net Position* – This amount is restricted by external creditors, grants, contributors, or laws or regulations of other governments.
- *Unrestricted Net Position* – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

## 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, 2021  
 Measurement Date: June 30, 2022  
 Measurement Period: July 1, 2021 to June 30, 2022

### 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, 2022  
 Measurement Date: June 30, 2022  
 Measurement Period: June 30, 2021, to June 30, 2022

### 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, 2023, the City adopted new accounting guidance by implementing the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) which establishes a definition for SBITAs and provides uniform guidance for accounting and financial reporting for transactions that meet that definition. A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as

specified in the contract for a period of time in an exchange or exchange-like transaction. The implementation of this statement has resulted in changing the presentation of the entity wide and proprietary financial statements as a restatement of the capital assets, intangible assets right-to-use, net of accumulated amortization.

## F. NEW ACCOUNTING STANDARDS

During the fiscal year ended June 30, 2023, the City implemented the following GASB Standards with no impact on the City's financial statement, except for GASB 96:

*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 related to leases, PPPs, and SBITAs are effective for reporting periods beginning after June 15, 2022.

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

*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	\$ 410,658,819
Restricted cash and cash equivalents	101,142,609
Cash and cash equivalents held with fiscal agent	16,332,209

#### Successor Agency Private-Purpose Trust Fund

Cash and cash equivalents	1,950,384
Cash and cash equivalents held with fiscal agent	5,273,521

#### Private Purpose and Investment Trust Funds

Cash and cash equivalents	<u>3,891,281</u>
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Total cash and investments	<u>\$ 539,248,823</u>
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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 Instrument Summary

Security Type	Maximum Maturity	Min Credit Quality	Authorized Investment Limit	Per Issuer Limit
City Issued Bonds	5 Years	None	None	None
US Treasury Notes/ Bills	5 Years	None	None	None
State of California Securities	5 Years	“A”	None	None
California Municipal Securities	5 Years	“A”	None	None
Other 49 State Municipal Securities	5 Years	“A”	None	None
Federal Agencies	5 Years	None	None	None
Banker’s Acceptance (BA)	180 days	“A-1”	40%	5%
Commercial Paper	270 days	“A-1”/ “A”	40%	5%
Certificates of Deposit	1 Year	FDIC Insured or Collateralized	20%	5%
Negotiable Certificates of Deposit	5 Years	“A”	30%	5%
Repurchase Agreements	90 Days	None	None	20%
Reverse Repurchase Agreements	92 Days	None	20%	5%
Medium Term Notes (MTN)	5 Years	“A”	30%	5%
Money Market Fund	None	“AAAm”	20%	10%
LAIF	None	None	None	None
Mortgage and Asset-Backed Securities	5 Year	“AA”	20%	5%
CAMP	None	None	None	None
Supranationals	5 Years	“AA”	30%	5%

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, 2023, the fair value approximated the City’s cost. At June 30, 2023, 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 8 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, 2023, the City had collected deposit balances of \$10,087,007. On this amount, the FDIC insurance coverage was \$250,000.

For further information, as of June 30, 2023, Bank of the West has over \$6.42 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 \$6.42 billion public fund deposits, the minimum collateral required is \$5.65 billion and the market value of pledged securities (aka related collateral) is \$7.91 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 Private Purpose Trust 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, 2023, the City owned eighteen callable bonds. Of the eighteen, seventeen were Corporate bonds, and one is a Municipal bond. Information on those bonds has been provided as follows:

<b>Amount</b>	<b>Maturity Date</b>	<b>Call Date</b>	<b>Call Terms</b>
\$2,817,580	2/5/2024	1/5/2024	Callable on and any time after 1/5/2024
3,382,838	3/15/2024	2/15/2024	Callable on and any time after 2/15/2024
3,900,032	7/8/2024	6/8/2024	Callable on and any time after 6/8/2024
1,388,628	9/16/2024	9/16/2023	Callable on 9/16/2023 and any time after if specific conditions are met
2,171,490	2/14/2025	1/14/2025	Callable on and any time after 1/14/2025
1,671,972	3/3/2025	2/3/2025	Callable on and any time after 2/3/2025
679,951	5/15/2025	4/15/2025	Callable on and any time after 4/15/2025
821,968	6/1/2025	6/1/2024	Callable on 6/1/2024 and any time after if specific conditions are met

Amount	Maturity Date	Call Date	Call Terms
\$2,022,655	11/13/2025	10/13/2025	Callable on and any time after 10/13/2025
3,078,167	1/28/2026	12/28/2025	Callable on and any time after 12/28/2025
1,940,468	4/2/2026	4/2/2025	Callable on 4/02/2025 and any time after if specific conditions are met
2,816,202	8/8/2026	5/8/2026	Callable on and any time after 5/8/2026
2,414,116	11/21/2026	8/21/2026	Callable on and any time after 8/21/2026
333,984	1/15/2027	12/15/2026	Callable on and any time after 12/15/2026
2,885,340	2/6/2027	11/6/2026	Callable on and any time after 11/6/2026
3,356,899	9/14/2027	6/14/2027	Callable on and any time after 6/14/2027
1,189,582	4/15/2028	3/15/2028	Callable on and any time after 3/15/2028
5,112,359	5/10/2028	4/10/2028	Callable on and any time after 4/10/2028

### 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
<b>Investments Held by City</b>						
Foreign Government Bonds	AAA	Aaa	\$ 17,754,936	\$ 1,754,486	\$ 3,858,104	\$ 12,142,346
Short-Term Fixed Deposits	AAA	Aaa	800,994	800,994	-	-
US Treasury Bonds and Notes	AA+	Aaa	238,486,710	33,411,744	32,143,534	172,931,432
US Agencies	AA+	Aaa	28,374,891	4,861,336	23,513,555	-
REMIC and Other Government Paydowns	AA+	Aaa	2,801,972	448,965	-	2,353,007
Commercial Paper	A-1	P-1	30,952,660	30,952,660	-	-
Corporate Bonds and Notes	See Below	See Below	54,736,845	11,241,921	18,325,738	25,169,186
Corporate Paydown Securities	See Below	See Below	3,365,747	12,649	345,196	3,007,902
Municipal Bonds	See Below	See Below	7,172,388	2,291,959	1,921,520	2,958,909
CAMP	AAAm	Not Rated	47,969,833	47,969,833	-	-
Total Investments Held by City			<u>\$ 432,416,976</u>	<u>\$ 133,746,547</u>	<u>\$ 80,107,647</u>	<u>\$ 218,562,782</u>
<b>Investments Held by Fiscal Agent</b>						
Money Market Funds	AAAm	Aaa-mf	\$ 7,705,529	\$ 7,705,529	\$ -	\$ -
CAMP	AAAm	Not Rated	9,801,635	9,801,635	-	-
PARS – OPEB	Not Rated	Not Rated	1,481,519	1,481,519	-	-
PARS – Pension	Not Rated	Not Rated	2,617,047	2,617,047	-	-
Total Investments Held by Fiscal Agent			<u>\$ 21,605,730</u>	<u>\$ 21,605,730</u>	<u>\$ -</u>	<u>\$ -</u>

	Credit Rating		Total
	Standard & Poor's	Moody's Investors Service	
City of Modesto Banking Accts & Cash on Hand	A/A-1	A1/P1	\$ 89,729,621
Timing Differences for Deposit & Electronic Vendor Payments			(4,503,504)
<b>Total Cash and Investments</b>			<b>\$ 539,248,823</b>

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
\$ 5,700,421	AAA	Aaa
5,115,500	AA+	Aaa
4,833,302	AA	A1
5,091,031	AA	Aa2
2,171,080	AA-	A1
4,091,354	A+	Aa3
7,309,840	A+	A1
2,026,200	A+	A2
6,438,011	A	A1
3,693,053	A	A2
2,818,501	A	A3
5,448,552	A-	A1
<b>\$ 54,736,845</b>		

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
\$ 1,591,152	AAA	Aaa
1,505,305	AAA	Not Rated
269,290	Not Rated	Aaa
<b>\$ 3,365,747</b>		

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

Amount	Standard & Poors	Moody's Investors Service
\$ 588,615	AAA	Aaa
93,498	AAA	Aa1
840,622	AA+	Aaa
675,827	AA	Aa2
1,661,868	AA	Aa3
2,855,539	AA-	Aa2
456,419	AA-	A1
<u>\$ 7,172,388</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, 2023:

Issuer	Investment Type	Reported Amount	Percent of Portfolio
Fannie Mae (FNMA)	Federal agency securities	\$28,961,065	6.36%

### 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, 2023:

<b>Investments Held by City</b>	<b>Fair Value Measurements Using</b>	
	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	\$ 238,486,710	\$ -
US Agencies	28,374,891	28,374,891
REMICS and Other Government Paydowns	2,801,972	2,801,972
Foreign Government Bonds	17,754,936	17,754,936
Commercial Paper	30,952,660	30,952,660
Corporate Bonds and Notes	54,736,845	54,736,845
Corporate Paydown Securities	3,365,747	3,365,747
Municipal Bonds	7,172,388	7,172,388
Total Investments by Fair Value Level	<u>\$ 383,646,149</u>	<u>\$ 145,159,439</u>
Investments Not Subject to Fair Value Hierarchy		
CAMP	47,969,833	
Short-Term Fixed Deposits	800,994	
Total Investments Held by City	<u>\$ 432,416,976</u>	
<b>Investments Held by Fiscal Agents</b>		
Investments Not Subject to Fair Value Hierarchy		
Money Market Funds	\$ 7,705,529	
CAMP	9,801,635	
PARS – OPEB	1,481,519	
PARS – Pension	2,617,047	
Total Investments Held by Fiscal Agents	<u>21,605,730</u>	
<b>Grand Total of Investments</b>	<u>\$ 454,022,706</u>	

## B. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 included the restatement of beginning balance of the capital asset notes as a result of the implementation of GASB 96 – SBITAS and was as follows:

	<u>Beginning Balance</u>			
	<u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated and amortized:				
Land	\$ 33,774,611	\$ 1,230,735	\$ (10,000)	\$ 34,995,346
Construction in progress	170,696,297	27,600,769	(16,516,070)	181,780,996
Total capital assets, not being depreciated and amortized:	<u>204,470,908</u>	<u>28,831,504</u>	<u>(16,526,070)</u>	<u>216,776,342</u>
Capital assets being depreciated:				
Buildings	57,003,366	-	(2,085)	57,001,281
Improvements other than buildings	132,978,629	9,992,018	(30,082)	142,940,565
Furnishings & equipment	15,842,640	212,805	(72,701)	15,982,744
Buses and fareboxes	278,852	-	-	278,852
Service animals	53,726	11,326	-	65,052
Intangible assets	7,974,303	-	-	7,974,303
Equipment pool	48,865,570	4,116,295	(2,220,582)	50,761,283
Infrastructure				
Streets	518,406,717	3,803,957	-	522,210,674
Signals	25,329,952	-	-	25,329,952
Bridges	37,078,565	-	-	37,078,565
Pipeline	418,147	-	-	418,147
Capital assets being amortized:				
SBITA	2,372,661	-	-	2,372,661
Right-to-use Leases				
Buildings	662,695	-	(1)	662,694
Equipment	17,287	-	-	17,287
Land	224,950	-	-	224,950
Total capital assets, being depreciated and amortized:	<u>847,508,060</u>	<u>18,136,401</u>	<u>(2,325,451)</u>	<u>863,319,010</u>
Less accumulated depreciation for:				
Buildings	(35,097,277)	(1,641,984)	2,085	(36,737,176)
Improvements	(79,891,653)	(5,193,023)	30,081	(85,054,595)
Furnishings & equipment	(12,872,856)	(659,968)	67,445	(13,465,379)
Buses and fareboxes	(253,749)	-	-	(253,749)
Service animals	(28,970)	(8,647)	-	(37,617)
Intangible assets	(6,387,595)	(408,158)	-	(6,795,753)
Equipment pool	(32,741,114)	(3,365,856)	2,171,330	(33,935,640)
Infrastructure				
Streets	(358,189,295)	(10,413,760)	-	(368,603,055)
Signals	(19,355,027)	(488,713)	-	(19,843,740)
Bridges	(11,173,445)	(741,571)	-	(11,915,016)
Pipelines	(12,303)	(5,575)	-	(17,878)
Less accumulated amortization for:				
SBITA	-	(630,038)	-	(630,038)
Right-to-use Leases				
Buildings	(147,633)	(147,633)	-	(295,266)
Equipment	(8,643)	(8,643)	-	(17,286)
Land	(82,320)	(75,731)	-	(158,051)
Total accumulated depreciation and amortization	<u>(556,241,880)</u>	<u>(23,789,300)</u>	<u>2,270,941</u>	<u>(577,760,239)</u>
Total capital assets being depreciated and amortized, net	<u>291,266,180</u>	<u>(5,652,899)</u>	<u>(54,510)</u>	<u>285,558,771</u>
Governmental activities capital assets, net	<u>\$ 495,737,088</u>	<u>\$ 23,178,605</u>	<u>\$ (16,580,580)</u>	<u>\$ 502,335,113</u>

Depreciation and amortization expenses were charged to functions/programs as follows:

Governmental activities:

General government	\$	551,638
Community development		957,656
Highways and streets		12,173,166
Public works		273,095
Parks and recreation		543,280
Public safety		4,971,323
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>4,319,142</u>
Total depreciation and amortization expense – Governmental activities	<u>\$</u>	<u>23,789,300</u>

	<u>Beginning Balance Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated and amortized:				
Land	\$ 30,452,365	\$ 194,804	\$ -	\$ 30,647,169
Construction in progress	58,491,351	35,079,773	(28,319,890)	65,251,234
Total capital assets, not being depreciated and amortized:	<u>88,943,716</u>	<u>35,274,577</u>	<u>(28,319,890)</u>	<u>95,898,403</u>
Capital assets being depreciated:				
Capitalized interest	19,496,181	-	-	19,496,181
Buildings	95,784,336	-	(10,804)	95,773,532
Improvements other than buildings	484,193,770	18,069,746	(670,477)	501,593,039
Furnishings and equipment	13,032,934	198,602	(465,902)	12,765,634
Intangible assets	403,384	-	-	403,384
Water rights	358,226,691	-	-	358,226,691
Pipelines	333,106,081	7,687,490	-	340,793,571
Capital assets being amortized:				
SBITA	204,627	-	-	204,627
Right-to-use Leases				
Land	631,838	-	-	631,838
Total capital assets, being depreciated and amortized:	<u>1,305,079,842</u>	<u>25,955,838</u>	<u>(1,147,183)</u>	<u>1,329,888,497</u>
Less accumulated depreciation for:				
Capitalized interest	(15,021,515)	(504,786)	-	(15,526,301)
Buildings	(64,929,793)	(1,737,768)	9,724	(66,657,837)
Improvements other than buildings	(241,101,751)	(18,094,820)	651,383	(258,545,188)
Furnishings and equipment	(9,948,193)	(658,627)	407,138	(10,199,682)
Intangible assets	(403,381)	-	-	(403,381)
Water rights	(143,290,679)	(11,940,890)	-	(155,231,569)
Pipelines	(56,963,499)	(4,449,422)	-	(61,412,921)
Less accumulated amortization for:				
SBITA	-	(9,776)	-	(9,776)
Right-to-use Leases				
Land	(180,525)	(180,524)	-	(361,049)
Total accumulated depreciation and amortization	<u>(531,839,336)</u>	<u>(37,576,613)</u>	<u>1,068,245</u>	<u>(568,347,704)</u>
Total capital assets being depreciated and amortized, net	<u>773,240,506</u>	<u>(11,620,775)</u>	<u>(78,938)</u>	<u>761,540,793</u>
Business-type activities capital assets, net	<u>\$ 862,184,222</u>	<u>\$ 23,653,802</u>	<u>\$ (28,398,828)</u>	<u>\$ 857,439,196</u>

Business-type activities:

Water	\$ 21,173,647
Sewer	14,692,884
Parking	385,570
Storm drain	439,863
Compost	60,954
Airport	729,074
Golf	36,859
Community center	<u>57,762</u>
Total depreciation and amortization expense – Business-type activities	<u><u>\$ 37,576,613</u></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 or Debt Book.

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 \$23,142,482 was composed of the following:

Governmental Activities

Building leases - annual payments totaling \$72,400 plus interest at 1.5% and annual increases in base payments per CPI. Final payment dates range from 2023 through 2027.	\$ 289,781
Land use leases (including land use for cell towers) - annual payments totaling \$320,105 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.	<u>7,877,438</u>
Total Principal Balances - Governmental Activities	<u><u>\$ 8,167,219</u></u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 271,688	\$ 120,817
2025	285,683	116,662
2026	291,372	112,281
2027	277,491	108,052
2028	233,277	103,902
2029 - 2033	1,224,062	466,143
2034 - 2038	1,300,854	372,140
2039 - 2043	1,506,034	266,269

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2044 - 2048	\$ 1,094,336	\$ 163,045
2049 - 2053	870,456	93,043
2054 - 2058	453,486	44,037
2059 - 2063	350,811	10,000
2064	7,669	63
Total	<u>\$ 8,167,219</u>	<u>\$ 1,976,454</u>

### Business-Type Activities

Buildings, hangers and office space leases - annual payments totaling \$584,270 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. \$ 3,064,128

Land use leases (including land use for cell towers) - annual payments totaling \$205,640 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. 6,996,869

Parking spaces lease - annual payments totaling \$200,880 plus interest at a rate of 1.5% and annual increases in base payments per CPI or flat increase. Final payment date is 2053 4,914,266

Total Principal Balances – Business-Type Activities \$ 14,975,263

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

Year Ending June 30,	Business Type Activities	
	Principal	Interest
2024	\$ 771,274	\$ 219,516
2025	566,669	208,347
2026	324,210	202,286
2027	327,678	197,397
2028	307,559	192,661
2029 - 2033	1,692,233	889,987
2034 - 2038	1,816,961	758,692
2039 - 2043	2,141,760	610,825
2044 - 2048	2,233,427	443,635
2049 - 2053	2,306,674	276,625
2054 - 2058	1,352,149	133,919
2059 - 2063	1,065,655	36,527
2064	69,013	565
Total	<u>\$ 14,975,263</u>	<u>\$ 4,170,983</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, 2023, 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.

\$ 290,830

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.

\$ 25,424,053

Total Principal Balances – Business-Type Activities

\$ 25,714,883

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
2024	\$ -	\$ -	\$ 927,116	\$ 261,334
2025	500,000	-	936,830	251,620
2026	-	-	946,653	241,798
2027	-	-	956,584	231,865
2028	-	-	966,628	221,823
2029-2033	-	-	4,951,258	954,710
2034-2038	-	-	5,059,500	701,309
2039-2043	-	-	5,317,585	443,223
2044-2048	-	-	5,652,729	171,971
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 25,714,883</u>	<u>\$ 3,479,653</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.

\$ 480,000

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 with BMO Bank N.A., dated June 8, 2023 (the "Alternate Liquidity Facility"). The Alternate 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 Alternate Liquidity Facility, the Alternate Liquidity Facility Provider is to provide funds for the payment of the purchase price on each purchase of 2008 COPS up to \$42,390,000 in principal amount (the "Available Principal Commitment") and \$487,776 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 Alternate 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 Alternate Liquidity Facility will be repaid under the terms of the Reimbursement Agreement. 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 Alternate Liquidity Facility expires June 8, 2026 and contains a commitment fee of 0.3%. This replaced a prior agreement with JP Morgan that contained 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 2.719% for the fiscal year ending June 30, 2023.

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.

	<u>\$ 42,390,000</u>
Total Principal Balances – Business-Type Activities	42,870,000
Less:	
Unamortized Bond Discount – 2008 Water Refunding Certificates of Participation	<u>(71,466)</u>
Total Business-Type Activities – Certificates of Participation	<u>\$ 42,798,534</u>

The City has pledged all Gross Revenues of the Water Utility System to repay the 2008 Certificates of Participation. The City has pledged future Golf Enterprise Fund revenues (net proceeds of the Certificates held in Escrow Fund and certain other moneys held under the Trust Agreement relating to the Golf Course Certificates) to pay the 1993 Certificates of Participation for the Golf Course Refinancing project. The Water and Golf Funds combined total principal and estimated total interest remaining to be paid on the certificates is \$50,263,396. 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 \$11,277,573, and net operating revenues of the Fund were \$34,517,748, which represented coverage of 306%. The Golf Fund's principal and interest paid on certificates totaled \$494,120, and net operating revenues of the Fund were \$495,006, which represented coverage of 100.18%.

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

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2024	\$ 2,780,000	\$ 983,036
2025	2,410,000	899,755
2026	2,515,000	841,275
2027	2,595,000	780,766
2028	2,705,000	719,773
2029-2033	15,290,000	2,551,345
2034-2037	14,575,000	617,446
Total	<u>\$ 42,870,000</u>	<u>\$ 7,393,396</u>

Lease Revenue Bonds:

Governmental Activities:

Regularly scheduled payments of principal and interest are supported by an irrevocable, direct pay Letter of Credit (the "Credit Facility") issued by BMO Bank N.A. (previously known as 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 with Bank of the West was established with a commitment fee of 0.375%, this was extended on May 12, 2023 (now as BMO Bank N.A) with a commitment fee of 0.34%.

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 3.201% for the fiscal year ending June 30, 2023.

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.

\$ 41,770,000

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 2,785,000	\$ 625,367
2025	2,990,000	547,543
2026	3,240,000	499,580
2027	3,470,000	448,116
2028	3,730,000	393,879
2029-2033	20,810,000	1,060,578
2034	4,745,000	12,090
Total	\$ 41,770,000	\$ 3,587,153

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.

\$ 83,505,000

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.

1,774,562

Total Principal Balances – Business-Type Activities	\$ 96,619,562
Add: Unamortized Bond Premium – 2018A Wastewater Bonds	1,521,810
Unamortized Bond Premium – 2020B Wastewater Bonds	<u>6,181,798</u>
Total Business-Type Activities Revenue Bonds	<u><u>\$ 104,323,170</u></u>

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
2024	\$ 876,795	\$ 32,335
2025	897,767	10,862
Total	<u>\$ 1,774,562</u>	<u>\$ 43,197</u>

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

Year Ending	Business-Type Activities	
	June 30,	
	Principal	Interest
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	6,570,000	2,411,436
2029-2033	37,850,000	7,062,999
2034-2037	<u>26,915,000</u>	<u>1,268,138</u>
Total	<u>\$ 96,619,562</u>	<u>\$ 21,828,871</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.

\$ 673,000

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 328,000	\$ 14,424
2025	345,000	4,916
Total	\$ 673,000	\$ 19,340

### 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, 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, 2023, the 2013 G Bonds are fully repaid and \$93,190,000 is outstanding for the 2007 F Bonds. 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 City has entered into interest-rate swap agreements for the 2007F bonds to synthetically fix the rates that the City pays at 4.378% 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
2024	\$ 4,275,000	\$ 3,799,241
2025	4,455,000	3,604,896
2026	4,650,000	3,417,717
2027	4,885,000	3,216,133
2028	5,105,000	3,009,245
2029-2033	29,250,000	11,467,839
2034-2038	40,570,000	4,327,884
Total	<u>\$ 93,190,000</u>	<u>\$ 32,842,955</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 the City’s 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 2023, the City did not have any collateral posted.

Terms – The terms, including the counterparty credit rating of the outstanding swaps, as of June 30, 2023 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.

