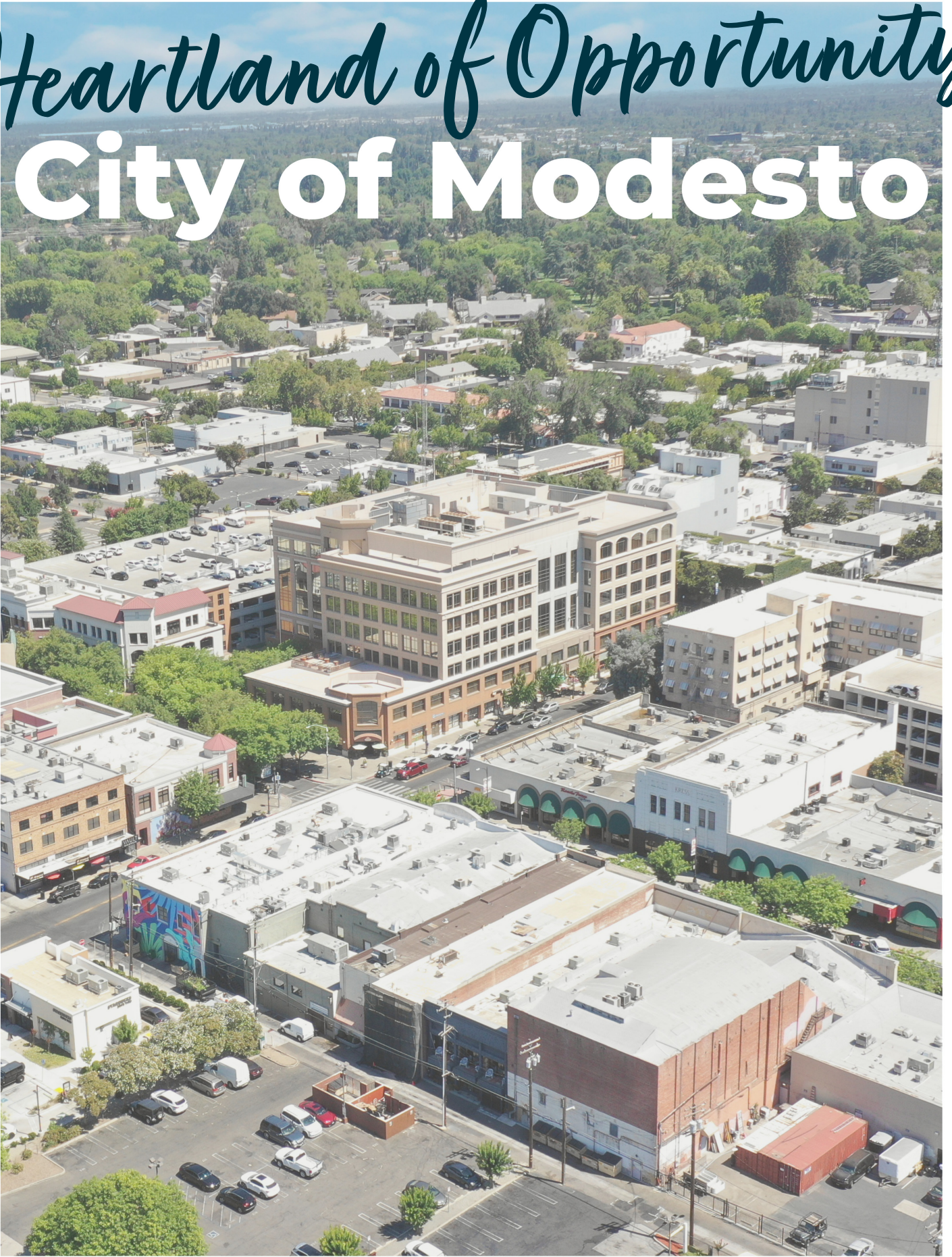


Heartland of Opportunity **City of Modesto**



2023-2024
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended June 30, 2024



CITY OF
Modesto, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended June 30, 2024

Prepared By
Finance Department

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INTRODUCTORY TAB

INTRODUCTORY SECTION

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Department of Finance

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December 6, 2024

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, 2024.

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 and 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, 2024, which is presented starting on page 1. 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 auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to be read in conjunction with this transmittal letter.

City of Modesto Profile

Modesto is located in the heart of California's San Joaquin Valley and is the County Seat of Stanislaus County. It is also the retail, service, and financial center of Stanislaus County and the Northern San Joaquin Valley. The City currently occupies a land area of 37.8 square miles and

serves a population of 218,989. 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 for work, shopping, and entertainment. Major employment sectors include bio-industrial, 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. Modesto plays a pivotal role in a growing, vibrant economy that tops \$1 trillion within a 100-mile radius. More growth lies ahead thanks in part to the region's abundant biomass and leading role in emerging multi-trillion-dollar circular economy initiatives.

The unemployment rate within the county-wide Modesto Statistical Area (MSA) increased during the 2023-2024 fiscal year. As of June 30, 2024, the City's unemployment rate was recorded at 7.1%, up from the 6.5% rate of a year ago as employers adjusted to higher inflation and interest rates.

According to Zillow, the ZHVI (Zillow Home Value Index) for homes listed in Modesto was \$469,124 (as of June 30, 2024), an increase of 10.6% over 2023. CoStar Realty Information stated the average Modesto MSA multifamily unit asking rent was \$1,548, up 2.5% from \$1,510

in 2023. Modesto building permit activity during fiscal year 2023-2024 ended with a total of 4,809 permits issued with a valuation of \$260,927,659.

Modesto sits at the center of California's Central Valley, a strategic spot that makes it a nexus for agriculture and industry. 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, Resolution 2022-237 on July 12, 2022, Resolution 2023-97 on March 7, 2023, Resolution 2023-254 on June 6, 2023, and Resolution 2024-194 on June 4, 2024. It included various allocations of funding approved by Council identified in the 2021 spending plan, totaling \$45.89 million. At the time of this report, \$27.6 million of the Spending Plan has been expended and obligated, and \$18.3 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. Throughout fiscal year 2023-2024, 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

Eligible Category	Year	Description	Allocation
Negative Economic Impact	1	Affordable Housing Trust	\$ 500,000
Public Health-Negative Economic Impact	1	Implement workforce development program	500,000
Public Health-Negative Economic Impact	1	Opportunity Stanislaus	100,000
Public Health-Negative Economic Impact	1	Small biz support with expansion and retention	610,000
Public Health-Negative Economic Impact	1	Stanislaus 2030 Initiative	90,000
Negative Economic Impact	1	Support for the Arts	200,000
Negative Economic Impact	1	Relief Across Downtown Card	708,500
Negative Economic Impact	1	Revolving loan for water/sewer connection fees	90,000
Negative Economic Impact	1	Support for Awesome Spot Playground	500,000
Negative Economic Impact	1	Support for Car Museum	500,000
Negative Economic Impact	1	Support for Children's Museum	500,000
Negative Economic Impact	1	Tuolumne River – Economic Development	575,000
Negative Economic Impact	2	Support for Convention and Visitor's Bureau	250,000
Negative Economic Impact	2	Support for Convention and Visitor's Bureau	250,000
Negative Economic Impact	2	Support for Convention and Visitor's Bureau	250,000
Negative Economic Impact	Reall.	Business. Incentives - Expand outside of Downtown	500,000
Public Health-Negative Economic Impact	Reall.	Opportunity Stanislaus (2nd Allocation)	200,000
Negative Economic Impact	Reall.	Support for Car Museum (2nd Allocation)	350,000
Negative Economic Impact	Reall.	Support for Awesome Spot Playground (2nd Allocation)	600,000
Public Health-Negative Economic Impact	Reall.	Support for Central Valley Opportunity Center	25,000
Negative Economic Impact	Reall.	Support for Gallo Arts Center	25,000
Negative Economic Impact	Reall.	Support for Gallo Arts Center (2nd Allocation)	25,000
Negative Economic Impact	Reall.	Support for Modesto Area Partners in Science	50,000
Negative Economic Impact	Reall.	Support for Modesto Sister Cities	35,000
Negative Economic Impact	Reall.	Support for State Theatre	75,000
Negative Economic Impact	Reall.	Dryden Clubhouse Renovation (Design)	400,000
Negative Economic Impact	Reall.	First Tee and Boys and Girls Club - Funding Contribution	500,000
Negative Economic Impact	Reall.	Stanislaus County Library - Funding Contribution	500,000
		Total	\$8,908,500

ARPA Funds Spending Plan – Quality of Life

Eligible Category	Year	Description	Allocation
Public Health	1	Emergency Medical Service Equipment	\$ 600,000
Negative Economic Impact	1	Blight Abatement	465,720
Revenue Replacement	1	Downtown Beautification	700,000
Negative Economic Impact	1	Homeless Support Program	885,722
Revenue Replacement	1	COVID-19 labor expenses	4,190,000
Public Health-Negative Economic Impact	1	COVID-19 labor expenses	6,054,209
Negative Economic Impact	1	Grants to neighborhoods	120,000
Negative Economic Impact	2	West Modesto Collaborative	43,000
Negative Economic Impact	2	Multifamily Bulky Item Program	180,000
Revenue Replacement	2	Park Improvements (including turf at Mary Grogan)	9,343
Negative Economic Impact	2	Community Assistance Team	400,000
Negative Economic Impact	2	Downtown Streets Team	1,800,000
Negative Economic Impact	Reall.	Cesar Chavez Renovation Project	3,067,541
Revenue Replacement	Reall.	Expand Downtown Beautification	500,000
Negative Economic Impact	Reall.	Homeless Services (Day Center/Safe Park/Bridge Housing)	1,514,278
Negative Economic Impact	Reall.	Martin Luther King Renovation Project - Funding	1,400,000
		Total	\$21,929,813

ARPA Funds Spending Plan – Governance and Service Delivery

Eligible Category	Year	Description	Allocation
Public Health	1	Deferred maintenance- various parks & public facilities	\$ 200,000
Revenue Replacement	1	Deferred maintenance- various parks & public facilities	610,657
Water/Sewer & Broadband Infrastructure	1	Deferred maintenance- various parks & public facilities	225,000
Negative Economic Impact	1	Deferred maintenance- various parks & public facilities	100,000
Revenue Replacement	1	Cybersecurity Mitigation	490,000
Revenue Replacement	1	Discoverer Replacement	500,000
Revenue Replacement	1	Fire Station 1 Deferred Maintenance	2,000,000
Revenue Replacement	1	Forestry Program Enhancements	1,000,000
Negative Economic Impact	2	911 Dispatch Services	63,116
Public Health-Negative Economic Impact	2	FY22-23 Budget Funding	1,317,160

ARPA Funds Spending Plan - Governance and Service Delivery (Continued)

Eligible Category	Year	Description	Allocation
Premium Pay	Reall.	Employee Hazard Pay	6,552,810
Public Health-Negative Economic Impact	Reall.	FY24-25 Budget Funding	2,000,000
		Total	\$15,058,743

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 \$42.8 million annually. This funding will be critical in the City’s ability to provide improved and sustainable services to the citizens of Modesto.

Impact of Measure H Additional Funding

- Contractor services and additional positions for Forestry.
- Citywide facility condition assessment.
- Funding for outside contractors to address curbs, gutter, and sidewalks.
- Additional positions for the Fire Department: HazMat Inspector, Emergency Medical Services (EMS) Captains, and Public Safety Business Services Analyst.
- Additional positions for the Police Department: Park Rangers, Blight Abatement Workers, Animal Control Officer, Prevention Police Civilian Supervisor, Lieutenant, Community Service Officers, Civilian Investigators.
- Downtown video camera improvements.
- Playground replacement at eight parks.
- Tennis court lighting upgrades and tennis court resurfacing at five parks.
- Restroom replacement at three parks.



- Concrete repairs for tripping hazards at 12 parks.
- Park security lighting upgrades at four parks.
- Basketball/volleyball court improvements at eleven parks.
- Sand volleyball court improvements.
- Synthetic turf replacement at Mary E. Grogan Park.
- Facility renovations at Maddux Youth Center.
- Parking lot improvements at McHenry Mansion.

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. The City provides prime access to major highways and a municipal airport — as well as proximity to abundant lifestyle attractions.

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. Visit Modesto's Almond Blossom Cruise has attracted attention from tourism blogs and magazines as far away as Great Britain and Japan. 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 continues to gain recognition for its bike routes and trails, and recently opened a new boat launch site that will increase non-motorized recreational use of the Tuolumne River regional park.
- 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), Mod Shop 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 2023-24, General Fund Balance was as follows: Restricted and Nonspendable: \$12.1 million; Committed: \$18.4 million; Assigned: \$4.5 million; and Unassigned: \$48.1 million. The Committed Fund Balance allows the City to respond to unplanned circumstances and maintain adequate working capital to meet its cash flow needs.

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

SIGNIFICANT EVENTS / ACCOMPLISHMENTS

Quality of Life

- The Forestry Division resolved 3,069 broken limb issues and completed 13,153 tree pruning activities.



- The Solid Waste Division recycled 3,597 waste tires and 1,080 mattresses.



- The Solid Waste – Blight Abatement Team collected over 266,866 pounds of illegal dumping.
- The City of Modesto Code Enforcement Unit moved from Community & Economic Development (CED) to Modesto Police Department's (MPD) Area Command Division, enhancing coordination in addressing community needs across various units. Two additional allocations will expand the unit to 7 Code Enforcement Officers.
- The Modesto Senior Citizens Center continues to provide a wide array of programming, with over 27,750 participants attending this past year. The facility received an updated security system, the auditorium received a fresh coat of paint and added a new audio/video system to enhance the listening and viewing experience for programs. The Recreation team added new programs such as Chair Volleyball and Modified Functional Aerobics, as well as hosted special events such as Holiday Pie Social and Leap Year Day Pajama Party, National Night Out and Senior Center Month Open House, and completed first senior day trip since COVID.



- Recreation had over 4,700 participants in their registered programs. This includes camps, adaptive bowling, Friday Night Out, Archery, Dance, Tennis, Crime Scene Investigation (CSI) Camp, driver's education, swim lessons and soccer. This year we added disc golf to the program roster, along with a toddler music class that filled so quickly a 2nd class was added.

Crime Scene Investigation (CSI) Camp



Dance Class



- In the fiscal year 2023-2024 the Adult Softball Program hosted 154 adult softball teams totaling over 1,800 registered players in men's, women's and coed leagues at Beyer and Davis Park.

- The score board signs at Davis and Beyer softball fields received much needed replacements.



- The Aquatics program was in full force with 2,738 participants for swim lessons, adult water exercise, and certification courses at five different pool locations.
- Park's Recreation and Neighborhood's held 38 events with over 41,000 participants. They partnered on an additional 21 events with almost 9,000 participants.

The Department's holiday events include:

- The Celebration of Lights Parade in downtown Modesto, which entertained an estimated 20,000 spectators with 85 wonderfully decorated float entries celebrating the "Toys, Trains & Candy Canes" theme.



- The Breakfast with Santa event held in partnership with the North Modesto Kiwanis spread cheer to over 900 participants.



- The 5K Spirit of Giving Fun Run had around 1,500 participants and raised almost \$25,000 for the Leisure Bucks scholarship program.



- The Parks, Recreation and Neighborhoods Department attended 25 events throughout the City with over 14,000 participants to reach out to the community, answer questions and offer programming and resource information and water safety education.



- Mary Grogan Park was visited by over 120,000 players and spectators with the 7 fields rented over 2,000 times generating over \$330,000 in revenue.

- The Parks, Recreation and Neighborhoods (PRN) Department coordinated the City's volunteer efforts at 463 events, including Love Modesto and river trail clean-ups. Overall, there were 3,231 volunteers that provided 19,809 hours of service with a total leveraged value of \$739,302.



- 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 increased by 1,179 followers.
 - Instagram followers increased by 1,008 followers.
 - PRN Homepage Website- 13,302 page views.
 - PRN Activity Guide Website- 27,272 page views.
- After School Education and Safety (ASES) program took place at four school sites with a total of 19,977 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's Youth Commission had a busy 2023-2024 term! They partnered with the Parks, Recreation and Neighborhoods Department for community outreach opportunities at their events, participated in the Hope Blooms Love Modesto project, and amended the Commission's bylaws to expand the number of seats from 9-17 and the term from one to two years. Commissioner Hamza Modan also gave an insightful and informative presentation on Neurodiversity at Hanshaw Middle School.



- Maddux Youth Center enriched 6,734 youth for a variety of programs and fun activities including All Sports Camp, After-School Activities, creative projects, homework assistance and fitness/nutrition classes.



- The Modesto Junior Giants league added softball to their program this year. 10 softball teams with 138 players were added to our existing 38 baseball teams with 594 players, giving us a total of 48 teams this summer. In total, we served around 730 players throughout the season! Junior Giants is a completely free, youth baseball and softball league that focuses on the fundamentals of baseball while teaching children the importance of confidence, integrity, leadership, and teamwork.

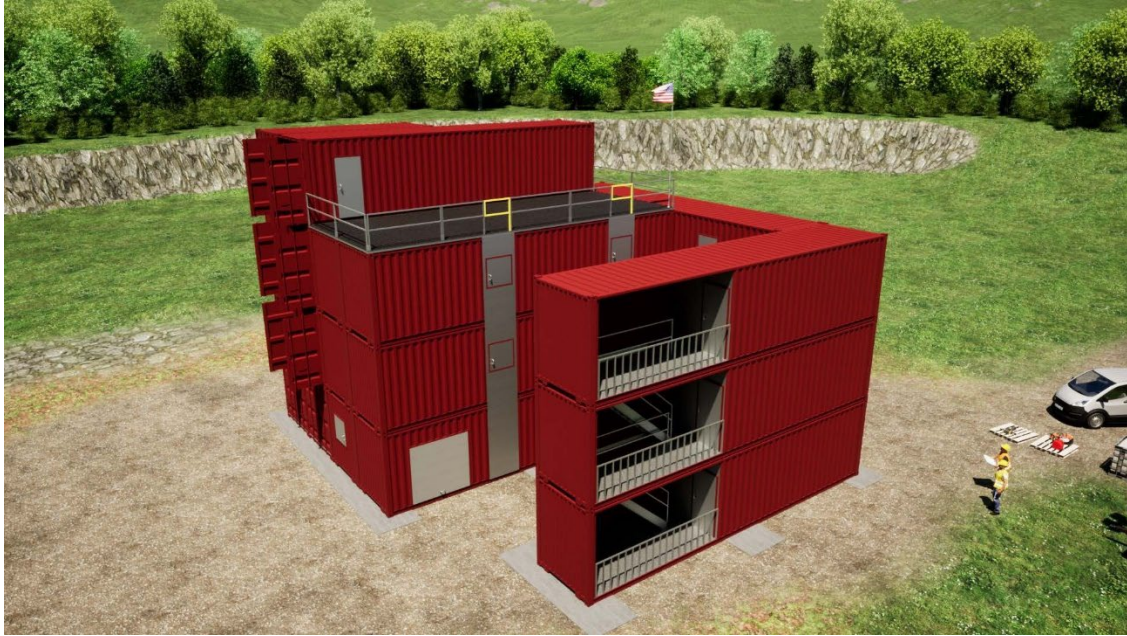


- The California Violence Intervention & Prevention (CalVIP) Grant added 10 events to the roster with 6 sports events, a block party and 2 movie nights serving over 500 members of the community.



- The McHenry Mansion and McHenry Museum provided 22,166 community members with access to local history during regular business hours, hosted 5,151 for school and group tours, and displayed 8 unique exhibitions. Admission to both the Mansion and Museum is free.

- In October 2023, The Modesto Fire Department shared plans to work collaboratively with the City of Ceres, Regional Fire Authority, Stanislaus County, and Modesto Junior College (MJC) to expand the training center at the Service Road fire station property with a four-story training tower. The facility will allow firefighters to practice above ground hose stretching, and practice taking hoses up staircases into units to rescue trapped victims. It will also allow hook companies to practice aerial attacks. The project broke ground in Spring 2024.



- In April 2024, the Modesto Fire Department's Training Division held a joint Modesto Stanislaus Turlock (MST) Engineer Academy which focused on driving and pumping operations. This academy served as a professional development opportunity to individuals interested in Engineer promotional opportunities and provided tools and knowledge to apply on the Engineer exam.



- In May 2024, 126 Modesto, Stanislaus, Turlock (MST) employees registered for summer courses as part of the recently approved Instructional Services Agreement (ISA) with Modesto Junior College. Each MST employee who is within the ranks of Firefighter to Battalion Chief is eligible to earn college credits that can be used toward degrees and certificates. By participating in the ISA, the Modesto Fire Department receives reimbursement funds through the State to support training program initiatives.



- In June 2024, the City of Modesto and Modesto Fire Department celebrated the appointment of Fire Chief Kevin Wise during his Swearing in Ceremony.



- Through the City's Park Partners Program, multiple projects were completed: The Centennial Project at Roosevelt Park with the Modesto Garden Club, First Tee construction of new golf greens, and the Boys and Girls Club's construction lighting.



- The Neece Drive Boat Launch was completed in May 2024 and offers the community access to a non-motorized boat launch with associated access road, parking lot, security lighting, concrete pathways, and overflow parking at Tuolumne River Regional Park.



- The fence around the Graceada Park Pool was replaced just in time of the Annual Summer Kick-Off party which drew over 600 people to the pool and park.



- With additional funding from Measure H, work on Year 1 of a 5-year plan to address deferred and preventative maintenance began:
 - Basketball and volleyball courts were sealed and striped at 11 parks.



- Concrete repairs were completed at 12 parks.



- The parking lots at Beyer Park, Rose Avenue Park, Sherwood Park and Marshall Park were repaved and restriped.
- Shade canopies at Lakewood Park, Muncy Park, Sipherd Park and Wesson Ranch Park were removed.
- The area of in East La Loma Park which was previous a playground was renovated into a sand volleyball court.
- \$775,000 worth of tree trimming was completed in various parks.



- Golf rounds for Dryden and Creekside Golf Courses totaled 84,435, a 17% increase over last year.
- New golf cart fleets for Dryden and Creekside resulted in an 18% increase over projected cart revenues for this year.



- New wrought iron fence installed at Dryden was installed along Roselawn Avenue.
- Several special events were held in partnership with local groups at both golf courses, including Coffee with a Cop, and the Modesto Gospel Mission's Toy Drive and Backpack Drive.



- The 37th Annual City Golf Championship had 20% more participants over last year and the Modesto Cup celebrated its 10th Anniversary.
- Centre Plaza successfully held 193 events – 35 DoubleTree events, 23 City events, and 135 Centre Plaza events. Event highlights include the 209 Night Car Show, Motorcycle Show, Tattoo Convention, Mixed Martial Arts (MMA) Fights, Modesto Chamber of Commerce Annual Awards Soiree, Quinceanera Expo, Economic Development Summit by the City's Community and Economic Development Department, Cannabis Equity Program Workshops and the return of Edible Extravaganza after a 3-year absence.
- The Centre Plaza underwent several renovations, including kitchen and door repairs, a complete LED retrofit of lights in the Grand Lobby, new sound system for Harvest Hall, Arbor Theatre and Grand Lobby.
- Modesto on Ice had a very successful season with the 2nd highest attendance since opening in 2015. More than 1,000 school-aged children skated thanks to discounted rates, early openings, and private ice lessons. This year they continued the Learn to Play Hockey program, hosted over 200 special events, and provided special sessions for many local non-profit organizations.
- Park Operations completed the installation of new drinking fountains with bottle-fillers at 20 park locations, the new Mancini Park sign, and security gate at the dog park.