	2008 Water Refunding Revenue COPs	2008 Lease Revenue Refunding and Capital Improvement Bonds	2007 MID Domestic Water Revenue Bonds Series 2007F	2007 MID Domestic Water Revenue Bonds Series 2007F
<u>Current Notional Amount</u>	\$ 42,390,000	\$ 41,770,000	\$ 23,370,000	\$ 69,820,000
<u>Effective Date</u>	5/30/2008	8/28/2008	6/26/2007	6/26/2007

	2008 Water Refunding Revenue COPs	2008 Lease Revenue Refunding and Capital Improvement Bonds	2007 MID Domestic Water Revenue Bonds Series 2007F	2007 MID Domestic Water Revenue Bonds Series 2007F
<u>Counterparty</u>	Bank of America	Bank of America	JP Morgan Chase Bank	JP Morgan Chase Bank
<u>Credit Rating (S&amp;P)</u>	A+	A+	A+	A+
<u>Fixed Rate Paid</u>	3.47%	3.61%	4.38%	4.44%
<u>Variable Rate Received</u>	63.7% of (30-Day Average SOFR + 0.11448%) + 0.154%	63.7% of (30-Day Average SOFR + 0.11448%) + 0.154%	67% of 3-Month LIBOR + 0.58% till 9/1/23, then 67% of 3-Month CME Term SOFR + 0.683%	67% of 3-Month LIBOR + 0.63% till 9/1/23, then 67% of 3-Month CME Term SOFR + 0.7335%
<u>Termination Date</u>	10/1/2036	9/1/2033	9/1/2027	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, 2023, the fair value of the swaps was in favor of the counterparty as shown in the following table:

Bond Issue	Fair Value
2008 Water Refunding Rev. Certificates of Participation	\$ (2,511,323)
2008 Lease Revenue Bonds	\$ (2,081,033)
2007 MID Domestic Water Revenue Bonds	\$ (9,366,422)

Credit risk - As of June 30, 2023, 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, 2023, 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		
2024	\$ 9,360,000	\$ 5,395,645	\$ 484,806	\$ 15,240,451
2025	9,855,000	5,052,194	463,202	15,370,396
2026	10,405,000	4,758,572	429,456	15,593,028
2027	10,950,000	4,445,016	403,359	15,798,375
2028	11,540,000	4,122,897	374,662	16,037,559
2029-2033	65,350,000	15,079,763	1,421,358	81,851,121
2034-2038	59,890,000	4,957,420	722,315	65,569,735
Total	\$ 177,350,000	\$ 43,811,507	\$ 4,299,158	\$225,460,665

#### Changes in Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2023, 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	44,355,000	-	(2,585,000)	41,770,000	2,785,000
Notes Payable	985,000	-	(312,000)	673,000	328,000
Leases Payable	672,053	-	(229,241)	442,812	189,885
Finance Purchase Obligations	7,349,423	-	(774,123)	6,575,300	788,154
SBITAs	-	2,212,562	(517,060)	1,695,502	804,755
Total Governmental Activities	\$ 53,861,476	\$ 2,212,562	\$ (4,417,424)	\$ 51,656,614	\$ 4,895,794
<u>Business-Type Activities:</u>					
Loans Payable	\$ 26,632,391	\$ -	\$ (917,508)	\$ 25,714,883	\$ 927,116
Certificates of Participation	43,780,000	-	(910,000)	42,870,000	2,780,000
Unamortized Discount	(76,963)	-	5,497	(71,466)	-
Leases Payable	457,085	-	(181,794)	275,291	183,178
Finance Purchase Obligations	3,350	-	(2,349)	1,001	1,001
SBITAs	-	204,632	(38,830)	165,802	36,940
MID Bonds	98,985,000	-	(5,795,000)	93,190,000	4,275,000
Unamortized Premium	570,726	-	(570,726)	-	-
Sewer Bonds	100,260,000	-	(5,415,000)	94,845,000	5,440,000
Unamortized Premium	8,655,280	-	(951,673)	7,703,607	-
Sewer Bonds – Direct Placement	4,483,201	-	(2,708,639)	1,774,562	876,795
Developer Advances	699,342	-	(116,389)	582,953	88,330
Total Business-Type Activities	\$ 284,449,412	\$ 204,632	\$ (17,602,411)	\$ 267,051,633	\$ 14,608,360

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. In fiscal year 2023 the City adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). Existing leases in effect July 1, 2022, 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, 2023, was as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 9,560,977	\$ 11,163,104	\$ 11,244,981	\$ 9,479,101	\$ 851,608
Claims Liability	26,858,298	11,224,099	11,043,483	27,038,914	6,660,398
Total Governmental Activities	\$ 36,419,275	\$ 22,387,203	\$ 22,288,464	\$ 36,518,015	\$ 7,512,006
Business-Type Activities:					
Compensated Absences	\$ 2,401,096	\$ 3,977,482	\$ 3,938,526	\$ 2,440,052	\$ 219,216
Total Business-Type Activities	\$ 2,401,096	\$ 3,977,482	\$ 3,938,526	\$ 2,440,052	\$ 219,216

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, 2023, 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 \$3,215,916. The other with Turf Tank for the purchase of one Autonomous Robot valued at \$39,204, less accumulated depreciation of \$14,921.

The following is a schedule of the future minimum lease payments, as of June 30, 2023:

Year Ending June 30,	Amount
2024	\$ 952,375
2025	952,375
2026	945,376
2027	945,376
2028	1,301,045
2029-2032	2,211,722
Total minimum payments	7,308,269
Less: amount representing interest	(732,969)
Present value of minimum payments	\$ 6,575,300

Business-Type Activities

As of June 30, 2023, 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 \$3,252.

The following is a schedule of the future minimum payments, as of June 30, 2023:

Year Ending June 30,	Amount
2024	\$ 1,009
Total minimum payments	1,009
Less: amount representing interest	(8)
Present value of minimum payments	<u>\$ 1,001</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 or Debt Book.

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 \$ 718,103 was composed of the following:

Governmental Activities

Buildings and office space leases - annual payments totaling \$147,980 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. \$ 376,423

Land leases - annual payments totaling \$41,905 plus interest at 0.9% and annual increases in base payments per CPI. Final payment date is 2025. 66,389

Total Principal Balances - Governmental Activities \$ 442,812

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

Year Ending June 30,	<u>Governmental Activities</u>	
	Principal	Interest
2024	\$ 189,885	\$ 2,270
2025	175,996	1,207
2026	76,931	289
Total	<u>\$ 442,812</u>	<u>\$ 3,766</u>

Business-Type Activities

Land leases - annual payments totaling \$183,179 plus interest at 0.9% and annual increases in base payments per CPI or flat increase. Final payment dates are all in 2025. \$ 275,291

Total Principal Balances – Business-Type Activities

\$ 275,291

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

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2024	\$ 183,178	\$ 1,453
2025	92,113	204
Total	<u>\$ 275,291</u>	<u>\$ 1,657</u>

#### H. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

As of June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

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 Debt Book.

The City's subscription liability of \$1,861,304 was composed of the following:

##### Governmental Activities

Annual payments range from \$60,067 to \$842,610 with interest at rates ranging from of 2.02% - 2.68% and increases based on CPI or flat dollar increases. The value of the right to use assets is \$1,742,623 net of 2,372,661 with accumulated amortization of \$630,038. Final payment dates range from 2024 through 2027.

\$ 1,695,502

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 804,755	\$ 37,855
2025	704,211	20,220
2026	128,015	4,600
2027	58,521	1,546
Total	<u>\$ 1,695,502</u>	<u>\$ 64,221</u>

##### Business-Type Activities

Annual payments range from \$40,770 to \$47,200 with interest at rates ranging from of 2.02% - 2.68% and increases based on CPI or flat dollar increases. The value of the right to use assets is \$194,851 net of 204,627 with accumulated amortization of \$9,776. Final payment dates range from 2023 through 2027.

\$ 165,802

Year Ending June 30,	Business-Type Activities	
	Principal	Interest
2024	\$ 36,940	\$ 3,830
2025	39,834	2,977
2026	42,894	2,057
2027	46,134	1,066
Total	<u>\$ 165,802</u>	<u>\$ 9,930</u>

## I. 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, 2023, the total outstanding balance due under the agreements is \$582,953. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 2023, the amount of \$88,330 due during fiscal year 2024 has been reported as "current portion-developer advances" on the Water Enterprise Fund statement of net position. The remaining \$494,623 of outstanding principal has been reported under noncurrent liabilities, as "developer advances."

## J. INTERFUND BALANCES

Interfund balances as of June 30, 2023 consist of the following:

Due to General Fund:	
Capital Grants Funds	\$14,486,374
Other governmental funds	155,438
Total Due to General Fund	<u>14,641,812</u>
Due to Water Fund:	
Internal Service funds	<u>1,467,637</u>
Total Due to/Due From:	<u><u>\$16,109,449</u></u>

All balances reported as "due to/due from" are short-term loans to cover temporary fund cash shortages as of June 30, 2023 and were repaid early in fiscal year 2024.

Advances from General Fund to:	
Other governmental funds	\$ 658,634
Other enterprise funds	1,324,704
Advances from General Fund	<u>1,983,338</u>
Advances from Water Fund to other enterprise funds	<u>3,100,000</u>
Advances from Sewer Fund to:	
General Fund	330,973
Other governmental funds	181,618
Other enterprise funds	684,000
Advances from Sewer Fund	<u>1,196,591</u>
Advances from other enterprise funds to other governmental funds	<u>105,761</u>
Total Advances from/Advances to	<u><u>\$ 6,385,690</u></u>

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.

## K. FUND BALANCE

Detailed classifications of the City's Fund Balances, as of June 30, 2023, are provided below:

	General Fund	Operating Grants	Housing and Community Development	Capital Grants	Other Governmental	Total Governmental Funds
<b>Nonspendable</b>						
Advances to other funds	\$ 1,983,338	\$ -	\$ -	\$ -	\$ -	\$ 1,983,338
Prepaid Items	108,753	3,949	2,775	-	21,104	136,581
<b>Total Nonspendable Fund Balance</b>	<b>2,092,091</b>	<b>3,949</b>	<b>2,775</b>	<b>-</b>	<b>21,104</b>	<b>2,119,919</b>
<b>Restricted</b>						
Capital Facility Fees	-	-	-	-	46,733,934	46,733,934
Cash with Fiscal Agent	4,098,565	733,784	-	2,223,199	5,210,527	12,266,075
Community Facilities District	-	-	-	-	23,038,505	23,038,505
Grants and Donations	-	3,997,660	-	-	5,542,567	9,540,227
Notes Receivable	-	-	33,768,688	-	33,580	33,802,268
Deposits	4,387,496	-	-	-	-	4,387,496
Traffic Fines	-	-	-	-	3,671,213	3,671,213
<b>Total Restricted Fund Balance</b>	<b>8,486,061</b>	<b>4,731,444</b>	<b>33,768,688</b>	<b>2,223,199</b>	<b>84,230,326</b>	<b>133,439,718</b>
<b>Committed</b>						
General Fund Set-Aside	18,397,817	-	-	-	-	18,397,817
<b>Total Committed Fund Balance</b>	<b>18,397,817</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,397,817</b>
<b>Assigned</b>						
Encumbrances - Vendor Contracts	1,149,259	-	-	-	-	1,149,259
Downtown Improvement District	-	-	-	-	1,676	1,676
Successor Redevelopment Housing Agency	-	-	-	-	942,695	942,695
Transportation Tax Funding	-	-	-	-	49,198,117	49,198,117
Strategic Planning and Development	-	-	-	-	2,284,205	2,284,205
<b>Total Assigned Fund Balance</b>	<b>1,149,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,426,693</b>	<b>53,575,952</b>
<b>Unassigned - General Fund</b>	<b>23,445,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,445,340</b>
Unassigned - Special Revenue Funds	-	(3,949)	-	-	(20,983)	(24,932)
Unassigned - Capital Project Funds	-	-	-	(6,974,406)	-	(6,974,406)
Unassigned - Debt Service Funds	-	-	-	-	(73,516)	(73,516)
<b>Total Unassigned Fund Balance</b>	<b>23,445,340</b>	<b>(3,949)</b>	<b>-</b>	<b>(6,974,406)</b>	<b>(94,499)</b>	<b>16,372,486</b>
<b>Total Fund Balance</b>	<b>\$ 53,570,568</b>	<b>\$ 4,731,444</b>	<b>\$ 33,771,463</b>	<b>\$ (4,751,207)</b>	<b>\$ 136,583,624</b>	<b>\$ 223,905,892</b>

## L. DEFICIT FUND EQUITY

The Capital Grants Fund has a fund balance deficit of \$4,751,207, which will be recovered through future grant revenues and local matches covered through the General Fund or other City funds.

The Central Services Fund has a net position deficit of \$494,023, which will be recovered through future overhead charges.

The Employee Benefits Management Fund has a net position deficit of \$11,975,925. 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 \$5,869,426 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.

The Compost Fund has a net position deficit of \$3,886,142, 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.

## M. INTERFUND TRANSFERS

The following is a schedule of interfund transfers.

Transfers (in) to:	Transfers from (out):									Total
	General Fund	Operating Grants	Housing and Urban Development	Capital Grants	Other Governmental	Water	Sewer	Other Enterprise Funds	Internal Service	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 719,938	\$ 65,000	\$ 68,640	\$ -	\$ -	\$ 853,578
Capital Grants	-	-	348,556	-	1,182,985	-	-	-	-	1,531,541
Operating Grants	561,250	-	302,483	-	-	-	-	138,443	141,388	1,143,564
Other Governmental	5,117,405	203,872	-	1,408,966	7,149,193	-	-	-	-	13,879,436
Water	-	-	-	-	-	-	-	50,964	-	50,964
Sewer	-	-	-	-	3,723	4,657,019	-	9,839	-	4,670,581
Other Enterprise	1,792,337	-	-	-	2,173	700,000	-	-	-	2,494,510
Internal Service	117	-	-	-	336,523	629,397	264,154	698,843	32,916	1,961,950
<b>Grand Total</b>	<b>\$ 7,471,109</b>	<b>\$ 203,872</b>	<b>\$ 651,039</b>	<b>\$ 1,408,966</b>	<b>\$ 9,394,535</b>	<b>\$ 6,051,416</b>	<b>\$ 332,794</b>	<b>\$ 898,089</b>	<b>\$ 174,304</b>	<b>\$ 26,586,124</b>

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

## N. 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, 2023, one of the obligations under the Successor Agency trust is associated with the 10<sup>th</sup> 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, 2023 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.

\$ 12,113,300

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 807,650	\$ 181,356	\$ 989,006
2025	867,100	158,788	1,025,888
2026	939,600	144,878	1,084,478
2027	1,006,300	129,954	1,136,254
2028	1,081,700	114,225	1,195,925
2029-2033	6,034,900	307,568	6,342,468
2034	1,376,050	3,506	1,379,556
Total	<u>\$ 12,113,300</u>	<u>\$ 1,040,275</u>	<u>\$ 13,153,575</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, 2023, are as follows:

Year Ending June 30,	Principal	Total
2024	\$ -	\$ -
2025	-	-
2026	405,000	405,000
Total	<u>\$ 405,000</u>	<u>\$ 405,000</u>

As of June 30, 2023, 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. \$ 1,610,000

Future debt service requirements to maturity for the Certificates of Participation, as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,610,000	\$ 40,250	\$ 1,650,250
Total	\$ 1,610,000	\$ 40,250	\$ 1,650,250

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.

**O. NOTES AND LOANS RECEIVABLE**

The notes receivable in the Housing and Community Development Fund and Other Governmental Funds of \$57,587,344 net of \$84,883 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.

**P. APPROVED LOANS PAYABLE**

The approved loans payable in the Housing and Community Development Special Revenue Fund in the amount of \$627,564 consists of amounts being held for housing projects using funds provided by federal grants and state grants.

**Q. 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, 2023, the City reported a pollution remediation liability from the Water and Sewer funds in the amount of \$3,855,856 and \$6,541,398, 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, 2023, the City reported a pollution remediation liability from Carpenter Road Landfill Fund in the amount of \$241,461. Staff is hiring HDR Engineering to complete the required reporting and complete the construction that is required by CVRWQCB. Work is planned to be started by the end of 2023.

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 Solid Waste rates to collect around \$1,100,000 annually. As of June 30, 2023, the City reported a pollution remediation liability from the Geer Road Landfill Mitigation Costs Fund in the amount of \$865,277.

## **R. 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 consumption and acquisition of net assets that are 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 \$6,596,138, \$27,681,767, \$28,880,239 \$11,169,068, and \$2,841,980 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-D) 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, 2023 is \$27,038,914 consisting of \$18,792,277 workers' compensation, \$7,991,263 general liability, \$214,001 dental, and \$41,373 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 \$22,118,971 and \$8,459,163 respectively. The actuarial liability for workers' compensation and general liability were based on 2023 actuarial reports.

The current portion of the total liability claims, is estimated to be \$6,660,398 and the balance of \$20,378,516 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, 2023 were:

	Claims Liability July 1	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Claims liability June 30
2021-22	\$ 28,752,857	\$ 6,751,885	\$ (8,646,444)	\$ 26,858,298
2022-23	26,858,298	11,222,656	(11,042,040)	27,038,914

#### 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, 2023, the balance of these districts' outstanding debt was as follows:

Debt Issued	Outstanding Amount
Village One #2 Community Facilities District	\$ 23,485,000
Fairview Village Community Facilities District	\$ 3,395,000

#### 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, 2023, there was one series of conduit revenue bonds outstanding. The aggregate principal amount payable for these multiple-family housing bond issues, issued in 2002, was \$2,800,000.

#### 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 \$26,803,093 for the City's governmental funds as of June 30, 2023 for contracts awarded but not completed and other outstanding purchase requisitions and orders. This amount consists of \$1,149,259 in the General Fund, \$562,635 in the Operating Grants Fund, \$44,849 in the Housing and Community Development, and \$861,542 in the Capital Grants Fund, and \$24,184,808 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, 2023, there are major contracts for Briggsmore Avenue Payment Rehabilitation, McHenry Avenue to Oakdale Avenue (United Pavement Maintenance \$4,046,713) and Fleet Management (VAC-ON INC. \$1,308,860 and Towne Ford Sales \$667,062).

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 completed a review of the report into the additional waste during calendar year 2022 and asked the City to remove the waste. On September 12, 2023, with Resolution number 2023-412, Council approved the City to hire HDR engineering to complete all the required work by the state. HDR will be starting their work on November 8, 2023.

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. HDR Engineers completed the feasibility study and it was approved by the Council on October 24, 2023. Staff is working on reaching out to engineering firms to start conducting the work.

#### 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 \$260,670 for the fiscal year ended June 30, 2023. As of June 30, 2023, the City's investment in this joint venture was \$1,336,986, 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, 2023, the City's payments to the Agency were \$1,305,736 for operations and capital reserve. The City's equity interest in the Agency is \$5,071,773, 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, 2023, 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.

On August 23, 2016, the City of Modesto City Council and County of Stanislaus Board of Supervisors approved to amend section 6.1 of the JPA agreement, allowing for any member of the JPA to terminate the agreement by providing a written notice of intent to terminate to the Commission and all members at least twenty-four (24) months in advance of the desired termination date. On October 12, 2021, Modesto City Council authorized the City Manager to provide the Consolidated Emergency Dispatch Agency Commission with a written notice of intent to terminate the Joint Exercise of Powers Agreement between the City of Modesto and the County of Stanislaus for Emergency Dispatch Services effective January 1, 2024. The City and County are currently evaluating the best options for the dissolution of the Consolidated Emergency Dispatch Agency.

### 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, 2023, 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 \$151 in 2023, and \$157 in 2024.

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.

#### II. Employees Covered

As of June 30, 2022, actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

Active employees	417
Inactive employees	340
Inactive plan members entitled to but not receiving benefits	<u>65</u>
Total	<u>822</u>

#### 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, 2023, the City's cash contributions were \$2,487,735 in payments made by the employer and no estimated subsidy was determined.

The liability for all OPEB activities is primarily liquidated from the Employee Benefits Fund.

#### IV. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2022, based on the following actuarial methods and assumptions:

<b>Actuarial Assumptions:</b>	
Discount Rate	5.45% at June 30, 2022. 2.16% at June 30, 2021 (Bond Buyer 20-Bond Index)
General Inflation	2.5% annually
Salary Increases	3%
Medical Trend	Average actual increase for 2024, 6.2% in 2025, decreasing to 3.9% by 2075
Mortality, Retirement, Disability, Termination	CalPERS 2021 Experience Study
Mortality Improvement	MacLeod Watts Scale 2022 applied generationally from 2017

#### V. Discount Rate

The discount rate used to measure the total OPEB liability was 5.45 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 fiduciary 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 Net OPEB Liability

The change in the Net OPEB Liability is as follows:

	<b>Total Net OPEB Liability</b>
Balance at June 30, 2022 (Measurement Date June 30, 2021)	\$ 29,551,870
Changes recognized for the measurement period:	
Service cost	1,244,957
Interest	635,756
Changes of Assumptions	(7,477,125)
Change Due to Plan Experience	(902,717)
Contributions to Section 115 Trust	(1,387,315)
Benefit Payments	(2,727,324)
<b>Net Changes</b>	<b>(10,613,768)</b>
Balance at June 30, 2023 (Measurement Date June 30, 2022)	\$ 18,938,102

#### 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 5.45 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 (4.45 percent) or 1 percentage-point higher (6.45 percent) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>4.45%</b>	<b>5.45%</b>	<b>6.45%</b>
Net OPEB Liability	\$ 20,443,509	\$ 18,938,102	\$ 17,623,573

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, 2022:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 17,922,880	\$ 18,938,102	\$ 20,176,984

IX. 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, 2021), the OPEB liability was \$29,551,870.

For the measurement period ended June 30, 2022 (the measurement date), the City incurred an OPEB expense of \$1,144,595.

Components of OPEB Expense	
Service cost	\$ 1,244,957
Interest	635,756
Expensed portion of current-period changes of assumptions or other inputs	(736,118)
OPEB Expense	\$ 1,144,595

As of June 30, 2023, the City has deferred outflows and deferred inflows of resources related to the Net OPEB liability as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement period	\$ 2,487,735	\$ -
Changes of assumptions or other inputs	1,847,022	(6,615,607)
Difference between actual and expected experience	767,035	(855,901)
Net difference between projected and actual earnings on investments	23,943	-
Total	\$ 5,125,735	\$ (7,471,508)

The amounts above are net of outflows and inflows recognized in the 2021-2022 measurement period expense. The amounts above are net of outflows and inflows recognized expense in the 2021-2022 measurement period. 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, 2024.

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
2024	\$ (466,979)
2025	(214,343)
2026	(889,165)
2027	(1,260,534)
2028	(1,275,471)
Thereafter	\$ (727,016)

X. Payable to the OPEB Plan

At June 30, 2023, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

## G. PENSION PLANS

### I. Plan Description

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](http://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.

### II. 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, 2023 are summarized as follows:

#### Miscellaneous Plan:

	<b>Prior to January 17, 2012</b>	<b>January 17, 2012 to December 31, 2012</b>	<b>On or after January 1, 2013</b>
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:

	<b>Prior to September 11, 2012</b>	<b>September 11, 2012 to December 31, 2012</b>	<b>On or after January 1, 2013</b>
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%

### III. 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, 2022 (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, 2023 was \$20.63 million for the Miscellaneous plan and \$32.3 million for the Safety plan. Employer contribution rates may change if plan contracts are amended.

The liability for all governmental activities is primarily liquidated from the general fund while the liability for business-type

activities is liquidated from the enterprise funds.

#### IV. 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, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures.

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

	<b>Miscellaneous and Safety Plans</b>
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.9%
Inflation	2.3%
Salary Increases	Varies by Entry Age and Service
Mortality <sup>(1)</sup>	Derived using CalPERS' membership data for all funds
	The lesser of contract COLA or 2.30% until Purchasing Power Protection
Post Retirement Benefit Increase	Allowance floor on purchasing power applies, 2.30% thereafter

<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

#### V. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The table below reflects long-term real rate of return by asset class as of the target allocation for the June 30, 2022 measurement date. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>Assumed asset allocation</b>	<b>Real return <sup>(1)</sup>, <sup>(2)</sup></b>
Global Equity - Cap-weighted	30.00 %	4.54 %
Global Equity - Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

<sup>(1)</sup> An expected inflation of 2.30% used for this period.

<sup>(2)</sup> Figures are based on the 2021 Asset Liability Management study.