- Park Operations completed renovation of the Thurman lighted soccer field at Fairway Park. The Cruizers soccer club resumed practice and games at that site.



- Park Operations collaborated with the Modesto Garden Club to celebrate its 100th Anniversary. A time-capsule and new landscaping at Roosevelt Park were installed.



- Park Operations installed a new volleyball court at East La Loma Park.



- Park Operations worked to have the Leo the Lion drinking fountain restored and installed at its new location along the Virginia Corridor.



- The Planning Division drafted an ordinance update to establish Mixed-Use Pedestrian and Mixed-Use Highway zones to provide additional opportunities for new development of residential and commercial properties to address the City of Modesto’s housing needs. The new Mixed-Use zones, Mixed-Use Pedestrian (MU-P) and Mixed-Use Highway (MU-H), as well as amended Planned Development standards along Sisk Road, McHenry Avenue, Oakdale Road, and Yosemite Boulevard allow for higher density development in the central and northern areas of the City. The rezoning was completed in December 2023. These identified sites will offer proximity to job opportunities and other commercial resources such as schools and grocery stores.
- On January 25, 2024, the attended the grand opening for the Archway Commons development of 74 affordable housing units for low and very low-income families. This project leveraged state, federal, tax credit, and private funds.



- Received an award for a State of California Homekey 3.0 award in the amount of \$15,784,562 million dollars for the acquisition and rehab of the Traveler’s Motel into 54 units of permanent supportive housing in partnership with Modesto Homekey LP and is scheduled to be complete in by Spring 2025.
- Partnered with Stanislaus Equity Partners and R3 development for a 9-unit transitional housing project at 225 E. Orangeburg grand opening scheduled in the end of July 2025.
- Premier of the Camp2Home docuseries at the State Theater in Downtown Modesto.
- Camp2Home program has assisted 381 individuals with job and housing readiness services.

- Camp2Home has also assisted 11 individuals in obtaining employment and has housed a total of 38 individuals.



- A total of \$480,820 was distributed in loans and grants through the City's Homeowner Rehabilitation Program. A total of thirteen (13) 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, American with Disabilities (ADA) bathroom improvements, electrical repairs, and ADA ramps. Provided below are before and after images of a Homeowner Repair Program Project.

Economic Vitality

- The Compost Division processed over 49,240.46 tons of residential and commercial organics into compost.
- The Solid Waste Division collected and recycled 9,522 pounds of California Redemption Value (CRV) keeping it out of the waste stream.
- The Solid Waste Division recycled 658.5 gallons of used oil and 47 used oils filters (July 2023 through May 2024).
- The Streets Division completed 35.9 lane miles of crack seal application and 193.76 lane miles of slurry seal application.



- The Traffic Operations Division replaced 1,842 traffic signs and completed 241,583 square feet of striping for legends and crosswalks.
- The Traffic Electrical Division converted 76 high voltage lights to low voltage light-emitting diode (LED).
- The Traffic Division installed two rectangular rapid flashing beacons (RRFB) at school crosswalks for safer crossings.
- The Traffic Division installed 51 vehicle detection cameras at 15 intersections within the City of Modesto.
- The Traffic Division installed 11 school flashers at 8 schools for safer school zones.
- The Community and Economic Development Department initiated a project to create a first ever planning document to provide a roadmap for future development of Southwest Modesto. The Southwest Modesto Plan will serve as a blueprint for future development, with guidance on land use, economic development, transportation, infrastructure, and other issues for the plan area. Three (3) community engagement workshops were conducted in fiscal year 2023-2024 to gain valuable input from community members.

- The Community and Economic Development Department draft of the City of Modesto's 2023-2031 Housing Element to the California Department of Housing and Community Development was found in compliance with State Housing Element Law and has been adopted.
- As of June 2024, active development projects in planning and building phases include 2,568 single family dwelling units, 1,086 multifamily units, 142 new business class hotel rooms, 577,000 square feet of new industrial space, 538,000 square feet of new office space, 190,000 square feet of new retail space, and 114 acres of recreational and open space use.
- The Building Safety Division contacted 89 properties including 31 commercial properties under the newly enhanced Vacant Property program.
- Since our Rental Housing Safety Program launched in 2023, Building Safety has registered over 12,624 units. 1,689 code enforcement cases have been initiated. 139 of those cases were tenant-driven complaints and 1,550 were City generated. Additionally, 1,652 inspections have been conducted and completed. 267 units have been brought into compliance by our dedicated Code Enforcement Officers.
- The division worked with Nation's Giant Burgers to repurpose a vacant bank building to become one of the chain's most popular stores.
- Economic Development Business Retention and Expansion – developed and released a bilingual online business sentiment survey and worked with a Modesto-based dog toy manufacturer to expand manufacturing.
 - The division is in the second phase of an Enhanced Infrastructure Financing District (EIFD) Feasibility Study that begun in 2022. If approved, an EIFD could help accelerate development in alignment with place-based plans including Downtown and Southwest Modesto. An EIFD will help attract private investment, additional grant funding and build a capacity to support bonds.
 - Secured a CalTrans Clean California grant for beautification and blight reduction in downtown Modesto.
 - Provided support for a downtown employee parking program for the Modesto Children's' Museum.
 - The Economic Development division supported investment in downtown as a regional destination with an occupancy incentive grant to Chinn's International.
- The Community and Economic Development Department implemented the Cannabis Program Providing Local Equity Development Grants and Education (PLEDGE). This program is designed to assist individuals who were previously impacted by cannabis prohibition gain access to business education and grant opportunities to enter the now legal cannabis industry. A six (6) week direct technical assistance workshop held its first session on June 29, 2024.



- The Utilities Engineering Division's Wastewater/Storm Engineering group completed the following projects:
 - Construction of the Sonoma Trunk Extension and Lift station. This project installed new sewer main on Oakdale Road, Sylvan Avenue and Lydia Way.



- Installation of a new sewer trunk on Sutter Avenue to replace the existing undersized trunk addressing the Hydraulic deficiencies.



- Construction of a new concrete masonry unit (CMU) building with electrical equipment needed for Jennings Plant operation and a new restroom at Hawn Lift Station.
- Sutter Campus Parking Lot and Security Upgrade.

- La Loma Sewer Trunk Replacement Phase 1.
 - West Trunk Rehabilitation.
 - Jennings Well Treatment Improvements.
 - Sutter Avenue Strengthen and Replace water mains project replaced approximately 4,500 LF of old, deteriorating existing water mains in the Rouse Avenue/Roselawn Avenue neighborhood.
- The Water Division within the Utilities department completed 57,545 customer service requests, replaced 631 water services due to leaks, repaired 157 water main breaks and replaced 4,250-linear feet of pipe and Completed water meter installation project in December of 2023, ensuring that the City met the January 1, 2025, deadline set by Assembly Bill 2572.

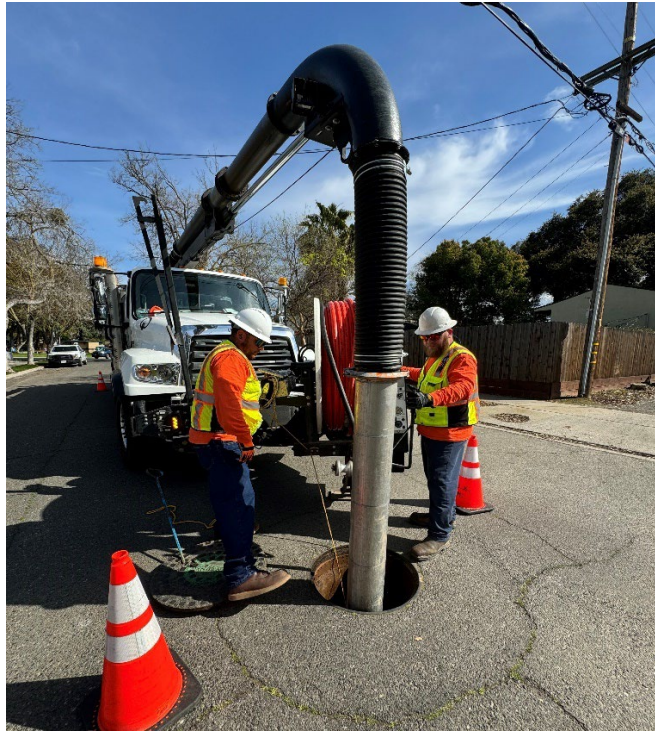


- Completed Strengthen and Replacement projects at Bonita Circle, Yosemite Crossing, La Loma, Highway Village, and Grayson.
- Replaced 96 damaged hydrants out of a system-wide inventory of 8,435.
- Exchanged 14,000 water meter registers that were at the end of their useful life.
- Facilitated water conservation outreach events at the Modesto Junior College Plant Sale, Earth Day, Love Modesto, Aspire Schools, National Night Out, and Town Hall Meetings
- Conducted 266 Water Wise Consultations with customers and approved 612 rebates for a total of approximately \$500,000.
- Collected 7,506 water samples and produced 13.51 billion gallons of safe, clean water.

- Began sampling for 5th Unregulated Contaminant Monitoring Rule (UCMR-5), which requires monitoring for 29 per- and polyfluoroalkyl substances (PFAS) and lithium in drinking water.



- The City of Modesto Wastewater Division accomplishments included 7,777,200,000 total gallons treated, 4,889,100,000 gallons recycled, 23,252,136 pounds of biochemical oxygen demand (BOD) treated, 3,210,780 pounds of biosolids applied, North Valley Regional Recycled Water Program delivery rate of 90%, 17,062 work orders completed, completed 2,727 customer service calls and cleaned 359 miles of sewer lines.



Governance and Service Delivery

- Assisted over 900 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 for an overall total of \$1.2 million.
- Implemented a new grant management software solution, eCivis to manage the research of grant opportunities and the tracking of the lifecycle of each grant.
- Human Resources received 2024 Agency of the Year from CalGovHR for excellence in HR programming to include the Professional Development program, the Diversity, Equity, & Inclusion program, and Employee Relations program.
- In partnership with Behavioral Health and Recovery Services (BHRS), MPD added two additional Mental Health Clinicians. Clinicians respond with officers to calls involving individuals in crisis.
- In August of 2023, the Modesto Police Department introduced the Area Command Division, a strategic initiative aimed at fostering comprehensive and thoughtful problem-solving approaches with enduring positive outcomes. This division leverages timely and accurate information to swiftly deploy resources, employing effective tactics and follow-up to ensure favorable results. Under the umbrella of the Area Command Division, a diverse range of units collaboratively address quality of life challenges, enabling the seamless provision of assistance and enforcement as required.



- The City of Modesto was awarded an Organized Retail Theft grant from the Board of State and Community Corrections (BSCC) worth \$6,003,419. The grant will fund Modesto's Retail and Motor Vehicle Theft Program, focusing on community outreach, collaboration with retailers, equipment, and directed enforcement to combat current and emerging trends.
- The addition of Civilian Investigators to our department has proven to be a valuable asset in assisting with investigations and supporting our officers and detectives. Their expertise enhances our investigative capabilities, allowing us to more effectively serve our community.
- The Modesto Police Department experienced significant growth in 2023. We welcomed 44 new dedicated individuals to our team, including Police Officers, Support Specialists, Community Service Officers, Police Cadets, Park Rangers, Animal Control Officers, Property and Evidence Technicians, Civilian Investigators, and Police Recruits.
- MPD is continuing to enroll staff in Cultural Relations Community Coaching Series classes.
- Modesto's efforts in reducing auto thefts led to a significant improvement in national rankings, dropping to #54 in the latest release by the National Insurance Crime Bureau.
- Our collective efforts have resulted in a significant decrease in crime rates across the board. Homicides have decreased by 22%, auto theft by 6%, property crime by 16%, and violent crime by 15%. These impressive statistics highlight the unwavering commitment and hard work of our officers, as well as the strong partnership between law enforcement and the community. Together, we have made our city safer and more secure for all residents.
- The Forestry Division responded to 10,180 forestry service requests and 1,765 GoModesto requests.

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, 2023. This was the 41st 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 Accounting 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 fourth time the distinguished Budget Presentation Award from GFOA for fiscal year ended June 30, 2024. 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 seventh year for the Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2023. 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 2024 PAFR to the GFOA for consideration.

As a result of receiving the GFOA awards for PAFR, ACFR for fiscal year ended June 30, 2023 and Budget Presentation for fiscal year ended June 30, 2024, the City received GFOA's Triple Crown Award for the fourth 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.

Modesto ranked 1st in California and 5th in the Nation for National Night Out, showcasing community engagement and support for this annual event organized by the Modesto Police Department.

The City of Modesto received the two 2023 Helen Putnam Awards for Excellence; The esteemed 2023 Helen Putman Award for Excellence in public safety for its Community health and Assistance Team (CHAT) program and the 2023 Helen Putman Award for Excellence in Housing Programs and innovations for its Youth Navigation Center.

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 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, 2023

Christopher P. Morill

Executive Director/CEO

CITY OF MODESTO ORGANIZATION CHART

Modesto Voters

Modesto City Council



Mayor

Sue Zwahlen



District 1

Rosa Escutia-Braaton



District 2

Eric Alvarez



District 3

Chris Ricci



District 4

Nick Bavaro



District 5

Jeremiah Williams



District 6

David Wright

Charter Officers

The charter officers are hired by the City Council



City Manager

Joseph Lopez



City Attorney

Jose Sanchez



City Clerk

Diane Nayares-Perez

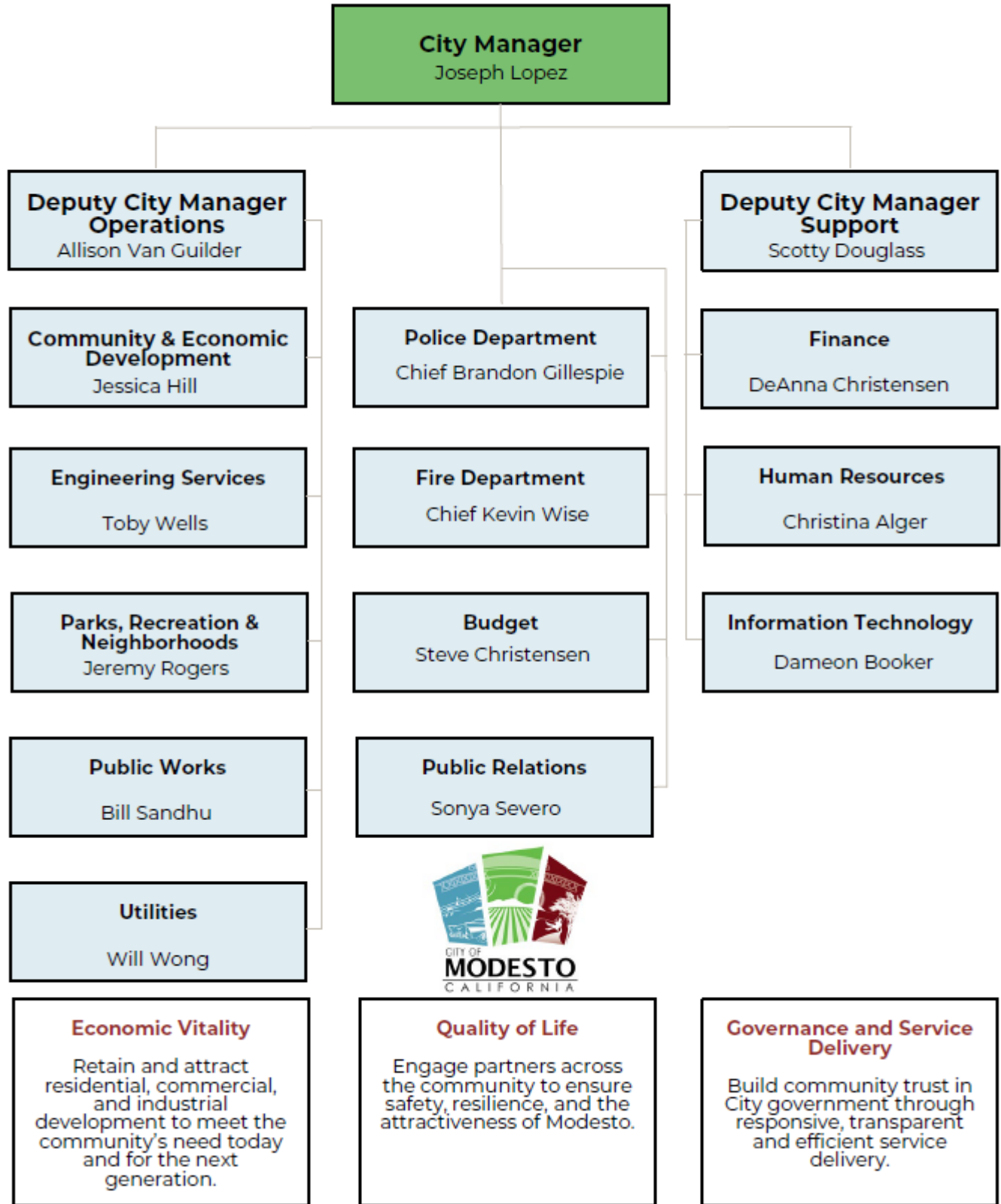


City Auditor

Moss Adams



CITY OF MODESTO ORGANIZATION CHART



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FINANCIAL SECTION TAB

FINANCIAL SECTION

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Independent Auditor's Report

**The 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, 2024, 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, 2024, 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 Matters

Implementation of a New Accounting Standard

As discussed in Note 1, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, during the fiscal year ended June 30, 2024. Our opinion is not modified with respect to this matter.



Prior Year Adjustments

As discussed in Note 20 to the financial statements, the 2023 financial statements have been restated to correct misstatements. 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, Housing and Community Development Special Revenue Fund and Transportation Special Tax 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, statistical and continuing disclosure 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 6, 2024 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 6, 2024

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, 2024. 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 2024 fiscal year by \$1,227,462,750 (*total net position*). Of this amount, \$99,800,050 is restricted for a specific purpose (*restricted net position*), \$976,049,641 is net investment in capital assets and \$151,613,059 is unrestricted (*unrestricted net position*).
- The City's total deferred outflows of resources decreased by \$12,426,854 as compared to the prior year due to decrease in deferred Other Post Employment Benefits (OPEB) and in accumulated decrease in fair value of hedging derivatives.
- The City's total deferred inflows of resources decreased by \$3,391,268 as compared to the prior year due to a decrease in deferred OPEB and Pensions.
- The City's total liabilities increased by \$10,505,876 as compared to the prior year mainly due to increase in net pension liability due in more than one year.
- The City's total net position increased by \$38,258,494 compared to the prior year. This increase is attributed mainly to an increase in intergovernmental revenue not restricted for specific purposes for \$34,014,511 resulting from the increase in sales tax voters approved under Measure H which increased the sales tax rate by 1% with fiscal year 2024 being the first full fiscal year reporting this revenue.
- As of June 30, 2024, the City's governmental funds reported combined fund balances of \$225,127,303 an increase of \$31,903,734 in comparison with the prior year's restated amount of \$223,223,569 due mainly to revenues generated higher than expenditures incurred during the fiscal year.
- As of June 30, 2024, 57.9% of the General fund balance, \$48,060,252 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 \$83,058,620 or 43.4% of total General Fund expenditures. Of this, \$10,088,574 is the restricted fund balance. The unassigned fund balance of \$48,060,252 represents 23.9% of total General Fund outflows. The City Council has adopted a goal of maintaining a General Fund reserve at a minimum level of no less than the average of two months of regular General Fund operating expenditures.
- The City's total long-term liabilities showed a net decrease of \$282,743 in comparison with the prior year. This decrease was attributed to a reduction in debt from the principal payments made during the fiscal year, net of increase in net pension and OPEB liabilities.

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 deferred outflows of resources and liabilities and deferred inflow of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, community development, highways and streets, public works, parks and recreation, and public safety. The business-type activities of the City include 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 18-19 of this report.

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

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

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

The City reports 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Operating Grants Fund, Housing and Community Development Fund and Transportation Special Tax Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Parking, Storm Drain, Compost, Airport, 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 24-28 of this report.

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

The fiduciary fund financial statements can be found on page 29-30 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 31-106 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 Community Development Fund, and Transportation Special Tax Special Revenue Fund 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 107-118 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 119-154 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 \$1,227,462,750 at the close of the most recent fiscal year.

Statements of Net Position

	Governmental activities		Business-type activities		Total	
	2024	2023 (Restated)	2024	2023 (Restated)	2024	2023 (Restated)
Current and other assets	\$ 420,559,054	\$ 382,040,418	\$ 344,726,281	\$ 353,837,725	\$ 765,285,335	\$ 735,878,143
Capital assets	359,164,501	363,586,489	879,750,154	846,935,402	1,238,914,655	1,210,521,891
Total assets	<u>779,723,555</u>	<u>745,626,907</u>	<u>1,224,476,435</u>	<u>1,200,773,127</u>	<u>2,004,199,990</u>	<u>1,946,400,034</u>
Deferred outflows of resources	97,922,459	105,199,286	28,111,506	33,261,533	126,033,965	138,460,819
Current and other liabilities	42,236,341	32,103,449	38,859,123	38,203,396	81,095,464	\$70,306,845
Long-term liabilities	466,462,170	452,199,888	325,913,489	340,458,514	792,375,659	792,658,402
Total liabilities	<u>508,698,511</u>	<u>484,303,337</u>	<u>364,772,612</u>	<u>378,661,910</u>	<u>873,471,123</u>	<u>862,965,247</u>
Deferred inflows of resources	15,368,153	16,520,102	13,931,929	16,171,248	29,300,082	32,691,350
Net position:						
Net investment in capital assets	347,825,273	329,253,702	628,224,368	578,795,390	976,049,641	908,049,092
Restricted net position	83,916,553	208,584,362	15,883,497	16,788,942	99,800,050	225,373,304
Unrestricted net position	(78,162,476)	(187,835,310)	229,775,535	243,617,170	151,613,059	55,781,860
Total net position	<u>\$ 353,579,350</u>	<u>\$ 350,002,754</u>	<u>\$ 873,883,400</u>	<u>\$ 839,201,502</u>	<u>\$ 1,227,462,750</u>	<u>\$ 1,189,204,256</u>

The largest portion of the City's net position, \$976,049,641 or 79.5%, 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.

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Another significant portion of the City's net position represents *unrestricted net position* of \$151,613,059 or 12.4%.

The remaining balance of the City's net position of \$99,800,050 or 8.1% represents resources that are subject to external restrictions on how they may be used.

The City's net position increased by \$38,258,494 during the current fiscal year largely due to an increase in intergovernmental revenues not restricted for specific purposes of \$34,014,511.