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected

to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions were reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

## VI. 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, 2021 <sup>(1)</sup>	\$ 514,270,745	\$ 428,401,044	\$ 85,869,701
Changes Recognized for the Measurement Period:			
Service Cost	8,879,438	-	8,879,438
Interest on the Total Pension Liability	35,812,577	-	35,812,577
Changes of Assumptions	16,213,922	-	16,213,922
Differences between Expected and Actual Experience	(1,014,629)	-	(1,014,629)
Contributions - Employer	-	14,557,323	(14,557,323)
Contributions - Employees	-	3,811,839	(3,811,839)
Net Investment Income	-	(32,153,027)	32,153,027
Benefit Payments, including Refunds of Employee Contributions	(29,773,825)	(29,773,825)	-
Administrative Expense	-	(266,868)	266,868
Net Change during 2021-22	30,117,483	(43,824,558)	73,942,041
Balance at June 30, 2022 <sup>(1)</sup>	\$ 544,388,228	\$ 384,576,486	\$ 159,811,742

Safety Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021 <sup>(1)</sup>	\$ 680,374,643	\$ 516,440,628	\$ 163,934,015
Changes Recognized for the Measurement Period:			
Service Cost	11,971,941	-	11,971,941
Interest on the Total Pension Liability	47,646,679	-	47,646,679
Differences between Expected and Actual Experience	(3,225,026)	-	(3,225,026)
Changes of Assumptions	25,596,849	-	25,596,849
Contributions - Employer	-	25,211,361	(25,211,361)
Contributions - Employees	-	4,262,417	(4,262,417)
Net Investment Income	-	(39,469,852)	39,469,852
Benefit Payments, including Refunds of Employee Contributions	(36,401,697)	(36,401,697)	-
Administrative Expense	-	(321,712)	321,712
Net Change during 2021-22	45,588,746	(46,719,483)	92,308,229
Balance at June 30, 2022 <sup>(1)</sup>	\$ 725,963,389	\$ 469,721,145	\$ 256,242,244

<sup>(1)</sup> 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.

VII. 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 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

Miscellaneous Plan	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 229,477,193	\$ 159,811,742	\$ 102,112,130

Safety Plan	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 356,561,903	\$ 256,242,244	\$ 174,402,761

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

For the measurement period ended June 30, 2022 (the measurement date), the City incurred an aggregate pension expense of \$52,868,457.

As of June 30, 2022, 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
Changes of Assumptions	\$ 11,445,121	\$ -
Differences between Expected and Actual Experiences	797,099	(721,910)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	19,185,000	-
Contributions subsequent to the measurement date	16,375,360	-
Total	\$ 47,802,580	\$ (721,910)

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 18,860,836	\$ -
Differences between Expected and Actual Experiences	2,141,756	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	23,577,700	(2,376,335)
Contributions subsequent to the measurement date	26,595,272	-
Total	\$ 71,175,564	\$ (2,376,335)

The amounts above are net of outflows and inflows recognized expense in the 2021-2022 measurement period. 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, 2024.

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
2023	\$ 8,053,860	\$ 10,863,023
2024	7,383,584	10,074,855
2025	3,010,839	6,301,711
2026	12,257,027	14,964,368
Total	\$ 30,705,310	\$ 42,203,957

## IX. Payable to the Pension Plan

At June 30, 2023, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

### H. DEFERRED COMPENSATION

The City has established a deferred compensation plan for all employees. Participation in the plan is voluntary and the Memorandums of Understanding approved by the City Council are the authority for establishing or amending the plans' provisions. Generally, the amount of compensation subject to deferral until retirement, disability, or other termination by a participant may not exceed the legal limits set by the Internal Revenue Code. Amounts withheld by the City under this plan are deposited into a trust account on a pay period basis. Mission Square Retirement (Formerly ICMA-RC) in accordance with Internal Revenue Code Section 457(b) administers the Deferred Compensation Defined Contribution plans for the City.

The City is obligated to match a percentage of employee contributions based on their years of service as set out in the applicable Memorandum of Association. Matching amounts total 2.5% of the annual salary per participant, per year. As of June 30, 2023, the deferred compensation plan assets were held in a trust account for the sole benefit of the employees and their beneficiaries and, accordingly, have been excluded from the City's reported assets. The value of the plan as of June 30, 2023 was \$155,060,010.

### I. DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2023, expenditures exceeded appropriations as follows:

#### **General Fund**

<u>Expenditures</u>	<u>Amount</u>
Parks and recreations – Administration	\$30,467

#### **Operating Grants Special Revenue Fund**

<u>Expenditures</u>	<u>Amount</u>
General government	\$827,548

#### **Local Transportation Special Revenue Fund**

<u>Expenditures</u>	<u>Amount</u>
Parks and recreation	\$65,693

#### **Transportation Special Tax Revenue Fund**

<u>Expenditures</u>	<u>Amount</u>
Community development	\$25,242

#### **Strategic Planning and Development Special Revenue Fund**

<u>Expenditures</u>	<u>Amount</u>
Community development	\$61,543
Transfers out	2,173

### J. PRIOR YEAR ADJUSTMENTS

#### Governmental Activities

A prior year adjustment was made to the Governmental Activities to decrease the net position in the amount of \$4,677,919 to account for the correction to Construction Work In Progress (CWIP) from prior years.

Prior period adjustments were made to the Housing and Community Development to decrease fund balance in the amount of \$9,770 to correct loans booked in the prior years.

A prior year adjustment was made to the Fleet Management Fund to increase the net position in the amount of \$1,246,122 to account for the correction to Inventory from prior years.

Total Governmental Activities prior year adjustments: (\$3,441,567)

#### Business-type Activities

A prior year adjustment was made to the Water Fund to decrease the net position in the amount of \$429,646 to account for the correction to Construction Work In Progress (CWIP) from prior years.

A prior year adjustment was made to the Water fund to increase the net position in the amount of \$2,180,922 to account for reimbursement from Modesto Irrigation District Domestic Water True-up from prior years.

A prior year adjustment was made to the Sewer Fund to decrease the net position in the amount of \$3,456,423 to account for the correction to Construction Work In Progress (CWIP) from prior years.

Total Business-type Activities prior year adjustments: (\$1,705,147)

Total prior year adjustments: (\$5,146,714)

#### K. SUBSEQUENT EVENTS

On September 12, 2023 the City Council authorized the acceptance of a joint award for the City of Modesto and Visionary Home Builders of California, Inc. for a State of California's Affordable Housing and Sustainability Grant in the collective amount of \$33 million for the development of Seventh Street Village on the properties located on 7<sup>th</sup> Street between J Street and I street. This project will help in addressing the shortage of Affordable Housing in the City. The Seventh Street Village Development will sit on four parcels totaling .88 acres. The project is comprised of 79 housing units with a mix of 1-bedroom one bath, 2-bedroom one-bath, and three-bedrooms 2-bath units.

On October 24, 2023, the City Council accepted the plans and specifications for J.M. Pike Park stormwater to sanitary sewer cross connection removal and water main project and awarded a construction contract to Mazingo Construction, Inc., in the amount of \$34 million. In addition to the stormwater and wastewater benefits, this project will also strengthen and replace the water infrastructure in the area.

On September 20, 2022, trial began in a case brought by the City against the Dow Chemical Company and PPG involving PCE, a chemical manufactured by Dow and PPG 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 \$56,300,000 in punitive damages. The Court subsequently reduced those punitive damages to \$16 million. The second site to be tried, which was selected by Defendants, involved the former Acme Cleaners location. Trial started on October 2, 2023. The jury found that both Dow and PPG were negligent and that PCE was a defective product. The jury also found that Dow and PPG failed to properly warn of the risks of PCE, that consumers would not have expected the risks created by PCE and that the risks of PCE outweighed any benefits. The jury, however, did not award any damages to the City for the Acme location. Awards are subject to challenge and will not in any event become final until after the rest of the case is tried.

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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	2021-2022	2020-2021 <sup>(4)</sup>	2019-2020 <sup>(4)</sup>	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
<b>TOTAL PENSION LIABILITY</b>									
Service Cost	\$ 8,879,438	\$ 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	35,812,577	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	16,213,922	-	-	-	(2,477,241)	24,124,929	-	(6,709,358)	-
Difference Between Expected and Actual Experience	(1,014,629)	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	(29,773,825)	(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	30,117,483	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	514,270,745	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)	\$ 544,388,228	\$ 514,270,745	\$ 497,269,825	\$ 482,105,528	\$ 462,946,098	\$ 447,706,079	\$ 410,872,571	\$ 398,719,890	\$ 394,909,831
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions – Employer	\$ 14,557,323	\$ 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	3,811,839	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	(32,153,027)	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	(29,773,825)	(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	(266,868)	(358,459)	(497,374)	(244,082)	(510,454)	(450,482)	(192,011)	(355,544)	-
Other Miscellaneous Income/(Expense) <sup>(1)</sup>	-	-	-	796	(969,360)	-	-	-	-
Net Change in Fiduciary Net Position	(43,824,558)	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 <sup>(2)</sup>	428,401,044	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)	384,576,486	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)	\$ 159,811,742	\$ 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	70.64%	83.30%	72.16%	73.18%	73.88%	73.17%	74.26%	79.02%	81.18%
Covered Payroll <sup>(3)</sup>	\$ 53,912,800	\$ 54,111,658	\$ 52,112,485	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621	\$ 41,562,776	\$ 44,125,963
Plan Net Pension Liability as a Percentage of Covered Payroll <sup>(3)</sup>	296.43%	158.69%	265.64%	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.

(4) Covered Payroll and Plan Net Pension Liability as a Percentage of Covered Payroll were incorrectly reported for 2019-2020 and 2020-2021. In fiscal year 2023 the error was noticed and the amounts undated accordingly.

\* 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 \***

Safety Plan

Measurement Period	2021-2022	2020-2021 <sup>(4)</sup>	2019-2020 <sup>(4)</sup>	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
<b>TOTAL PENSION LIABILITY</b>									
Service Cost	\$ 11,971,941	\$ 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	47,646,679	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	25,596,849	-	-	-	(2,434,317)	33,217,275	-	(9,188,394)	-
Difference Between Expected and Actual Experience	(3,225,026)	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	(36,401,697)	(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	45,588,746	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	680,374,643	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)	\$ 725,963,389	\$ 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	\$ 25,211,361	\$ 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	4,262,417	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	(39,469,852)	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	(36,401,697)	(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	(321,712)	(428,116)	(588,586)	(287,372)	(597,550)	(526,677)	(224,190)	(414,089)	-
Other Miscellaneous Income/(Expense) <sup>(1)</sup>	-	-	-	936	(1,134,757)	-	-	-	-
Net Change in Fiduciary Net Position	(46,719,483)	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 <sup>(2)</sup>	516,440,628	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)	469,721,145	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)	\$ 256,242,244	\$ 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	64.70%	75.91%	65.49%	66.27%	67.48%	66.60%	67.89%	72.36%	74.73%
Covered Payroll <sup>(3)</sup>	\$ 36,422,089	\$ 37,591,927	\$ 36,906,356	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552	\$ 31,202,983	\$ 31,090,551
Plan Net Pension Liability as a Percentage of Covered Payroll <sup>(3)</sup>	703.54%	436.09%	611.88%	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.

(4) Covered Payroll and Plan Net Pension Liability as a Percentage of Covered Payroll were incorrectly reported for 2019-2020 and 2020-2021. In fiscal year 2023 the error was noticed and the amounts undated accordingly.

\* 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 <sup>(1)</sup>  
Last Ten Fiscal Years\***

Miscellaneous Plan

Fiscal Year	2022-2023	2021-2022	2020-2021 <sup>(4)</sup>	2019-2020 <sup>(4)</sup>	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution <sup>(2)</sup>	\$ 16,375,360	\$ 14,288,254	\$ 13,302,558	\$ 11,857,136	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358	\$ 5,632,179
Contributions in Relation to the Actuarially Determined Contribution <sup>(2)</sup>	(16,375,360)	(14,557,323)	(13,607,488)	(11,857,136)	(10,158,019)	(8,553,955)	(8,382,192)	(6,920,358)	(5,632,179)
Contribution Deficiency (Excess)	\$ -	\$ (269,069)	\$ (304,930)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll <sup>(3)</sup>	\$ 56,836,794	\$ 53,912,800	\$ 54,111,658	\$ 52,112,485	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621	\$ 41,562,776
Contributions as a Percentage of Covered Payroll <sup>(3)</sup>	28.81%	27.00%	25.15%	22.75%	19.95%	17.17%	17.94%	15.31%	13.55%

Safety Plan

Fiscal Year	2022-2023	2021-2022	2020-2021 <sup>(4)</sup>	2019-2020 <sup>(4)</sup>	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution <sup>(2)</sup>	\$ 26,595,272	\$ 24,116,232	\$ 21,472,516	\$ 19,749,458	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,889	\$ 10,210,101
Contributions in Relation to the Actuarially Determined Contribution <sup>(2)</sup>	(26,595,272)	(25,211,361)	(21,650,057)	(20,241,960)	(16,758,148)	(14,809,730)	(12,812,060)	(11,137,889)	(10,210,101)
Contribution Deficiency (Excess)	\$ -	\$ (1,095,129)	\$ (177,541)	\$ (492,502)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll <sup>(3)</sup>	\$ 43,253,365	\$ 36,422,089	\$ 37,591,927	\$ 36,906,356	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552	\$ 31,202,983
Contributions as a Percentage of Covered Payroll <sup>(3)</sup>	61.49%	69.22%	57.59%	54.85%	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.

(4) Covered Payroll and Contributions as a Percentage of Covered Payroll were incorrectly reported for 2019-2020 and 2020-2021. In fiscal year 2023 the error was noticed and the amounts undated accordingly.

\* 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 2022-2023 June 30, 2022	FY 2021-2022 June 30, 2021	FY 2020-2021 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	\$ 1,244,957	\$ 1,196,410	\$ 836,292	\$ 811,934	\$ 963,490	\$ 935,427
Interest	635,756	667,183	903,896	1,013,863	1,038,035	892,669
Differences between expected and actual experience	(902,717)	-	1,737,964	-	(468,009)	-
Changes of assumptions	(7,477,125)	129,927	3,430,611	754,247	(1,306,633)	(1,600,635)
Benefit payments	(2,727,324)	(2,869,050)	(2,941,351)	(3,012,214)	(2,733,246)	(2,430,468)
Net change in total OPEB liability	(9,226,453)	(875,530)	3,967,412	(432,170)	(2,506,363)	(2,203,007)
Total OPEB liability - beginning	29,551,870	30,427,400	26,459,988	26,892,158	29,398,521	31,601,528
Net change in plan fiduciary net position	(1,387,315)	-	-	-	-	-
Total OPEB liability - ending (a)	<u>\$ 18,938,102</u>	<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	\$ 52,727,185	\$ 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	35.92%	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 information becomes available.

\*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	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Actuarially Determined Contribution (ADC)	\$ 2,487,735	\$ 4,114,604	\$ 2,869,050	\$ 3,569,890	\$ 3,012,214	\$ 2,733,246	\$ 2,430,468
Contributions in Relation to the ADC	(2,487,735)	(4,114,604)	(2,869,050)	(3,569,890)	(3,012,214)	(2,733,246)	(2,430,468)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 54,018,720	\$ 52,727,185	\$ 52,545,565	\$ 54,106,179	\$ 50,879,818	\$ 49,647,245	\$ 55,637,076
Contributions as a Percentage of Covered-Employee Payroll	4.61%	7.80%	5.46%	6.60%	5.92%	5.51%	4.37%

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	5.45% at June 30, 2022 (Bond Buyer 20-Bond Index). 2.16% at June 30, 2021 (Bond Buyer 20-Bond Index).
Asset Valuation Method	N/A – Couldn't find this in the 2022 report
General Inflation	2.5% annually
Salary Increases	3%
Trend	6.2% for 2025, fluctuating to an ultimate rate of 3.9% in 2075
Retirement Age	CalPERS 2021 Experience Study
Mortality	CalPERS 2021 Experience Study Fully generational MW Scale 2022

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

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b><u>TAXES</u></b>				
Utility users tax	\$ 20,950,000	\$ 20,950,000	\$ 22,363,013	\$ 1,413,013
Property tax	20,804,000	21,189,000	21,893,830	704,830
Transient occupancy tax	3,338,441	3,578,443	3,513,477	(64,966)
Franchise tax	5,333,800	5,333,800	6,152,182	818,382
Cannabis tax	5,000,000	3,750,000	3,185,203	(564,797)
Business license tax	14,250,000	15,650,000	15,306,957	(343,043)
	<u>69,676,241</u>	<u>70,451,243</u>	<u>72,414,662</u>	<u>1,963,419</u>
<b><u>LICENSES AND PERMITS</u></b>	<u>438,036</u>	<u>438,036</u>	<u>353,880</u>	<u>(84,156)</u>
<b><u>INTERGOVERNMENTAL</u></b>				
Sales tax	39,270,900	41,160,900	39,611,849	(1,549,051)
Sales tax Measure H	-	4,447,003	11,116,219	6,669,216
Motor vehicle license fees	20,529,000	21,179,000	21,194,886	15,886
State	975,000	975,000	1,408,300	433,300
County	50,710	133,712	175,046	41,334
Other intergovernmental	17,856,240	18,155,392	19,919,979	1,764,587
	<u>78,681,850</u>	<u>86,051,007</u>	<u>93,426,279</u>	<u>7,375,272</u>
<b><u>CHARGES FOR SERVICES</u></b>				
General government	2,953,320	2,793,598	2,654,863	(138,735)
Community development	3,225,127	3,238,220	2,823,923	(414,297)
Parks and recreation	2,977,642	2,977,642	2,115,980	(861,662)
Public safety	3,375,186	4,685,219	5,822,863	1,137,644
Indirect cost recovery	3,280,748	3,274,791	3,274,791	-
	<u>15,812,023</u>	<u>16,969,470</u>	<u>16,692,420</u>	<u>(277,050)</u>
<b><u>SPECIAL ASSESSMENT</u></b>	<u>341,000</u>	<u>390,557</u>	<u>385,194</u>	<u>(5,363)</u>
<b><u>INTEREST AND RENT</u></b>	<u>701,050</u>	<u>701,050</u>	<u>434,973</u>	<u>(266,077)</u>
<b><u>NET INCREASE IN FAIR VALUE OF INVESTMENTS</u></b>	<u>-</u>	<u>-</u>	<u>496,980</u>	<u>496,980</u>
<b><u>FINES AND FORFEITS</u></b>	<u>626,966</u>	<u>626,966</u>	<u>679,529</u>	<u>52,563</u>
<b><u>MISCELLANEOUS</u></b>				
Mandated cost recovery	90,000	90,000	117,931	27,931
Other	762,679	763,713	519,648	(244,065)
	<u>852,679</u>	<u>853,713</u>	<u>637,579</u>	<u>(216,134)</u>
<b>Total revenues</b>	<b>\$ <u>167,129,845</u></b>	<b>\$ <u>176,482,042</u></b>	<b>\$ <u>185,521,496</u></b>	<b>\$ <u>9,039,454</u></b>

See Notes to Required Supplementary Information

**CITY OF MODESTO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government:				
City council	\$ 502,788	\$ 528,071	\$ 502,805	\$ 25,266
Human resources	1,795,654	1,907,871	1,869,738	38,133
City manager	3,089,403	3,329,673	2,999,997	329,676
City attorney	1,795,808	1,807,660	1,660,662	146,998
City clerk/auditor	1,941,664	1,925,362	1,208,421	716,941
Finance	6,088,252	6,141,763	5,765,838	375,925
Other	473,400	473,400	409,873	63,527
Total general government	<u>15,686,969</u>	<u>16,113,800</u>	<u>14,417,334</u>	<u>1,696,466</u>
Community development:	<u>6,984,275</u>	<u>6,932,158</u>	<u>6,608,633</u>	<u>323,525</u>
Public works:				
Operations and maintenance dept:	-	1,873,960	498,271	1,375,689
Total public works	<u>-</u>	<u>1,873,960</u>	<u>498,271</u>	<u>1,375,689</u>
Parks and recreation:				
Administration	798,021	752,709	783,176	(30,467)
Planning and development	1,378,982	1,381,056	860,565	520,491
Convention visitors bureau	786,015	880,571	852,698	27,873
Operations service and maintenance	6,763,652	6,919,969	6,854,896	65,073
Facilities	1,716,010	1,707,137	1,408,074	299,063
Recreation division	4,680,925	4,678,862	3,787,721	891,141
Total parks and recreation	<u>16,123,605</u>	<u>16,320,304</u>	<u>14,547,130</u>	<u>1,773,174</u>
Public safety:				
Fire protection	56,518,122	60,552,549	59,192,664	1,359,885
Police protection	75,515,295	75,250,178	69,568,188	5,681,990
Total public safety	<u>132,033,417</u>	<u>135,802,727</u>	<u>128,760,852</u>	<u>7,041,875</u>
Debt service:				
Principal retirement	774,209	1,224,072	1,258,752	(34,680)
Interest expenditures	178,300	195,230	133,168	62,062
Total debt service	<u>952,509</u>	<u>1,419,302</u>	<u>1,391,920</u>	<u>27,382</u>
Total expenditures	<u>171,780,775</u>	<u>176,588,291</u>	<u>166,224,140</u>	<u>10,862,422</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,650,930)</u>	<u>(106,249)</u>	<u>19,297,356</u>	<u>19,403,605</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers in	628,640	1,322,750	853,578	(469,172)
Transfers out	(7,850,566)	(10,014,646)	(7,471,109)	2,543,537
Other financing proceeds	-	-	1,471,618	1,471,618
TOTAL OTHER FINANCING SOURCES(USES)	<u>(7,221,926)</u>	<u>(8,691,896)</u>	<u>(5,145,913)</u>	<u>3,545,983</u>
CHANGES IN FUND BALANCE	(11,872,856)	(8,798,145)	14,151,443	22,949,588
FUND BALANCE, JULY 1	39,419,125	39,419,125	39,419,125	-
FUND BALANCE, JUNE 30	<u>\$ 27,546,269</u>	<u>\$ 30,620,980</u>	<u>\$ 53,570,568</u>	<u>\$ 22,949,588</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 380,000	\$ 380,000	\$ 328,586	\$ (51,414)
Licenses and permits	50,000	50,000	52,665	2,665
Intergovernmental	12,639,593	26,149,723	17,360,413	(8,789,310)
Charges for services	6,065,601	6,065,601	5,964,360	(101,241)
Special assessments	70,974	70,974	78,459	7,485
Interest and rent	42,241	87,454	1,333,330	1,245,876
Net (decrease) in fair value of investments	-	-	(15,665)	(15,665)
Miscellaneous	471,366	479,866	202,229	(277,637)
Total revenues	<u>19,719,775</u>	<u>33,283,618</u>	<u>25,304,377</u>	<u>(7,979,241)</u>
<b>EXPENDITURES:</b>				
General government	283,725	284,224	1,111,772	(827,548)
Community development	3,817,731	11,591,010	5,376,691	6,214,319
Highways and streets	16,853	-	-	-
Public works	4,234,650	8,023,441	6,874,697	1,148,744
Parks and recreation	884,749	4,886,251	500,951	4,385,300
Public safety	9,126,725	13,746,770	10,153,241	3,593,529
Total expenditures	<u>18,364,433</u>	<u>38,531,696</u>	<u>24,017,352</u>	<u>14,514,344</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,355,342</u>	<u>(5,248,078)</u>	<u>1,287,025</u>	<u>6,535,103</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	375,941	2,860,353	1,143,564	(1,716,789)
Transfers out	(1,819,544)	(1,819,544)	(203,872)	1,615,672
Other financing proceeds	-	-	26,390	26,390
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,443,603)</u>	<u>1,040,809</u>	<u>966,082</u>	<u>(74,727)</u>
<b>CHANGES IN FUND BALANCE</b>	(88,261)	(4,207,269)	2,253,107	6,460,376
FUND BALANCE, JULY 1	2,478,337	2,478,337	2,478,337	-
FUND BALANCE, JUNE 30	<u>\$ 2,390,076</u>	<u>\$ (1,728,932)</u>	<u>\$ 4,731,444</u>	<u>\$ 6,460,376</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental - federal grants	\$ 17,464,440	\$ 11,140,326	\$ 8,278,335	\$ (2,861,991)
Charges for services	1,093,372	1,093,372	1,304,727	211,355
Interest and rent	-	-	2,229	2,229
Net increase in fair value of investments	-	-	4,035	4,035
Miscellaneous	-	-	10,000	10,000
Total revenues	<u>18,557,812</u>	<u>12,233,698</u>	<u>9,599,326</u>	<u>(2,634,372)</u>
<b>EXPENDITURES:</b>				
Community development	16,213,424	9,879,310	8,645,854	1,233,456
Debt service:				
Principal retirement	312,000	312,000	312,000	-
Interest	23,000	23,000	22,838	162
Other	1,000	1,000	289	711
Total expenditures	<u>16,549,424</u>	<u>10,215,310</u>	<u>8,980,981</u>	<u>1,234,329</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,008,388</u>	<u>2,018,388</u>	<u>618,345</u>	<u>(1,400,043)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(1,586,226)	(1,596,226)	(651,039)	945,187
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,586,226)</u>	<u>(1,596,226)</u>	<u>(651,039)</u>	<u>945,187</u>
<b>CHANGES IN FUND BALANCE</b>	422,162	422,162	(32,694)	(454,856)
<b>FUND BALANCE, JULY 1</b>	33,813,927	33,813,927	33,813,927	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(9,770)</u>	<u>(9,770)</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 34,236,089</u>	<u>\$ 34,236,089</u>	<u>\$ 33,771,463</u>	<u>\$ (464,626)</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, 2023**

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. Department Directors under this context is only permitted to move existing budget from one appropriation to another within a single department and fund. Department Directors cannot move funds from one department to another or from one fund to another.
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, 2023**

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.