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

Statements of Activities

	Governmental activities		Business-type activities		Total	
	2024	2023 (Restated)	2024	2023 (Restated)	2024	2023 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 34,824,430	\$ 36,398,285	\$ 185,031,346	\$ 175,288,339	\$ 219,855,776	\$ 211,686,624
Operating grants and contributions	15,527,564	19,539,354	844,097	1,263,264	16,371,661	20,802,618
Capital grants and contributions	6,838,419	4,174,014	8,018,762	3,310,141	14,857,181	7,484,155
General revenues:						
Taxes	75,311,597	74,361,519	359,122	291,711	75,670,719	74,653,230
Intergovernment revenue not restricted for specific purposes	164,878,012	130,863,501	-	-	164,878,012	130,863,501
Special assessments, levied	5,436,061	4,900,860	-	-	5,436,061	4,900,860
Unrestricted investment earnings	10,274,601	3,403,539	13,009,651	2,562,708	23,284,252	5,966,247
Settlements and recoveries	-	-	3,620,125	-	3,620,125	-
Miscellaneous	1,156,335	923,411	1,479,611	1,707,204	2,635,946	2,630,615
Total revenues	314,247,019	274,564,483	212,362,714	184,423,367	526,609,733	458,987,850
Expenses:						
General government	17,124,132	16,573,945	-	-	17,124,132	16,573,945
Community development	49,357,807	28,589,701	-	-	49,357,807	28,589,701
Highways and streets	40,587,533	27,337,181	-	-	40,587,533	27,337,181
Public works	13,898,622	7,795,895	-	-	13,898,622	7,795,895
Parks and recreation	21,298,671	16,227,064	-	-	21,298,671	16,227,064
Public safety	169,102,289	147,700,874	-	-	169,102,289	147,700,874
Interest on long-term debt	1,276,737	1,719,479	-	-	1,276,737	1,719,479
Water	-	-	89,689,694	77,533,248	89,689,694	77,533,248
Sewer	-	-	54,056,910	48,558,199	54,056,910	48,558,199
Other Enterprise	-	-	31,958,844	28,102,128	31,958,844	28,102,128
Total expenses	312,645,791	245,944,139	175,705,448	154,193,575	488,351,239	400,137,714
Change in net position before transfers						
	1,601,228	28,620,344	36,657,266	30,229,792	38,258,494	58,850,136
Transfers	1,975,368	66,244	(1,975,368)	(66,244)	-	-
Total transfers	1,975,368	66,244	(1,975,368)	(66,244)	-	-
Change in net position	3,576,596	28,686,588	34,681,898	30,163,548	38,258,494	58,850,136
Net position - beginning	350,002,754	321,316,166	839,201,502	809,037,954	1,189,204,256	1,130,354,120
Net position - ending	\$ 353,579,350	\$ 350,002,754	\$ 873,883,400	\$ 839,201,502	\$ 1,227,462,750	\$ 1,189,204,256

The City's 2023 financial statements have been restated to correct previously reported balances. Refer to Note 20.

Governmental activities. Governmental activities increased the City's net position by \$3,576,596 mainly due to revenues exceeding the expenditures during the fiscal year. Intergovernmental revenue not restricted for specific purposes increased by \$34,014,132, this increase in intergovernmental revenues is mainly attributed to the adoption of Measure H, which is a voter's approved increase to sales tax by 1% which went into effect on April 1, 2023, making fiscal year 2024 the first full fiscal year collecting this additional sales tax revenue.

Total expenses increased compared to the prior year by \$66,701,652. This increase is mainly attributed to an increase in salary and benefit costs, along with an increase in hiring of previously vacant positions mainly in public safety and also in areas such as parks, and public works. Additionally, a large increase in expenses can be attributed to increased community development projects such as the Travelers Motel Homekey and HOME 7th Street Village.

Business-type activities. Business-type activities increased the City's net position by \$34,681,898. The increase was mainly attributed to increases in operating and capital grants and contributions in the amount of \$4,289,454, an increase in charges for services in the amount of \$9,743,007 mainly within the internal service funds and an increase in unrestricted investment earnings in the amount of \$10,446,943.

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, 2024, the City's governmental funds reported combined fund balances of \$225,127,303 an increase of \$31,903,734 from the prior year. The total unassigned fund balance for the governmental funds was \$45,327,746 which includes a positive \$48,060,252 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 \$24,614,912.

The General Fund is the chief operating fund of the City. At June 30, 2024, unassigned fund balance of the General Fund was \$48,060,252 while total fund balance was \$83,058,620. 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 25.1% of total General Fund expenditures, while total fund balance represents 43.4% of that same amount. The prior year ratios were 14.1% and 31.8%, respectively.

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The Operating Grants fund accounts for receipts and disbursements of a variety of Governmental Fund Operating grants. At June 30, 2024, total fund balance was \$859,092 this is an decrease of \$3,886,897 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, 2024, the total fund balance was \$27,778,843, a decrease of \$5,992,241 from the prior year.

Transportation Special Tax accounts for state-controlled, locally-shared gas tax, 25 year, ½ cent sales tax Measure L, SB-1 (Road Repair and Accountability Act of 2017) monies. At June 30, 2024 total balance was \$55,290,002 an increase of \$6,091,885 from prior year.

Revenues of governmental funds totaled \$322,089,879 in fiscal year 2023-24, which represents an increase of \$38,332,238 from fiscal year 2022-23.

Expenditures of governmental funds totaled \$291,641,122 in fiscal year 2023-24, representing an increase of \$36,053,549 from fiscal year 2022-23.

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 2024		FY 2023 (Restated)		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	% Change
Taxes	\$75,311,597	23.4%	\$74,361,519	26.3%	\$950,078	1.3%
Licenses and permits	399,698	0.1%	409,082	0.1%	(\$9,384)	-2.3%
Intergovernmental	196,139,064	60.9%	168,444,386	59.5%	\$27,694,678	16.4%
Charges for services	33,848,559	10.5%	30,208,091	10.6%	\$3,640,468	12.1%
Special assessments	5,436,061	1.7%	4,900,860	1.7%	\$535,201	10.9%
Interest and rent	5,468,374	1.7%	4,113,653	1.4%	\$1,354,721	32.9%
Net increase (decrease) in fair value of investments	3,807,834	1.2%	(487,727)	-0.2%	\$4,295,561	-880.7%
Fines and forfeits	576,173	0.2%	880,252	0.3%	(\$304,079)	-34.5%
Miscellaneous	1,102,519	0.3%	927,525	0.3%	\$174,994	18.9%
Total	\$322,089,879	100.0%	\$283,757,641	100.0%	\$38,332,238	13.5%

- 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.
- Intergovernmental – Revenues increased by \$27,694,678, mainly due to an increase in sales tax revenue collected under the voter's approved Measure- H effective April 1, 2023, increasing sales tax rate by 1% to 8.875%, making fiscal year 2023-24 the first full year collecting this new revenue source. As well as an increase in the revenue source for the Stanislaus County county-wide, 25-year, half-cent sales tax increase known as Measure L to assist with the funding for local transportation improvements for the City.
- Charges for Services – Revenues increased by \$3,640,468, due primarily to new and ongoing agreements for fire protection and mitigation services with other local jurisdictions.

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- Interest and rent and net increase 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 2024		FY 2023		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	% Change
General government	\$15,228,776	5.2%	\$15,483,071	6.1%	(\$254,295)	-1.6%
Community development	45,142,072	15.4%	26,878,953	10.6%	\$18,263,119	67.9%
Highways and streets	26,421,078	9.1%	14,694,631	5.7%	\$11,726,447	79.8%
Public works	12,711,516	4.4%	7,359,391	2.9%	\$5,352,125	72.7%
Parks and recreation	19,479,513	6.7%	15,247,166	6.0%	\$4,232,347	27.8%
Public safety	154,658,970	53.0%	139,450,451	54.6%	\$15,208,519	10.9%
Capital outlay	10,646,681	3.7%	30,540,807	11.9%	(\$19,894,126)	-65.1%
Debt Service-principal retirement	5,598,966	1.9%	4,210,255	1.6%	\$1,388,711	33.0%
Debt Service-interest charges	1,280,380	0.4%	1,609,215	0.6%	(\$328,835)	-20.4%
Debt Service-other	473,170	0.2%	113,633	-	\$359,537	316.4%
Total	\$291,641,122	100.0%	\$255,587,573	100.0%	\$36,053,549	14.1%

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

- Community development – Expenditures increased by \$18,263,119 or 67.9% over the prior year, mainly due to ongoing large scale community development projects such as the Travelers Motel Homekey and the HOME 7th Street Village projects. Additionally, the total expenditures increased as more projects were undertaken by the City due to increase in grant funding.
- Highways and streets – Expenditures increased by \$11,726,447 or 79.8% over the prior year due to increased grant funding available to undertake highway and street roads rehabilitation and maintenance projects.
- Public works – Expenditures increase by \$5,352,125 or 72.7% over the prior year due to more projects were undertaken by City staff due to increase in available funding.
- Parks and recreations – Expenditures increased by \$4,232,347 or 27.8% over the prior year due an increase in recreational activities as well as park renovations including basketball and volleyball improvements, restroom replacements and playground replacements.
- Public safety – Expenditures increased by \$15,208,519 or 10.9% 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, additional positions for fire department as well as police department were approved based on the positive impact of Measure-H revenues.
- Capital outlay – Expenditures decreased in the amount of \$19,894,126 or 65.1% due to large scale multi-year projects, such as the State Route 132, nearing completion during Fiscal Year 2023-24 which resulted in less construction expenditures during this fiscal year as compared to the prior year.

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

	FY 2024	FY 2023	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$26,873,392	\$17,408,119	\$9,465,273	54.4%
Transfers out	(29,514,905)	(19,129,521)	(10,385,384)	54.3%
Other financing proceeds	4,042,674	1,772,045	2,270,629	128.1%
Sale of assets	53,816	10,540	43,276	410.6%
Net financing sources (uses)	\$1,454,977	\$61,183	\$1,393,794	2278.1%

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 sources (uses) from governmental funds for 2024 were \$1,454,977 compared to \$61,183 in the prior year. The 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 other financing proceeds increased by \$2,270,629 due to additional SBITAs and leases in the current year.

The fund balance of the City's General Fund increased by \$30,282,169 after restatement, during the fiscal year. This result is consistent with the City Council's budgetary direction to reduce spending and identify additional revenue sources that would allow the General Fund to retain an unrestricted reserve that meets the City Council's adopted reserve requirements level of no less than the average of two months of regular General Fund expenditures.

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

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

	Major Funds		Nonmajor Funds	
	Water	Sewer	Other Enterprise	Total
Operating revenues	\$86,165,645	\$68,673,479	\$29,425,822	\$184,264,946
Operating expenses	(83,471,789)	(51,294,194)	(31,648,173)	(166,414,156)
Operating income (loss)	2,693,856	17,379,285	(2,222,351)	17,850,790
Nonoperating revenues (expenses), net	1,318,493	3,996,776	6,902,183	12,217,452
Income before capital contributions and transfers	4,012,349	21,376,061	4,679,832	30,068,242
Capital contributions and transfers	(767,498)	6,487,177	323,715	6,043,394
Changes in net position	\$3,244,851	\$27,863,238	\$5,003,547	\$36,111,636

The Water fund had a rate increase of 4.5% effective October 1, 2023. This rate was approved on August 22, 2023.

The Sewer fund had a rate increase of 3.5% effective July 1, 2023. This rate was approved on April 12, 2022.

A pollution remediation liability was reported for the Water and Sewer fund in the amounts of \$2,758,075 and \$6,851,797, respectively based on net recoveries the City has received from various settlements. Additional information regarding these liabilities can be found under Note 17.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to actual information for the General Fund is presented as Required Supplementary Information, beginning on **page 112** 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 \$43,724,237 while total appropriations increased by \$4,918,992. 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, approved by Citizens on November 2022, under Measure H which went into effect on April 1, 2023.

Revenues came in \$3,996,905 more than final estimates. Variances in Franchise Tax \$101,234, Property Tax \$478,400, and Intergovernmental \$2,334,144, 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 \$22,292,689 under budget, primarily due to efforts of departments to realize savings, and certain purchases being deferred to future periods as well as positions approved and budgeted but not yet filled.

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, 2024, amounted to \$1,238,914,655 (net of accumulated depreciation). The total increase in the City's investment in capital assets compared to 2023 was 2.3%.

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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) Percent Change	\$ Change
	2024	2023 (Restated)	2024	2023 (Restated)	2024	2023 (Restated)		
Land	\$ 42,653,318	\$ 34,995,346	\$ 30,647,169	\$ 30,647,169	\$ 73,300,487	\$ 65,642,515	11.7%	\$ 7,657,972
Capitalized interest	-	-	3,465,094	3,969,880	3,465,094	3,969,880	-12.7%	(504,786)
Buildings	18,622,499	20,264,105	27,458,329	29,115,695	46,080,828	49,379,800	-6.7%	(3,298,972)
Improvements	54,076,033	57,885,970	225,808,186	243,047,851	279,884,219	300,933,821	-7.0%	(21,049,602)
Furnishings and equipment	2,210,388	2,517,365	2,149,527	2,565,952	4,359,915	5,083,317	-14.2%	(723,402)
Buses & fareboxes	25,103	25,103	-	-	25,103	25,103	0.0%	-
Intangible assets	780,536	1,178,550	3	3	780,539	1,178,553	-33.8%	(398,014)
Equipment pool	23,787,502	16,825,643	-	-	23,787,502	16,825,643	41.4%	6,961,859
Service animals	19,611	27,435	-	-	19,611	27,435	-28.5%	(7,824)
Water rights	-	-	191,054,232	202,995,122	191,054,232	202,995,122	-5.9%	(11,940,890)
Streets	143,643,347	153,607,619	-	-	143,643,347	153,607,619	-6.5%	(9,964,272)
Signalization	6,458,205	5,486,212	-	-	6,458,205	5,486,212	17.7%	971,993
Bridges	24,421,978	25,163,549	-	-	24,421,978	25,163,549	-2.9%	(741,571)
Pipelines	394,694	400,269	286,149,600	279,380,650	286,544,294	279,780,919	2.4%	6,763,375
Construction in progress	34,968,291	43,032,372	112,476,491	54,747,440	147,444,782	97,779,812	50.8%	49,664,970
Right-to-use SBITAS	6,698,754	1,742,623	153,925	194,851	6,852,679	1,937,474	253.7%	4,915,205
Right-to-use Leases								
Buildings	219,923	367,428	-	-	219,923	367,428	-40.1%	(147,505)
Equipment pool	1	1	297,335	-	297,336	1	29733500.0%	297,335
Land	184,318	66,899	90,263	270,789	274,581	337,688	-18.7%	(63,107)
Total	\$ 359,164,501	\$ 363,586,489	\$ 879,750,154	\$ 846,935,402	\$1,238,914,655	\$1,210,521,891	2.3%	\$ 28,392,764

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

- Pipelines – Construction of the Sutter Trunk Rehabilitation and Reliability project was completed in fiscal year 2023-24 in the amount of \$4.2 million. Water main replacement and strengthening at two locations was completed in fiscal year 2023-24; Highway Village in the amount of \$4.2 million and at Sutter Avenue in the amount of \$2.6 million.
- Water rights – Depreciation expense for fiscal year 2023-24 in the amount of \$11.9 million.
- Construction in progress – Ongoing water construction projects related to improvements to the City's water infrastructure were made during fiscal year 2023-24, ongoing construction of the Jennings water quality control (WQC) entrance, Sutter Trunk, and River Trunk Gravity system, River Sonoma Trunk Exit Lift Street, River Trunk Realignment, River Trunk Shackelford Pump and JM Pike Park Stormwater to Sanitary cross connection. Replacement of aged existing water mains at La Loma – El Vista to Riverside and La Loma Phase 2C mains.

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 3 on pages 50-52 of this report. Additional information on the City's commitments can be found in Note 20 on page 87-88 of this report.

Long-term debt and liabilities

At June 30, 2024, the City had total long-term liabilities outstanding of \$345,151,154 net of unamortized discounts and premiums, as compared to \$357,666,314 in the prior year. This amount was comprised of \$38,985,000 of lease revenue bonds, \$40,024,031 of certificates of participation, \$97,054,702 of revenue bonds payable, \$88,915,000 of reimbursement agreement related to Modesto Irrigation District bonds, \$13,688,178 of estimated compensated absences, \$28,460,239 of claims liability, \$25,287,769 of loans payable, \$494,623 of developer advances, \$5,787,146 of finance purchase obligations, \$843,922 of lease payables, \$5,265,544 of SBITAs payables and \$345,000 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 and liabilities can be found in Notes 6-10 on pages **55-77** of this report.

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

BONDS	Moody’s Rating	S & P Rating	Fitch Rating
2008 Lease Revenue Bonds	Aa3	AA+/A-1	A+
2008 Water Certificates of Participation	Aa3	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 due in more than one year as of June 30, 2024 was \$19,010,877. Additional information on the City’s net OPEB liability and Pension can be found in Note 20.

With the implementation of GASB Statement No. 87 “Leases”, the City reported lease receivables in the amount of \$22,756,298, deferred inflows of resources-leases in the amount of \$21,468,499, and lease liability in the amount of \$843,922 as of June 30, 2024.

With the implementation of GASB Statement No 96 “Subscription-Based Information Technology Arrangements (SBITAs)”, the City reported SBITA liability in the amount of \$5,265,544 as of June 30, 2024.

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 2024 CPI begin to stabilize but it has not been as low as in prior years before the COVID-19 pandemic, 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, 2024, the CPI-Western Urban Index did see a continuous increase up to 2.0%.

- *Utility Service Charges* – Wastewater rates increased by 3.5% for residential, commercial, industrial, and septage sewer and 2.5% for cannery segregation, effective July 1, 2023 to fiscal year 2026-2027. Rate increases were approved by the 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 2023-24.

During the current fiscal year, fund balance in the General Fund increased by \$29,488,052, net of prior year adjustments of \$794,117, to \$83,058,620 which represents 41.2% 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 2023-2024 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.

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BASIC FINANCIAL STATEMENTS

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City of Modesto
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 149,734,019	\$ 277,715,358	\$ 427,449,377
Accounts receivable, net	8,028,335	4,228,740	12,257,075
Interest receivable	870,749	1,064,041	1,934,790
Utility billings receivable, net	2,138,789	20,018,406	22,157,195
Taxes receivable	24,221,034	2,213	24,223,247
Leases receivable	9,544,254	13,212,044	22,756,298
Due from governments, net	37,242,508	6,437,369	43,679,877
Due from Successor Agency	1,192,004	-	1,192,004
Prepaid expenses	2,939,400	4,830,694	7,770,094
Internal balances	63,022	(63,022)	-
Inventories	6,627,820	53,436	6,681,256
Investments in joint ventures	6,384,785	-	6,384,785
Restricted assets:			
Cash and cash equivalents	92,019,352	13,616,233	105,635,585
Cash and cash equivalents with fiscal agent	11,413,113	3,610,769	15,023,882
Due from governments, net	747,227	-	747,227
Reimbursement agreement	11,305,650	-	11,305,650
Notes and loan receivable, net	56,086,993	-	56,086,993
Capital assets:			
Land and construction in progress	77,621,609	143,123,660	220,745,269
Other capital assets, net of accumulated depreciation	274,439,896	736,084,971	1,010,524,867
Intangible assets right-of-use, net of accumulated amortization	7,102,996	541,523	7,644,519
Total assets	<u>779,723,555</u>	<u>1,224,476,435</u>	<u>2,004,199,990</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB	3,598,125	1,016,459	4,614,584
Deferred pensions	92,881,187	18,013,968	110,895,155
Loss on refunding	-	307,723	307,723
Accumulated decrease in fair value of hedging derivatives	1,443,147	8,773,356	10,216,503
Total deferred outflows of resources	<u>97,922,459</u>	<u>28,111,506</u>	<u>126,033,965</u>
Total assets and deferred outflows of resources	<u>877,646,014</u>	<u>1,252,587,941</u>	<u>2,130,233,955</u>
LIABILITIES			
Accounts payable	16,526,544	12,092,220	28,618,764
Accrued salaries and benefits	4,346,453	1,099,352	5,445,805
Approved loans payable	8,404,527	-	8,404,527
Due to fiduciary funds	24,223	-	24,223
Interest payable	47,039	516,628	563,667
Unearned revenue	2,484,385	2,474,112	4,958,497
Refundable deposits	8,960,023	2,267,264	11,227,287
Derivative instrument - interest swap	1,443,147	8,773,356	10,216,503
Pollution remediation liability	-	11,636,191	11,636,191
Long-term liabilities:			
Due within one year	14,840,854	14,612,133	29,452,987
Due in more than one year	75,886,936	239,811,231	315,698,167
Net OPEB liability due in more than one year	14,429,563	4,581,314	19,010,877
Net pension liability due in more than one year	361,304,817	66,908,811	428,213,628
Total liabilities	<u>508,698,511</u>	<u>364,772,612</u>	<u>873,471,123</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB	4,620,648	1,265,502	5,886,150
Deferred pensions	1,778,283	167,150	1,945,433
Deferred leases	8,969,222	12,499,277	21,468,499
Total deferred inflows of resources	<u>15,368,153</u>	<u>13,931,929</u>	<u>29,300,082</u>
Total liabilities and deferred inflows of resources	<u>524,066,664</u>	<u>378,704,541</u>	<u>902,771,205</u>
NET POSITION			
Net investment in capital assets	347,825,273	628,224,368	976,049,641
Restricted for:			
Capital projects	792,819	-	792,819
Housing and community development	53,528,085	-	53,528,085
Pollution remediation	-	13,616,233	13,616,233
Health and human services	7,915,493	-	7,915,493
Public safety	3,671,213	-	3,671,213
Refundable deposits	7,920,369	2,267,264	10,187,633
General government and support services	10,088,574	-	10,088,574
Unrestricted	<u>(78,162,476)</u>	<u>229,775,535</u>	<u>151,613,059</u>
Total net position	<u>\$ 353,579,350</u>	<u>\$ 873,883,400</u>	<u>\$ 1,227,462,750</u>

See Notes to Basic Financial Statements.