**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, 2023**

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,704,491	\$ 5,424	\$ -	\$ 2,229,395	\$ 45,421,334
Receivables:					
Accounts, net	-	-	-	-	1,054,970
Interest	-	-	-	5,730	123,199
Taxes	-	-	51,463	-	-
Leases	-	-	-	-	-
Due from governments	297,316	-	-	161,955	4,970,496
Prepaid expenditures	-	-	20,983	121	-
Restricted assets:					
Cash and cash equivalents	1,775	3,637,633	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-	-
Leases receivable	-	-	-	-	-
Due from governments	-	33,580	-	-	-
Notes receivable, net	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,003,582</b>	<b>\$ 3,676,637</b>	<b>\$ 72,446</b>	<b>\$ 2,397,201</b>	<b>\$ 51,569,999</b>
<b>LIABILITIES AND AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 18,630	\$ 7,114	\$ 425,110
Accrued salaries and benefits	-	5,424	-	-	174,836
Interest payable	-	-	-	-	-
Due to other funds	-	-	52,140	-	-
Unearned revenue	2,001,807	-	-	-	477,672
Payable from restricted assets:					
Refundable deposits	-	-	-	-	-
Advances from other funds	-	-	-	105,761	-
<b>Total liabilities</b>	<b>2,001,807</b>	<b>5,424</b>	<b>70,770</b>	<b>112,875</b>	<b>1,077,618</b>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	1,294,264
Leases	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,294,264</b>
Fund balances:					
Nonspendable	-	-	20,983	121	-
Restricted	1,775	3,671,213	-	-	-
Assigned	-	-	1,676	2,284,205	49,198,117
Unassigned	-	-	(20,983)	-	-
<b>Total fund balances</b>	<b>1,775</b>	<b>3,671,213</b>	<b>1,676</b>	<b>2,284,326</b>	<b>49,198,117</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,003,582</b>	<b>\$ 3,676,637</b>	<b>\$ 72,446</b>	<b>\$ 2,397,201</b>	<b>\$ 51,569,999</b>

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
\$ 174,063	\$ -	\$ -	\$ 745,111	\$ -	\$ 1,019,032	\$ 1,381,761
-	-	-	-	-	-	-
7,555	1,528	-	61,678	-	113,045	-
-	-	-	88,147	-	-	-
-	404,068	-	1,094,814	-	-	-
-	-	-	-	1,192,004	-	-
-	-	-	-	-	-	-
2,684,614	597,524	76,757	23,038,505	-	41,895,883	-
-	-	-	-	-	-	-
-	4,477	-	-	-	-	-
-	-	-	-	-	4,838,051	-
-	-	-	-	2,211,000	-	-
<u>\$ 2,866,232</u>	<u>\$ 1,007,597</u>	<u>\$ 76,757</u>	<u>\$ 25,028,255</u>	<u>\$ 3,403,004</u>	<u>\$ 47,866,011</u>	<u>\$ 1,381,761</u>
\$ -	\$ 12,636	\$ -	\$ 703,871	\$ -	\$ 634,551	\$ 1,381,761
-	-	-	16,477	-	-	-
-	-	-	-	284	-	-
-	-	-	-	103,298	-	-
-	-	-	-	-	-	-
-	-	-	99,265	-	-	-
181,618	-	-	75,974	145,727	436,933	-
<u>181,618</u>	<u>12,636</u>	<u>-</u>	<u>895,587</u>	<u>249,309</u>	<u>1,071,484</u>	<u>1,381,761</u>
-	-	-	44,743	-	60,593	-
-	392,960	-	1,049,420	-	-	-
-	<u>392,960</u>	<u>-</u>	<u>1,094,163</u>	<u>-</u>	<u>60,593</u>	<u>-</u>
-	-	-	-	-	-	-
2,684,614	602,001	76,757	23,038,505	2,211,000	46,733,934	-
-	-	-	-	942,695	-	-
-	-	-	-	-	-	-
<u>2,684,614</u>	<u>602,001</u>	<u>76,757</u>	<u>23,038,505</u>	<u>3,153,695</u>	<u>46,733,934</u>	<u>-</u>
<u>\$ 2,866,232</u>	<u>\$ 1,007,597</u>	<u>\$ 76,757</u>	<u>\$ 25,028,255</u>	<u>\$ 3,403,004</u>	<u>\$ 47,866,011</u>	<u>\$ 1,381,761</u>

(continued)

**CITY OF MODESTO**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**JUNE 30, 2023**

	Debt Service Public Financing Authority	Total
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,623	\$ 52,682,234
Receivables:		
Accounts, net	-	1,054,970
Interest	-	312,735
Taxes	-	139,610
Leases	-	1,498,882
Due from governments	-	6,621,771
Prepaid expenditures	-	21,104
Restricted assets:		
Cash and cash equivalents	-	71,932,691
Cash and cash equivalents with fiscal agent	5,210,527	5,210,527
Leases receivable	-	4,477
Due from governments	-	4,871,631
Notes receivable, net	-	2,211,000
	<u>\$ 5,212,150</u>	<u>\$ 146,561,632</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 75,139	\$ 3,258,812
Accrued salaries and benefits	-	196,737
Interest payable	-	284
Due to other funds	-	155,438
Unearned revenue	-	2,479,479
Payable from restricted assets:		
Refundable deposits	-	99,265
Advances from other funds	-	946,013
Total liabilities	<u>75,139</u>	<u>7,136,028</u>
Deferred inflows of resources:		
Unavailable revenue	-	1,399,600
Leases	-	1,442,380
Total deferred inflows of resources	<u>-</u>	<u>2,841,980</u>
Fund balances:		
Nonspendable	-	21,104
Restricted	5,210,527	84,230,326
Assigned	-	52,426,693
Unassigned	(73,516)	(94,499)
Total fund balances	<u>5,137,011</u>	<u>136,583,624</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,212,150</u>	<u>\$ 146,561,632</u>
		(concluded)

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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, 2023**

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
REVENUES:					
Taxes	\$ -	\$ -	\$ 211,645	\$ -	\$ 2,088,570
Licenses and permits	-	-	-	-	2,537
Intergovernmental	28,574	-	-	161,955	23,171,728
Charges for services	-	288,723	-	286,094	1,354,963
Special assessments levied	-	-	729,012	-	-
Interest and rent	59,697	-	466	34,363	702,436
Net increase (decrease) in fair value of investments	-	-	1,851	(21,339)	(345,552)
Fines and forfeits	-	200,723	-	-	-
Miscellaneous	-	-	-	-	60,457
Total revenues	<u>88,271</u>	<u>489,446</u>	<u>942,974</u>	<u>461,073</u>	<u>27,035,139</u>
EXPENDITURES:					
Current:					
Community development	-	-	941,028	283,948	204,572
Highways and streets	-	-	-	-	13,897,666
Parks and recreation	65,693	-	-	-	-
Public safety	-	1,358,983	-	-	-
Capital outlay:					
Community development	-	-	-	-	7,932
Highways and streets	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Debt service:					
Principal retirement	-	49,280	-	-	3,972
Interest	-	2,565	-	-	-
Other	-	-	-	-	-
Total expenditures	<u>65,693</u>	<u>1,410,828</u>	<u>941,028</u>	<u>283,948</u>	<u>14,114,142</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>22,578</u>	<u>(921,382)</u>	<u>1,946</u>	<u>177,125</u>	<u>12,920,997</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	159,800	1,540,205
Transfers out	(22,577)	-	-	(2,173)	(8,636,989)
Other financing proceeds	-	253,106	-	-	20,931
Sale of assets	-	-	-	-	10,540
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,577)</u>	<u>253,106</u>	<u>-</u>	<u>157,627</u>	<u>(7,065,313)</u>
CHANGES IN FUND BALANCES	1	(668,276)	1,946	334,752	5,855,684
FUND BALANCES, JULY 1	<u>1,774</u>	<u>4,339,489</u>	<u>(270)</u>	<u>1,949,574</u>	<u>43,342,433</u>
FUND BALANCES, JUNE 30	<u>\$ 1,775</u>	<u>\$ 3,671,213</u>	<u>\$ 1,676</u>	<u>\$ 2,284,326</u>	<u>\$ 49,198,117</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	5,386,673	-
-	4,210	-	672,425	-	3,640,169	-
-	-	-	3,708,195	-	-	-
43,848	53,013	2,962	419,063	152,308	677,068	-
(26,786)	(6,191)	-	(204,262)	1,549	(372,347)	-
-	-	-	-	-	-	-
-	-	-	-	-	17,260	-
<u>17,062</u>	<u>51,032</u>	<u>2,962</u>	<u>4,595,421</u>	<u>153,857</u>	<u>9,348,823</u>	<u>-</u>
1,178	-	-	3,231,628	-	116,487	-
-	-	-	-	-	45,931	4,770
-	54,689	-	-	-	577	-
-	-	-	-	-	-	-
-	-	-	477,126	-	-	-
-	-	-	-	-	1,019,440	7,144,415
-	194,072	-	-	-	886,777	-
-	-	-	1,251	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,178</u>	<u>248,761</u>	<u>-</u>	<u>3,710,005</u>	<u>-</u>	<u>2,069,212</u>	<u>7,149,185</u>
15,884	(197,729)	2,962	885,416	153,857	7,279,611	(7,149,185)
120,000	194,072	-	566,983	-	1,408,974	7,149,185
(3,723)	(15,871)	-	-	-	(713,202)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>116,277</u>	<u>178,201</u>	<u>-</u>	<u>566,983</u>	<u>-</u>	<u>695,772</u>	<u>7,149,185</u>
132,161	(19,528)	2,962	1,452,399	153,857	7,975,383	-
2,552,453	621,529	73,795	21,586,106	2,999,838	38,758,551	-
<u>\$ 2,684,614</u>	<u>\$ 602,001</u>	<u>\$ 76,757</u>	<u>\$ 23,038,505</u>	<u>\$ 3,153,695</u>	<u>\$ 46,733,934</u>	<u>\$ -</u>

(continued)

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Debt Service</u>	
	Public Financing Authority	<u>Total</u>
REVENUES:		
Taxes	\$ -	\$ 2,300,215
Licenses and permits	-	2,537
Intergovernmental	1,119,243	29,868,173
Charges for services	-	6,246,584
Special assessments levied	-	4,437,207
Interest and rent	165,419	2,310,643
Net increase (decrease) in fair value of investments	-	(973,077)
Fines and forfeits	-	200,723
Miscellaneous	-	77,717
Total revenues	<u>1,284,662</u>	<u>44,470,722</u>
EXPENDITURES:		
Current:		
Community development	-	4,778,841
Highways and streets	-	13,948,367
Parks and recreation	-	120,959
Public safety	-	1,358,983
Capital outlay:		
Community development	-	485,058
Highways and streets	-	8,163,855
Parks and recreation	-	1,080,849
Debt service:		
Principal retirement	2,585,000	2,639,503
Interest	1,437,541	1,440,106
Other	112,870	112,870
Total expenditures	<u>4,135,411</u>	<u>34,129,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,850,749)</u>	<u>10,341,331</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	2,740,217	13,879,436
Transfers out	-	(9,394,535)
Other financing proceeds	-	274,037
Sale of assets	-	10,540
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,740,217</u>	<u>4,769,478</u>
CHANGES IN FUND BALANCES	(110,532)	15,110,809
FUND BALANCES, JULY 1	<u>5,247,543</u>	<u>121,472,815</u>
FUND BALANCES, JUNE 30	<u>\$ 5,137,011</u>	<u>\$ 136,583,624</u>

(concluded)

**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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 28,574	\$ 28,574
Interest and rent	-	-	59,697	59,697
Total revenues	<u>-</u>	<u>-</u>	<u>88,271</u>	<u>88,271</u>
EXPENDITURES:				
Parks and recreation	-	-	65,693	(65,693)
Total expenditures	<u>-</u>	<u>-</u>	<u>65,693</u>	<u>(65,693)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>22,578</u>	<u>22,578</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(666,382)	(22,577)	643,805
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(666,382)</u>	<u>(22,577)</u>	<u>643,805</u>
CHANGES IN FUND BALANCE	-	(666,382)	1	666,383
FUND BALANCE, JULY 1	<u>1,774</u>	<u>1,774</u>	<u>1,774</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 1,774</u>	<u>\$ (664,608)</u>	<u>\$ 1,775</u>	<u>\$ 666,383</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 305,000	\$ 305,000	\$ 288,723	\$ (16,277)
Fines and forfeits	170,000	170,000	200,723	30,723
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>489,446</u>	<u>14,446</u>
<b>EXPENDITURES:</b>				
Public safety	950,197	1,640,320	1,410,828	229,492
Total expenditures	<u>950,197</u>	<u>1,640,320</u>	<u>1,410,828</u>	<u>229,492</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(475,197)</u>	<u>(1,165,320)</u>	<u>(921,382)</u>	<u>243,938</u>
<b>OTHER FINANCING SOURCES:</b>				
Other financing proceeds	-	253,106	253,106	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>253,106</u>	<u>253,106</u>	<u>-</u>
CHANGES IN FUND BALANCE	(475,197)	(912,214)	(668,276)	243,938
FUND BALANCE, JULY 1	<u>4,339,489</u>	<u>4,339,489</u>	<u>4,339,489</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 3,864,292</u>	<u>\$ 3,427,275</u>	<u>\$ 3,671,213</u>	<u>\$ 243,938</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental:				
State	\$ 22,536,765	\$ 22,536,765	\$ 23,171,728	\$ 634,963
Taxes	1,350,000	1,350,000	2,088,570	738,570
Licenses and permits	-	-	2,537	2,537
Charges for services	1,057,733	1,057,733	1,354,963	297,230
Interest and rent	-	-	702,436	702,436
Net (decrease) in fair value of investments	-	-	(345,552)	(345,552)
Miscellaneous	10,000	10,000	60,457	50,457
Total revenues	<u>24,954,498</u>	<u>24,954,498</u>	<u>27,035,139</u>	<u>2,080,641</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	179,330	179,330	212,504	(33,174)
Highway and streets	15,236,882	15,223,882	13,901,638	1,322,244
Total expenditures	<u>15,416,212</u>	<u>15,403,212</u>	<u>14,114,142</u>	<u>1,289,070</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>9,538,286</u>	<u>9,551,286</u>	<u>12,920,997</u>	<u>3,369,711</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	1,540,205	1,540,205
Transfers out	(32,917,432)	(32,930,432)	(8,636,989)	24,293,443
Other financing proceeds	-	-	20,931	20,931
Sale of assets	-	-	10,540	10,540
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(32,917,432)</u>	<u>(32,930,432)</u>	<u>(7,065,313)</u>	<u>25,865,119</u>
<b>CHANGES IN FUND BALANCE</b>	(23,379,146)	(23,379,146)	5,855,684	29,234,830
<b>FUND BALANCE, JULY 1</b>	<u>43,342,433</u>	<u>43,342,433</u>	<u>43,342,433</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 19,963,287</u>	<u>\$ 19,963,287</u>	<u>\$ 49,198,117</u>	<u>\$ 29,234,830</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 235,000	\$ 235,000	\$ 211,645	\$ (23,355)
Special assessments levied	780,150	780,150	729,012	(51,138)
Interest and rent	-	-	466	466
Net increase in fair value of investments	-	-	1,851	1,851
Total revenues	<u>1,015,150</u>	<u>1,015,150</u>	<u>942,974</u>	<u>(72,176)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	1,018,991	1,018,991	941,028	77,963
Total expenditures	<u>1,018,991</u>	<u>1,018,991</u>	<u>941,028</u>	<u>77,963</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,841)</u>	<u>(3,841)</u>	1,946	5,787
CHANGES IN FUND BALANCE	(3,841)	(3,841)	1,946	5,787
FUND BALANCE, JULY 1	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>-</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ (4,111)</u>	<u>\$ (4,111)</u>	<u>\$ 1,676</u>	<u>\$ 5,787</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, 2023**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ -	\$ 200,000	\$ 286,094	\$ 86,094
Intergovernmental	-	-	161,955	161,955
Interest and rent	-	-	34,363	34,363
Net (decrease) in fair value of investments	-	-	(21,339)	(21,339)
Total revenues	<u>-</u>	<u>200,000</u>	<u>461,073</u>	<u>261,073</u>
<b>EXPENDITURES:</b>				
Community development	-	222,405	283,948	(61,543)
Total expenditures	<u>-</u>	<u>222,405</u>	<u>283,948</u>	<u>(61,543)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(22,405)</u>	<u>177,125</u>	<u>199,530</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	159,800	159,800
Transfers out	-	-	(2,173)	(2,173)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>157,627</u>	<u>157,627</u>
<b>CHANGES IN FUND BALANCE</b>	-	(22,405)	334,752	357,157
<b>FUND BALANCE, JULY 1</b>	<u>1,949,574</u>	<u>1,949,574</u>	<u>1,949,574</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 1,949,574</u>	<u>\$ 1,927,169</u>	<u>\$ 2,284,326</u>	<u>\$ 357,157</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, 2023**

	<u>Parking</u>	<u>Storm Drain</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 171,071	\$ 10,906,294
Receivables:		
Accounts	80,718	1,207
Interest	569	27,851
Taxes	-	-
Utilities, net	-	598,546
Leases	133,548	-
Prepaid expenses	173	-
Due from governments	101,250	18,152
Inventories	-	-
	<hr/>	<hr/>
Total current assets	487,329	11,552,050
Noncurrent assets:		
Advances to other funds	-	-
Restricted cash and cash equivalents with fiscal agent	-	-
Leases receivable	4,791,808	-
Land and construction in progress	3,131,803	928,316
Other capital assets, net of accumulated depreciation	2,621,385	13,012,804
Intangible assets right-to-use, net of accumulated amortization	-	22,366
	<hr/>	<hr/>
Total noncurrent assets	10,544,996	13,963,486
	<hr/>	<hr/>
Total assets	11,032,325	25,515,536
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred OPEB	33,740	30,502
Deferred pensions	316,577	320,803
	<hr/>	<hr/>
Total deferred outflows of resources	350,317	351,305
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 11,382,642	\$ 25,866,841
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 6,275	\$ 251,648
Accrued salaries and benefits	25,216	17,875
Interest payable	348	-
Unearned revenue	-	-
Current portion - leases and SBITAS	-	4,240
Current portion - long-term debt	-	-
	<hr/>	<hr/>
Total current liabilities	31,839	273,763
Noncurrent liabilities:		
Pollution remediation liability	-	-
Advances from other funds	-	1,324,704
Leases and SBITAS	-	14,791
Net OPEB liability	119,826	128,873
Net pension liability	1,058,367	1,072,497
	<hr/>	<hr/>
Total noncurrent liabilities	1,178,193	2,540,865
	<hr/>	<hr/>
Total liabilities	1,210,032	2,814,628
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred OPEB	54,151	38,569
Deferred pensions	4,781	4,845
Deferred leases	4,736,598	-
	<hr/>	<hr/>
Total deferred inflows of resources	4,795,530	43,414
<u>NET POSITION</u>		
Net investment in capital assets	5,753,188	13,944,455
Unrestricted	(376,108)	9,064,344
	<hr/>	<hr/>
Total net position	5,377,080	23,008,799
	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and net position	\$ 11,382,642	\$ 25,866,841

	Compost	Airport	Golf	Community Center	Abatement and Public Nuisance	Total
\$	4,848,250	\$ 3,015,712	\$ 61,590	\$ 636,040	\$ 481,584	\$ 20,120,541
	2,111,784	35,169	355,980	81,532	1,265,523	3,931,913
	19,121	7,712	-	-	1,199	56,452
	-	1,889	-	-	-	1,889
	728,875	-	-	-	-	1,327,421
	-	73,782	61,067	8,256	-	276,653
	2,935	115	154,664	276	-	158,163
	65,769	264,179	-	463,291	-	912,641
	-	-	54,239	-	-	54,239
	<u>7,776,734</u>	<u>3,398,558</u>	<u>687,540</u>	<u>1,189,395</u>	<u>1,748,306</u>	<u>26,839,912</u>
	-	-	-	-	105,761	105,761
	-	-	551,077	-	-	551,077
	-	2,271,518	4,927,372	8,379	-	11,999,077
	1,140,000	1,352,141	1,126,882	3,667,020	-	11,346,162
	826,159	7,712,439	882,877	2,496,010	-	27,551,674
	6,645	-	-	-	-	29,011
	<u>1,972,804</u>	<u>11,336,098</u>	<u>7,488,208</u>	<u>6,171,409</u>	<u>105,761</u>	<u>51,582,762</u>
	<u>9,749,538</u>	<u>14,734,656</u>	<u>8,175,748</u>	<u>7,360,804</u>	<u>1,854,067</u>	<u>78,422,674</u>
	160,460	-	-	22,879	-	247,581
	3,034,183	334,066	-	281,192	-	4,286,821
	3,194,643	334,066	-	304,071	-	4,534,402
\$	<u>12,944,181</u>	<u>15,068,722</u>	<u>8,175,748</u>	<u>7,664,875</u>	<u>1,854,067</u>	<u>82,957,076</u>
\$	447,414	\$ 20,560	\$ 97,760	\$ 57,997	\$ -	\$ 881,654
	166,971	19,334	27,061	24,597	-	281,054
	3,746	-	5,541	-	-	9,635
	-	-	857,096	-	-	857,096
	1,260	-	-	-	-	5,500
	-	-	481,001	-	-	481,001
	<u>619,391</u>	<u>39,894</u>	<u>1,468,459</u>	<u>82,594</u>		<u>2,515,940</u>
	1,106,738	-	-	-	-	1,106,738
	3,784,000	-	-	-	-	5,108,704
	4,394	-	-	-	-	19,185
	920,003	-	-	115,190	-	1,283,892
	10,143,765	1,116,836	-	940,070	-	14,331,535
	<u>15,958,900</u>	<u>1,116,836</u>	<u>-</u>	<u>1,055,260</u>	<u>-</u>	<u>21,850,054</u>
	<u>16,578,291</u>	<u>1,156,730</u>	<u>1,468,459</u>	<u>1,137,854</u>		<u>24,365,994</u>
	206,209	-	-	31,269	-	330,198
	45,823	5,045	-	4,247	-	64,741
	-	2,310,436	4,762,212	4,391	-	11,813,637
	<u>252,032</u>	<u>2,315,481</u>	<u>4,762,212</u>	<u>39,907</u>	<u>-</u>	<u>12,208,576</u>
	1,967,150	9,064,580	1,528,758	6,163,030	-	38,421,161
	(5,853,292)	2,531,931	416,319	324,084	1,854,067	7,961,345
	<u>(3,886,142)</u>	<u>11,596,511</u>	<u>1,945,077</u>	<u>6,487,114</u>	<u>1,854,067</u>	<u>46,382,506</u>
\$	<u>12,944,181</u>	<u>15,068,722</u>	<u>8,175,748</u>	<u>7,664,875</u>	<u>1,854,067</u>	<u>82,957,076</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Parking</u>	<u>Storm Drain</u>
OPERATING REVENUES:		
Charges for services	\$ 1,583,345	\$ 6,287,051
Miscellaneous	<u>22,800</u>	<u>1,186</u>
Total operating revenues	<u>1,606,145</u>	<u>6,288,237</u>
OPERATING EXPENSES:		
Salaries and wages	548,265	255,350
Contractual services	250,481	642,278
Utilities	141,067	30,334
Maintenance and supplies	128,959	2,523,801
Insurance	119,320	13,542
Employee benefits	270,948	318,903
Administration services	164,691	2,601,880
Allocated indirect administrative costs	35,001	126,249
Depreciation	<u>385,570</u>	<u>439,863</u>
Total operating expenses	<u>2,044,302</u>	<u>6,952,200</u>
OPERATING INCOME (LOSS)	<u>(438,157)</u>	<u>(663,963)</u>
NONOPERATING REVENUES (EXPENSES):		
Gain on disposition of capital assets	-	130,435
Operating grants	-	-
Tax revenue	-	-
Tax expense	(29)	-
Interest income	125,438	155,771
Net increase (decrease) in fair value of investments	(1,197)	(100,328)
Rental income	157,051	-
Interest expense and amortization	-	-
Trustee fees	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>281,263</u>	<u>185,878</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(156,894)</u>	<u>(478,085)</u>
Transfers in	-	700,000
Transfers out	<u>-</u>	<u>(63,279)</u>
Total transfers	<u>-</u>	<u>636,721</u>
CHANGES IN NET POSITION	(156,894)	158,636
NET POSITION (DEFICIT), JULY 1	<u>5,533,974</u>	<u>22,850,163</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 5,377,080</u>	<u>\$ 23,008,799</u>

Compost	Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$ 15,377,697	\$ 988,304	\$ 2,546,666	\$ 245,277	\$ 1,000,799	\$ 28,029,139
<u>243,748</u>	<u>19,748</u>	<u>553,179</u>	<u>2,074</u>	<u>-</u>	<u>842,735</u>
<u>15,621,445</u>	<u>1,008,052</u>	<u>3,099,845</u>	<u>247,351</u>	<u>1,000,799</u>	<u>28,871,874</u>
3,918,484	435,826	-	679,586	-	5,837,511
1,931,345	211,827	2,535,661	383,034	31,700	5,986,326
31,000	111,463	64,874	266,046	-	644,784
2,259,363	122,925	237,810	154,149	-	5,427,007
524,201	75,207	34,676	49,412	-	816,358
2,352,331	327,223	-	252,591	-	3,521,996
681,719	105,951	283,266	70,552	107,433	4,015,492
286,237	26,117	42,697	-	-	516,301
60,954	729,074	36,859	57,762	-	1,710,082
<u>12,045,634</u>	<u>2,145,613</u>	<u>3,235,843</u>	<u>1,913,132</u>	<u>139,133</u>	<u>28,475,857</u>
<u>3,575,811</u>	<u>(1,137,561)</u>	<u>(135,998)</u>	<u>(1,665,781)</u>	<u>861,666</u>	<u>396,017</u>
34,969	-	-	-	-	165,404
267,196	343,179	-	-	-	610,375
-	291,711	-	-	-	291,711
-	-	-	-	-	(29)
72,867	74,212	110,029	-	6,652	544,969
(13,693)	(25,135)	9,378	-	(3,050)	(134,025)
-	263,549	140,890	617,526	-	1,179,016
-	-	(31,707)	-	-	(31,707)
-	-	(581)	-	-	(581)
<u>361,339</u>	<u>947,516</u>	<u>228,009</u>	<u>617,526</u>	<u>3,602</u>	<u>2,625,133</u>
<u>3,937,150</u>	<u>(190,045)</u>	<u>92,011</u>	<u>(1,048,255)</u>	<u>865,268</u>	<u>3,021,150</u>
386,083	-	841,276	564,978	2,173	2,494,510
(834,810)	-	-	-	-	(898,089)
<u>(448,727)</u>	<u>-</u>	<u>841,276</u>	<u>564,978</u>	<u>2,173</u>	<u>1,596,421</u>
3,488,423	(190,045)	933,287	(483,277)	867,441	4,617,571
<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>(3,886,142)</u></u>	\$ <u><u>11,596,511</u></u>	\$ <u><u>1,945,077</u></u>	\$ <u><u>6,487,114</u></u>	\$ <u><u>1,854,067</u></u>	\$ <u><u>46,382,506</u></u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Parking</u>	<u>Storm Drain</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 1,389,896	\$ 6,300,697
Payments to suppliers	(357,763)	(1,364,297)
Payments to employees	(777,735)	(563,449)
Payments for interfund services used	(503,978)	(4,393,507)
Net cash provided (used) by operating activities	<u>(249,580)</u>	<u>(20,556)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating grants received	-	-
Taxes received	-	-
Transfers in	-	700,000
Transfers out	-	(63,279)
Advances from/to other funds	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>636,721</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	-	(3,333)
Proceeds from sale of capital assets	-	130,435
Principal repayments	-	-
Interest paid	348	-
Trustee fees	-	-
Net cash provided (used) by capital and related financing activities	<u>348</u>	<u>127,102</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	125,300	150,544
Net increase (decrease) in the fair value of investments	(1,197)	(100,328)
Rental income received	157,051	-
Net cash provided (used) by investing activities	<u>281,154</u>	<u>50,216</u>
Net increase (decrease) in cash and cash equivalents	31,922	793,483
CASH AND CASH EQUIVALENTS, JULY 1	<u>139,149</u>	<u>10,112,811</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 171,071</u>	<u>\$ 10,906,294</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>		
Cash and cash equivalents	\$ 171,071	\$ 10,906,294
Restricted cash and cash equivalents with fiscal agent	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 171,071</u>	<u>\$ 10,906,294</u>

Compost	Airport	Golf	Community Center	Abatement and Public Nuisance Fund	Total
\$ 14,563,548	\$ 762,311	\$ 3,096,548	\$ 484,485	\$ 284,329	\$ 26,881,814
(1,479,856)	(267,742)	(3,258,814)	-	(44,127)	(6,772,599)
(6,049,611)	(668,271)	-	(889,907)	-	(8,948,973)
(4,092,000)	(394,853)	(249,238)	(375,123)	(107,433)	(10,116,132)
<u>2,942,081</u>	<u>(568,555)</u>	<u>(411,504)</u>	<u>(780,545)</u>	<u>132,769</u>	<u>1,044,110</u>
267,196	343,179	-	-	-	610,375
-	291,711	-	-	-	291,711
386,083	-	841,276	564,978	2,173	2,494,510
(834,810)	-	-	-	-	(898,089)
(654,200)	-	-	-	52,881	(601,319)
<u>(835,731)</u>	<u>634,890</u>	<u>841,276</u>	<u>564,978</u>	<u>55,054</u>	<u>1,897,188</u>
-	-	(338,330)	-	-	(341,663)
33,980	-	-	-	-	164,415
-	-	(462,352)	-	-	(462,352)
3,413	-	(33,995)	-	-	(30,234)
-	-	(581)	-	-	(581)
<u>37,393</u>	<u>-</u>	<u>(835,258)</u>	<u>-</u>	<u>-</u>	<u>(670,415)</u>
60,979	72,210	111,026	-	6,007	526,066
(13,693)	(25,135)	9,378	-	(3,050)	(134,025)
-	263,549	140,890	617,527	-	1,179,017
<u>47,286</u>	<u>310,624</u>	<u>261,294</u>	<u>617,527</u>	<u>2,957</u>	<u>1,571,058</u>
2,191,029	376,959	(144,192)	401,960	190,780	3,841,941
2,657,221	2,638,753	756,859	234,080	290,804	16,829,677
<u>\$ 4,848,250</u>	<u>\$ 3,015,712</u>	<u>\$ 612,667</u>	<u>\$ 636,040</u>	<u>\$ 481,584</u>	<u>\$ 20,671,618</u>
\$ 4,848,250	\$ 3,015,712	\$ 61,590	\$ 636,040	\$ 481,584	\$ 20,120,541
-	-	551,077	-	-	551,077
<u>\$ 4,848,250</u>	<u>\$ 3,015,712</u>	<u>\$ 612,667</u>	<u>\$ 636,040</u>	<u>\$ 481,584</u>	<u>\$ 20,671,618</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS (Continued)**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Parking	Storm Drain
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>		
<b>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ <u>(438,157)</u>	\$ <u>(663,963)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	385,570	439,863
Taxes paid	(29)	-
Change in assets, liabilities, and deferred resources:		
(Increase) decrease in accounts receivable	(79,023)	(837)
(Increase) in taxes receivable	-	-
(Increase) decrease in utilities receivable	-	13,298
(Increase) decrease in due from other governments	-	-
Increase (decrease) in accounts payable	(22,172)	179,155
(Increase) in inventories	-	-
(Increase) decrease in prepaid expenses	(21)	1,125
Increase in accrued salaries and benefits	6,031	3,762
Increase in net pension liability and deferred resources	48,655	15,672
(Decrease) in net OPEB liability and deferred resources	(13,208)	(8,631)
Increase pollution remediation	-	-
Increase (decrease) in unearned revenue	-	-
(Decrease) in lease/SBITA payable	-	-
(Increase) in lease receivable	(137,226)	-
Total adjustments	<u>188,577</u>	<u>643,407</u>
Net cash provided (used) by operating activities	\$ <u><u>(249,580)</u></u>	\$ <u><u>(20,556)</u></u>
 <b>NONCASH INVESTING, CAPITAL AND FINANCING</b>		
<b>ACTIVITIES:</b>		
Intangible assets right-to-use - SBITAS	\$ -	\$ 22,366
<b>TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	<u><u>\$ -</u></u>	<u><u>\$ 22,366</u></u>

<u>Compost</u>	<u>Airport</u>	<u>Golf</u>	<u>Community Center</u>	<u>Abatement and Public Nuisance Fund</u>	<u>Total</u>
\$ 3,575,811	\$ (1,137,561)	\$ (135,998)	\$ (1,665,781)	\$ 861,666	\$ 396,017
60,954	729,074	36,859	57,762	-	1,710,082
-	-	-	-	-	(29)
(792,365)	34,960	(25,667)	(25,771)	(238,802)	(1,127,505)
-	(1,889)	-	-	-	(1,889)
(221,942)	-	-	-	-	(208,644)
63,736	(264,179)	-	825,886	-	625,443
(7,961)	(9,309)	(156,914)	3,645	(12,427)	(25,983)
-	-	(71)	-	-	(71)
(717)	204	(154,664)	(2)	-	(154,075)
45,344	6,011	2,581	5,528	-	69,257
190,498	88,767	-	43,608	-	387,200
(14,639)	-	-	(6,866)	-	(43,344)
150,687	-	-	-	-	150,687
(107,325)	-	191,144	-	(477,668)	(393,849)
-	-	-	(18,554)	-	(18,554)
-	(14,633)	(168,774)	-	-	(320,633)
<u>(633,730)</u>	<u>569,006</u>	<u>(275,506)</u>	<u>885,236</u>	<u>(728,897)</u>	<u>648,093</u>
\$ <u>2,942,081</u>	\$ <u>(568,555)</u>	\$ <u>(411,504)</u>	\$ <u>(780,545)</u>	\$ <u>132,769</u>	\$ <u>1,044,110</u>
\$ 6,645	\$ -	\$ -	\$ -	\$ -	\$ 58,022
\$ <u>6,645</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>58,022</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, 2023**

	Fleet Management	Central Services
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,857,046	\$ -
Receivables:		
Accounts	11,625	-
Interest	3,154	284
Prepaid expenses	2,403	126
Due from governments	1,463,185	-
Inventories	2,339,228	1,992,147
Total current assets	5,676,641	1,992,557
Noncurrent assets:		
Restricted assets - cash and cash equivalents	-	-
Restricted assets - cash from fiscal agent	-	-
Land and construction in progress	3,946,077	-
Other capital assets, net of accumulated depreciation	30,322,507	-
Intangible assets right-to-use, net of accumulated amortization	-	-
Total noncurrent assets	34,268,584	-
Total assets	39,945,225	1,992,557
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred OPEB	81,278	-
Deferred pensions	1,909,230	331,788
Total deferred outflows of resources	1,990,508	331,788
Total assets and deferred outflows of resources	\$ 41,935,733	\$ 2,324,345
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,241,175	\$ 218,881
Accrued salaries and benefits	118,490	17,618
Due to other funds	-	1,467,637
Unearned revenue	-	-
Current portion - compensated absences	-	-
Current portion - claims liability	-	-
Current portion - leases and SBITAS	-	-
Total current liabilities	1,359,665	1,704,136
Noncurrent liabilities:		
Compensated absences	-	-
Claims liability	-	-
Leases and SBITAS	-	-
Net OPEB liability	464,893	-
Net pension liability	6,382,865	1,109,221
Total noncurrent liabilities	6,847,758	1,109,221
Total liabilities	8,207,423	2,813,357
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred OPEB	165,639	-
Deferred pensions	28,833	5,011
Total deferred inflows of resources	194,472	5,011
<u>NET POSITION</u>		
Net investment in capital assets	34,268,584	-
Restricted	-	-
Unrestricted	(734,746)	(494,023)
Total net position	33,533,838	(494,023)
Total liabilities, deferred inflows of resources, and net position	\$ 41,935,733	\$ 2,324,345

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 4,782,586	\$ 14,978,839	\$ -	\$ 1,961,965	\$ 23,580,436
-	115,884	-	2,551	130,060
12,603	44,688	16,750	5,350	82,829
5,122	1,193,003	1,873	-	1,202,527
-	-	-	78,530	1,541,715
-	-	-	-	4,331,375
<u>4,800,311</u>	<u>16,332,414</u>	<u>18,623</u>	<u>2,048,396</u>	<u>30,868,942</u>
-	-	6,309,526	-	6,309,526
-	747,298	-	-	747,298
-	-	-	2,115,215	6,061,292
3,355,077	-	-	2,337,434	36,015,018
445,167	-	-	-	445,167
<u>3,800,244</u>	<u>747,298</u>	<u>6,309,526</u>	<u>4,452,649</u>	<u>49,578,301</u>
<u>8,600,555</u>	<u>17,079,712</u>	<u>6,328,149</u>	<u>6,501,045</u>	<u>80,447,243</u>
206,106	-	-	7,967	295,351
2,577,781	349,376	99,954	460,831	5,728,960
<u>2,783,887</u>	<u>349,376</u>	<u>99,954</u>	<u>468,798</u>	<u>6,024,311</u>
\$ <u>11,384,442</u>	\$ <u>17,429,088</u>	\$ <u>6,428,103</u>	\$ <u>6,969,843</u>	\$ <u>86,471,554</u>
\$ 484,932	\$ 1,135,242	\$ 35,669	\$ 190,785	\$ 3,306,684
138,428	17,741	7,037	26,048	325,362
-	-	-	-	1,467,637
-	39,820	-	-	39,820
-	-	1,070,824	-	1,070,824
-	6,660,398	-	-	6,660,398
144,635	-	-	-	144,635
<u>767,995</u>	<u>7,853,201</u>	<u>1,113,530</u>	<u>216,833</u>	<u>13,015,360</u>
-	-	10,848,329	-	10,848,329
-	20,378,516	-	-	20,378,516
148,936	-	-	-	148,936
612,753	-	-	42,135	1,119,781
8,617,937	1,168,020	334,161	1,540,634	19,152,838
<u>9,379,626</u>	<u>21,546,536</u>	<u>11,182,490</u>	<u>1,582,769</u>	<u>51,648,400</u>
<u>10,147,621</u>	<u>29,399,737</u>	<u>12,296,020</u>	<u>1,799,602</u>	<u>64,663,760</u>
310,816	-	-	17,277	493,732
38,929	5,276	1,509	6,960	86,518
<u>349,745</u>	<u>5,276</u>	<u>1,509</u>	<u>24,237</u>	<u>580,250</u>
3,506,673	-	-	4,452,649	42,227,906
-	747,298	6,309,526	-	7,056,824
<u>(2,619,597)</u>	<u>(12,723,223)</u>	<u>(12,178,952)</u>	<u>693,355</u>	<u>(28,057,186)</u>
<u>887,076</u>	<u>(11,975,925)</u>	<u>(5,869,426)</u>	<u>5,146,004</u>	<u>21,227,544</u>
\$ <u>11,384,442</u>	\$ <u>17,429,088</u>	\$ <u>6,428,103</u>	\$ <u>6,969,843</u>	\$ <u>86,471,554</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Fleet Management</u>	<u>Central Services</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 15,889,406	\$ 5,085,958
Miscellaneous	15,604	-
Total operating revenues	<u>15,905,010</u>	<u>5,085,958</u>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	2,871,877	294,596
Cost of goods sold	-	3,968,810
Contractual services	288,652	174,176
Utilities	194,522	91
Maintenance and supplies	8,472,311	118,036
Insurance	303,374	13,481
Claims	-	-
Employee benefits	1,541,981	459,614
Administration services	410,778	198,087
Allocated indirect administrative costs	220,610	-
Depreciation	3,226,000	8,643
Total operating expenses	<u>17,530,105</u>	<u>5,235,534</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,625,095)</u>	<u>(149,576)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Gain (loss) on disposition of capital assets	(13,106)	-
Interest income	10,465	1,471
Net increase (decrease) in fair value of investments	(26,628)	(289)
Rental income	36,000	-
Tax Expense	-	-
Interest expense and amortization	-	-
Total nonoperating revenues (expenses)	<u>6,731</u>	<u>1,182</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(1,618,364)</u>	<u>(148,394)</u>
Capital contributions	1,253,210	-
Transfers in	1,961,950	-
Transfers out	-	(32,916)
Total contributions and transfers	<u>3,215,160</u>	<u>(32,916)</u>
<b>CHANGES IN NET POSITION</b>	1,596,796	(181,310)
<b>NET POSITION (DEFICIT), JULY 1</b>	30,690,920	(312,713)
<b>PRIOR YEAR ADJUSTMENTS</b>	<u>1,246,122</u>	<u>-</u>
<b>NET POSITION (DEFICIT), JUNE 30</b>	<u>\$ 33,533,838</u>	<u>\$ (494,023)</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 8,539,967	\$ 34,365,757	\$ 36,504,036	\$ 3,905,363	\$ 104,290,487
-	468,439	133,449	2,398	619,890
<u>8,539,967</u>	<u>34,834,196</u>	<u>36,637,485</u>	<u>3,907,761</u>	<u>104,910,377</u>
3,111,529	416,018	1,233,307	538,752	8,466,079
-	-	-	-	3,968,810
132,324	2,513,101	304,256	1,814,902	5,227,411
143,078	904	1,657	234,969	575,221
2,117,940	16,555	39,699	676,695	11,441,236
107,012	22,052,205	4,140	27,930	22,508,142
-	11,042,040	1,441	-	11,043,481
1,830,618	409,936	33,555,044	297,093	38,094,286
6,576	154,560	288,771	109,143	1,167,915
-	-	-	-	220,610
805,591	-	-	278,908	4,319,142
<u>8,254,668</u>	<u>36,605,319</u>	<u>35,428,315</u>	<u>3,978,392</u>	<u>107,032,333</u>
<u>285,299</u>	<u>(1,771,123)</u>	<u>1,209,170</u>	<u>(70,631)</u>	<u>(2,121,956)</u>
-	-	-	1,782	(11,324)
67,659	318,828	87,640	78,049	564,112
(24,302)	51,699	(43,386)	(13,876)	(56,782)
-	-	-	57,950	93,950
-	-	-	(16,073)	(16,073)
(2,600)	-	-	-	(2,600)
<u>40,757</u>	<u>370,527</u>	<u>44,254</u>	<u>107,832</u>	<u>571,283</u>
<u>326,056</u>	<u>(1,400,596)</u>	<u>1,253,424</u>	<u>37,201</u>	<u>(1,550,673)</u>
-	-	-	-	1,253,210
-	-	-	-	1,961,950
(141,388)	-	-	-	(174,304)
<u>(141,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,040,856</u>
184,668	(1,400,596)	1,253,424	37,201	1,490,183
702,408	(10,575,329)	(7,122,850)	5,108,803	18,491,239
-	-	-	-	1,246,122
<u>\$ 887,076</u>	<u>\$ (11,975,925)</u>	<u>\$ (5,869,426)</u>	<u>\$ 5,146,004</u>	<u>\$ 21,227,544</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Fleet Management</u>	<u>Central Services</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 28,478	\$ -
Receipts from interfund services provided	15,875,000	5,123,808
Payments to suppliers	(12,247,974)	(4,356,032)
Payment of insurance claims	-	-
Payments to employees	(4,207,353)	(527,743)
Payments for interfund services used	(949,788)	(211,568)
Net cash provided (used) by operating activities	<u>(1,501,637)</u>	<u>28,465</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers in	1,961,950	-
Transfers out	-	(32,916)
Net cash provided (used) by noncapital financing activities	<u>1,961,950</u>	<u>(32,916)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(1,584,310)	-
Proceeds from sale of capital assets	35,654	-
Principal repayments	-	-
Interest paid	-	(7)
Net cash provided (used) by capital and related financing activities	<u>(1,548,656)</u>	<u>(7)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received	9,835	1,312
Net increase (decrease) in the fair value of investments	(26,628)	(289)
Rental income received	36,000	-
Net cash provided (used) by investing activities	<u>19,207</u>	<u>1,023</u>
Net increase (decrease) in cash and cash equivalents	(1,069,136)	(3,435)
CASH AND CASH EQUIVALENTS, JULY 1	<u>2,926,182</u>	<u>3,435</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 1,857,046</u>	<u>\$ -</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>		
Cash and cash equivalents	\$ 1,857,046	\$ -
Restricted cash and cash equivalents	-	-
Restricted cash and cash equivalents with fiscal agent	-	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 1,857,046</u>	<u>\$ -</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ -	\$ 742,062	\$ 167,199	\$ 20,620	\$ 958,359
8,539,967	34,365,757	36,504,036	3,905,363	104,313,931
(1,816,044)	(25,135,634)	(322,369)	(2,657,101)	(46,535,154)
-	(10,861,424)	(4,140)	-	(10,865,564)
(4,643,686)	(704,782)	(34,843,335)	(861,893)	(45,788,792)
(113,588)	(154,560)	(292,911)	(193,276)	(1,915,691)
<u>1,966,649</u>	<u>(1,748,581)</u>	<u>1,208,480</u>	<u>213,713</u>	<u>167,089</u>
-	-	-	-	1,961,950
(141,388)	-	-	-	(174,304)
<u>(141,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,787,646</u>
(487,588)	-	-	-	(2,071,898)
-	-	-	1,782	37,436
(2,600)	-	-	-	(2,600)
(139,943)	-	-	-	(139,950)
<u>(630,131)</u>	<u>-</u>	<u>-</u>	<u>1,782</u>	<u>(2,177,012)</u>
62,551	338,671	85,670	76,460	574,499
(24,302)	51,699	(43,386)	(13,876)	(56,782)
-	-	-	57,950	93,950
<u>38,249</u>	<u>390,370</u>	<u>42,284</u>	<u>120,534</u>	<u>611,667</u>
1,233,379	(1,358,211)	1,250,764	336,029	389,390
<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>
<u>\$ 4,782,586</u>	<u>\$ 15,726,137</u>	<u>\$ 6,309,526</u>	<u>\$ 1,961,965</u>	<u>\$ 30,637,260</u>
\$ 4,782,586	\$ 14,978,839	\$ -	\$ 1,961,965	\$ 23,580,436
-	-	6,309,526	-	6,309,526
-	747,298	-	-	747,298
<u>\$ 4,782,586</u>	<u>\$ 15,726,137</u>	<u>\$ 6,309,526</u>	<u>\$ 1,961,965</u>	<u>\$ 30,637,260</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS (Continued)**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Fleet Management</u>	<u>Central Services</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (1,625,095)	\$ (149,576)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,226,000	8,643
Taxes paid	-	-
Change in assets, liabilities, and deferred resources:		
(Increase) decrease in accounts receivable	(1,532)	37,850
(Increase) decrease in due from governments	(82,975)	-
(Increase) decrease in prepaid expenses	16,266	1,256
(Increase) in inventories	(2,339,228)	(183,679)
Increase (decrease) in accounts payable	(901,578)	(1,380,133)
Increase in accrued salaries and benefits	14,639	1,458
Increase in due to other funds	-	1,467,637
Decrease in compensated absences	-	-
Decrease in net OPEB liability and deferred resources	(11,516)	-
(Increase) decrease in net pension liability and deferred resources	203,382	225,009
(Decrease) in unearned revenue	-	-
Increase (decrease) in lease and SBITA payable	-	-
Increase in claims liability	-	-
Total adjustments	<u>123,458</u>	<u>178,041</u>
Net cash provided (used) by operating activities	<u>\$ (1,501,637)</u>	<u>\$ 28,465</u>
 <b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Intangible assets right-to-use - SBITAS	\$ -	\$ -
<b>TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	<u>\$ -</u>	<u>\$ -</u>

Information & Technology Services	Insurance	Employee Benefits Management	Building Services	Total
\$ 285,299	\$ (1,771,123)	\$ 1,209,170	\$ (70,631)	\$ (2,121,956)
805,591	-	-	278,908	4,319,142
-	-	-	(16,073)	(16,073)
-	307,469	33,748	2,249	379,784
-	-	-	4,292	(78,683)
(1,916)	(1,132,031)	(577)	29	(1,116,973)
-	-	-	-	(2,522,907)
283,043	579,162	21,121	87,256	(1,311,129)
38,754	3,221	1,912	9,600	69,584
-	-	-	-	1,467,637
-	-	(42,920)	-	(42,920)
(63,554)	-	-	(3,614)	(78,684)
323,261	117,951	(13,974)	(32,034)	823,595
-	(33,846)	-	-	(33,846)
296,171	-	-	(46,269)	249,902
-	180,616	-	-	180,616
<u>1,681,350</u>	<u>22,542</u>	<u>(690)</u>	<u>284,344</u>	<u>2,289,045</u>
\$ <u>1,966,649</u>	\$ <u>(1,748,581)</u>	\$ <u>1,208,480</u>	\$ <u>213,713</u>	\$ <u>167,089</u>
\$ 582,510	\$ -	\$ -	\$ -	\$ 582,510
\$ 582,510	\$ -	\$ -	\$ -	\$ 582,510

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## **Private Purpose Trust Funds and Investment Trust Funds**

Private Purpose Trust Funds accounts as the fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. Investment Trust Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations.