City of Modesto
Statement of Activities
Fiscal Year Ended June 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 17,124,132	\$ 7,216,392	\$ -	\$ -	\$ (9,907,740)	\$ -	\$ (9,907,740)
Community development	49,357,807	10,896,436	8,602,330	58,763	(29,800,278)	-	(29,800,278)
Highways and streets	40,587,533	1,293,908	-	6,670,404	(32,623,221)	-	(32,623,221)
Public works	13,898,622	4,556,686	431,115	9,343	(8,901,478)	-	(8,901,478)
Parks and recreation	21,298,671	2,133,067	365,531	99,909	(18,700,164)	-	(18,700,164)
Public safety	169,102,289	8,727,941	6,128,588	-	(154,245,760)	-	(154,245,760)
Interest on long-term debt	1,276,737	-	-	-	(1,276,737)	-	(1,276,737)
Total governmental activities	312,645,791	34,824,430	15,527,564	6,838,419	(255,455,378)	-	(255,455,378)
Business-type activities:							
Water	89,689,694	86,165,645	170,949	220,610	-	(3,132,490)	(3,132,490)
Sewer	54,056,910	69,439,879	77,138	7,855,720	-	23,315,827	23,315,827
Other enterprise	31,958,844	29,425,822	596,010	(57,568)	-	(1,994,580)	(1,994,580)
Total business-type activities	175,705,448	185,031,346	844,097	8,018,762	-	18,188,757	18,188,757
Total	\$ 488,351,239	\$ 219,855,776	\$ 16,371,661	\$ 14,857,181	(255,455,378)	18,188,757	(237,266,621)
General revenues:							
Taxes:							
Utility users tax					21,173,728	-	21,173,728
Property taxes, levied for general purposes					23,046,388	-	23,046,388
Property taxes, generated by and allocated to the airport					-	359,122	359,122
Transient occupancy tax					3,351,194	-	3,351,194
Franchise tax					7,975,509	-	7,975,509
Cannabis tax					3,408,455	-	3,408,455
Business license tax, levied for general purposes					16,147,087	-	16,147,087
Business license tax, levied for downtown improvement district					209,236	-	209,236
Special assessments, levied					5,436,061	-	5,436,061
Intergovernmental revenue:							
Sales tax (state appropriation)					38,038,757	-	38,038,757
Sales tax Measure H					47,954,202	-	47,954,202
Motor vehicle license fee					22,537,514	-	22,537,514
Transportation tax funding					26,795,778	-	26,795,778
Other					29,551,761	-	29,551,761
Unrestricted investment earnings and rent					10,274,601	13,009,651	23,284,252
Miscellaneous					1,156,335	1,479,611	2,635,946
Settlements					-	3,620,125	3,620,125
Transfers, net					1,975,368	(1,975,368)	-
Total general revenues and transfers					259,031,974	16,493,141	275,525,115
Changes in net position					3,576,596	34,681,898	38,258,494
Net position, July 1, as previously reported					489,433,701	847,728,789	1,337,162,490
Prior year adjustments					(139,430,947)	(8,527,287)	(147,958,234)
Net position, July 1, as restated					350,002,754	839,201,502	1,189,204,256
Net position, June 30					\$ 353,579,350	\$ 873,883,400	\$ 1,227,462,750

See Notes to Basic Financial Statements.

**City of Modesto
Balance Sheet
Governmental Funds
June 30, 2024**

	<u>General</u>	<u>Operating Grants</u>	<u>Housing and Community Development</u>	<u>Transportation Special Tax</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 51,916,300	\$ 14,484,636	\$ 5,606,697	\$ 51,195,035	\$ 6,710,161	\$ 129,912,829
Receivables:						
Accounts, net	2,349,610	76,011	35,387	616,190	179,812	3,257,010
Interest	292,016	16,219	3,797	178,670	274,254	764,956
Utilities, net	2,138,789	-	-	-	-	2,138,789
Taxes	24,021,039	1,308	-	-	198,687	24,221,034
Leases	8,060,661	-	-	-	1,461,472	9,522,133
Due from governments	2,022,208	15,300,103	2,041,211	3,852,481	11,286,524	34,502,527
Due from other funds	3,731,243	-	-	-	-	3,731,243
Due from Successor Agency	-	-	-	-	1,192,004	1,192,004
Prepaid expenditures	54,955	129,847	1,563	30,185	112,955	329,505
Restricted assets:						
Cash and cash equivalents	5,576,758	-	-	-	78,557,772	84,134,530
Cash and cash equivalents with fiscal agent	4,511,816	792,819	-	-	5,505,170	10,809,805
Due from governments	-	-	-	-	747,227	747,227
Notes receivable, net	-	-	53,811,544	-	2,275,449	56,086,993
Advances to other funds	1,921,763	-	-	-	-	1,921,763
Total assets	\$ <u>106,597,158</u>	\$ <u>30,800,943</u>	\$ <u>61,500,199</u>	\$ <u>55,872,561</u>	\$ <u>108,501,487</u>	\$ <u>363,272,348</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 2,856,989	\$ 3,071,326	\$ 192,388	\$ 250,438	\$ 3,678,223	\$ 10,049,364
Accrued salaries and benefits	3,584,269	186,449	27,208	202,910	25,495	4,026,331
Accrued interest payable	-	2,492	9,813	-	-	12,305
Approved loans payable	-	663,385	7,741,142	-	-	8,404,527
Due to other funds	-	-	-	-	3,295,652	3,295,652
Due to fiduciary funds	-	-	-	-	24,223	24,223
Unearned revenue	372,800	-	-	129,211	1,940,815	2,442,826
Refundable deposits	8,875,800	-	-	-	84,223	8,960,023
Advances from other funds	-	-	-	-	740,958	740,958
Total liabilities	<u>15,689,858</u>	<u>3,923,652</u>	<u>7,970,551</u>	<u>582,559</u>	<u>9,789,589</u>	<u>37,956,209</u>
Deferred inflows of resources:						
Unavailable revenue	278,790	26,018,199	25,750,805	-	9,192,994	61,240,788
Leases	7,569,890	-	-	-	1,378,158	8,948,048
Total deferred inflows of resources	<u>7,848,680</u>	<u>26,018,199</u>	<u>25,750,805</u>	<u>-</u>	<u>10,571,152</u>	<u>70,188,836</u>
Fund balances:						
Nonspendable	1,976,718	129,847	1,563	30,185	112,955	2,251,268
Restricted	10,088,574	792,819	27,777,280	55,259,817	87,085,618	181,004,108
Committed	18,397,817	-	-	-	-	18,397,817
Assigned	4,535,259	-	-	-	3,611,105	8,146,364
Unassigned	48,060,252	(63,574)	-	-	(2,668,932)	45,327,746
Total fund balances	<u>83,058,620</u>	<u>859,092</u>	<u>27,778,843</u>	<u>55,290,002</u>	<u>88,140,746</u>	<u>255,127,303</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>106,597,158</u>	\$ <u>30,800,943</u>	\$ <u>61,500,199</u>	\$ <u>55,872,561</u>	\$ <u>108,501,487</u>	\$ <u>363,272,348</u>

See Notes to Basic Financial Statements.

City of Modesto
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024

Total fund balances - governmental funds \$ 255,127,303

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	\$ 71,152,199	
Depreciable	188,714,094	
Accumulated depreciation on general capital assets	(127,971,397)	
Lease assets and SBITAS - right-of-use	6,720,467	
Accumulated amortization on lease assets, right-of-use	(1,928,155)	
Infrastructure:		
Depreciable	586,996,952	
Accumulated depreciation on infrastructure	<u>(412,078,728)</u>	311,605,432

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	\$ 61,240,788	
Reimbursement agreement with Successor Agency	11,305,650	
Investments in joint ventures	<u>6,384,785</u>	78,931,223

Derivative instruments:

Rate swaps are not reported in governmental funds.	\$ (1,443,147)	
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivatives also are not reported in governmental funds.	<u>1,443,147</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.

26,818,139

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	\$ 87,250,236	
Deferred inflows of resources	<u>(1,726,034)</u>	85,524,202

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	\$ 3,364,304	
Deferred inflows of resources	<u>(4,227,883)</u>	(863,579)

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

Net pension liability	\$ (340,389,918)	
Net OPEB liability	(13,362,601)	
Bonds payable, and other long-term debt	(49,806,754)	
Accrued interest	<u>(4,097)</u>	<u>(403,563,370)</u>

Net position - governmental activities \$ 353,579,350

See Notes to Basic Financial Statements.

City of Modesto
Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2024

	General	Operating Grants	Housing and Community Development	Transportation Special Tax	Other Governmental	Total Governmental
REVENUES:						
Taxes	\$ 72,810,841	\$ 294,108	\$ -	\$ 1,997,412	\$ 209,236	\$ 75,311,597
Licenses and permits	88,123	58,575	-	2,718	250,282	399,698
Intergovernmental	129,442,636	19,333,321	9,017,200	26,795,778	11,550,129	196,139,064
Charges for services	19,613,987	4,649,043	1,462,091	1,626,618	6,496,820	33,848,559
Special assessments levied	378,779	80,823	-	-	4,976,459	5,436,061
Interest and rent	388,844	1,474,952	23,547	1,118,885	2,462,146	5,468,374
Net increase in fair value of investments	1,503,184	77,283	18,048	1,029,027	1,180,292	3,807,834
Fines and forfeits	384,225	-	-	-	191,948	576,173
Miscellaneous	646,091	275,525	-	118,887	62,016	1,102,519
Total revenues	<u>225,256,710</u>	<u>26,243,630</u>	<u>10,520,886</u>	<u>32,689,325</u>	<u>27,379,328</u>	<u>322,089,879</u>
EXPENDITURES:						
Current:						
General government	14,970,501	258,275	-	-	-	15,228,776
Community development	6,185,028	18,522,942	12,751,048	1,847,896	5,835,158	45,142,072
Highways and streets	-	112,999	-	16,243,596	10,064,483	26,421,078
Public works	5,455,924	993,947	-	-	6,261,645	12,711,516
Parks and recreation	16,364,245	670,003	-	-	2,445,265	19,479,513
Public safety	142,622,102	11,243,566	-	-	793,302	154,658,970
Capital outlay	3,061,670	477,856	-	11,240	7,095,915	10,646,681
Debt service:						
Principal retirement	2,050,599	129,116	328,000	3,778	3,087,473	5,598,966
Interest	182,834	305	14,425	392	1,082,424	1,280,380
Other	418,800	-	-	-	54,370	473,170
Total expenditures	<u>191,311,703</u>	<u>32,409,009</u>	<u>13,093,473</u>	<u>18,106,902</u>	<u>36,720,035</u>	<u>291,641,122</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>33,945,007</u>	<u>(6,165,379)</u>	<u>(2,572,587)</u>	<u>14,582,423</u>	<u>(9,340,707)</u>	<u>30,448,757</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	3,509,083	5,338,613	4,417	1,540,205	16,481,074	26,873,392
Transfers out	(10,099,889)	(3,329,065)	(3,424,071)	(10,072,498)	(2,589,382)	(29,514,905)
Other financing proceeds - leases and SBITAs	2,916,392	268,934	-	-	857,348	4,042,674
Sale of assets	11,576	-	-	41,755	485	53,816
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,662,838)</u>	<u>2,278,482</u>	<u>(3,419,654)</u>	<u>(8,490,538)</u>	<u>14,749,525</u>	<u>1,454,977</u>
CHANGES IN FUND BALANCES	<u>30,282,169</u>	<u>(3,886,897)</u>	<u>(5,992,241)</u>	<u>6,091,885</u>	<u>5,408,818</u>	<u>31,903,734</u>
FUND BALANCES, JULY 1, AS PREVIOUSLY REPORTED	53,570,568	4,731,444	33,771,463	49,198,117	82,634,300	223,905,892
PRIOR PERIOD ADJUSTMENTS	(794,117)	14,545	(379)	-	97,628	(682,323)
FUND BALANCES, JULY 1, AS RESTATED	<u>52,776,451</u>	<u>4,745,989</u>	<u>33,771,084</u>	<u>49,198,117</u>	<u>82,731,928</u>	<u>223,223,569</u>
FUND BALANCES, JUNE 30	<u>\$ 83,058,620</u>	<u>\$ 859,092</u>	<u>\$ 27,778,843</u>	<u>\$ 55,290,002</u>	<u>\$ 88,140,746</u>	<u>\$ 255,127,303</u>

See Notes to Basic Financial Statements.

City of Modesto

**Reconciliation of the Governmental Funds Statements of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities**

Fiscal Year Ended June 30, 2024

Net change in fund balances - governmental funds \$ 31,903,734

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	\$ 10,646,681	
Depreciation and amortization expense	<u>(20,106,262)</u>	(9,459,581)

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	\$ (8,087,419)	
Change in investments in joint ventures	<u>(23,974)</u>	(8,111,393)

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	5,598,966	
Proceeds of long-term debt	<u>(4,042,674)</u>	1,556,292

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	\$ 3,643	
OPEB expense associated with net OPEB liability	704,539	
Pension expense associated with net pension liability	<u>(15,038,872)</u>	(14,330,690)

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 allocated to governmental activities and business-type activities.

2,825,884

Change in net position - governmental activities \$ 3,576,596

City of Modesto
Statement of Net Position
Proprietary Funds
June 30, 2024

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 138,446,879	\$ 112,103,198	\$ 27,165,281	\$ 277,715,358	\$ 19,821,190
Receivables:					
Accounts, net	61,849	136,853	4,030,038	4,228,740	4,771,325
Interest	509,556	453,290	101,196	1,064,042	105,793
Taxes	-	-	2,212	2,212	-
Utilities, net	10,783,933	7,829,169	1,405,304	20,018,406	-
Leases	18,320	259,440	330,025	607,785	5,407
Prepaid expenses	4,644,191	20,004	166,499	4,830,694	2,609,895
Due from governments	179,676	5,739,220	518,473	6,437,369	2,739,981
Due from other funds	2,722,377	-	-	2,722,377	-
Inventories	-	-	53,436	53,436	6,627,820
Total current assets	<u>157,366,781</u>	<u>126,541,174</u>	<u>33,772,464</u>	<u>317,680,419</u>	<u>36,681,411</u>
Noncurrent assets:					
Advances to other funds	2,480,000	740,817	52,882	3,273,699	-
Restricted cash and cash equivalents	3,629,498	9,986,735	-	13,616,233	7,884,822
Restricted cash and cash equivalents with fiscal agent	2,406,120	1,000,042	204,607	3,610,769	603,308
Leases receivable	1,599,567	225,298	10,779,394	12,604,259	16,714
Land and construction in progress	38,473,676	93,070,504	11,579,480	143,123,660	6,469,410
Other capital assets, net of accumulated depreciation	375,889,723	334,263,778	25,931,470	736,084,971	38,778,975
Intangible assets right-to-use, net of accumulated amortization	155,849	65,421	320,253	541,523	2,310,684
Total noncurrent assets	<u>424,634,433</u>	<u>439,352,595</u>	<u>48,868,086</u>	<u>912,855,114</u>	<u>56,063,913</u>
Total assets	<u>582,001,214</u>	<u>565,893,769</u>	<u>82,640,550</u>	<u>1,230,535,533</u>	<u>92,745,324</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred OPEB	463,905	336,257	216,297	1,016,459	233,821
Deferred pensions	6,901,352	7,190,370	3,922,246	18,013,968	5,630,951
Loss on refunding	285,507	22,216	-	307,723	-
Accumulated decrease in fair value of hedging derivatives	8,773,356	-	-	8,773,356	-
Total deferred outflows of resources	<u>16,424,120</u>	<u>7,548,843</u>	<u>4,138,543</u>	<u>28,111,506</u>	<u>5,864,772</u>
Total assets and deferred outflows of resources	<u>\$ 598,425,334</u>	<u>\$ 573,442,612</u>	<u>\$ 86,779,093</u>	<u>\$ 1,258,647,039</u>	<u>\$ 98,610,096</u>

(Continued)

City of Modesto
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2024

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,288,331	\$ 8,248,086	\$ 555,803	\$ 12,092,220	\$ 6,477,180
Accrued salaries and benefits	419,491	402,658	277,203	1,099,352	320,122
Interest payable	10,286	497,542	8,800	516,628	30,637
Due to other funds	-	-	-	-	3,157,968
Current portion - compensated absences	-	-	-	-	872,970
Current portion - claims liability	-	-	-	-	7,290,622
Current portion - long-term debt	6,894,930	7,284,667	-	14,179,597	-
Current portion - developer advances	83,942	-	-	83,942	-
Current portion - leases and SBITAS	109,085	16,929	57,411	183,425	955,275
Unearned revenue	66,971	1,454,626	952,515	2,474,112	41,559
Total current liabilities	<u>10,873,036</u>	<u>17,904,508</u>	<u>1,851,732</u>	<u>30,629,276</u>	<u>19,146,333</u>
Noncurrent liabilities:					
Payable from restricted assets - refundable deposits	1,286,987	980,277	-	2,267,264	-
Advances from other funds	-	-	4,454,504	4,454,504	-
Compensated absences	-	-	-	-	12,815,208
Claims liability	-	-	-	-	21,169,617
Derivative instrument - interest swap	8,773,356	-	-	8,773,356	-
Pollution remediation liability	2,758,075	6,851,797	2,026,319	11,636,191	-
Long-term debt:					
Reimbursement agreement related to MID debt	84,460,000	-	-	84,460,000	-
Revenue bonds payable	-	90,676,935	-	90,676,935	-
Loans payable	231,704	23,619,235	-	23,850,939	-
Certificates of participation	37,614,031	-	-	37,614,031	-
Developer advances	410,681	-	-	410,681	-
Leases and SBITAS payable	37,931	37,838	298,190	373,959	407,199
Net OPEB liability	1,756,826	1,545,698	1,278,790	4,581,314	1,066,962
Net pension liability	25,633,511	26,707,004	14,568,296	66,908,811	20,914,899
Total noncurrent liabilities	<u>162,963,102</u>	<u>150,418,784</u>	<u>22,626,099</u>	<u>336,007,985</u>	<u>56,373,885</u>
Total liabilities	<u>173,836,138</u>	<u>168,323,292</u>	<u>24,477,831</u>	<u>366,637,261</u>	<u>75,520,218</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred OPEB	640,712	348,722	276,068	1,265,502	392,765
Deferred pensions	64,037	66,719	36,394	167,150	52,249
Deferred leases	1,518,167	413,267	10,567,843	12,499,277	21,174
Total deferred inflows of resources	<u>2,222,916</u>	<u>828,708</u>	<u>10,880,305</u>	<u>13,931,929</u>	<u>466,188</u>
Total liabilities and deferred inflows of resources	<u>176,059,054</u>	<u>169,152,000</u>	<u>35,358,136</u>	<u>380,569,190</u>	<u>75,986,406</u>
NET POSITION					
Net investment in capital assets	284,962,451	305,786,315	37,475,602	628,224,368	43,885,911
Restricted for pollution remediation	3,629,498	9,986,735	204,607	13,616,233	-
Restricted refundable deposits	1,286,987	980,277	-	2,267,264	8,488,130
Unrestricted	132,487,344	87,537,285	13,740,748	233,969,984	(29,750,351)
Total net position	<u>\$ 422,366,280</u>	<u>\$ 404,290,612</u>	<u>\$ 51,420,957</u>	<u>878,077,849</u>	<u>\$ 22,623,690</u>
Adjustment to reflect the consolidation of internal service fund activities				(4,194,449)	
Net position of business-type activities				<u>\$ 873,883,400</u>	

(Concluded)

See Notes to Basic Financial Statements.

City of Modesto
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2024

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
OPERATING REVENUES:					
Charges for services	\$ 85,611,214	\$ 68,553,854	\$ 28,764,321	\$ 182,929,389	\$ 116,268,038
Miscellaneous	554,431	119,625	661,501	1,335,557	121,866
Total operating revenues	<u>86,165,645</u>	<u>68,673,479</u>	<u>29,425,822</u>	<u>184,264,946</u>	<u>116,389,904</u>
OPERATING EXPENSES:					
Salaries and wages	10,925,674	10,186,938	6,486,883	27,599,495	10,930,261
Cost of goods sold	-	-	-	-	5,839,850
Contractual services	13,235,756	6,114,149	7,229,552	26,579,457	5,590,977
Utilities	3,061,283	4,093,072	653,803	7,808,158	565,053
Maintenance and supplies	11,172,425	5,374,568	5,842,778	22,389,771	14,624,667
Water purchases	13,805,461	-	-	13,805,461	-
Insurance	537,609	1,299,805	758,599	2,596,013	26,259,386
Claims	-	-	-	-	11,511,807
Employee benefits	6,229,877	5,962,155	3,870,951	16,062,983	39,349,271
Administration services	1,523,032	2,589,332	4,504,940	8,617,304	1,255,055
Allocated indirect administrative costs	1,491,777	869,645	604,284	2,965,706	406,949
Depreciation	21,488,895	14,804,530	1,696,383	37,989,808	5,653,483
Total operating expenses	<u>83,471,789</u>	<u>51,294,194</u>	<u>31,648,173</u>	<u>166,414,156</u>	<u>121,986,759</u>
OPERATING INCOME (LOSS)	<u>2,693,856</u>	<u>17,379,285</u>	<u>(2,222,351)</u>	<u>17,850,790</u>	<u>(5,596,855)</u>
NONOPERATING REVENUES (EXPENSES)					
Operating grants	170,949	77,138	596,010	844,097	-
Gain (loss) on disposition of capital assets	33,608	99,315	111,933	244,856	(28,779)
Tax revenue	-	-	359,122	359,122	-
Tax expense	(101,200)	(65,313)	(2,032)	(168,545)	-
Interest income	3,340,072	2,745,161	617,380	6,702,613	464,838
Net increase in fair value of investments	3,224,650	2,647,140	435,248	6,307,038	516,123
Connection fees	-	766,400	-	766,400	-
Rental income	49,976	(16,353)	1,201,132	1,234,755	41,406
Settlements and recoveries	-	-	3,620,125	3,620,125	-
Interest expense and amortization	(5,397,663)	(2,249,316)	(33,781)	(7,680,760)	(60,974)
Trustee and letter of credit fees	(1,899)	(7,396)	(2,954)	(12,249)	-
Total nonoperating revenues	<u>1,318,493</u>	<u>3,996,776</u>	<u>6,902,183</u>	<u>12,217,452</u>	<u>932,614</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>4,012,349</u>	<u>21,376,061</u>	<u>4,679,832</u>	<u>30,068,242</u>	<u>(4,664,241)</u>
Capital contributions	220,610	7,855,720	(57,568)	8,018,762	1,443,506
Transfers in	1,078,754	32,891	2,556,790	3,668,435	4,759,194
Transfers out	(2,066,862)	(1,401,434)	(2,175,507)	(5,643,803)	(142,313)
Total contributions and transfers	<u>(767,498)</u>	<u>6,487,177</u>	<u>323,715</u>	<u>6,043,394</u>	<u>6,060,387</u>
CHANGES IN NET POSITION	<u>3,244,851</u>	<u>27,863,238</u>	<u>5,003,547</u>	<u>36,111,636</u>	<u>1,396,146</u>
NET POSITION, JULY 1, AS PREVIOUSLY REPORTED	423,522,072	380,588,922	46,382,506		21,227,544
PRIOR YEAR ADJUSTMENTS	(4,400,643)	(4,161,548)	34,904		-
NET POSITION, JULY 1, AS RESTATED	<u>419,121,429</u>	<u>376,427,374</u>	<u>46,417,410</u>		<u>21,227,544</u>
NET POSITION, JUNE 30	<u>\$ 422,366,280</u>	<u>\$ 404,290,612</u>	<u>\$ 51,420,957</u>		<u>\$ 22,623,690</u>
Adjustment to reflect the consolidation of internal service funds				(1,429,738)	
Change in net position of business-type activities				<u>\$ 34,681,898</u>	

See Notes to Basic Financial Statements.