### **Private Purpose Trust Funds**

**REDEVELOPMENT SUCCESSOR AGENCY** – To account for allocated revenues in amounts necessary to pay the estimated annual installment payments on all 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.

**SPECIAL DISTRICTS** – To account for collection of special assessment from property owners which are collected and forwarded to trustees for payment to bondholders. The cash and investment of the Special Districts are invested as part of the City's investment pool.

### **Investment Trust Funds**

**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 OF MODESTO**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS**  
**JUNE 30, 2023**

	Redevelopment Successor Agency	Special Districts	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,177,530	\$ 772,854	\$ 1,950,384
Cash and cash equivalents held with fiscal agent	1,699,498	3,574,023	5,273,521
Interest receivable	4,999	1,055	6,054
Taxes receivable	-	70,097	70,097
Assessments receivable	-	26,880,000	26,880,000
Prepays	2,966		2,966
<b>Total assets</b>	<b>2,884,993</b>	<b>31,298,029</b>	<b>34,183,022</b>
Deferred outflows of resources:			
Loss on refunding	-	904,920	904,920
<b>Total assets and deferred outflows of resources</b>	<b>2,884,993</b>	<b>32,202,949</b>	<b>35,087,942</b>
<b>LIABILITIES</b>			
Accounts payables and other liabilities	20,666	-	20,666
Due to local governments	1,192,004	-	1,192,004
Interest payable	13,416	400,314	413,730
Long-term liabilities:			
Due within one year	2,417,650	1,110,000	3,527,650
Due in more than one year	11,710,650	26,647,678	38,358,328
<b>Total liabilities</b>	<b>15,354,386</b>	<b>28,157,992</b>	<b>43,512,378</b>
Deferred inflows of resources			
Unavailable revenues	-	706,169	706,169
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>706,169</b>	<b>706,169</b>
<b>NET POSITION</b>			
Restricted	1,699,498	3,574,023	5,273,521
Unrestricted	(14,168,891)	(235,235)	(14,404,126)
<b>Total net position (deficit)</b>	<b>\$ (12,469,393)</b>	<b>\$ 3,338,788</b>	<b>\$ (9,130,605)</b>

**CITY OF MODESTO**  
**COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION -**  
**FIDUCIARY FUNDS - PRIVATE PURPOSE TRUST FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2023**

	Redevelopment Successor Agency	Special Districts	Total Private Purpose Trust Funds
Collections on behalf of other governments:			
Special assessments	\$ -	\$ 1,519,095	\$ 1,519,095
Property taxes	1,619,627	-	1,619,627
Total collections on behalf of other governments	<u>1,619,627</u>	<u>1,519,095</u>	<u>3,138,722</u>
Interest and investment earnings:			
Interest earnings	92,991	192,472	285,463
Net (decrease) in fair value of investments	(6,896)	9,949	3,053
Total interest and investment earnings	<u>86,095</u>	<u>202,421</u>	<u>288,516</u>
Total additions	<u>1,705,722</u>	<u>1,721,516</u>	<u>3,427,238</u>
DEDUCTIONS:			
Distribution of property taxes to other taxing entities	369,593	-	369,593
Obligation retirements:			
Interest expense	110,776	1,209,170	1,319,946
Trustee fees	-	3,760	3,760
City administrative expenses	89,960	30,094	120,054
Other expenses	3,009	75,312	78,321
Total deductions	<u>573,338</u>	<u>1,318,336</u>	<u>1,891,674</u>
Net increase in fiduciary net position	1,132,384	403,180	1,535,564
Net position, July 1	(13,601,777)	2,935,608	(10,666,169)
Net position (deficit), June 30	<u>\$ (12,469,393)</u>	<u>\$ 3,338,788</u>	<u>\$ (9,130,605)</u>

**CITY OF MODESTO**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS**  
**JUNE 30, 2023**

	<u>Tuolumne River Regional Park</u>	<u>Modesto-Ceres Fire Protection Agency</u>	<u>Total Investment Trust Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,619,218	\$ 272,063	\$ 3,891,281
Receivables:			
Interest receivable	527	1,443	1,970
Taxes receivable	-	26,534	26,534
Leases receivable	1,185,368	-	1,185,368
Prepaid	-	1,086	1,086
Due from governments	133,659	-	133,659
Land and construction in progress	2,946,745	-	2,946,745
Other capital assets, net of	3,683,597	-	3,683,597
Total assets	<u>11,569,114</u>	<u>301,126</u>	<u>11,870,240</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	<u>180,624</u>	<u>299,968</u>	<u>480,592</u>
Total liabilities	<u>180,624</u>	<u>299,968</u>	<u>480,592</u>
Deferred inflows of resources:			
Leases	<u>1,135,392</u>	<u>-</u>	<u>1,135,392</u>
Total deferred inflows of resources	<u>1,135,392</u>	<u>-</u>	<u>1,135,392</u>
<b>NET POSITION</b>			
Net invested in capital assets	6,630,342	-	6,630,342
Unrestricted	3,622,756	1,158	3,623,914
Total net position	<u>\$ 10,253,098</u>	<u>\$ 1,158</u>	<u>\$ 10,254,256</u>

**CITY OF MODESTO**  
**COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - INVESTMENT TRUST FUNDS**  
**JUNE 30, 2023**

	<u>Tuolumne River Regional Park</u>	<u>Modesto-Ceres Fire Protection Agency</u>	<u>Total Investment Trust Funds</u>
ADDITIONS:			
Contributions:			
Members investment pool	\$ 625,183	\$ -	\$ 625,183
Total contributions	<u>625,183</u>	<u>-</u>	<u>625,183</u>
Collections on behalf of other governments:			
Special assessments	-	291,148	291,148
Property taxes	-	393,710	393,710
Grants	235,203	-	235,203
Other	3,000	-	3,000
Insurance recoveries	3,316,441	-	3,316,441
Total collections on behalf of other governments	<u>3,554,644</u>	<u>684,858</u>	<u>4,239,502</u>
Interest and investment earnings:			
Interest and rent earnings	133,923	4,738	138,661
Net (decrease) in fair value of investments	<u>(5,681)</u>	<u>(2,561)</u>	<u>(8,242)</u>
Total interest and investment earnings	<u>128,242</u>	<u>2,177</u>	<u>130,419</u>
Total additions	<u>4,308,069</u>	<u>687,035</u>	<u>4,995,104</u>
DEDUCTIONS:			
Distribution of property taxes to other taxing entities	-	674,844	674,844
City administrative expenses	149,066	2,983	152,049
Other expenses	-	8,032	8,032
Depreciation expense	438,048	-	438,048
Insurance expenses	-	1,177	1,177
Operating expenses	978,126	-	978,126
Total deductions	<u>1,565,240</u>	<u>687,036</u>	<u>2,252,276</u>
Net increase (decrease) in net position	2,742,829	(1)	2,742,828
Net position, July 1	<u>7,510,269</u>	<u>1,159</u>	<u>7,511,428</u>
Net position, June 30	<u>\$ 10,253,098</u>	<u>\$ 1,158</u>	<u>\$ 10,254,256</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

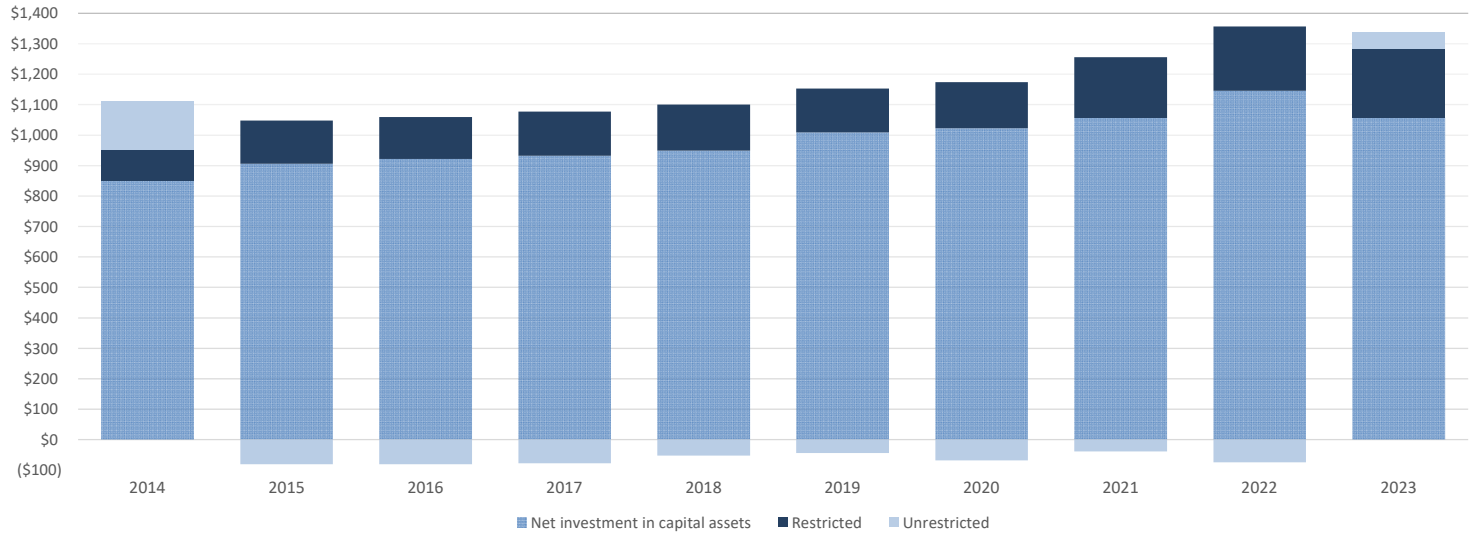
### Operating Information

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 <sup>(1)</sup>**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 468,002,326
Restricted <sup>(2)</sup>	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	208,472,568
Unrestricted	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)	(187,041,193)
Total governmental activities net position	\$ 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	\$ 489,433,701
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 589,299,184
Restricted <sup>(2)</sup>	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	16,788,942
Unrestricted	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	241,640,663
Total business-type activities net position	\$ 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	\$ 847,728,789
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 1,057,301,510
Restricted <sup>(2)</sup>	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	225,261,510
Unrestricted	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)	54,599,470
Total primary government net position	\$ 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	\$ 1,337,162,490

(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)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 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	\$ 16,573,945
Community development	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	28,589,701
Highways and streets	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	27,337,181
Public works	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	7,795,895
Parks and recreation	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	16,227,064
Public safety	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	147,700,874
Interest on long-term debt	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	1,719,479
<b>Total governmental activities expenses</b>	<b>\$ 135,701,589</b>	<b>\$ 149,682,774</b>	<b>\$ 149,382,687</b>	<b>\$ 175,812,715</b>	<b>\$ 191,969,626</b>	<b>\$ 186,246,949</b>	<b>\$ 227,839,341</b>	<b>\$ 220,075,585</b>	<b>\$ 207,502,984</b>	<b>\$ 245,944,139</b>
<b>Business-type activities:</b>										
Water	\$ 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	\$ 77,533,248
Sewer	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	48,558,199
Bus <sup>(1)</sup>	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	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	2,026,547
Storm drain	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	6,767,327
Compost	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	11,902,440
Airport	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	2,130,694
Golf	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	3,238,111
Community center	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	1,899,017
Abatement and public nuisance	31,877	93,067	84,152	51,624	351,557	63,312	142,124	82,166	124,097	137,992
<b>Total business-type activities expenses</b>	<b>135,142,835</b>	<b>123,850,515</b>	<b>137,851,551</b>	<b>145,234,174</b>	<b>141,244,058</b>	<b>152,078,567</b>	<b>166,429,011</b>	<b>170,266,273</b>	<b>143,686,208</b>	<b>154,193,575</b>
<b>Total primary government expenses</b>	<b>\$ 270,844,424</b>	<b>\$ 273,533,289</b>	<b>\$ 287,234,238</b>	<b>\$ 321,046,889</b>	<b>\$ 333,213,684</b>	<b>\$ 338,325,516</b>	<b>\$ 394,268,352</b>	<b>\$ 390,341,858</b>	<b>\$ 351,189,192</b>	<b>\$ 400,137,714</b>
<b>Program revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 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	\$ 5,945,470
Community development	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	16,094,070
Highway and streets	873,566	1,744,505	1,154,290	1,101,813	758,952	748,319	909,580	651,061	651,082	1,077,458
Public works	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	3,780,309
Parks and recreation	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	2,507,683
Public safety	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	6,993,295
Operating grants and contributions	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	19,539,354
Capital grants and contributions	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	4,174,014
<b>Total governmental activities program revenues</b>	<b>35,586,195</b>	<b>34,967,455</b>	<b>30,028,333</b>	<b>36,102,544</b>	<b>41,328,854</b>	<b>44,398,455</b>	<b>64,577,419</b>	<b>104,200,324</b>	<b>68,777,846</b>	<b>60,111,653</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	\$ 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	\$ 81,863,397
Sewer	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	64,518,164
Bus <sup>(1)</sup>	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	5,831,133	1,239,439	1,289,211	1,284,269	1,434,311	1,519,954	1,264,938	983,353	1,281,097	1,606,145
Storm drain	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	6,288,237
Compost	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	15,621,445
Airport	2,989,504	551,373	622,383	596,152	651,693	737,072	651,447	686,923	722,767	1,008,052
Golf	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	3,099,845
Community center	230,801	257,991	326,839	305,436	294,524	285,685	188,589	36,914	166,370	247,351
Abatement and public nuisance	201,825	128,636	166,641	117,677	112,199	231,167	67,181	115,999	640,686	1,000,799
Operating grants and contributions	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	1,263,264
Capital grants and contributions	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	3,310,141
<b>Total business-type activities program revenues</b>	<b>143,023,086</b>	<b>155,280,704</b>	<b>143,889,533</b>	<b>177,181,752</b>	<b>175,920,095</b>	<b>189,830,773</b>	<b>186,243,257</b>	<b>212,702,619</b>	<b>178,678,791</b>	<b>179,826,840</b>
<b>Total primary government program revenues</b>	<b>\$ 178,609,281</b>	<b>\$ 190,248,159</b>	<b>\$ 173,917,866</b>	<b>\$ 213,284,296</b>	<b>\$ 217,248,949</b>	<b>\$ 234,229,228</b>	<b>\$ 250,820,676</b>	<b>\$ 316,902,943</b>	<b>\$ 247,456,637</b>	<b>\$ 239,938,493</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (185,832,486)
Business-type activities	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	25,633,265
<b>Total primary government net expense</b>	<b>\$ (92,235,143)</b>	<b>\$ (83,285,130)</b>	<b>\$ (113,316,372)</b>	<b>\$ (107,762,593)</b>	<b>\$ (115,964,735)</b>	<b>\$ (104,096,288)</b>	<b>\$ (143,447,676)</b>	<b>\$ (73,438,915)</b>	<b>\$ (103,732,555)</b>	<b>\$ (160,199,221)</b>

(continued)

(1) 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 Authority (StanRTA).

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Utility users tax	\$ 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	\$ 22,363,013
Property taxes, levied for general purposes <sup>(1)</sup>	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	21,893,830
Transient occupancy tax	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	3,513,477
Franchise tax	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	8,569,338
Cannabis tax <sup>(5)</sup>	-	-	-	-	-	352,208	3,201,364	5,379,402	4,022,799	3,185,203
Business license tax, levied for general purposes	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	15,306,957
Business license tax, levied for downtown improvement district	181,689	188,247	186,123	192,540	189,070	202,014	190,543	225,051	205,995	211,645
<b>Grants and contributions not restricted to specific programs: <sup>(4)</sup></b>										
Sales tax (state appropriation)	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	39,611,849
Sales tax Measure H <sup>(7)</sup>	-	-	-	-	-	-	-	-	-	11,116,219
Motor vehicle license fee	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	21,194,886
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	23,171,728
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	4,900,860
Proceeds from Modesto Regional Fire Authority dissolution	-	2,500,721	-	-	-	-	-	-	-	-
Other	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	35,769,198
Unrestricted investment earnings	441,383	564,314	582,565	362,856	726,199	5,753,083	6,044,156	(287,088)	(3,911,830)	3,403,539
Miscellaneous	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	923,411
Transfers	(41,312)	(775,377)	(567,177)	(1,750,401)	(354,287)	(1,675,373)	479,917	824,609	21,077,584	66,244
<b>Total government activities</b>	<b>111,314,509</b>	<b>137,783,841</b>	<b>122,655,595</b>	<b>124,589,379</b>	<b>137,299,727</b>	<b>154,440,151</b>	<b>174,545,238</b>	<b>193,487,236</b>	<b>233,543,426</b>	<b>215,201,397</b>
<b>Business-type activities:</b>										
<b>Taxes:</b>										
Property taxes, generated by and allocated to the airport	254,200	237,546	206,854	199,124	207,849	201,931	190,995	266,272	212,978	291,711
Unrestricted investment earnings	2,726,148	554,180	2,247,061	872,935	1,047,604	7,290,802	8,082,331	(192,489)	(8,124,559)	2,562,708
Connection fees <sup>(2)</sup>	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	1,707,204
Settlements	41,317	13,851	-	-	-	-	-	-	-	-
Transfers, net	110,376	775,377	567,177	1,750,401	354,287	1,675,373	(479,917)	(824,609)	(21,077,584)	(66,244)
Special item <sup>(3)(6)</sup>	(1,356,418)	-	-	-	-	-	-	-	(19,461,712)	-
<b>Total business-type activities</b>	<b>2,300,537</b>	<b>2,795,683</b>	<b>4,389,853</b>	<b>4,139,261</b>	<b>3,082,549</b>	<b>10,696,833</b>	<b>9,184,229</b>	<b>935,841</b>	<b>(47,149,219)</b>	<b>4,495,379</b>
<b>Total primary government</b>	<b>\$ 113,615,046</b>	<b>\$ 140,579,524</b>	<b>\$ 127,045,448</b>	<b>\$ 128,728,640</b>	<b>\$ 140,382,276</b>	<b>\$ 165,136,984</b>	<b>\$ 183,729,467</b>	<b>\$ 194,423,077</b>	<b>\$ 186,394,207</b>	<b>\$ 219,696,776</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 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	\$ 29,368,911
Business-type activities	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)	30,128,644
<b>Total primary government</b>	<b>\$ 21,379,903</b>	<b>\$ 57,294,394</b>	<b>\$ 13,729,076</b>	<b>\$ 20,966,047</b>	<b>\$ 24,417,541</b>	<b>\$ 61,040,696</b>	<b>\$ 40,281,791</b>	<b>\$ 120,984,162</b>	<b>\$ 82,661,652</b>	<b>\$ 59,497,555</b>

(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 Authority (StanRTA), resulting in a loss in transfer of operations for the City.

(7) Effective April 1, 2023 the City of Modesto sales tax rate increased by 1% to 8.875% approved by City residents as part of Measure H.

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

	<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>	<u>2023</u>
General Fund										
Nonspendable	\$ 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	\$ 2,092,091
Restricted	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	8,486,061
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	18,397,817
Assigned	1,024,149	3,119,753	6,503,769	4,854,307	1,096,566	509,751	309,114	349,022	579,390	1,149,259
Unassigned <sup>(1)</sup>	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	23,445,340
Total General Fund	<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>	<u>\$ 53,570,568</u>
All Other Governmental Funds										
Nonspendable	\$ 3,907	\$ 88,057	\$ 86,242	\$ 81,007	\$ 23,816	\$ 13,290	\$ 101,173	\$ 543,554	\$ 32,734	\$ 27,828
Restricted	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	124,953,657
Assigned	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	52,426,693
Unassigned	(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)	(7,072,854)
Total all other governmental funds	<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>	<u>\$ 170,335,324</u>

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

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

(1) Effective April 1, 2023 the City of Modesto sales tax rate increased by 1% to 8.875% approved by City residents as part of Measure H, this increase to the sales tax increased the unassigned fund balance in General Fund.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Taxes	\$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	\$75,043,463
Licenses and permits	174,734	149,888	186,624	201,445	153,226	344,855	408,645	473,693	434,118	409,082
Intergovernmental	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	168,444,765
Charges for services	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	30,208,091
Special assessments levied	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	4,900,860
Interest and rent	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	4,113,653
Net increase (decrease) in fair value of investments	(423,827)	(320,398)	102,422	(572,616)	(645,593)	1,294,543	1,728,158	(985,713)	(4,317,623)	(487,727)
Fines and forfeits	1,844,607	1,171,076	904,802	1,263,407	1,127,877	1,143,506	666,120	660,110	832,510	880,252
Donations and Contribution	-	-	-	-	-	-	-	370,958	44,338	-
Miscellaneous	4,653,746	2,784,295	2,286,597	516,844	818,542	722,662	989,858	1,392,784	1,461,307	927,525
<b>Total Revenues</b>	<b>146,312,711</b>	<b>170,530,558</b>	<b>159,658,987</b>	<b>159,396,110</b>	<b>179,309,249</b>	<b>190,501,002</b>	<b>235,954,975</b>	<b>260,162,501</b>	<b>277,965,768</b>	<b>284,439,964</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	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	15,483,071
Community development	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	26,878,953
Highways and streets	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	14,694,631
Public works	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	7,359,391
Parks and recreation	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	15,247,166
Public safety	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	139,450,451
Capital outlay	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	30,540,807
<b>Debt service:</b>										
Principal retirement	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	4,210,255
Interest	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	1,609,215
Other	872,350	783,264	697,405	430,779	396,686	506,333	307,928	51,814	48,610	113,633
<b>Total Expenditures</b>	<b>140,139,415</b>	<b>162,642,474</b>	<b>156,071,836</b>	<b>161,183,448</b>	<b>160,677,962</b>	<b>193,922,912</b>	<b>216,998,632</b>	<b>231,900,118</b>	<b>257,225,112</b>	<b>255,587,573</b>
Excess of revenues over (under) expenditures	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	28,852,391
<b>Other Financing Sources (Uses)</b>										
Transfers in	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	17,408,119
Transfers out	(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)	(19,129,521)
Capital leases	-	1,070,472	330,947	5,883,756	-	-	39,204	-	3,741,926	1,772,045
Sale of assets	200,838	94,489	106,582	31,239	154,458	87,608	132,485	1,934	32,551	10,540
<b>Total other financing sources (uses)</b>	<b>(3,001,339)</b>	<b>(1,360,300)</b>	<b>(3,174,392)</b>	<b>4,814,956</b>	<b>(2,707,000)</b>	<b>824,096</b>	<b>(1,933,802)</b>	<b>(1,248,829)</b>	<b>2,090,952</b>	<b>61,183</b>
Change in fund balances	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	28,913,574
FUND BALANCES, July 1	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
PRIOR PERIOD ADJUSTMENTS	(35,195)	11,484,568	993,395	-	(2,046,381)	(59,750)	1,452,683	(4,273,849)	(346,163)	(9,770)
<b>FUND BALANCES, June 30</b>	<b>\$97,635,248</b>	<b>\$115,647,600</b>	<b>\$117,053,754</b>	<b>\$120,081,372</b>	<b>\$133,959,278</b>	<b>\$131,301,714</b>	<b>\$149,776,938</b>	<b>\$172,516,643</b>	<b>\$195,002,088</b>	<b>\$223,905,892</b>
Debt service as a percentage of noncapital expenditures <sup>(1)</sup>	2.95%	3.18%	3.22%	3.30%	3.50%	2.87%	2.65%	2.73%	2.55%	2.59%

(1) This calculation includes only principal retirement and interest as debt service

**CITY OF MODESTO**  
**REVENUE CAPACITY - MOST SIGNIFICANT LOCAL REVENUE SOURCE**  
**WATER UTILITY SYSTEM**  
**(YEAR ENDED JUNE 30, 2023)**

Ten Largest Customers of Water Utility System, Year Ended June 30, 2023

<u>Customer</u>	<u>Usage (ccf) <sup>(1)</sup></u>	<u>% of Total Usage</u>	<u>% of Total Water Sales Revenue</u>	<u>Water Sales Revenue (\$)</u>
1) City of Modesto	322,629	1.54%	1.45%	\$ 1,085,086
2) Modesto City Schools	312,895	1.50%	1.28%	958,356
3) Foster Farms	430,984	2.06%	1.19%	891,532
4) Stanislaus Food Products	401,550	1.92%	1.18%	882,576
5) Sunopta	251,800	1.20%	0.71%	533,222
6) Stanislaus Housing Authority	157,402	0.75%	0.66%	497,258
7) E & J Gallo	151,301	0.72%	0.59%	444,257
8) Modesto Irrigation District	136,553	0.65%	0.48%	358,930
9) STANCO	72,235	0.35%	0.40%	298,955
10) Yosemite Community College	90,388	0.43%	0.39%	291,709
Total Top Ten	<u>2,327,737</u>	<u>11.12%</u>	<u>8.33%</u>	<u>\$ 6,241,881</u>

Water Sales Revenue, Year Ended June 30, 2023

Residential - Flat Rates	\$ 299,865
Commercial, Industrial and Municipal - Metered Rates	74,488,920
Total Flat/Metered Revenues (Water Sales) <sup>(2)</sup>	<u>\$ 74,788,785</u>

Water Rates and Charges as of July 1, 2022

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

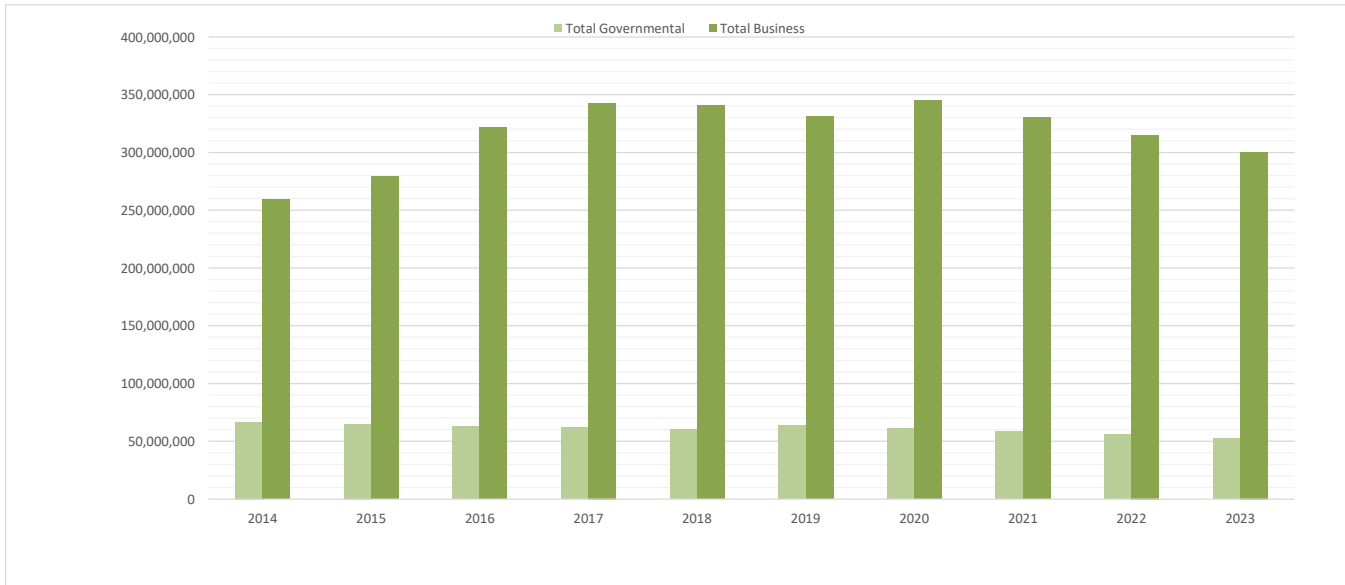
In addition to these minimum charges, commercial accounts are charged \$2.02 per 100 cubic feet of water used.

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

(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 <sup>(6)</sup>	Subscription-Based IT Arrangements <sup>(7)</sup>	Total
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
2023	500,000	41,770,000	673,000	7,018,112	1,695,502	51,656,614

**Business-Type Activities**

Fiscal Year	Loans Payable <sup>(2)(5)</sup>	Certificates of Participation <sup>(5)</sup>	Reimbursement Agreement related to MID <sup>(3)(5)</sup>	Revenue Bonds <sup>(2)(3)(4)(5)</sup>	Finance Purchase Obligations and Leases <sup>(6)</sup>	Subscription-Based IT Arrangements <sup>(7)</sup>	Total	Total Primary Government	Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(1)</sup>
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
2023	25,714,883	42,798,534	93,190,000	104,323,170	276,292	165,802	266,468,681	318,125,295	5.02%	1,466

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

(2) 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.

(3) 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.

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

(5) 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.

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

(7) In fiscal year 2023 the City adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs).

**CITY OF MODESTO**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**JUNE 30, 2023**

Jurisdiction	Net Debt Outstanding <sup>(1)</sup>	Percentage Applicable to City of Modesto <sup>(2)</sup>	Amount Applicable to City of Modesto
Direct debt:			
City of Modesto	<u>\$ 51,656,614</u>	100%	<u>\$ 51,656,614</u>
Overlapping General Obligation debt - school districts:			
Ceres Unified School District	85,091,200	5.79%	4,926,780
Hart-Ransom Union School District	3,287,478	31.33%	1,029,967
Modesto Elementary School District <sup>(3)</sup>	123,607,561	77.02%	95,202,543
Modesto High School District <sup>(4)</sup>	100,338,313	67.75%	67,979,207
Paradise Elementary School District	215,000	0.00%	-
Salida Union Elementary District	11,205,000	29.84%	3,343,572
Stanislaus Union School District	26,675,000	76.26%	20,342,355
Sylvan School District	28,955,854	78.65%	22,773,779
Yosemite Community College District	253,266,477	33.33%	84,413,717
Total overlapping debt	<u>632,641,883</u>		<u>300,011,920</u>
Total direct and overlapping debt	<u>\$ 684,298,497</u>		<u>\$ 351,668,534</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, Measure D & E, General Obligation Bond Series C

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

**CITY OF MODESTO  
COMPUTATION OF LEGAL DEBT MARGIN  
JUNE 30, 2023**

Net assessed value <sup>(1)(3)</sup>	20,350,140,973
Plus homeowners' exemption <sup>(1)(3)</sup>	<u>195,268,270</u>
Gross assessed value <sup>(1)(3)</sup>	<u><u>\$ 20,545,409,243</u></u>
Debt limit - 15% of gross assessed value <sup>(2)</sup>	\$ 3,081,811,386
Legal debt margin	<u><u>\$ 3,081,811,386</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
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 <sup>(4)</sup>	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%
2023	3,081,811,386	-	3,081,811,386	0%

(1) Source: Stanislaus County Auditor.

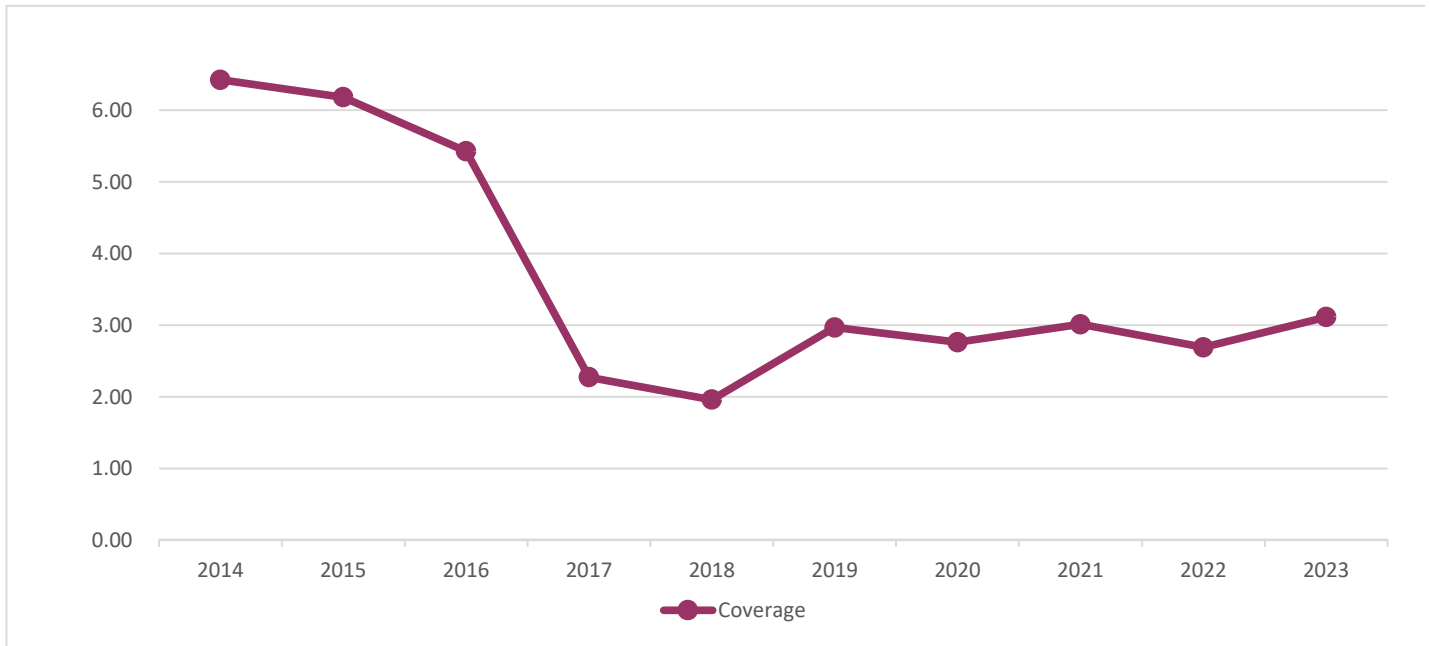
(2) Section 43605 California Government Code.

(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**



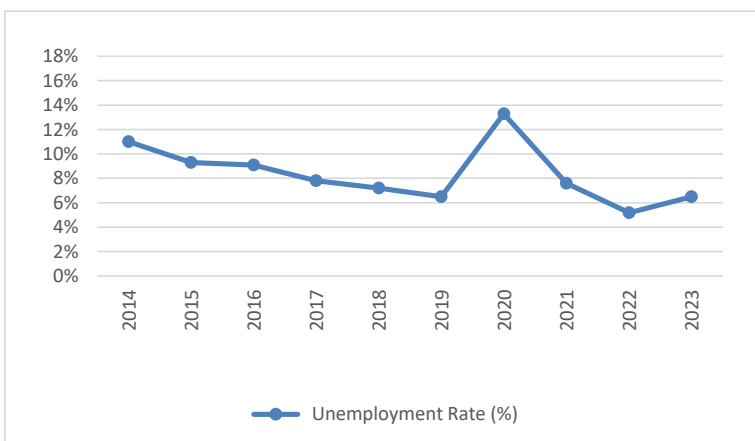
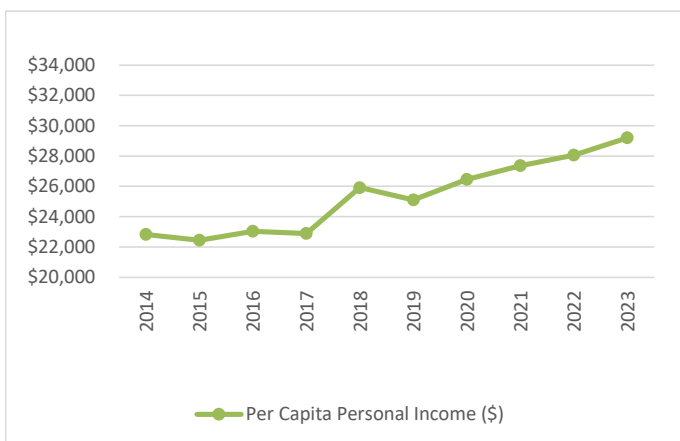
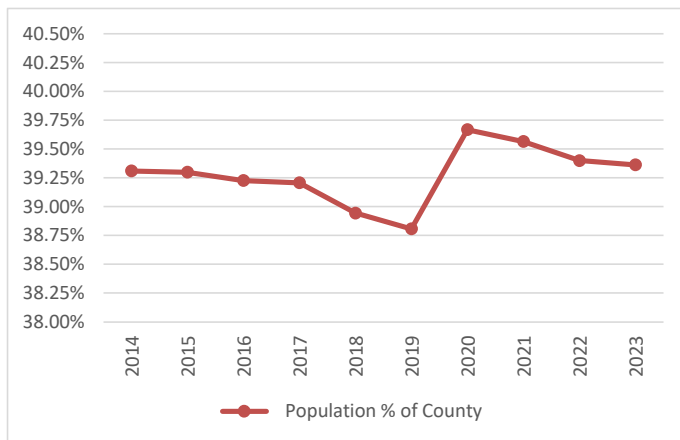
<b>Fiscal Year <sup>(3)</sup></b>	<b>Gross Revenue <sup>(1)</sup></b>	<b>Operating Expenses <sup>(2)</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
2014	47,233,028	19,860,430	27,372,598	4,261,980	6.42
2015	46,853,368	21,207,025	25,646,343	4,150,322	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
2023	70,164,131	32,058,383	38,105,748	12,246,146	3.11

(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 <sup>(1)(2)(3)</sup>	City Population	Total Personal Income (\$)	Per Capita Personal Income (\$)	Unemployment Rate (%)	Stanislaus County Population	City Population % of County
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%
2023	216,995	6,335,169,025	29,195	6.50%	551,275	39.36%

(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	2022/23			2014/15		
	Number of <sup>(1)</sup> Employees	Rank	Percentage of Total City Employment	Number of <sup>(1)</sup> Employees	Rank	Percentage of Total City Employment
E & J Gallo Winery	6,500	1	2.67%	3,300	1	3.31%
Stanislaus County	4,031	2	1.66%			
Modesto City Schools	3,200	3	1.32%	3,200	2	3.21%
Dotors Medical Center	2,600	4	1.07%	2,452	4	2.04%
Memorial Medical Center	2,087	5	0.86%	3,800	3	3.81%
Foster Farms Poultry	2,000	6	0.82%			
Del Monte Foods Inc	1,500	7	0.62%	2,200	6	2.24%
City of Modesto	1,325	8	0.54%	1,234	9	1.11%
Modesto Junior College	1,007	9	0.32%	1,548	8	1.28%
Sylvan Union School District	900	10	0.37%			
Stanislaus Food Products				1,850	7	1.80%
Seneca				2,275	5	2.21%
MedAmerica Billing Systems				900	10	0.90%
Storer Coachways				900	10	0.90%
Subtotal	<u>25,150</u>		<u>10.25%</u>	<u>23,659</u>		<u>22.81%</u>
Total Labor Force	243,300					
Total City Population	216,995					

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

**CITY OF MODESTO  
PRINCIPAL PROPERTY TAXPAYERS**

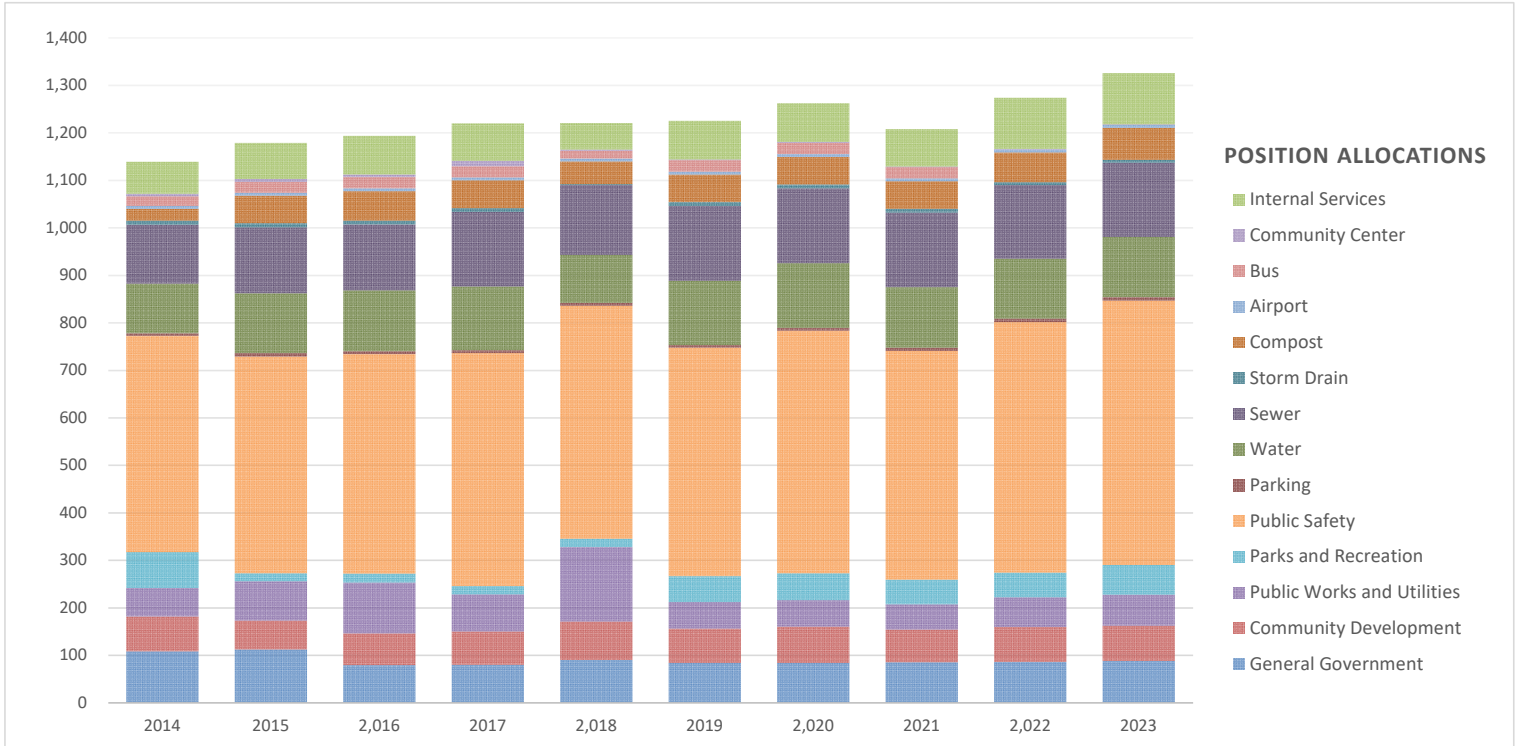
Employer	2022/23			2014/15		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
E & J Gallo Winery	\$ 540,370,191	1	2.63%	\$ 341,819,330	1	2.54%
Pacific Gas & Electric Company	\$ 478,192,681	2	2.33%	\$ 281,159,695	2	2.09%
Gallo Glass Company	\$ 447,864,218	3	2.18%	\$ 273,157,078	5	2.03%
Frito Lay Inc.	\$ 314,049,070	4	1.53%			
Dotors Medical Center	\$ 186,140,683	5	0.91%	\$ 254,451,297	4	1.89%
Hunt Wesson Foods Inc	\$ 182,817,312	6	0.89%	\$ 118,965,168	7	0.88%
California Dairies Inc.	\$ 181,329,412	7	0.88%			
Excel Monte Vista LP.	\$ 149,842,406	8	0.73%			
Blue Diamond Growers	\$ 148,642,322	9	0.72%			
Bronco Wine Company	\$ 138,350,554	10	0.67%	\$ 139,843,806	6	1.04%
World InternationalL <sup>(1)</sup>				\$ 21,622,479	3	0.16%
WW Grainger, INC.				\$ 96,619,996	8	0.72%
Fresno Farming				\$ 90,016,775	9	0.67%
Pacific Telephone Company				\$ 90,466,699	10	0.67%
Subtotal	<u>\$ 2,767,598,849</u>		<u>13.47%</u>	<u>\$ 1,708,122,323</u>		<u>12.69%</u>
Total assessed value of \$	\$ 20,545,409,243			\$ 13,450,808,897		

(1) Formerly World International LLC; should utilize AV in combination with "taxes" paid, if so taxpayer is not in the top 10. Not top 10 in relation to ad valore

Source: Stanislaus County Treasurer-Tax Collector

Note: Information based on entire Stanislaus County

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



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Function</b>										
General Government	108.00	112.10	79.00	80.00	90.00	84.00	84.00	85.00	86.00	88.00
Community Development	73.80	60.75	67.00	70.00	81.00	72.00	76.00	69.00	73.00	74.00
Public Works and Utilities	60.00	83.00	107.00	78.00	157.00	56.00	56.00	53.00	63.00	65.00
Parks and Recreation	75.38	16.50	18.50	17.50	17.50	54.75	56.75	51.75	51.75	62.75
Public Safety	455.00	456.50	462.50	490.50	490.50	480.50	510.50	482.00	528.00	557.00
Parking	6.00	7.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00
Water	104.00	126.00	128.00	134.00	101.00	135.00	136.00	127.00	126.00	127.00
Sewer	124.00	139.00	139.00	157.00	146.80	158.00	158.00	157.00	155.00	156.00
Storm Drain	9.00	9.00	8.00	8.00	2.00	8.00	8.00	8.00	6.00	6.00
Compost	24.80	57.80	61.80	58.80	48.00	57.80	57.80	58.00	63.00	68.00
Airport	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Bus <sup>(1)</sup>	20.00	23.00	24.00	24.00	16.00	24.00	24.00	24.00	-	-
Community Center	5.50	6.00	5.00	11.00	3.00	2.00	2.00	1.00	1.00	1.00
Internal Services	67.30	76.00	82.00	79.00	56.00	81.00	81.00	79.00	108.00	108.00
<b>Total</b>	<b>1,138.78</b>	<b>1,178.65</b>	<b>1,193.80</b>	<b>1,219.80</b>	<b>1,220.80</b>	<b>1,225.05</b>	<b>1,262.05</b>	<b>1,207.75</b>	<b>1,273.75</b>	<b>1,325.75</b>

(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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Public safety:</b>										
<b>Fire:</b>										
Fire calls for service	24,281	24,712	21,135	26,288	28,444	30,341	31,415	30,741	32,618	33,305
Primary fire inspections conducted	989	1,050	764	1,060	1,509	2,011	2,687	1,993	2,167	1,818
<b>Police:</b>										
Communication Center calls answered										
Police calls for service	123,357	122,270	129,439	129,802	194,931	181,430	178,649	165,126	148,710	134,513
Law violations: <sup>(5)</sup>										
Part I and Part II crimes	53,032	50,729	53,609	53,142	53,543	47,141	36,898	33,067	28,204	18,494
Physical arrests (adult and juvenile)	15,039	18,634	12,303	11,760	13,247	12,388	13,302	12,360	10,962	5,611
Traffic violations	15,477	12,700	11,451	15,428	16,930	17,098	16,263	13,767	7,978	6,914
Parking violations	12,327	5,493	6,139	10,841	9,414	7,443	3,781	477	429	1,020
<b>Public works</b>										
<b>Streets:</b>										
Street resurfacing (Slurry Seal lane miles)	12	8	4	12	4	8	1	123	118	160
Potholes repaired (Total # of repairs) <sup>(6)</sup>	12,573	14,515	24,059	8,745	25,004	36,709	2,831	21,863	9,230	16,672
Water utility customer repaired (sq. ft)	29,108	611	-	-	-	-	-	-	-	-
Crack sealing (lane miles)	33	12	37	29	48	29	23	43	32	34
<b>Airport:</b>										
Number of passengers enplaned <sup>(1)</sup>	11,703	-	-	-	-	-	-	-	-	-
Number of tenant aircraft	172	162	173	162	153	167	160	164	156	165
Number of hangars	118	119	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	682,769	582,473	443,272	582,602	580,383	631,891	511,928	540,226	647,631	683,330
<b>Bus service:<sup>(4)</sup></b>										
Number of buses	55	56	60	59	57	61	61	69	-	-
Number of routes	20	21	21	21	17	17	17	19	-	-
Total route miles	362	362	362	362	245	245	245	338	-	-
Average weekday number of passengers	12,538	11,598	12,441	10,523	9,354	8,869	7,475	6,686	-	-
Total number of passengers carried	3,666,824	3,416,314	3,664,689	3,108,307	2,762,922	2,589,049	2,182,079	1,987,698	-	-
<b>Solid waste:</b>										
Recyclables processed (tons per year) <sup>(8)</sup>	46,936	55,020	56,493	71,155	62,701	60,947	62,617	60,332	17,008	3,409
Organic Waste <sup>(3)</sup>	-	-	-	-	-	-	-	-	29,111	20,116
Green Waste <sup>(3)</sup>	39,117	48,832	58,730	62,859	64,873	66,017	82,866	46,373	14,691	18,932
Commercial food waste <sup>(7)</sup>	827	817	845	914	1,550	1,145	1,192	2,783	3,368	-
Waste tires	4,969	4,152	4,497	4,931	4,285	4,320	5,089	4,501	4,883	6,236
<b>Community development</b>										
<b>Building safety &amp; NPU:</b>										
Permits issued	3,871	4,511	4,939	4,973	5,033	4,335	4,146	4,808	4,690	4,790
Estimated cost of construction	\$ 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	\$ 173,801,514
Building Inspections made	30,034	31,571	23,187	36,158	42,891	39,086	34,218	34,730	21,064	17,720
<b>Traffic electrical:</b>										
Street lights	13,761	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,764
Traffic signals	144	147	151	153	155	155	156	156	156	160
Lighted ped walks	29	28	28	28	24	26	26	26	26	34
Beacons	11	11	11	11	3	4	4	4	4	15
Four way flashers	10	10	10	10	5	3	3	3	3	6
School flashers	22	22	23	24	16	13	14	14	14	44
CCTV	41	41	41	41	30	24	24	24	24	24
Hubs	6	6	6	6	2	6	6	6	6	8
<b>Culture and recreation:</b>										
Recreation class participants <sup>(2)</sup>	150,514	151,323	150,091	150,500	154,000	160,656	116,131	28,240	58,426	88,103

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

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

(3) 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. Fiscal year 2022-2023 Green waste increased due to rain fall.