City of Modesto
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2024

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 85,900,649	\$ 67,692,734	\$ 30,460,366	\$ 184,053,749	\$ 111,769,813
Payments to suppliers	(48,234,458)	(21,703,185)	(18,524,055)	(88,461,698)	(64,646,534)
Payments to employees	(16,250,707)	(15,578,467)	(9,812,793)	(41,641,967)	(46,776,962)
Net cash provided by (used in) operating activities	<u>21,415,484</u>	<u>30,411,082</u>	<u>2,123,518</u>	<u>53,950,084</u>	<u>346,317</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating grants received	170,949	77,138	596,010	844,097	-
Taxes received	-	-	359,122	359,122	-
Settlements and recoveries	-	-	3,620,125	3,620,125	-
Transfers in	1,078,754	32,891	2,556,790	3,668,435	4,759,194
Transfers out	(2,066,862)	(1,401,434)	(2,175,507)	(5,643,803)	(142,313)
Advances from/to other funds	620,000	455,774	(654,200)	421,574	-
Net cash provided by (used in) noncapital financing activities	<u>(197,159)</u>	<u>(835,631)</u>	<u>4,302,340</u>	<u>3,269,550</u>	<u>4,616,881</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(24,069,111)	(44,060,184)	(614,379)	(68,743,674)	(8,653,466)
Advances from/to other funds	-	-	52,879	52,879	-
Proceeds (loss) from sale of capital assets	-	-	125,574	125,574	(28,779)
Principal repayments of long term debts	(7,028,904)	(8,574,676)	(1,395,879)	(16,999,459)	(968,707)
Repayment of derivative instrument	(3,104,389)	-	-	(3,104,389)	-
Interest paid	(5,389,802)	(2,256,143)	(34,615)	(7,680,560)	(60,974)
Refunding gain	23,791	66,648	-	90,439	-
Trustee and letter of credit fees	(1,899)	(7,396)	(2,954)	(12,249)	-
Capital contributions	220,610	7,855,720	(57,568)	8,018,762	1,443,506
Connection fees for capital purposes	-	766,400	-	766,400	-
Net cash used in capital and related financing activities	<u>(39,349,704)</u>	<u>(46,209,631)</u>	<u>(1,926,942)</u>	<u>(87,486,277)</u>	<u>(8,268,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	3,241,520	2,657,746	572,634	6,471,900	441,874
Net increase in the fair value of investments	3,224,650	2,647,140	435,248	6,307,038	516,123
Net increase in the fair value of hedging derivatives	3,104,389	-	-	3,104,389	-
Rental income received	171,074	459,457	1,191,472	1,822,003	19,285
Net cash provided by investing activities	<u>9,741,633</u>	<u>5,764,343</u>	<u>2,199,354</u>	<u>17,705,330</u>	<u>977,282</u>
Net increase (decrease) in cash and cash equivalents	(8,389,746)	(10,869,837)	6,698,270	(12,561,313)	(2,327,940)
CASH AND CASH EQUIVALENTS, JULY 1	<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>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 144,482,497</u>	<u>\$ 123,089,975</u>	<u>\$ 27,369,888</u>	<u>\$ 294,942,360</u>	<u>\$ 28,309,320</u>

See Notes to Basic Financial Statements.

City of Modesto
Statement of Cash Flows (Continued)
Proprietary Funds
Fiscal Year Ended June 30, 2024

	Enterprise			Total Enterprise	Internal Service
	Water	Sewer	Other Enterprise		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,693,856	\$ 17,379,285	\$ (2,222,351)	\$ 17,850,790	\$ (5,596,855)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	21,488,895	14,804,530	1,696,383	37,989,808	5,653,483
Taxes paid	(101,200)	(65,313)	(2,032)	(168,545)	-
Prior Period Adjustment	-	-	34,904	34,904	-
(Increase) decrease in:					
Accounts receivable	(31,517)	273,731	(98,125)	144,089	(4,641,264)
Taxes receivable	-	-	(323)	(323)	-
Utilities receivable	(233,479)	(1,254,476)	(77,883)	(1,565,838)	-
Due from governments	654,807	(4,629,703)	394,168	(3,580,728)	(1,198,266)
Prepaid expenses	(2,475,272)	(8,362)	(8,336)	(2,491,970)	(1,407,368)
Inventories	35,435	-	803	36,238	(2,296,445)
Due from other funds	(1,254,740)	-	-	(1,254,740)	-
Leases receivable	-	-	1,175,971	1,175,971	-
Deferred outflows of resources - OPEB	54,821	22,326	31,284	108,431	61,530
Deferred outflows of resources - pensions	637,327	844,866	364,575	1,846,768	98,009
Increase (decrease) in:					
Accounts payable	760,530	3,037,976	(325,851)	3,472,655	3,170,496
Accrued salaries and benefits	7,251	13,123	(3,851)	16,523	(5,240)
Interest payable	-	-	-	-	30,637
Compensated absences	-	-	-	-	1,769,025
Deferred inflows of resources - OPEB	(176,802)	(94,266)	(54,130)	(325,198)	(100,967)
Deferred inflows of resources - pensions	(49,811)	(54,628)	(28,347)	(132,786)	(34,269)
Deferred inflows of resources - leases	-	-	-	-	21,174
Net OPEB liability and deferred resources	8,818	8,416	(5,102)	12,132	(52,819)
Net pension liability and deferred resources	430,491	(156,088)	236,761	511,164	1,762,061
Claims liability	-	-	-	-	1,421,325
Pollution remediation liability	(1,097,781)	310,399	919,581	132,199	-
Due to other funds	-	-	-	-	1,690,331
Unearned revenue	66,971	(17,408)	95,419	144,982	1,739
Refundable deposits	(3,116)	(3,326)	-	(6,442)	-
Total adjustments	<u>18,721,628</u>	<u>13,031,797</u>	<u>4,345,869</u>	<u>36,099,294</u>	<u>5,943,172</u>
Net cash provided by operating activities	<u>\$ 21,415,484</u>	<u>\$ 30,411,082</u>	<u>\$ 2,123,518</u>	<u>\$ 53,950,084</u>	<u>\$ 346,317</u>

(Concluded)

City of Modesto
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Private Purpose Trust Funds	Investment Trust Funds
ASSETS		
Cash and cash equivalents	\$ 1,901,392	\$ 2,048,811
Cash and cash equivalents held with fiscal agent	3,192,168	-
Interest receivable	6,229	2,515
Taxes receivable	815,316	123,366
Assessments receivable	25,770,000	-
Prepays	768	-
Leases receivable	-	1,153,575
Due from governments	24,223	936,430
Land and construction in progress	-	5,335,917
Other capital assets, net of accumulated depreciation	-	3,245,692
Total assets	31,710,096	12,846,306
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding	835,585	-
Total assets and deferred outflows of resources	32,545,681	12,846,306
LIABILITIES		
Accounts payables and other liabilities	9,407	518,252
Unearned revenues	651,931	-
Due to local governments	1,192,004	-
Interest payable	382,310	-
Long-term liabilities:		
Due within one year	2,148,759	-
Due in more than one year	36,142,910	-
Total liabilities	40,527,321	518,252
DEFERRED INFLOW OF RESOURCES		
Leases	-	1,085,018
Total deferred inflow of resources	-	1,085,018
Total liabilities and deferred inflows of resources	40,527,321	1,603,270
NET POSITION		
Net investment in capital assets	-	8,581,609
Restricted	3,893,397	2,661,427
Unrestricted	(11,875,037)	-
Total net position (deficit)	\$ (7,981,640)	\$ 11,243,036

See Notes to Basic Financial Statements.

City of Modesto
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2024

	Private Purpose Trust Funds	Investment Trust Funds
ADDITIONS:		
Contributions:		
Members investment pool	\$ -	\$ 531,037
Total contributions		
Collections on behalf of other governments:		
Special assessments	1,584,705	321,274
Property taxes	1,055,512	429,208
Grants	-	819,046
Other	-	1,087,947
Total collections on behalf of other governments	2,640,217	2,657,475
Interest and investment earnings:		
Interest earnings	294,499	84,556
Net increase in fair value of investments	14,751	9,472
Total interest and investment earnings	309,250	94,028
Total additions	2,949,467	3,282,540
DEDUCTIONS:		
Distribution of property taxes to other taxing entities	382,603	718,095
Obligation retirements:		
Interest expense	1,186,686	-
Trustee fees	3,760	-
City administrative expenses	157,428	173,308
Other expenses	75,863	7,712
Depreciation	-	437,904
Insurance	-	1,086
Operating expenses	-	955,655
Total deductions	1,806,340	2,293,760
Net increase in fiduciary net position	1,143,127	988,780
Net position, July 1, as previously reported	(9,130,605)	10,254,256
Prior year adjustment	5,838	-
Net position, July 1, as restated	(9,124,767)	10,254,256
Net position (deficit), June 30	\$ (7,981,640)	\$ 11,243,036

See Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 20 are not considered part of the reporting entity because the City is not financially accountable for their operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting, and Measurement Focus (Continued)

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 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting, and Measurement Focus (Continued)

Additionally, the City reports the following fund types:

- **Private Purpose Trust Funds** account 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 Redevelopment 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** account 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,
and Net Position/Fund Balance**

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

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 2 – Fair Value Measurement and Application.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

Receivables and Payables (Continued)

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, 2024 is \$43,679,877.

Utility billings receivable are \$22,157,195 net of an allowance for doubtful collections of \$1,347,243 and include unbilled receivables using actual amounts billed in July for June services for all City funds. City accounts receivable of \$12,257,075 are reported net of an allowance for doubtful collections of \$865,438 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,
and Net Position/Fund Balance (Continued)**

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.

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.

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.

The City will capitalize a single group purchase of similar assets that would be significant collectively, even if the individual items are below the capitalization thresholds above. For the purpose of this policy, a group purchase above \$100,000 is considered significant.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,
and Net Position/Fund Balance (Continued)**

Capital Assets (Continued)

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.

The City has established a materiality threshold of \$10,000 in annual lease payments under GASB 87 and SBITAs under GASB 96 for financial recording and reporting. All leases and SBITAs under \$10,000 will be reported as operating activities.

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 19 for a detail listing of the deferred outflows and inflows of resources the City has recognized.

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, 2024, the total estimated liability for all compensated absences, including vacation and sick leave, is \$13,688,178.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,
and Net Position/Fund Balance (Continued)**

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources,
and Net Position/Fund Balance (Continued)**

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.

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”.

Other Significant Accounting Policies

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Significant Accounting Policies (Continued)

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, 2022
Measurement Date:	June 30, 2023
Measurement Period:	June 30, 2022, to June 30, 2023

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, 2023
Measurement Period:	June 30, 2022, to June 30, 2023

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards

During the year ended June 30, 2024, the City implemented the following GASB new standard. The financial statements included herein apply the requirements and provisions of the standard.

GASB Statement No. 100 - *Accounting Changes and Error Corrections*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

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

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

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

GASB Statement No. 103 – *Financial Reporting Model Improvements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*. The requirements of this statement are effective for reporting periods beginning after June 15, 2025.

NOTE 2 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.

NOTE 2 CASH AND INVESTMENTS

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

Primary Government:	
Cash and cash equivalents	\$ 427,449,377
Restricted cash and cash equivalents	105,635,585
Cash and cash equivalents held with fiscal agent	15,023,882
Private Purpose Trust Funds	
Cash and cash equivalents	1,901,392
Cash and cash equivalents held with fiscal agent	3,192,168
Investment Trust Funds	
Cash and cash equivalents	2,048,811
Total cash and investments	\$ 555,251,215

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

<u>Security Type</u>	<u>Maximum Maturity</u>	<u>Min Credit Quality</u>	<u>Authorized Investment Limit</u>	<u>Per Issuer Limit</u>
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%
		FDIC Insured or		
Certificates of Deposit	1 Year	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%

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2024, the fair value approximated the City's cost. At June 30, 2024, 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 nine (9) deposit accounts at Bank of Montreal (BMO) 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, 2024, the City had collected deposit balances of \$10,476,518. On this amount, the FDIC insurance coverage was \$250,000.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2024, the City owned nineteen (19) callable bonds. Of the nineteen (19), eighteen (18) were Corporate bonds, and one is a Municipal bond. Information on those bonds has been provided as follows:

<u>Amount</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Call Terms</u>
\$ 5,077,342	5/10/2028	4/10/2028	Callable on and any time after 4/10/2028
1,989,945	4/2/2026	4/2/2025	Callable annually after 4/2/2025
3,233,146	1/28/2026	12/28/2025	Callable on and any time after 12/28/2025
2,097,007	11/13/2025	10/13/2025	Callable on and any time after 10/13/2025
3,373,938	9/14/2027	6/14/2027	Callable on and any time after 6/14/2027
2,855,643	8/8/2026	5/8/2026	Callable on and any time after 5/8/2026
2,894,955	2/6/2027	11/6/2026	Callable one-time on 11/6/2026
339,476	1/15/2027	12/15/2026	Callable on and any time after 12/15/2026
1,721,495	3/3/2025	2/3/2025	Callable on and any time after 2/3/2025
1,187,062	4/15/2028	3/15/2028	Callable on and any time after 3/15/2028
2,443,497	11/21/2026	8/21/2026	Callable one-time on 8/21/2026
2,878,171	4/4/2029	3/4/2029	Callable on and any time after 3/4/2029
363,199	3/14/2029	2/14/2029	Callable on and any time after 2/14/2029
5,802,409	9/29/2028	8/29/2028	Callable on and any time after 8/29/2028
4,345,859	12/8/2026	11/8/2026	Callable on and any time after 11/8/2026
4,028,240	5/26/2028	5/26/2027	Callable on 5/26/2027 and any time after if specific conditions are met
1,438,596	2/24/2028	2/24/2027	Callable on and any time after 2/24/2027
5,643,002	8/7/2026	7/7/2026	Callable on and any time after 7/7/2026
704,092	5/15/2025	4/15/2025	Callable on and any time after 4/15/2025

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Related to Credit Risk

Generally, Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City may from time to time be invested in a security whose rating is downgraded subsequent to the date of purchase. In the event a rating drops below the minimum allowed rating category for that given investment type, the investment advisor shall notify the Finance Director and recommend a plan of action. The City will limit investments in any one non-government issuers, except investment pools to no more than 5% regardless of security type.

The following table summarizes the City's various investments based on maturity dates and credit ratings:

	Credit Rating		Remaining Maturity (in Months)			
	Standard & Poor's	Moody's Investors Service	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Investments Held by City						
Short-Term Fixed Deposits	AAA	Aaa	\$ 715,498	\$ 715,498	\$ -	\$ -
US Treasury Bonds and US Government Sponsored Agency Securities	Not Rated	Aaa	222,765,280	35,985,718	87,967,831	98,811,731
US Agencies	AA+	Aaa	22,714,388	10,068,120	12,646,268	-
REMIC and Other Government Paydowns	Not Rated	Aaa	72,994,774	-	-	72,994,774
Commercial Paper	Not Rated	P-1	10,935,982	10,935,982	-	-
Corporate Bonds and Notes	See Below	See Below	70,727,972	6,861,635	7,320,094	56,546,243
Corporate Paydown Securities	See Below	See Below	29,037,467	-	645,148	28,392,319
Municipal Bonds	See Below	See Below	3,593,941	1,391,559	2,202,382	-
CAMP	AAAm	Not Rated	50,674,988	50,674,988	-	-
Total Investments Held by City			\$ 484,160,290	\$ 116,633,500	\$ 110,781,723	\$ 256,745,067
Investments Held by Fiscal Agent						
Money Market Funds	AAAm	Aaa-mf	\$ 3,398,723	\$ 3,398,723	\$ -	\$ -
CAMP	AAAm	Not Rated	10,305,511	10,305,511	-	-
PARS - OPEB	Not Rated	Not Rated	1,646,883	1,646,883	-	-
PARS - Pension	Not Rated	Not Rated	2,864,933	2,864,933	-	-
Total Investments Held by Fiscal Agent			\$ 18,216,050	\$ 18,216,050	\$ -	\$ -
City of Modesto Banking Accounts and Cash on Hand	A/A-1	A1/P1	52,874,875			
Total Cash and Investments			\$ 555,251,215			

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Related to Credit Risk (Continued)

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
\$ 5,748,124	AAA	Aaa
5,091,996	AA+	Aaa
1,188,658	AA	Aa2
3,368,603	AA	A1
363,419	AA-	Aa3
3,776,625	A+	Aa1
10,001,209	A+	Aa2
13,996,934	A+	Aa3
8,613,851	A+	A1
5,790,458	A	A1
5,818,947	A	A2
3,434,533	A-	A1
3,534,615	Not Rated	Not Rated
<u>\$70,727,972</u>		

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

Amount	Standard & Poors	Moody's Investors Service
\$ 7,349,537	AAA	Aaa
14,655,345	AAA	Not Rated
7,032,585	Not Rated	Aaa
<u>\$29,037,467</u>		

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Related to Credit Risk (Continued)

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

Amount	Standard & Poors	Moody's Investors Service
\$ 97,998	AAA	Aa1
703,209	AA	Aa2
1,727,586	AA	Aa3
590,352	AA-	Aa2
474,796	AA-	A1
\$ 3,593,941		

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, 2024:

Issuer	Investment Type	Reported Amount	Percent of Portfolio
Freddie Mac	US Government Sponsored Agency Securities	\$ 75,037,433	17.31%

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement and Application (Continued)

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, 2024:

		<u>Fair Value Measurements Using</u>	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments Held by City			
<u>Investments by Fair Value Level</u>			
US Treasury Bonds and US Government			
Sponsored Agency Securities	\$ 222,765,280	\$ 222,765,280	\$ -
US Agencies	22,714,388	-	22,714,388
REMICS and Other Government Paydowns	72,994,774	-	72,994,774
Commercial Paper	10,935,982	-	10,935,982
Corporate Bonds and Notes	70,727,972	-	70,727,972
Corporate Paydown Securities	29,037,467	-	29,037,467
Municipal Bonds	3,593,941	-	3,593,941
Total Investments by Fair Value Level	<u>\$ 432,769,804</u>	<u>\$ 222,765,280</u>	<u>\$ 210,004,524</u>
<u>Investments Not Subject to Fair Value Hierarchy</u>			
CAMP	\$ 50,674,988		
Short-Term Fixed Deposits	<u>715,498</u>		
Total Investments Held by City	<u>\$ 484,160,290</u>		
<u>Investments Held by Fiscal Agents</u>			
<u>Investments Not Subject to Fair Value Hierarchy</u>			
CAMP	\$ 10,305,511		
Money Market Funds	3,398,723		
PARS – OPEB	1,646,883		
PARS – Pension	<u>2,864,933</u>		
Total Investments Held by Fiscal Agents	<u>18,216,050</u>		
Grand Total of Investments	<u>\$ 502,376,340</u>		

City of Modesto
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2024

NOTE 3 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024 included the restatement of beginning balance of the capital asset notes as a result of the correction to construction in progress from prior years and was as follows:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated and amortized:				
Land	\$ 34,995,346	\$ 7,657,972	\$ -	\$ 42,653,318
Construction in progress	43,032,372	13,454,089	(21,518,170)	34,968,291
Total capital assets, not being depreciated and amortized:	<u>78,027,718</u>	<u>21,112,061</u>	<u>(21,518,170)</u>	<u>77,621,609</u>
Capital assets being depreciated:				
Buildings	57,001,281	-	-	57,001,281
Improvements other than buildings	142,940,565	1,624,307	-	144,564,872
Furnishings & equipment	15,982,744	302,915	(12,732)	16,272,927
Buses and fareboxes	278,852	-	-	278,852
Service animals	65,052	-	(8,725)	56,327
Intangible assets	7,974,303	-	-	7,974,303
Equipment pool	50,761,283	10,876,373	(2,584,861)	59,052,795
Infrastructure				
Streets	522,210,674	481,387	-	522,692,061
Signals	25,329,952	1,478,227	-	26,808,179
Bridges	37,078,565	-	-	37,078,565
Pipeline	418,147	-	-	418,147
Capital assets being amortized:				
SBITAs	2,372,661	6,810,972	-	9,183,633
Right- to-use Leases				
Buildings	662,694	-	-	662,694
Equipment	17,287	-	-	17,287
Land	224,950	199,923	-	424,873
Total capital assets, being depreciated and amortized:	<u>863,319,010</u>	<u>21,774,104</u>	<u>(2,606,318)</u>	<u>882,486,796</u>
Less accumulated depreciation for:				
Buildings	(36,737,176)	(1,641,606)	-	(38,378,782)
Improvements	(85,054,595)	(5,434,244)	-	(90,488,839)
Furnishings & equipment	(13,465,379)	(609,215)	12,055	(14,062,539)
Buses and fareboxes	(253,749)	-	-	(253,749)
Service animals	(37,617)	(7,044)	7,945	(36,716)
Intangible assets	(6,795,753)	(398,014)	-	(7,193,767)
Equipment pool	(33,935,640)	(3,885,733)	2,556,080	(35,265,293)
Infrastructure				
Streets	(368,603,055)	(10,445,659)	-	(379,048,714)
Signals	(19,843,740)	(506,234)	-	(20,349,974)
Bridges	(11,915,016)	(741,571)	-	(12,656,587)
Pipelines	(17,878)	(5,575)	-	(23,453)
Less accumulated amortization for:				
SBITAs	(630,038)	(1,854,841)	-	(2,484,879)
Right- to-use Leases				
Buildings	(295,266)	(147,505)	-	(442,771)
Equipment	(17,286)	-	-	(17,286)
Land	(158,051)	(82,504)	-	(240,555)
Total accumulated depreciation and amortization	<u>(577,760,239)</u>	<u>(25,759,745)</u>	<u>2,576,080</u>	<u>(600,943,904)</u>
Total capital assets being depreciated and amortized, net	<u>285,558,771</u>	<u>(3,985,641)</u>	<u>(30,238)</u>	<u>281,542,892</u>
Governmental activities capital assets, net	<u>\$ 363,586,489</u>	<u>\$ 17,126,420</u>	<u>\$ (21,548,408)</u>	<u>\$ 359,164,501</u>

NOTE 3 CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$	467,880
Community development		1,386,920
Highways and streets		12,510,785
Public works		390,542
Parks and recreation		598,478
Public safety		4,751,657
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		5,653,483
Total depreciation and amortization expense - Governmental activities	\$	25,759,745

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Business- type activities:				
Capital assets not being depreciated and amortized:				
Land	\$ 30,647,169	\$ -	\$ -	\$ 30,647,169
Construction in progress	54,747,440	66,250,409	(8,521,358)	112,476,491
Total capital assets, not being depreciated and amortized:	85,394,609	66,250,409	(8,521,358)	143,123,660
Capital assets being depreciated:				
Capitalized interest	19,496,181	-	-	19,496,181
Buildings	95,773,532	-	-	95,773,532
Improvements other than buildings	501,593,039	1,131,514	-	502,724,553
Furnishings and equipment	12,765,634	239,333	(190,882)	12,814,085
Intangible assets	403,384	-	-	403,384
Water rights	358,226,691	-	-	358,226,691
Pipelines	340,793,571	11,342,124	-	352,135,695
Capital assets being amortized:				
SBITAs	204,627	-	-	204,627
Right- to-use Leases				
Land	631,838	-	-	631,838
Equipment	-	381,064	-	381,064
Total capital assets, being depreciated and amortized:	1,329,888,497	13,094,035	(190,882)	1,342,791,650
Less accumulated depreciation for:				
Capitalized interest	(15,526,301)	(504,786)	-	(16,031,087)
Buildings	(66,657,837)	(1,657,366)	-	(68,315,203)
Improvements other than buildings	(258,545,188)	(18,371,179)	-	(276,916,367)
Furnishings and equipment	(10,199,682)	(637,232)	172,356	(10,664,558)
Intangible assets	(403,381)	-	-	(403,381)
Water rights	(155,231,569)	(11,940,890)	-	(167,172,459)
Pipelines	(61,412,921)	(4,573,174)	-	(65,986,095)
Less accumulated amortization for:				
SBITAs	(9,776)	(40,926)	-	(50,702)
Right- to-use Leases				
Land	(361,049)	(180,526)	-	(541,575)
Equipment	-	(83,729)	-	(83,729)
Total accumulated depreciation and amortization	(568,347,704)	(37,989,808)	172,356	(606,165,156)
Total capital assets being depreciated and amortized, net	761,540,793	(24,895,773)	(18,526)	736,626,494
Business- type activities capital assets, net	\$ 846,935,402	\$ 41,354,636	\$ (8,539,884)	\$ 879,750,154

NOTE 3 CAPITAL ASSETS (CONTINUED)

Business-type activities:

Water	\$ 21,488,895
Sewer	14,804,530
Parking	385,571
Storm drain	443,440
Compost	54,823
Airport	656,160
Golf	99,205
Community center	57,184
Total depreciation and amortization expense - Business-type activities	<u>\$ 37,989,808</u>

NOTE 4 LEASES AND 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 \$22,756,298 was composed of the following:

Governmental Activities

Building leases - annual payments totaling \$34,624 plus interest at 1.5% and annual increases in base payment per CPI. Final payment dates range from 2023 through 2027.	\$ 39,555
Land use leases (including land use for cell towers) - annual payments totaling \$340,366 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>9,504,699</u>
Total Principal Balances - Governmental Activities	<u>\$ 9,544,254</u>

NOTE 4 LEASES AND RECEIVABLE (CONTINUED)

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2025	\$ 233,477	\$ 141,513
2026	222,405	138,103
2027	209,086	134,905
2028	218,070	131,704
2029	224,388	128,389
2030 - 2034	1,330,562	585,815
2035 - 2039	1,593,435	476,690
2040 - 2044	1,845,873	346,400
2045 - 2049	1,370,798	222,751
2050 - 2054	1,161,309	123,941
2055 - 2059	732,383	59,180
2060 - 2064	402,468	7,816
Total	\$ 9,544,254	\$ 2,497,207

Business-Type Activities

Buildings, hangers and office space leases - annual payments totaling \$430,078 plus interest at rates ranging from 0.2% to 1.5% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2025 through 2053. \$ 2,703,122

Land use leases (including land use for cell towers) - annual payments totaling \$186,911 plus interest at rates ranging from 0.2% to 1.5% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2023 through 2064. 5,678,281

Parking spaces lease - annual payments totaling \$183,757 plus interest at a rate of 1.5% and annual increases in base payments per CPI or flat increase. Final payment date is 2053. 4,830,641

Total Principal Balances - Business-Type Activities \$ 13,212,044

NOTE 4 LEASES AND RECEIVABLE (CONTINUED)

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

June 30	Principal	Interest
2025	\$ 607,783	\$ 192,961
2026	318,120	186,827
2027	322,881	182,044
2028	310,531	177,247
2029	309,099	172,641
2030 - 2034	1,655,084	790,298
2035 - 2039	1,796,612	662,079
2040 - 2044	2,100,488	516,312
2045 - 2049	2,021,447	359,616
2050 - 2054	2,035,928	204,509
2055 - 2059	1,013,399	94,188
2060 - 2064	720,672	19,684
Total	\$ 13,212,044	\$ 3,558,406

NOTE 5 NOTES AND LOANS RECEIVABLE

The notes receivable in the Housing and Community Development Fund and Other Governmental Funds of \$56,086,993 net of \$57,509 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.

NOTE 6 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, 2024, 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.

\$ 261,634

NOTE 6 LONG-TERM DEBT (CONTINUED)

Loans Payable (Continued)

Business-Type Activities (Continued):

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. \$ 24,526,135

Total Principal Balances - Business-Type Activities \$ 24,787,769

NOTE 6 LONG-TERM DEBT (CONTINUED)

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
2025	\$ 500,000	\$ -	\$ 936,830	\$ 251,620
2026	-	-	946,653	241,798
2027	-	-	956,584	231,865
2028	-	-	966,628	221,823
2029	-	-	976,784	211,667
2030-2034	-	-	4,966,336	903,339
2035-2039	-	-	5,110,095	650,712
2040-2044	-	-	5,370,761	390,046
2045-2048	-	-	4,557,098	115,449
Total	\$ 500,000	\$ -	\$ 24,787,769	\$ 3,218,319

Certificates of Participation:

Business-Type Activities:

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.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Certificates of Participation (Continued):

Business-Type Activities (Continued):

Water Enterprise Fund (Continued):

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 \$40,090,000 in principal amount (the "Available Principal Commitment") and \$461,310 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 2.764% for the fiscal year ended June 30, 2024.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Certificates of Participation (Continued):

Business-Type Activities (Continued):

Water Enterprise Fund (Continued):

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>40,090,000</u>
Total Principal Balances - Business-Type Activities	40,090,000
Less:	
Unamortized Discount - 2008 Water Refunding Certificates of Participation	<u>(65,969)</u>
Total Business-Type Activities - Certificates of Participation	<u>\$ 40,024,031</u>

The City has pledged all Gross Revenues of the Water Utility System to repay the 2008 Certificates of Participation. The total principal and estimated total interest remaining to be paid on the certificates is \$49,228,172. The Water Fund's principal, interest and other debt service cost paid on certificates for the current year, along with payments for the ARRA loan payable and payments to Modesto Irrigation District under the Treatment and Delivery Agreement, totaled \$12,194,696, and net operating revenues of the Fund were \$38,233,530, which represented coverage of 314%.

NOTE 6 LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2025	\$ 2,410,000	\$ 1,282,630
2026	2,515,000	1,199,264
2027	2,595,000	1,113,007
2028	2,705,000	1,026,059
2029	2,810,000	930,070
2030-2034	15,910,000	3,109,274
2035-2037	11,145,000	477,868
Total	\$ 40,090,000	\$ 9,138,172

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 2.361% for the fiscal year ended June 30, 2024.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Governmental Activities (Continued):

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.

\$ 38,985,000

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2025	\$ 2,990,000	\$ 1,095,087
2026	3,240,000	999,161
2027	3,470,000	896,233
2028	3,730,000	787,758
2029	3,815,000	671,641
2030-2034	21,740,000	1,473,696
Total	\$ 38,985,000	\$ 5,923,576

NOTE 6 LONG-TERM DEBT (CONTINUED)

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.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued):

Sewer Enterprise Fund (Continued):

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.

\$ 78,065,000

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.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Business-Type Activities (Continued):

Sewer Enterprise Fund (Continued):

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).

NOTE 6 LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Business-Type Activities (Continued):

Sewer Enterprise Fund (Continued):

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

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

	\$ <u>897,767</u>
Total Principal Balances - Business-Type Activities	90,302,767
Add: Unamortized Bond Premium - 2018A Wastewater Bonds	1,413,109
Unamortized Bond Premium - 2020B Wastewater Bonds	<u>5,338,826</u>
Total Business-Type Activities Revenue Bonds	<u>\$ 97,054,702</u>

NOTE 6 LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2025	\$ 897,767	\$ 10,862

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2025	\$ 5,480,000	\$ 2,811,388
2026	6,240,000	2,743,524
2027	6,350,000	2,637,112
2028	6,570,000	2,411,436
2029	6,910,000	2,074,436
2030-2034	39,275,000	5,632,841
2035-2037	18,580,000	623,860
Total	\$ 89,405,000	\$ 18,934,597

NOTE 6 LONG-TERM DEBT (CONTINUED)

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.

\$ 345,000

Year Ending June 30	Governmental Activities	
	Principal	Interest
2025	\$ 345,000	\$ 4,916

NOTE 6 LONG-TERM DEBT (CONTINUED)

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, 2024, the 2013 G Bonds are fully repaid and \$88,915,000 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.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Reimbursement Agreement (Continued)

Business-Type Activities (Continued):

Water Enterprise Fund (Continued):

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
2025	\$ 4,455,000	\$ 3,604,896
2026	4,650,000	3,417,717
2027	4,885,000	3,216,134
2028	5,105,000	3,009,245
2029	5,340,000	2,778,726
2030-2034	30,605,000	10,192,422
2035-2038	33,875,000	2,824,576
Total	\$ 88,915,000	\$ 29,043,716

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 fixed-rat debt, but another instrument is involved unlike regular fixed-rate debt. Each time the City created synthetic 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 fixed-rat Revenue Certificates of Participation (COPs). The swap agreement allows the City to create a synthetic on the COPs, protecting it against increases in short-term interest rates.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Interest Rate Swap Agreements (Continued)

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 2024, the City did not have any collateral posted.

Terms - The terms, including the counterparty credit rating of the outstanding swaps, as of June 30, 2024 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>	\$ 40,090,000	\$ 38,985,000	\$ 19,095,000	\$ 69,820,000
<u>Effective Date</u>	5/30/2008	8/28/2008	6/26/2007	6/26/2007
<u>Counterparty</u>	Bank of America	Bank of America	JP Morgan Chase Bank	JP Morgan Chase Bank
<u>Credit Rating (S&P)</u>	AA	AA+	AA	AA
<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

NOTE 6 LONG-TERM DEBT (CONTINUED)

Interest Rate Swap Agreements (Continued)

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, 2024, 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	\$ (1,713,320)
2008 Lease Revenue Bonds	\$ (1,443,147)
2007 MID Domestic Water Revenue Bonds	\$ (7,060,036)

Credit risk - As of June 30, 2024, 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.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Interest Rate Swap Agreements (Continued)

Basis risk (continued) - 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, 2024, 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, and Remarketing Fees	Total
	Principal	Interest		
2025	\$ 9,855,000	\$ 6,044,019	\$ 229,630	\$ 16,128,649
2026	10,405,000	5,674,346	208,014	16,287,360
2027	10,950,000	5,280,130	332,070	16,562,200
2028	11,540,000	4,874,281	300,163	16,714,444
2029	11,965,000	4,427,727	274,232	16,666,959
2030-2034	68,255,000	14,948,857	792,654	83,996,511
2035-2038	45,020,000	3,350,517	43,452	48,413,969
Total	<u>\$ 167,990,000</u>	<u>\$ 44,599,877</u>	<u>\$ 2,180,215</u>	<u>\$ 214,770,092</u>

NOTE 6 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2024, was as follows:

	Beginning			Ending		Due Within
	Balance	Additions	Reductions	Balance	One Year	
Governmental Activities:						
Loans Payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000	
Lease Revenue Bonds	41,770,000	-	(2,785,000)	38,985,000	2,990,000	
Notes Payable	673,000	-	(328,000)	345,000	345,000	
Leases Payable	442,812	198,346	(225,763)	415,395	214,244	
Finance Purchase Obligations	6,575,300	-	(788,154)	5,787,146	808,628	
SBITAs	1,695,502	5,880,365	(2,439,180)	5,136,687	1,984,559	
Compensated Absences	9,479,101	13,829,203	(12,209,981)	11,098,323	707,801	
Claims Liability	27,038,914	12,498,527	(11,077,202)	28,460,239	7,290,622	
Total Governmental Activities	\$ 88,174,629	\$ 32,406,441	\$ (29,853,280)	\$ 90,727,790	\$ 14,840,854	
Business-Type Activities:						
Loans Payable	\$ 25,714,883	\$ -	\$ (927,114)	\$ 24,787,769	\$ 936,830	
Certificates of Participation	42,870,000	-	(2,780,000)	40,090,000	2,410,000	
Unamortized Discount	(71,466)	-	5,497	(65,969)	-	
Leases Payable	275,291	381,064	(227,828)	428,527	143,592	
Finance Purchase Obligations	1,001	-	(1,001)	-	-	
SBITAs	165,802	-	(36,945)	128,857	39,833	
MID Bonds	93,190,000	-	(4,275,000)	88,915,000	4,455,000	
Sewer Bonds	94,845,000	-	(5,440,000)	89,405,000	5,480,000	
Unamortized Premium	7,703,607	-	(951,672)	6,751,935	-	
Sewer Bonds - Direct Placement	1,774,562	-	(876,795)	897,767	897,767	
Developer Advances	582,953	-	(88,330)	494,623	83,942	
Compensated Absences	2,440,052	4,502,826	(4,353,023)	2,589,855	165,169	
Total Business-Type Activities	\$ 269,491,685	\$ 4,883,890	\$ (19,952,211)	\$ 254,423,364	\$ 14,612,133	

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 Subscription-Base were zero under notes payable.

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.

NOTE 7 FINANCE PURCHASE OBLIGATIONS

Governmental Activities

As of June 30, 2024, 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 \$4,392,667. The other with Turf Tank for the purchase of one Autonomous Robot valued at \$39,204, less accumulated depreciation of \$22,762.

The following is a schedule of the future minimum lease payments, as of June 30, 2024:

Year Ending June 30	Amount
2025	\$ 952,375
2026	945,376
2027	945,376
2028	1,301,045
2029	346,833
2030-2032	1,864,889
Total minimum payments	6,355,894
Less: amount representing interest	(568,748)
Present value of minimum payments	\$ 5,787,146

NOTE 8 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.

NOTE 8 LEASES PAYABLE (CONTINUED)

The City's lease payable of \$843,922 was composed of the following:

Governmental Activities

Buildings and office space leases - annual payments totaling \$175,213 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.	\$ 373,505
Land leases - annual payments totaling \$43,251 plus interest at 0.9% and annual increases in base payments per CPI. Final payment date range from 2025 through 2034.	<u>41,890</u>
Total Principal Balances - Governmental Activities	<u>\$ 415,395</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2025	\$ 214,244	\$ 4,220
2026	116,172	2,431
2027	40,173	1,264
2028	34,521	371
2029	1,928	21
2030-2032	8,357	42
Total	<u>\$ 415,395</u>	<u>\$ 8,349</u>

Business-Type Activities

Land leases - annual payments totaling \$92,313 plus interest at 0.9% and annual increases in base payments per CPI or flat increase. Final payment dates are all in 2025.	\$ 92,113
Golf carts and pickers - annual payments totaling \$78,660 plus interest at rates ranging from 8.18% to 8.71% and annual increases in base payments per CPI or flat increase. Final payment dates is 2028.	<u>336,414</u>
Total Principal Balances - Business-Type Activities	<u>\$ 428,527</u>

NOTE 8 LEASES PAYABLE (CONTINUED)

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2025	\$ 143,592	\$ 27,381
2026	56,124	22,533
2027	61,186	17,471
2028	167,625	2,585
Total	\$ 428,527	\$ 69,970

NOTE 9 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

As of June 30, 2024, 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 provided by Debt Book.

The City's subscription liability of \$5,265,543 was composed of the following:

Governmental Activities

Annual payments range from \$986,147 to \$2,128,680 with interest at rates ranging from 2.31% - 2.94% and increases based on CPI or flat dollar increases. The value of the right-to-use assets is \$6,698,753 net of \$9,183,633 with accumulated amortization of \$2,484,880. Final payment date ranges from 2026 to 2028.

\$ 5,136,687

Year Ending June 30	Governmental Activities	
	Principal	Interest
2025	\$ 1,984,559	\$ 144,301
2026	1,204,842	87,981
2027	986,916	53,950
2028	960,370	25,773
Total	\$ 5,136,687	\$ 312,005

**NOTE 9 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)
(CONTINUED)**

Business-Type Activities

Annual payments range from \$42,810 to \$47,198 with interest at rates ranging from of 2.30% - 2.88% and increases based on CPI or flat dollar increases. The value of the right to use assets is \$153,925 net of \$204,627 with accumulated amortization of \$50,702. Final payment date ranges from 2027 to 2028.

\$ 128,857

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2025	\$ 39,833	\$ 2,976
2026	42,893	2,056
2027	46,131	1,065
Total	\$ 128,857	\$ 6,097

NOTE 10 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, 2024, the total outstanding balance due under the agreements is \$494,623. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 2024, the amount of \$83,942 due during fiscal year 2024 has been reported as “current portion developer advances” on the Water Enterprise Fund statement of net position. The remaining \$410,681 of outstanding principal has been reported under noncurrent liabilities, as “developer advances.”

NOTE 11 INTERFUND BALANCES

Interfund balances as of June 30, 2024 consist of the following:

Due to General Fund:	
Other governmental funds	\$ 3,295,652
Internal Service funds	<u>435,591</u>
Total Due to General Fund:	<u>3,731,243</u>
Due to Water Fund:	
Internal Service funds	<u>2,722,377</u>
Total Due to/Due From:	<u>\$ 6,453,620</u>

All balances reported as “due to/due from” are short-term loans to cover temporary fund cash shortages as of June 30, 2024 and were repaid in fiscal year 2025.

Advances from General Fund to:	
Other governmental funds	\$ 597,059
Other enterprise funds	<u>1,324,704</u>
Advances from General Fund	<u>1,921,763</u>
Advances from Water Fund to other enterprise funds	<u>2,480,000</u>
Advances from Sewer Fund to:	
Other governmental funds	91,017
Other enterprise funds	<u>649,800</u>
Advances from Sewer Fund	<u>740,817</u>
Advances from other enterprise funds to other governmental funds	<u>52,882</u>
Total Advances from/Advances to	<u>\$ 5,195,462</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.

City of Modesto
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2024

NOTE 12 FUND BALANCE

Detailed classifications of the City's Fund Balances, as of June 30, 2024, are provided below:

	General Fund	Operating Grants	Housing and Community Development	Transportation Special Tax	Other Governmental	Total Governmental
Nonspendable						
Advances to other funds	\$ 1,921,763	\$ -	\$ -	\$ -	\$ -	\$ 1,921,763
Prepaid Items	54,955	129,847	1,563	30,185	112,955	329,505
Total Nonspendable Fund Balance	1,976,718	129,847	1,563	30,185	112,955	2,251,268
Restricted						
Capital Facility Fees	-	-	-	-	47,192,309	47,192,309
Cash with Fiscal Agent	4,511,816	792,819	-	-	5,505,170	10,809,805
Community Facilities District	-	-	-	-	25,426,439	25,426,439
Grants and Donations	-	-	-	-	3,545,612	3,545,612
Notes Receivable	-	-	27,777,280	-	2,275,449	30,052,729
Deposits	5,576,758	-	-	-	-	5,576,758
Traffic Fines	-	-	-	-	3,140,639	3,140,639
Transportation Tax Funding	-	-	-	55,259,817	-	55,259,817
Total Restricted Fund Balance	10,088,574	792,819	27,777,280	55,259,817	87,085,618	181,004,108
Committed						
General Fund Set-Aside	18,397,817	-	-	-	-	18,397,817
Total Committed Fund Balance	18,397,817	-	-	-	-	18,397,817
Assigned						
Encumbrances - Vendor Contracts	4,535,259	-	-	-	-	4,535,259
Successor Redevelopment Housing Agency	-	-	-	-	1,046,689	1,046,689
Parks	-	-	-	-	24,161	24,161
Strategic Planning and Development	-	-	-	-	2,540,255	2,540,255
Total Assigned Fund Balance	4,535,259	-	-	-	3,611,105	8,146,364
Unassigned - General Fund	48,060,252	-	-	-	-	48,060,252
Unassigned - Special Revenue Funds	-	(63,574)	-	-	(15,145)	(78,719)
Unassigned - Capital Project Funds	-	-	-	-	(2,619,356)	(2,619,356)
Unassigned - Debt Service Funds	-	-	-	-	(34,431)	(34,431)
Total Unassigned Fund Balance	48,060,252	(63,574)	-	-	(2,668,932)	45,327,746
Total Fund Balance	\$ 83,058,620	\$ 859,092	\$ 27,778,843	\$ 55,290,002	\$ 88,140,746	\$ 255,127,303

NOTE 13 DEFICIT FUND EQUITY

The Downtown Improvement District has a fund balance deficit of \$323, which will be recovered through future taxes collections.

The Cannabis Fund has a fund balance deficit of \$14,822, which will be recovered through future licenses and permits collections.

The Capital Grants Fund has a fund balance deficit of \$2,619,356, which will be recovered through future grant revenues and local matches covered through the General Fund or other City funds.

The Compost Fund has a net position deficit of \$1,673,804, due mainly to other post-employment benefit liability and net pension liability for the employees which reside in this fund, in addition to the pollution remediation liability reported for the Carpenter Landfill and Geer Road Landfill. The remediation funding has been incorporated into the utility fees related to garbage rates to cover the anticipated costs.

The Central Services Fund has a net position deficit of \$500,847, which will be recovered through future overhead charges.

NOTE 13 DEFICIT FUND EQUITY (CONTINUED)

The Insurance Fund has a net position deficit of \$12,661,785 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 Employee Benefits Management Fund has a net position deficit of \$7,043,290. 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.

NOTE 14 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	Transportation Special Tax	Other Governmental	Water	Sewer	Other Enterprise Funds	Internal Service	
General Fund	\$ -	\$ 2,694,550	\$ -	\$ -	\$ 680,893	\$ 65,000	\$ 68,640	\$ -	\$ -	\$ 3,509,083
Operating Grants	1,968,322	-	3,066,706	-	39,305	-	-	121,967	142,313	5,338,613
Housing and Community Development	4,417	-	-	-	-	-	-	-	-	4,417
Transportation Special Tax	1,540,205	-	-	-	-	-	-	-	-	1,540,205
Other Governmental	4,627,939	189,551	357,365	9,443,931	1,862,288	-	-	-	-	16,481,074
Water	104,382	-	-	-	-	-	877,604	96,768	-	1,078,754
Sewer	-	-	-	-	4,358	12,117	-	16,416	-	32,891
Other Enterprise	1,854,252	-	-	-	2,538	700,000	-	-	-	2,556,790
Internal Service	372	444,964	-	628,567	-	1,289,745	455,190	1,940,356	-	4,759,194
Grand Total	\$ 10,099,889	\$ 3,329,065	\$ 3,424,071	\$ 10,072,498	\$ 2,589,382	\$ 2,066,862	\$ 1,401,434	\$ 2,175,507	\$ 142,313	\$ 35,301,021

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.

NOTE 15 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.