(4) 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.

(5) 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.

(6) Slurry and pothole repaired increased due to a second slurry truck.

(7) This was a temporary program to restaurants and food producers separate from organics collection. Recent State Legislation has removed distinction between food waste and other organic waste.

(8) Fiscal year 2022-2023 recycling numbers decreased due to the inaccurate reporting from the haulers and adding a blue recycling container to residents.

Source: City of Modesto - Various Departments

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Function/Program</b>										
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	104	104	100	105	100	105	105
Public works										
Streets:										
Miles of streets <sup>(1)</sup>	691	691	692	692	692	693	693	694	700	700
Water:										
Miles of water mains	1,009	914	887	887	908	908	914	916	914	914
Fire hydrants	7,596	7,748	7,845	7,859	7,921	7,974	8,026	8,043	8,077	8,262
Storage capacity (gallons)	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	22,545,000
Wastewater:										
Miles of sanitary sewers	639	639	639	655	656	656	656	657	650	650
Miles of storm sewers	183	183	183	170	170	170	170	170	165	165
Number of treatment plants <sup>(2)</sup>	2	2	2	2	2	2	2	2	2	2
Treatment capacity (millions of gallons) <sup>(5)</sup>	70	70	70	19	19	19	19	19	19	19
Community services:										
City parks <sup>(3)</sup>	76	76	76	76	76	76	76	76	76	76
City parks acreage	1,110	1,110	1,240	1,240	1,240	1,240	1,240	1,246	1,246	1,249
Playgrounds <sup>(6)</sup>	55	58	58	58	58	58	54	55	55	55
City trails	7	6	6	6	6	6	6	9	9	9
City trails miles	14	15	15	15	16	16	17	17	17	17
Regional park acreage	324	375	375	375	375	375	375	653	653	634
Regional park facilities:										
Golf courses (18 holes)	2	2	2	2	2	2	2	2	2	2
Golf courses (9 holes) <sup>(7)</sup>	1	1	1	1	1	1	1	1	1	-
Clubhouse and banquet facility <sup>(7)(8)</sup>	8	8	8	8	8	8	8	8	8	4
Historic house <sup>(4)</sup>	4	4	3	3	3	3	3	3	3	3
Museums <sup>(9)</sup>	-	-	-	-	-	-	-	-	-	1
Community gardens	2	2	2	1	1	1	1	1	1	1
Community centers <sup>(10)</sup>	7	7	7	7	7	7	7	7	7	4
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	1	1	1	1	1	1	1
Tennis courts	37	37	37	37	37	37	37	37	37	33
Pickleball courts	-	-	-	-	-	-	-	-	-	12
Baseball/softball diamonds	24	24	24	24	24	24	24	29	29	29
Soccer/football fields	29	29	29	29	29	29	29	31	31	31
Splash play in Existing parks	10	10	10	10	10	9	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 2014 and 2015 was reported incorrectly as 77. Figures have been corrected to reflect accurately since FY 2016.

(4) In fiscal year 2015-2016 the number of historic houses was reduced by one due to the Crismon House burning down. There are no plans to rebuild.

(5) In fiscal year 2016-2017 the City implemented 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 fiscal year 2019-2020 the number of playgrounds was reduced as playgrounds were removed to rebuild.

(7) The City closed Muni golf course in fiscal year 2022-2023.

(8) The American Legion Hall and Little Legion Hall were damaged due to a fire in fiscal year 2022-2023. There are no plans to repair or use.

(9) In fiscal year 2022-2023 the McHenry Museum was recategorized from banquet facility to museum.

(10) In fiscal year 2022-2023 the methodology was changed leading to fewer facilities recognized as community centers.

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, 2023**

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	59,342	94.7%	59.94%
Commercial	3,265	5.2%	22.83%
Industrial	52	0.1%	17.23%
Total	62,659	100.00%	100.00%

Ten Largest Users of Sewer Facilities, Year Ended June 30, 2023

<u>User</u>	<u>Sewer Fee Revenue</u>	<u>% of Sewer Fee Operating Revenue</u>
1) E & J Gallo	\$ 2,927,428	4.84%
2) Stanislaus Food Products	\$ 2,383,961	3.94%
3) Foster Farms	\$ 2,113,080	3.49%
4) City of Ceres	\$ 1,557,623	2.57%
5) Frito-Lay, Inc	\$ 1,556,733	2.57%
6) Del Monte Foods	\$ 1,004,410	1.66%
7) Sunopta	\$ 846,879	1.40%
8) Paeteria	\$ 589,656	0.97%
9) Rizo Lopez Foods	\$ 582,213	0.96%
10) Nestle Food Company	\$ 489,860	0.81%
Total (Top Ten Customers)	\$ 14,051,843	23.21%
Total (All Customers)	\$ 60,538,660	

The average single-family residence monthly sewer charge is: \$43.17

<u>Commercial Group</u>	<u>Charge Per 1,000 Gallons</u>	<u>Fixed Charge</u>
Group 1 (no food, just toilets or working facilities)	\$3.85	\$4.86
Group 2 (commercial laundromats, service stations, hotels without food)	\$5.05	\$4.86
Group 3 (industrial laundromats, hotels with food)	\$6.29	\$4.86
Group 4 (restaurants, bakeries, auto steam, markets)	\$7.79	\$4.86

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, 2023**

**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>
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%
2022-23	3.5%

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

The City's residential charges as of July 1, 2022 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, 2022**

<u>City</u>	<u>Monthly Residential Charge</u>
Fresno	\$ 25.75
Lodi	44.67
<b>Modesto</b>	<b>43.17</b>
Stockton	47.90
Tracy	48.05
Turlock	28.95

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2023**

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Wastewater Connection Fees Comparison**  
**As of July 1, 2022**

<u>City</u>	<u>Connection Fee</u>
Fresno <sup>(1)</sup>	\$ 2,119.00
Lodi <sup>(2)</sup>	3,434.00
<b>Modesto</b>	<b>2,643.00</b>
Stockton	2,264.41
Tracy	9,483.00
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, 2023**

**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**

<b>Fiscal Year</b>	<b>Percent Increase</b>
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%
2022-23	3.5%

**CITY OF MODESTO**  
**WASTEWATER SYSTEM**  
**Sewer Charge Comparisons**

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

The City's residential charges as of July 1, 2022 are set forth below with a comparison to other Central Valley and Northern California cities.

**As of July 1, 2022**

<b>City</b>	<b>Monthly Sewer Charge Comparison Residential Service</b>	<b>Wastewater Connection Fees Comparison</b>
Fresno <sup>(1)</sup>	\$25.75	2,119.00
Lodi <sup>(2)</sup>	44.67	3,434.00
<b>Modesto</b>	<b>43.17</b>	<b>2,643.00</b>
Stockton	47.9	2,264.41
Tracy	48.05	9,483.00
Turlock	28.95	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, 2023**

Water Revenue Refinancing Certificates of Participation, 2008 Series A  
Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 2013G<sup>(1)</sup>  
Modesto Irrigation District Financing Authority Domestic Water Project Revenue Bonds, Series 2007F<sup>(1)</sup>

Reserve Account Requirement as of June 30, 2023	\$ 4,011,410
Surety Policy Value:	2,082,513
Balance in Parity Reserve Account as of June 30, 2023	<u>2,005,290</u>
Shortfall/(Excess) Reserve Coverage:	<u>\$ (76,393)</u>

Ten Largest Customers of Water Utility System, Year Ended June 30, 2023

<u>Customer</u>	<u>Business Type</u>	<u>Usage<sup>(ccf)</sup> (2)</u>	<u>% of Total Usage</u>	<u>Water Sales Revenue (\$)</u>	<u>% of Total Water Sales Revenue</u>
1) City of Modesto	Local Government	322,629	1.54%	\$ 1,085,086	1.45%
2) Modesto City Schools	Education	312,895	1.50%	958,356	1.28%
3) Foster Farms	Dairy Processor	430,984	2.06%	891,532	1.19%
4) Stanislaus Food Products	Cannery	401,550	1.92%	882,576	1.18%
5) Sunopta	Cannery	251,800	1.20%	533,222	0.71%
6) Stanislaus Housing Authority	Housing Authority	157,402	0.75%	497,258	0.66%
7) E & J Gallo Winery	Processor	151,301	0.72%	444,257	0.59%
8) Modesto Irrigation District	Power Company	136,553	0.65%	358,930	0.48%
9) STANCO	Local Government	72,235	0.35%	298,955	0.40%
10) Yosemite Community College	Education	90,388	0.43%	291,709	0.39%
Total Top Ten		<u>2,327,737</u>	<u>11.12%</u>	<u>\$6,241,881</u>	<u>8.33%</u>

Total Flat/Metered Revenues (Water Sales) \$ 74,788,785

(1) Grover Landscaping maintains City parks

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

Water Sales Revenue, Year Ended June 30, 2023

Residential - flat rates	\$ 299,865
Commercial, industrial and municipal - metered rates	74,488,920
Total Water Sales	<u>\$ 74,788,785</u>

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

Current Water Rates as of July 1, 2022 - 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 \$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 2022-2023, the 2013 G Bond was fully retired 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

	2014 <sup>(8)</sup>	2015 <sup>(6)</sup>	2016 <sup>(7)</sup>	2017	2018 <sup>(12)</sup>	2019 <sup>(13)</sup>	2020 <sup>(15)</sup>	2021	2022 <sup>(16)(17)</sup>	2023
Charges for services	\$ 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	\$ 76,795,929
Connection charges	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	1,337,878
Refunds, damages & recoveries	215,271	20,988	511,063	57,533	(121,929)	95,591	92,786	(801,155)	(4,141,774)	53,974
Interest and rental income	235,246	353,305	535,823	574,899	689,500	999,269	1,086,126	864,989	971,868	890,334
Service credits	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	2,797,201
Miscellaneous <sup>(11)</sup>	154,700	365,808	2,979,500	231,134	1,117,571	1,120,960	1,243,999	1,738,084	1,995,136	1,182,927
<b>Total gross operating revenues</b>	<b>\$ 60,582,460</b>	<b>\$ 59,577,631</b>	<b>\$ 59,478,361</b>	<b>\$ 68,857,245</b>	<b>\$ 75,683,035</b>	<b>\$ 78,560,089</b>	<b>\$ 84,899,344</b>	<b>\$ 87,924,613</b>	<b>\$ 82,742,716</b>	<b>\$ 83,058,243</b>
Operating expenses <sup>(1)(5)</sup>	\$ 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	\$ 47,741,404
Operating transfers <sup>(2)(14)</sup>	765,000	765,000	765,954	765,000	1,239,943	3,129,583	2,241,135	3,283,246	689,875	799,091
<b>Total operating expenses <sup>(3)</sup></b>	<b>\$ 37,363,298</b>	<b>\$ 34,538,198</b>	<b>\$ 39,488,274</b>	<b>\$ 36,273,887</b>	<b>\$ 36,925,519</b>	<b>\$ 41,935,710</b>	<b>\$ 41,408,461</b>	<b>\$ 45,371,400</b>	<b>\$ 47,855,842</b>	<b>\$ 48,540,495</b>
<b>Net operating revenues</b>	<b>\$ 23,219,162</b>	<b>\$ 25,039,433</b>	<b>\$ 19,990,087</b>	<b>\$ 32,583,358</b>	<b>\$ 38,757,516</b>	<b>\$ 36,624,379</b>	<b>\$ 43,490,883</b>	<b>\$ 42,553,213</b>	<b>\$ 34,886,874</b>	<b>\$ 34,517,748</b>
2008 Revenue Certificates of Participation	\$ 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	\$ 2,124,040
MID Treatment & Delivery Agreement <sup>(4)</sup>	8,885,208	9,930,040	10,203,352	10,202,108	10,208,384	10,214,947	10,213,274	10,709,280	9,921,714	9,115,777
CDWR Loan	264,719	262,692	131,322	-	-	-	-	-	-	-
ARRA Grant	36,103	36,095	36,089	36,084	36,080	37,123	39,350	37,540	37,343	37,756
<b>Total debt service</b>	<b>\$ 11,834,813</b>	<b>\$ 12,760,006</b>	<b>\$ 12,684,620</b>	<b>\$ 12,706,785</b>	<b>\$ 12,512,762</b>	<b>\$ 12,373,480</b>	<b>\$ 12,562,311</b>	<b>\$ 12,877,268</b>	<b>\$ 12,097,907</b>	<b>\$ 11,277,573</b>
<b>Debt service coverage <sup>(9)(10)</sup></b>	<b>1.96</b>	<b>1.96</b>	<b>1.58</b>	<b>2.56</b>	<b>3.10</b>	<b>2.96</b>	<b>3.46</b>	<b>3.30</b>	<b>2.88</b>	<b>3.06</b>

- (1) 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.
- (2) 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.
- (3) 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)
- (4) 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.
- (5) Reduced fiscal year 2014-2015 Operating expenses from \$40,349,338 to \$33,773,198.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) The financial figures reported only reflect net operating revenues in the Water Operating Fund.
- (11) Fiscal year 2017-2018 Miscellaneous revenues include \$1,048,863 of one-time transfer as result of the dissolution of the Central Stores Fund.
- (12) 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.
- (13) 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.
- (14) 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.
- (15) 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.
- (16) 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.
- (17) Fiscal year 2021-2022 MID Treatment & Delivery Agreement was previously reported incorrectly as \$10,400,158. This was updated in Fiscal year 2022-2023.

Source: City of Modesto

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

The City has prepared the following table of projections of operating results of the Water Utility System for the five fiscal years 2024-28. 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.

	<b>Fiscal Year Projected 2024</b>	<b>Fiscal Year Projected 2025</b>	<b>Fiscal Year Projected 2026</b>	<b>Fiscal Year Projected 2027</b>	<b>Fiscal Year Projected 2028</b>
Charges for services	\$ 83,669,777	\$ 87,753,248	\$ 91,702,144	\$ 95,828,740	\$ 100,141,034
Connection charges	\$ 1,220,500	\$ 1,244,910	\$ 1,269,808	\$ 1,295,204	\$ 1,321,108
Refunds, damages & recoveries	\$ 11,500	\$ 11,730	\$ 11,964	\$ 12,203	\$ 12,447
Interest and rental income	\$ 542,000	\$ 513,383	\$ 505,953	\$ 538,322	\$ 518,502
Service credits	\$ 3,105,221	\$ 3,167,325	\$ 3,230,671	\$ 3,295,285	\$ 3,361,191
Miscellaneous	\$ 254,100	\$ -	\$ -	\$ -	\$ -
6-year Loan Repayment from fund 4893 (Carpenter Road Landfill)	\$ 697,501	\$ 678,280	\$ 663,710	\$ 649,140	\$ 634,570
Total gross operating revenues	<u>\$ 89,500,599</u>	<u>\$ 93,368,876</u>	<u>\$ 97,384,250</u>	<u>\$ 101,618,894</u>	<u>\$ 105,988,852</u>
Operating expenses	\$ 59,218,262	\$ 60,472,925	\$ 63,496,571	\$ 66,671,400	\$ 70,004,971
Operating transfers	\$ 803,245	\$ 765,000	\$ 765,000	\$ 765,000	\$ 765,000
Total operating expenses	<u>\$ 60,021,507</u>	<u>\$ 61,237,925</u>	<u>\$ 64,261,571</u>	<u>\$ 67,436,400</u>	<u>\$ 70,769,971</u>
Net operating revenues	<u>\$ 29,479,092</u>	<u>\$ 32,130,951</u>	<u>\$ 33,122,679</u>	<u>\$ 34,182,494</u>	<u>\$ 35,218,881</u>
2008 Revenue Certificates of Participation	\$ 4,240,014	\$ 4,240,014	\$ 4,240,014	\$ 4,240,014	\$ 4,240,014
MID Treatment & Delivery Agreement	\$ 8,409,205	\$ 8,409,205	\$ 8,409,205	\$ 8,409,205	\$ 8,409,206
ARRA Grant	\$ 36,600	\$ 36,600	\$ 36,600	\$ 36,600	\$ 36,600
Total debt service	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,820</u>
Debt service coverage	2.32	2.53	2.61	2.69	2.78

Source: City of Modesto.

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2023**

**CITY WATER UTILITY SYSTEM STATISTICS**  
**(Calendar Years 2014 through 2023)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Service Accounts	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	74,527.0
Total Water Production <sup>(MG)</sup>	20,630.0	17,692.0	15,155.0	15,319.5	16,782.0	16,059.0	17,141.6	17,569.0	17,017.9	15,655.5
Capacity <sup>(MGD)</sup> (1)	175.2	175.2	175.2	175.2	168.0	168.2	170.3	135.0	130.0	135.0
Peak Daily Distribution <sup>(MGD)</sup>	95.3	84.6	74.7	84.3	77.5	83.5	75.1	75.9	73.6	70.0
Average Daily Distribution <sup>(MGD)</sup>	56.5	48.5	41.5	42.0	46.0	44.0	47.0	48.1	46.6	42.9

"MG" means million gallons.

"MGD" means million gallons daily.

(1) Capacity for fiscal year 2020- 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**  
**(Fiscal Years 2014 through 2023)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Well Water <sup>(BG)</sup>	10.72	10.63	9.22	8.63	9.82	5.45	7.71	7.12	8.81	7.68
Surface Water <sup>(BG)</sup>	9.91	5.85	5.02	5.86	6.23	9.86	8.76	9.56	8.21	7.98
Total <sup>(BG)</sup>	<b>20.63</b>	<b>16.48</b>	<b>14.24</b>	<b>14.49</b>	<b>16.05</b>	<b>15.31</b>	<b>16.47</b>	<b>16.68</b>	<b>17.02</b>	<b>15.66</b>

"BG" means billion gallons.

**CITY WATER UTILITY SYSTEM**  
**Average Monthly Water Rates Comparison**  
**Flat Rate (1" Service)**  
**As of July 1, 2022**

<b>City</b>	<b>Flat Rate Typical Home</b>
Fresno <sup>(1)</sup>	\$17.90
Lodi <sup>(2)</sup>	35.03
<b>Modesto</b>	<b>69.44</b>
Stockton <sup>(1)</sup>	35.30
Tracy <sup>(2)</sup>	30.90
Turlock <sup>(1)</sup>	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, 2023**

The following table sets forth connection fees for all users except multi-family units by meter size for fiscal year 2022-2023:

**CITY WATER UTILITY SYSTEM**  
**Connection Fees Comparison**  
**Except Multiple Family Units**  
**(Fiscal Year 2022-2023)**

<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, 2023**

**CITY WATER UTILITY SYSTEM**  
**Sale of Water**  
**(Year Ended June 30, 2023)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Residential (Flat Rates)	\$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	\$299,865
Commercial, Industrial and Municipal (Metered)	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	74,488,920
Total Water Sales	<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>	<u>\$74,788,785</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 <sup>(1)</sup>**

Lot Size	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
0-5,000 sq. ft. lot	\$40.81	\$40.81	\$40.81	\$47.38	\$48.77	\$52.97	\$56.11	\$59.48	\$60.66	\$60.66
5,001-7,000 sq. ft. lot	46.38	46.38	46.38	54.72	56.23	60.89	64.23	68.08	69.44	69.44
7,001-11,000 sq. ft. lot	55.04	55.04	55.04	69.22	70.98	76.52	80.26	85.08	86.78	86.78
11,001-17,000 sq. ft. lot	58.43	58.43	58.43	90.88	93.00	99.87	104.22	110.47	112.68	112.68
over 17,000 sq. ft. lot	68.69	68.69	68.69	101.80	104.10	111.65	116.3	123.28	125.75	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](http://www.modestogov.com)

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**YEAR ENDED JUNE 30, 2023**

The following table sets forth the adopted monthly service charge and volume charge for commercial accounts through fiscal year 2022-23.

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Volume-based Rate (\$/hcf)	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.79	\$ 1.82	\$ 1.93	\$ 1.98	\$ 1.98	\$ 2.02	\$ 2.02
Fixed Monthly Meter Charge (in addition to volume-based charges)										
5/8"-3/4" meter	\$ 15.03	\$ 15.03	\$ 15.03	\$ 20.79	\$ 21.47	\$ 23.34	\$ 24.94	\$ 24.94	\$ 25.44	\$ 25.44
1" meter	21.33	21.33	21.33	29.30	30.39	33.48	36.11	36.11	36.83	36.83
1-1/2" meter	36.90	36.90	36.90	50.58	52.71	58.83	64.04	64.04	65.32	65.32
2" meter	55.68	55.68	55.68	76.11	79.49	89.25	97.55	97.55	99.50	99.50
3" meter	105.80	105.80	105.80	156.98	164.30	185.59	203.66	203.66	207.73	207.73
4" meter	162.13	162.13	162.13	276.14	289.28	327.55	360.04	360.04	367.24	367.24
6" meter	318.47	318.47	318.47	561.28	588.33	667.24	734.22	734.22	748.90	748.90
8" meter	506.20	506.20	506.20	1,029.42	1,079.32	1,224.95	1,348.56	1,348.56	1,375.53	1,375.53
10" meter	725.26	725.26	725.26	1,625.23	1,704.21	1,934.76	2,130.44	2,130.44	2,173.05	2,173.05
12" meter	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	2,856.63

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

**CITY OF MODESTO**  
**CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)**  
**FISCAL YEAR ENDED JUNE 30, 2023**

**BOND RATINGS**

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

Sources: [www.moodys.com](http://www.moodys.com)  
[www.standardandpoors.com](http://www.standardandpoors.com)  
[www.Fitchratings.com](http://www.Fitchratings.com)