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

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, 2024, one of the obligations under the Successor Agency trust is associated with the 10th Street Place Project:

Reimbursement agreement with the City totaling \$19,566,862. The original loan is from the City's 1998 Lease Revenue Bonds and the 2007 Lease Revenue Bonds that pertain to the Successor Agency. On August 28, 2008, the City refinanced the entire outstanding balance of the City's 1998 Lease Revenue Bonds and the 2007 Lease Revenue Bonds with variable rate 2008 Lease Revenue Bonds. The new balance has been provided as of June 30, 2024 that pertains to the Successor Agency. Additional information related to the 2008 Lease Revenue bonds is provided in Note 6 under the Lease Revenue Bonds - Governmental Activities section. \$ 11,305,650

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2025	\$ 867,100	\$ 158,787	\$ 1,025,887
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	1,106,350	97,388	1,203,738
2030-2034	<u>6,304,600</u>	<u>213,686</u>	<u>6,518,286</u>
Total	<u>\$ 11,305,650</u>	<u>\$ 858,918</u>	<u>\$ 12,164,568</u>

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

NOTE 15 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

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, 2024, are as follows:

Year Ending June 30	Principal	Total
2025	\$ -	\$ -
2026	405,000	405,000
Total	\$ 405,000	\$ 405,000

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.

NOTE 16 APPROVED LOANS PAYABLE

The approved loans payable in the Housing and Community Development and Operating Grants Special Revenue Funds in the amount of \$8,404,527 consists of amounts being held for housing projects using funds provided by federal grants and state grants.

NOTE 17 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, 2024, the City reported a pollution remediation liability from the Water, and Sewer funds in the amount of \$2,758,075 and \$6,851,797, respectively.

NOTE 17 POLLUTION REMEDIATION LIABILITY (CONTINUED)

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, 2024, the City reported a pollution remediation liability from Carpenter Road Landfill Fund in the amount of \$218,735. Staff is hiring HDR Engineering to complete the required reporting and complete the construction that is required by CVRWQCB. HDR Engineering is currently drafting the required reports and waiting for the water board to approve them before starting the necessary work.

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, 2024, the City reported a pollution remediation liability from the Geer Road Landfill Mitigation Costs Fund in the amount of \$1,807,584.

NOTE 19 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, and other governmental funds reported deferred inflows of resources in the amount of \$7,848,680, \$26,018,199, \$25,750,805, and \$10,571,152 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 20), OPEB liability (Note 20), swap hedging (Note 6) and loss on refunding.

NOTE 20 OTHER INFORMATION

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 \$60,000,000 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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Risk Management (Continued)

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, 2024 is \$28,460,239 consisting of \$18,377,931 workers' compensation, \$9,785,715 general liability, \$255,462 dental, and \$41,131 vision. Workers' compensation and general liability claims liabilities are estimated on an actuarial basis, and are reported at their net present value using an expected future investment yield assumption of 3% (general liability) and 3% (workers' compensation). The undiscounted workers' compensation and liability claims totaled \$21,561,923 and \$10,353,889 respectively. The actuarial liability for workers' compensation and general liability were based on 2024 actuarial reports.

The current portion of the total liability claims is estimated to be \$7,290,622 and the balance of \$21,169,617 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, 2023 through June 30, 2024 were:

	Claims Liability July 1	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Claims liability June 30
2022-23	\$ 26,858,298	\$ 11,222,656	\$ (11,042,040)	\$ 27,038,914
2023-24	\$ 27,038,914	\$ 12,928,634	(11,507,309)	\$ 28,460,239

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, 2024, the balance of these districts' outstanding debt was as follows:

Debt Issued	Outstanding Amount
Village One #2 Community Facilities District	\$ 22,540,000
Fairview Village Community Facilities District	\$ 3,230,000

NOTE 20 OTHER INFORMATION (CONTINUED)

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 private-sector mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the 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, 2024, 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 \$2,600,000.

Commitments And Contingencies

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

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 \$30,974,862 for the City's governmental funds as of June 30, 2024 for contracts awarded but not completed and other outstanding purchase requisitions and orders. This amount consists of \$4,535,259 in the General Fund, \$2,092,623 in the Operating Grants Fund, \$92 in the Housing and Community Development, and \$240,237 in the Transportation Special Tax Fund, and \$24,106,651 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, 2024, there are major contracts for the purchase of Utility Trucks and Police Vehicles - \$1,081,217 with Western Truck Center, \$1,374,631 with Folsom Lake Ford and \$1,377,154 with Napa Ford Lincoln. In addition, there is a contract amounting \$1,561,400 with St. Francis Electric LLC for the upgrades of traffic signals and \$3,869,286 with George Reed Inc.

NOTE 20 OTHER INFORMATION (CONTINUED)

Commitments And Contingencies (Continued)

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 Engineering 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 Engineering 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.

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 \$272,250 for the fiscal year ended June 30, 2024. As of June 30, 2024, the City's investment in this joint venture was \$1,892,768, 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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Joint Ventures and Jointly Governed Organization (Continued)

City-County Capital Improvements and Financing Agency (Continued)

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, 2024, the City's payments to the Agency were \$1,386,242 for operations and capital reserve. The City's equity interest in the Agency is \$4,492,017, 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, 2024, 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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Joint Ventures and Jointly Governed Organization (Continued)

Consolidated Emergency Dispatch Agency (Continued)

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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Joint Ventures and Jointly Governed Organization (Continued)

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, 2024, the City has no equity interest.

NOTE 20 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB)

I. Plan Description

In addition to the pension benefits described below under Pension Plans, the City's single-employer OPEB Plan 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 \$157 in 2024, and \$158 in 2025.

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	65
Total	822

NOTE 20 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

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, 2024, the City's cash contributions were \$2,340,023 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, 2023 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:

Actuarial Assumptions:	
Discount Rate	5.45% at June 30, 2023 and 2022
General Inflation	2.5% annually
Salary Increases	3%
Medical Trend	Average actual increase for 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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

VI. Changes in the Net OPEB Liability

The change in the Net OPEB Liability is as follows:

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023 (Measurement Date June 30, 2022)	\$ 20,325,417	\$ 1,387,315	\$ 18,938,102
Changes recognized for the measurement period:			
Service cost	672,081	-	672,081
Interest	1,076,573	-	1,076,573
Changes of Assumptions	906,060	-	906,060
Change Due to Plan Experience	-	94,204	(94,204)
Contributions to Section 115 Trust		2,487,735	(2,487,735)
Benefit Payments	(2,487,735)	(2,487,735)	-
Net Changes	166,979	94,204	72,775
Balance at June 30, 2024 (Measurement Date June 30, 2023)	\$ 20,492,396	\$ 1,481,519	\$ 19,010,877

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 percentage-point percent, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1 lower (4.45 percent) or 1 percentage-point higher (6.45 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	4.45%	5.45%	6.45%
Net OPEB Liability	\$ 20,606,610	\$ 19,010,877	\$ 17,625,032

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, 2023:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 17,987,315	\$ 19,010,877	\$ 20,259,937

NOTE 20 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

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

For the measurement period ended June 30, 2023 (the measurement date), the City incurred an OPEB expense of \$1,338,591.

Components of OPEB Expense	Total OPEB
Service cost	\$ 672,081
Interest	1,076,573
Expensed portion of deferred outflows and inflows	(410,063)
OPEB Expense	<u>\$ 1,338,591</u>

As of June 30, 2024, 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	\$ 2,340,023	\$ -
Changes of assumptions or other inputs	1,826,423	5,243,134
Difference between actual and expected experience	443,392	643,016
Net difference between projected and actual earnings on investments	4,746	-
Total	<u>\$ 4,614,584</u>	<u>\$ 5,886,150</u>

The amounts above are net of outflows and inflows recognized expense in the 2022-2023 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, 2025.

NOTE 20 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

IX. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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
2025	\$ (79,737)
2026	(754,559)
2027	(1,125,928)
2028	(1,140,864)
2029	(589,107)
Thereafter	78,606

X. Payable to the OPEB Plan

At June 30, 2024, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2024.

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.

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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

II. Benefits (Continued)

The Plans' provisions and benefits in effect at June 30, 2024 are summarized as follows:

Miscellaneous Plan:

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

Safety Plan:

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

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, 2023 (the measurement date) for the Plans, the average active employee contribution rate was 7.37% of annual pay for Miscellaneous and 10.14% for Safety and the employer's contribution rate is 9.49% of annual payroll for Miscellaneous and 22.85% for Safety. The employer contributions made for fiscal year June 30, 2024 was \$23.14 million for the Miscellaneous plan and \$32.47 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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

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, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures.

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

	Miscellaneous and Safety Plans
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality ⁽¹⁾	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

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full 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 2021 experience study 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.

NOTE 20 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

V. Discount Rate (Continued)

The table below reflects long-term real rate of return by asset class as of the target allocation for the June 30, 2023 measurement date. These geometric rates of return are net of administrative expenses.

<u>Asset Class⁽¹⁾</u>	<u>Assumed Asset Allocation</u>	<u>Real Return^{(1), (2)}</u>
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)

⁽¹⁾ An expected inflation of 2.30% used for this period.

⁽²⁾ Figures are based on the 2021 Asset Liability Management study.

NOTE 20 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

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, 2022 ⁽¹⁾	\$ 544,388,228	\$ 384,576,486	\$ 159,811,742
Changes Recognized for the Measurement Period:			
Service Cost	8,762,511	-	8,762,511
Interest on the Total Pension Liability	37,132,493	-	37,132,493
Changes of Assumptions	771,514	-	771,514
Differences between Expected and Actual Experience	4,360,258	-	4,360,258
Contributions - Employer	-	16,140,415	(16,140,415)
Contributions - Employees	-	3,918,555	(3,918,555)
Net Investment Income	-	23,825,399	(23,825,399)
Benefit Payments, including Refunds of Employee Contributions	(31,498,367)	(31,498,367)	-
Administrative Expense	-	(282,799)	282,799
Net Change during 2022-23	19,528,409	12,103,203	7,425,206
Balance at June 30, 2023 ⁽¹⁾	\$ 563,916,637	\$ 396,679,689	\$ 167,236,948

Safety Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2022 ⁽¹⁾	\$ 725,963,389	\$ 469,721,145	\$ 256,242,244
Changes Recognized for the Measurement Period:			
Service Cost	12,967,240	-	12,967,240
Interest on the Total Pension Liability	49,519,367	-	49,519,367
Changes of Benefit Terms	295,867	-	295,867
Differences between Expected and Actual Experience	3,900,247	-	3,900,247
Contributions - Employer	-	28,423,970	(28,423,970)
Contributions - Employees	-	4,545,810	(4,545,810)
Net Investment Income	-	29,323,916	(29,323,916)
Benefit Payments, including Refunds of Employee Contributions	(37,942,281)	(37,942,281)	-
Administrative Expense	-	(345,411)	345,411
Net Change during 2022-23	28,740,440	24,006,004	4,734,436
Balance at June 30, 2023 ⁽¹⁾	\$ 754,703,829	\$ 493,727,149	\$ 260,976,680

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

NOTE 20 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

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)	\$ 238,768,452	\$ 167,236,948	\$ 108,007,301

Safety Plan	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 364,410,341	\$ 260,976,680	\$ 176,574,374

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

For the measurement period ended June 30, 2023 (the measurement date), the City incurred an aggregate pension expense of \$65,549,259.

As of June 30, 2023, 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	\$ 6,676,320	\$ -
Differences between Expected and Actual Experiences	3,266,711	(417,789)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	17,992,662	-
Contributions subsequent to the measurement date	17,089,782	-
Total	\$ 45,025,475	\$ (417,789)

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 12,124,823	\$ -
Differences between Expected and Actual Experiences	3,791,558	(1,527,644)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	22,177,394	-
Contributions subsequent to the measurement date	27,775,905	-
Total	\$ 65,869,680	\$ (1,527,644)

NOTE 20 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

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

The amounts above are net of outflows and inflows recognized expense in the 2022-2023 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, 2025.

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
2024	\$ 9,161,745	\$ 11,624,920
2025	4,789,000	7,851,776
2026	13,110,286	16,514,432
2027	456,873	575,003
Total	\$ 27,517,904	\$ 36,566,131

IX. Payable to the Pension Plan

At June 30, 2024, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

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, 2024, 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, 2024 was \$170,606,944.

NOTE 20 OTHER INFORMATION (CONTINUED)

Deficiency Of Expenditures Over Appropriations

For the fiscal year ended June 30, 2024, expenditures exceeded appropriations as follows:

Housing and Community Development Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Transfers out	\$ 3,227,274

Downtown Improvement District Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Community development	\$ 297

Strategic Planning and Development Special Revenue Fund

<u>Expenditures</u>	<u>Amount</u>
Transfers out	\$ 2,538

Prior Year Adjustments

Changes to or within the Financial Reporting Entity

Transportation Special Tax and Capital Grants were previously reported as nonmajor and major funds, respectively, in the 2023 ACFR. However, the size criteria for the current year changed the presentation for both funds. The effects of those changes to or within the financial reporting entity are shown in column A below.

NOTE 20 OTHER INFORMATION (CONTINUED)

Prior Year Adjustments (Continued)

Error Corrections

During the fiscal year 2024, the City determined:

- a. that the City will not own the previously recognized Construction Work In Progress (CWIP). The projects were funded by the State and will be turned over to the California Department of Transportation once completed. Therefore, capital assets for governmental activities were overstated by \$138,748,624.
- b. that the previously recognized Construction Work In Progress (CWIP) from prior years were incorrectly capitalized in the previous years. Therefore, capital assets, net of depreciation, for business-type activities were overstated by \$10,503,794, respectively. The business-type activities amount of \$10,503,794 is split between Water for \$6,342,246 and Sewer for \$4,161,548.
- c. that the City had to account for prepayments of Modesto Irrigation District Domestic Water debt amounting to \$1,941,603. Therefore, the Water and business-type activities were understated by \$1,941,603.
- d. that the delinquent tax revenues of the Community Facilities Districts in the prior year were not reported. Therefore, revenues were understated in the nonmajor funds and governmental activities by \$97,628.
- e. that the delinquent tax revenues of the Operating Grants in the prior year were not reported. Therefore, revenues were understated in the nonmajor funds and governmental activities by \$14,545.
- f. that the Special Districts reported as Fiduciary Funds had understated revenues in the prior year amounting to \$5,838.
- g. that the housing loan receivable was overstated by \$379. Therefore, the Housing and Community Development and government-wide activities were overstated by \$379.
- h. that the fees recorded for the General Fund and Abatement and Public Nuisance were overstated and understated by \$794,117 and \$34,904, respectively. Therefore, the General Fund and the governmental activities were overstated by \$794,117 while the Abatement and Nuisance and business-type activities were understated by \$34,904.

NOTE 20 OTHER INFORMATION (CONTINUED)

Prior Year Adjustments (Continued)

The effects of correcting the above errors are shown in column B below.

	June 30, 2023 As Previously Reported	Change to or within the Financial Reporting Entity	Error Corrections	June 30, 2023 As Restated
Government-Wide				
Government Activities	\$ 489,433,701	\$ -	\$ (139,430,947)	\$ 350,002,754
Business-Type Activities	847,728,789	-	(8,527,287)	839,201,502
Total Primary Government	\$ 1,337,162,490	\$ -	\$ (147,958,234)	\$ 1,189,204,256
Governmental Funds				
Major Funds:				
General	\$ 53,570,568	\$ -	\$ (794,117)	\$ 52,776,451
Operating Grants	4,731,444	-	14,545	4,745,989
Housing and Community Development	33,771,463	-	(379)	33,771,084
Transportation Special Tax	-	49,198,117	-	49,198,117
Nonmajor Funds:				
Capital Grants	(4,751,207)	-	-	(4,751,207)
Other nonmajor funds	136,583,624	(49,198,117)	97,628	87,483,135
	<u>\$ 223,905,892</u>	<u>\$ -</u>	<u>\$ (682,323)</u>	<u>\$ 223,223,569</u>
Proprietary Funds				
Major Funds:				
Water	\$ 423,522,072	\$ -	\$ (4,400,643)	\$ 419,121,429
Sewer	380,588,922	-	(4,161,548)	376,427,374
Nonmajor Funds:				
Other Enterprise	46,382,506	-	34,904	46,417,410
Internal Service	21,227,544	-	-	21,227,544
	<u>\$ 871,721,044</u>	<u>\$ -</u>	<u>\$ (8,527,287)</u>	<u>\$ 863,193,757</u>
Fiduciary Funds				
Special Districts	\$ 3,338,788	\$ -	\$ 5,838	\$ 3,344,626

NOTE 21 SUBSEQUENT EVENTS

On July 1, 2024, the City Council approved the purchase of a Public Safety Aided Dispatch (CAD) system which will replaced the outdated "Dispatch Now" CAD system. The City is responsible for providing public safety emergency response to the City's residents, business, and contract agency jurisdictions. The CAD system provides Geographical Information Services (GIS), captures 9-1-1 caller and response information, communicates call details, and provides key recommendations to the dispatcher to ensure proper and accurate resources are sent to emergency calls for services.

On September 10, 2024, the City Council approved the plans and specifications for Cesar E. Chavez Park Renovation Project, and awarded the construction contract to Harris Builders, Inc. of Hilmar, CA in the amount of \$14 million. The renovations include the construction of an aquatics facility, skate plaza, building expansion, basketball court, soccer field, restroom, picnic areas, landscaping, lighting, security cameras, walking paths and other general park amenities.

NOTE 21 SUBSEQUENT EVENTS (CONTINUED)

On October 22, 2024, the City Council approved the purchase of five (5) Pierce Velocity 1500 GPM Type 1 Fire Engines and two (2) Pierce 107' Velocity Tractor Drawn Aerial Fire Trucks for a total amount of \$9.2 million. The current industry standards' timelines from point of order to delivery are 48 months to 51 months respective. Because of the extensive lead time on production, the current 2016 fire engine models will exceed the frontline standards for replacement if the replacement engines are not ordered now. The fire engines are the first to respond in most of the emergency calls within the jurisdiction. The community relies heavily on these fire apparatuses deliver critical service responses.

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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 30
Last Ten Fiscal Years *

<u>Miscellaneous Plan</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021 ⁽⁴⁾</u>	<u>2019-2020 ⁽⁴⁾</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
Measurement Period										
TOTAL PENSION LIABILITY										
Service Cost	\$ 8,762,511	\$ 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	37,132,493	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 Benefit Terms	771,514	-	-	-	-	-	-	-	-	-
Changes of Assumptions	-	16,213,922	-	-	-	(2,477,241)	24,124,929	-	(6,709,358)	-
Difference Between Expected and Actual Experience	4,360,258	(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	<u>(31,498,367)</u>	<u>(29,773,825)</u>	<u>(27,832,629)</u>	<u>(26,321,649)</u>	<u>(24,951,032)</u>	<u>(23,596,900)</u>	<u>(22,727,426)</u>	<u>(21,686,131)</u>	<u>(20,945,229)</u>	<u>(20,334,821)</u>
Net Change in Total Pension Liability	19,528,409	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	<u>544,388,228</u>	<u>514,270,745</u>	<u>497,269,825</u>	<u>482,105,528</u>	<u>462,946,098</u>	<u>447,706,079</u>	<u>410,872,571</u>	<u>398,719,890</u>	<u>394,909,831</u>	<u>380,805,825</u>
Total Pension Liability - Ending (a)	<u>\$ 563,916,637</u>	<u>\$ 544,388,228</u>	<u>\$ 514,270,745</u>	<u>\$ 497,269,825</u>	<u>\$ 482,105,528</u>	<u>\$ 462,946,098</u>	<u>\$ 447,706,079</u>	<u>\$ 410,872,571</u>	<u>\$ 398,719,890</u>	<u>\$ 394,909,831</u>
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 16,140,415	\$ 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	3,918,555	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	23,825,399	(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	(31,498,367)	(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	(282,799)	(266,868)	(358,459)	(497,374)	(244,082)	(510,454)	(450,482)	(192,011)	(355,544)	-
Other Miscellaneous Income/(Expense) ⁽¹⁾	-	-	-	-	796	(969,360)	-	-	-	-
Net Change in Fiduciary Net Position	12,103,203	(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 ⁽²⁾	<u>384,576,486</u>	<u>428,401,044</u>	<u>358,840,146</u>	<u>352,809,194</u>	<u>342,032,921</u>	<u>327,575,983</u>	<u>305,114,946</u>	<u>315,056,908</u>	<u>320,571,374</u>	<u>284,695,845</u>
Plan Fiduciary Net Position - Ending (b)	<u>396,679,689</u>	<u>384,576,486</u>	<u>428,401,044</u>	<u>358,840,146</u>	<u>352,809,194</u>	<u>342,032,921</u>	<u>327,575,983</u>	<u>305,114,946</u>	<u>315,056,908</u>	<u>320,571,374</u>
Plan Net Pension Liability - Ending (a) - (b)	<u>\$ 167,236,948</u>	<u>\$ 159,811,742</u>	<u>\$ 85,869,701</u>	<u>\$ 138,429,679</u>	<u>\$ 129,296,334</u>	<u>\$ 120,913,177</u>	<u>\$ 120,130,096</u>	<u>\$ 105,757,625</u>	<u>\$ 83,662,982</u>	<u>\$ 74,338,457</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.34%	70.64%	83.30%	72.16%	73.18%	73.88%	73.17%	74.26%	79.02%	81.18%
Covered Payroll ⁽³⁾	\$ 54,290,652	\$ 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 ⁽³⁾	308.04%	296.43%	158.69%	265.64%	253.98%	242.74%	257.04%	233.94%	201.29%	168.47%

NOTES:

⁽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 2.80% payroll growth assumption for fiscal years ended in 2022 and 2023; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3% payroll growth assumption for fiscal years ended in 2014 through 2017.

⁽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 were updated accordingly.

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

<u>Safety Plan</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021 ⁽⁴⁾</u>	<u>2019-2020 ⁽⁴⁾</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
Measurement Period										
TOTAL PENSION LIABILITY										
Service Cost	\$ 12,967,240	\$ 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	49,519,367	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 Benefit Terms	295,867	-	-	-	-	-	-	-	-	-
Changes of Assumptions	-	25,596,849	-	-	-	(2,434,317)	33,217,275	-	(9,188,394)	-
Difference Between Expected and Actual Experience	3,900,247	(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	<u>(37,942,281)</u>	<u>(36,401,697)</u>	<u>(34,350,284)</u>	<u>(33,173,358)</u>	<u>(31,487,589)</u>	<u>(29,678,588)</u>	<u>(28,147,381)</u>	<u>(26,911,771)</u>	<u>(25,426,619)</u>	<u>(24,313,823)</u>
Net Change in Total Pension Liability	28,740,440	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	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	478,481,227
Total Pension Liability - Ending (a)	<u>\$ 754,703,829</u>	<u>\$ 725,963,389</u>	<u>\$ 680,374,643</u>	<u>\$ 654,391,208</u>	<u>\$ 630,048,182</u>	<u>\$ 596,773,606</u>	<u>\$ 575,754,935</u>	<u>\$ 525,440,909</u>	<u>\$ 508,339,261</u>	<u>\$ 498,449,004</u>
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 28,423,970	\$ 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	4,545,810	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	29,323,916	(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	(37,942,281)	(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	(345,411)	(321,712)	(428,116)	(588,586)	(287,372)	(597,550)	(526,677)	(224,190)	(414,089)	-
Other Miscellaneous Income/(Expense) ⁽¹⁾	-	-	-	-	936	(1,134,757)	-	-	-	-
Net Change in Fiduciary Net Position	24,006,004	(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 ⁽²⁾	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	328,498,093
Plan Fiduciary Net Position - Ending (b)	493,727,149	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)	<u>\$ 260,976,680</u>	<u>\$ 256,242,244</u>	<u>\$ 163,934,015</u>	<u>\$ 225,820,963</u>	<u>\$ 212,538,678</u>	<u>\$ 194,078,322</u>	<u>\$ 192,286,245</u>	<u>\$ 168,718,462</u>	<u>\$ 140,480,972</u>	<u>\$ 125,976,332</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.42%	64.70%	75.91%	65.49%	66.27%	67.48%	66.60%	67.89%	72.36%	74.73%
Covered Payroll ⁽³⁾	\$ 39,679,438	\$ 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 ⁽³⁾	657.71%	703.54%	436.09%	611.88%	628.45%	601.61%	628.21%	561.97%	450.22%	405.19%

NOTES:

⁽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 2.80% payroll growth assumption for fiscal years ended in 2022 and 2023; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3% payroll growth assumption for fiscal years ended in 2014 through 2017.

⁽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 were updated accordingly.

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

Miscellaneous Plan

Fiscal Year	2023-2024	2022-2023	2021-2022	2020-2021 ⁽⁴⁾	2019-2020 ⁽⁴⁾	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution ⁽²⁾	\$ 17,089,782	\$ 15,933,439	\$ 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 ⁽²⁾	(17,089,782)	(16,140,415)	(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)	\$ -	\$ (206,976)	\$ (269,069)	\$ (304,930)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 63,855,553	\$ 54,290,652	\$ 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 ⁽³⁾	26.76%	29.73%	27.00%	25.15%	22.75%	19.95%	17.17%	17.94%	15.31%	13.55%

Safety Plan

Fiscal Year	2023-2024	2022-2023	2021-2022	2020-2021 ⁽⁴⁾	2019-2020 ⁽⁴⁾	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Actuarially Determined Contribution ⁽²⁾	\$ 27,775,905	\$ 26,631,905	\$ 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 ⁽²⁾	(27,775,905)	(28,423,970)	(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)	\$ -	\$ (1,792,065)	\$ (1,095,129)	\$ (177,541)	\$ (492,502)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 46,959,644	\$ 39,679,438	\$ 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 ⁽³⁾	59.14%	71.63%	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⁾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 2.80% payroll growth assumption for fiscal years ended in 2022 and 2023; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3% payroll growth assumption for fiscal years ended in 2014 through 2017.

⁽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.

City of Modesto
Other Postemployment Benefits (OPEB)
Schedule of Changes in the OPEB Liability and Related Ratios
Last Ten Fiscal Years *

<i>Reporting Period</i>	<u>FY 2023-2024</u>	<u>FY 2022-2023</u>	<u>FY 2021-2022</u>	<u>FY 2020-2021</u>	<u>FY 2019-2020</u>	<u>FY 2018-2019</u>	<u>FY 2017-2018</u>
<i>Measurement Date</i>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB liability:							
Service cost	\$ 672,081	\$ 1,244,957	\$ 1,196,410	\$ 836,292	\$ 811,934	\$ 963,490	\$ 935,427
Interest	1,076,573	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	906,060	(7,477,125)	129,927	3,430,611	754,247	(1,306,633)	(1,600,635)
Benefit payments	<u>(2,487,735)</u>	<u>(2,727,324)</u>	<u>(2,869,050)</u>	<u>(2,941,351)</u>	<u>(3,012,214)</u>	<u>(2,733,246)</u>	<u>(2,430,468)</u>
Net change in total OPEB liability	166,979	(9,226,453)	(875,530)	3,967,412	(432,170)	(2,506,363)	(2,203,007)
Total OPEB liability - beginning	<u>20,325,417</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>	<u>31,601,528</u>
Total OPEB liability - ending	<u>20,492,396</u>	<u>20,325,417</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>
OPEB Fiduciary Net Position:							
Investment income	94,204	35	-	-	-	-	-
Employer contributions	2,487,735	4,114,604	-	-	-	-	-
Benefit payments	<u>(2,487,735)</u>	<u>(2,727,324)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	94,204	1,387,315	-	-	-	-	-
Fiduciary net position - beginning	<u>1,387,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position - ending	<u>1,481,519</u>	<u>1,387,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - ending (a)	<u>\$ 19,010,877</u>	<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	\$ 54,018,721	\$ 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	35.19%	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.

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

Fiscal Year	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Actuarially Determined Contribution (ADC)	\$ 2,210,205	\$ 2,208,621	\$ 2,686,307	\$ 2,869,050	\$ 3,569,890	\$ 3,012,214	\$ 2,733,246	\$ 2,430,468
Contributions in Relation to the ADC	(2,340,023)	(2,487,735)	(4,114,604)	(2,869,050)	(3,569,890)	(3,012,214)	(2,733,246)	(2,430,468)
Contribution Deficiency (Excess)	\$ (129,818)	\$ (279,114)	\$ (1,428,297)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 53,447,711	\$ 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	4.38%	4.61%	7.83%	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 2022-23 were as follows for June 30, 2023 measurement date actuarial valuations.

Actuarial Cost Method	Entry Age Normal
Discount Rate	5.45% at June 30, 2023 (Bond Buyer 20-Bond Index). 5.45% at June 30, 2022 (Bond Buyer 20-Bond Index).
Asset Valuation Method	Market Value
General Inflation	2.5% annually
Salary Increases	3%
Trend	Average actual increase for 2024, 6.2% for 2025, decreasing to 3.9% in 2075
Retirement Age	50 to 75
Mortality	CalPERS 2021 Experience Study
Mortality Improvement	MacLeod Watts 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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
<u>TAXES</u>				
Utility users tax	\$ 21,546,214	\$ 21,546,214	\$ 21,173,728	\$ (372,486)
Property tax	22,103,430	22,567,988	23,046,388	478,400
Transient occupancy tax	3,680,000	3,680,000	3,351,194	(328,806)
Franchise tax	5,582,755	5,582,755	5,683,989	101,234
Cannabis tax	4,000,000	4,000,000	3,408,455	(591,545)
Business license tax	16,594,603	16,594,603	16,147,087	(447,516)
Total taxes	73,507,002	73,971,560	72,810,841	(1,160,719)
<u>LICENSES AND PERMITS</u>	628,908	329,196	88,123	(241,073)
<u>INTERGOVERNMENTAL</u>				
Sales tax	41,706,191	40,906,191	38,038,757	(2,867,434)
Sales tax Measure H	-	42,325,700	47,954,202	5,628,502
Motor vehicle license fees	22,027,453	22,530,767	22,537,514	6,747
State	975,000	975,000	1,476,085	501,085
County	41,821	41,821	34,173	(7,648)
Other intergovernmental	20,329,013	20,329,013	19,401,905	(927,108)
Total intergovernmental	85,079,478	127,108,492	129,442,636	2,334,144
<u>CHARGES FOR SERVICES</u>				
General government	3,553,835	3,590,570	3,434,528	(156,042)
Community development	2,509,266	2,424,402	3,141,654	717,252
Parks and recreation	3,422,432	3,422,432	2,182,346	(1,240,086)
Public safety	3,531,123	5,897,129	7,059,442	1,162,313
Indirect cost recovery	3,796,055	3,796,055	3,796,017	(38)
Total charges for services	16,812,711	19,130,588	19,613,987	483,399
<u>SPECIAL ASSESSMENT</u>	395,000	395,000	378,779	(16,221)
<u>INTEREST AND RENT</u>	633,779	761,279	388,844	(372,435)
<u>NET INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENTS</u>	(480,973)	(1,405,973)	1,503,184	2,909,157
<u>FINES AND FORFEITS</u>	130,024	140,024	384,225	244,201
<u>MISCELLANEOUS</u>				
Mandated cost recovery	90,000	90,000	260,413	170,413
Other	739,639	739,639	385,678	(353,961)
Total miscellaneous	829,639	829,639	646,091	(183,548)
Total revenues	\$ 177,535,568	\$ 221,259,805	\$ 225,256,710	\$ 3,996,905

(Continued)

City of Modesto
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual - General Fund (Continued)
Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government:				
City council	\$ 529,830	\$ 532,040	\$ 508,698	\$ 23,342
Human resources	1,984,550	1,989,111	1,912,387	76,724
City manager	3,916,078	3,922,513	3,306,855	615,658
City attorney	2,262,719	2,210,288	2,064,957	145,331
City clerk/auditor	1,667,321	1,672,831	1,298,620	374,211
Finance	6,359,428	6,129,668	5,826,727	302,941
Other	138,648	138,648	70,627	68,021
Total general government	<u>16,858,574</u>	<u>16,595,099</u>	<u>14,988,871</u>	<u>1,606,228</u>
Community development:	<u>7,056,628</u>	<u>6,924,156</u>	<u>6,185,028</u>	<u>739,128</u>
Public works:				
Operations and maintenance dept:	5,920,416	6,633,710	5,455,924	1,177,786
Total public works	<u>5,920,416</u>	<u>6,633,710</u>	<u>5,455,924</u>	<u>1,177,786</u>
Parks and recreation:				
Administration	856,134	880,868	872,694	8,174
Planning and development	1,674,644	1,677,603	1,338,311	339,292
Convention visitors bureau	885,544	885,544	824,767	60,777
Operations service and maintenance	10,046,321	9,959,896	8,160,657	1,799,239
Facilities	1,918,047	2,019,911	1,555,913	463,998
Recreation division	5,120,589	5,053,275	3,762,193	1,291,082
Total parks and recreation	<u>20,501,279</u>	<u>20,477,097</u>	<u>16,514,535</u>	<u>3,962,562</u>
Public safety:				
Fire protection	65,509,824	65,784,982	64,073,877	1,711,105
Police protection	91,112,361	94,482,514	81,441,235	13,041,279
Total public safety	<u>156,622,185</u>	<u>160,267,496</u>	<u>145,515,112</u>	<u>14,752,384</u>
Debt service:				
Principal retirement	1,070,083	2,050,599	2,050,599	-
Interest expenditures	182,834	182,834	182,834	-
Other	473,400	473,400	418,800	54,600
Total debt service	<u>1,726,317</u>	<u>2,706,833</u>	<u>2,652,233</u>	<u>54,600</u>
 Total expenditures	 <u>208,685,400</u>	 <u>213,604,392</u>	 <u>191,311,703</u>	 <u>22,292,689</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,149,832)</u>	<u>7,655,413</u>	<u>33,945,007</u>	<u>26,289,594</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers in	628,640	3,598,292	3,509,083	(89,209)
Transfers out	(15,950,735)	(26,157,722)	(10,099,889)	16,057,833
Other financing proceeds - leases and SBITAs	-	2,916,392	2,916,392	-
Sale of assets	6,200	6,200	11,576	5,376
TOTAL OTHER FINANCING SOURCES(USES)	<u>(15,315,895)</u>	<u>(19,636,838)</u>	<u>(3,662,838)</u>	<u>15,974,000</u>
CHANGES IN FUND BALANCE	<u>(46,465,727)</u>	<u>(11,981,425)</u>	<u>30,282,169</u>	<u>42,263,594</u>
FUND BALANCE, JULY 1, AS PREVIOUSLY REPORTED	53,570,568	53,570,568	53,570,568	-
PRIOR PERIOD ADJUSTMENTS	(794,117)	(794,117)	(794,117)	-
FUND BALANCE, JULY 1, AS RESTATED	<u>52,776,451</u>	<u>52,776,451</u>	<u>52,776,451</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 6,310,724</u>	<u>\$ 40,795,026</u>	<u>\$ 83,058,620</u>	<u>\$ 42,263,594</u>

(Concluded)

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 380,000	\$ 380,000	\$ 294,108	\$ (85,892)
Licenses and permits	50,000	50,000	58,575	8,575
Intergovernmental	1,051,609	94,261,697	19,333,321	(74,928,376)
Charges for services	6,215,409	6,860,409	4,649,043	(2,211,366)
Special assessments	79,688	79,688	80,823	1,135
Interest and rent	100	41,940	1,474,952	1,433,012
Net increase in fair value of investments	-	-	77,283	77,283
Miscellaneous	97,078	146,561	275,525	128,964
Total revenues	<u>7,873,884</u>	<u>101,820,296</u>	<u>26,243,630</u>	<u>(75,576,666)</u>
EXPENDITURES:				
Current:				
General government	3,051,702	9,029,986	258,275	8,771,711
Community development	8,616,627	22,192,424	18,522,942	3,669,482
Highways and streets	469,096	793,165	112,999	680,166
Public works	1,615,558	1,355,625	993,947	361,678
Parks and recreation	2,067,275	5,826,848	870,162	4,956,686
Public safety	6,529,964	12,110,330	11,521,263	589,067
Debt service:				
Principal retirement	-	161,994	129,116	32,878
Interest	-	305	305	-
Total expenditures	<u>22,350,223</u>	<u>51,470,678</u>	<u>32,409,009</u>	<u>19,061,669</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,476,338)</u>	<u>50,349,618</u>	<u>(6,165,379)</u>	<u>(56,514,997)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,279,606	9,366,143	5,338,613	(4,027,530)
Transfers out	(112)	(9,027,686)	(3,329,065)	5,698,621
Other financing proceeds	-	268,934	268,934	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,279,494</u>	<u>607,391</u>	<u>2,278,482</u>	<u>1,671,091</u>
CHANGES IN FUND BALANCE	<u>(12,196,843)</u>	<u>50,957,009</u>	<u>(3,886,897)</u>	<u>(54,843,906)</u>
FUND BALANCE, JULY 1, AS PREVIOUSLY REPORTED	4,731,444	4,731,444	4,731,444	-
PRIOR PERIOD ADJUSTMENT	14,545	14,545	14,545	-
FUND BALANCE, JULY 1, AS RESTATED	<u>4,745,989</u>	<u>4,745,989</u>	<u>4,745,989</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ (7,450,854)</u>	<u>\$ 55,702,998</u>	<u>\$ 859,092</u>	<u>\$ (54,843,906)</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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental - federal grants	\$ 10,875,118	\$ 25,811,521	\$ 9,017,200	\$ (16,794,321)
Charges for services	2,328,229	2,328,229	1,462,091	(866,138)
Interest and rent	-	-	23,547	23,547
Net increase in fair value of investments	-	-	18,048	18,048
Total revenues	<u>13,203,347</u>	<u>28,139,750</u>	<u>10,520,886</u>	<u>(17,618,864)</u>
EXPENDITURES:				
Current:				
Community development	17,166,440	24,811,856	12,751,048	12,060,808
Debt service:				
Principal retirement	328,000	328,000	328,000	-
Interest	14,500	14,500	14,425	75
Other	700	700	-	700
Total expenditures	<u>17,509,640</u>	<u>25,155,056</u>	<u>13,093,473</u>	<u>12,061,583</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,306,293)</u>	<u>2,984,694</u>	<u>(2,572,587)</u>	<u>(5,557,281)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	250,000	3,531,252	4,417	(3,526,835)
Transfers out	<u>(750,000)</u>	<u>(196,797)</u>	<u>(3,424,071)</u>	<u>(3,227,274)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>3,334,455</u>	<u>(3,419,654)</u>	<u>(6,754,109)</u>
CHANGES IN FUND BALANCE	<u>(4,806,293)</u>	<u>6,319,149</u>	<u>(5,992,241)</u>	<u>(12,311,390)</u>
FUND BALANCE, JULY 1, AS PREVIOUSLY REPORTED	33,771,463	33,771,463	33,771,463	-
PRIOR PERIOD ADJUSTMENT	<u>(379)</u>	<u>(379)</u>	<u>(379)</u>	<u>-</u>
FUND BALANCE, JULY 1, AS RESTATED	<u>33,771,084</u>	<u>33,771,084</u>	<u>33,771,084</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 28,964,791</u>	<u>\$ 40,090,233</u>	<u>\$ 27,778,843</u>	<u>\$ (12,311,390)</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 – Transportation Special Tax Special Revenue Fund
Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,997,412	\$ 497,412
Licenses and permits	-	-	2,718	2,718
Intergovernmental	24,204,144	26,811,652	26,795,778	(15,874)
Charges for services	1,026,892	1,210,787	1,626,618	415,831
Interest and rent	-	592,492	1,118,885	526,393
Net (decrease) in fair value of investments	-	-	1,029,027	1,029,027
Miscellaneous	10,000	10,000	118,887	108,887
Total revenues	<u>26,741,036</u>	<u>30,124,931</u>	<u>32,689,325</u>	<u>2,564,394</u>
EXPENDITURES:				
Current:				
Community development	2,341,375	2,093,767	1,859,136	234,631
Highways and streets	17,188,136	17,598,806	16,243,596	1,355,210
Debt service:				
Principal retirement	-	3,778	3,778	-
Interest	-	392	392	-
Total expenditures	<u>19,529,511</u>	<u>19,696,744</u>	<u>18,106,902</u>	<u>1,589,842</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,211,525</u>	<u>10,428,187</u>	<u>14,582,423</u>	<u>4,154,236</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,540,205	1,540,205	1,540,205	-
Transfers out	(9,500,700)	(14,168,565)	(10,072,498)	4,096,067
Sale of assets	-	-	41,755	41,755
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,960,495)</u>	<u>(12,628,360)</u>	<u>(8,490,538)</u>	<u>4,137,822</u>
CHANGES IN FUND BALANCE	<u>(748,970)</u>	<u>(2,200,173)</u>	<u>6,091,885</u>	<u>8,292,058</u>
FUND BALANCE, JULY 1	<u>49,198,117</u>	<u>49,198,117</u>	<u>49,198,117</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 48,449,147</u>	<u>\$ 46,997,944</u>	<u>\$ 55,290,002</u>	<u>\$ 8,292,058</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.

NOTE 1 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.

NOTE 1 BUDGETARY INFORMATION (CONTINUED)

- 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.

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 TAB**

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.

Cannabis Fund - To account for the collection of annual commercial cannabis permits, cannabis application fees, cannabis grants and any cannabis-related expenses.

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:

Capital Grants Fund - To account for receipts and disbursements of a variety of Governmental Fund capital grants.

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.

City of Modesto
Description of Nonmajor Governmental Funds (Continued)
Fiscal Year Ended June 30, 2024

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. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

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.

City of Modesto
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Cannabis Fund
ASSETS					
Cash and cash equivalents	\$ 1,940,815	\$ 118,218	\$ 60,137	\$ 2,461,611	\$ 448,498
Receivables:					
Accounts, net	-	510	-	527	359
Interest	-	-	-	8,634	-
Taxes	-	-	53,968	-	-
Leases	-	-	-	-	-
Due from governments	-	-	-	161,956	-
Due from Successor Agency	-	-	-	-	-
Prepaid expenditures	-	109,677	-	-	-
Restricted assets:					
Cash and cash equivalents	1,775	3,099,958	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-	-
Due from governments	-	40,681	-	-	-
Notes receivable, net	-	-	-	64,449	-
Total assets	<u>\$ 1,942,590</u>	<u>\$ 3,369,044</u>	<u>\$ 114,105</u>	<u>\$ 2,697,177</u>	<u>\$ 448,857</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 112,854	\$ 79,349	\$ 39,592	\$ 26,557
Accrued salaries and benefits	-	5,874	-	-	-
Due to other funds	-	-	35,079	-	-
Due to fiduciary funds	-	-	-	-	-
Unearned revenue	1,940,815	-	-	-	-
Payable from restricted assets:					
Refundable deposits	-	-	-	-	-
Advances from other funds	-	-	-	52,881	-
Total liabilities	<u>1,940,815</u>	<u>118,728</u>	<u>114,428</u>	<u>92,473</u>	<u>26,557</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	437,122
Leases	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,122</u>
Fund balances:					
Nonspendable	-	109,677	-	-	-
Restricted	1,775	3,140,639	-	64,449	-
Assigned	-	-	-	2,540,255	-
Unassigned	-	-	(323)	-	(14,822)
Total fund balances (deficit)	<u>1,775</u>	<u>3,250,316</u>	<u>(323)</u>	<u>2,604,704</u>	<u>(14,822)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,942,590</u>	<u>\$ 3,369,044</u>	<u>\$ 114,105</u>	<u>\$ 2,697,177</u>	<u>\$ 448,857</u>

(continued)

City of Modesto
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2024

	Capital Projects				
	Capital Grants	Special Fund for Capital Outlays	Parks	Securities for Future Improvements	Community Facilities Districts
ASSETS					
Cash and cash equivalents	\$ -	\$ 348,982	\$ -	\$ -	\$ 297,169
Receivables:					
Accounts, net	35,440	-	-	-	14,179
Interest	-	10,293	1,698	-	88,072
Taxes	-	-	-	-	144,719
Leases	-	-	392,079	-	1,069,393
Due from governments	11,124,568	-	-	-	-
Due from Successor Agency	-	-	-	-	-
Prepaid expenditures	-	2,167	-	-	-
Restricted assets:					
Cash and cash equivalents	-	2,846,852	497,498	81,046	25,426,439
Cash and cash equivalents with fiscal agent	-	-	-	-	-
Due from governments	-	-	-	-	-
Notes receivable, net	-	-	-	-	-
Total assets	<u>\$ 11,160,008</u>	<u>\$ 3,208,294</u>	<u>\$ 891,275</u>	<u>\$ 81,046</u>	<u>\$ 27,039,971</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,598,728	\$ 268,258	\$ -	\$ -	\$ 262,966
Accrued salaries and benefits	-	-	-	-	19,621
Due to other funds	3,260,573	-	-	-	-
Due to fiduciary funds	-	-	-	-	24,223
Unearned revenue	-	-	-	-	-
Payable from restricted assets:					
Refundable deposits	-	-	-	-	84,223
Advances from other funds	-	91,017	-	-	142,913
Total liabilities	<u>5,859,301</u>	<u>359,275</u>	<u>-</u>	<u>-</u>	<u>533,946</u>
Deferred inflows of resources:					
Unavailable revenue	7,920,063	-	-	-	71,044
Leases	-	-	369,616	-	1,008,542
Total deferred inflows of resources	<u>7,920,063</u>	<u>-</u>	<u>369,616</u>	<u>-</u>	<u>1,079,586</u>
Fund balances:					
Nonspendable	-	2,167	-	-	-
Restricted	-	2,846,852	497,498	81,046	25,426,439
Assigned	-	-	24,161	-	-
Unassigned	(2,619,356)	-	-	-	-
Total fund balances (deficit)	<u>(2,619,356)</u>	<u>2,849,019</u>	<u>521,659</u>	<u>81,046</u>	<u>25,426,439</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,160,008</u>	<u>\$ 3,208,294</u>	<u>\$ 891,275</u>	<u>\$ 81,046</u>	<u>\$ 27,039,971</u>

(continued)

City of Modesto
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2024

	Capital Projects			Debt Service	
	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital	Public Financing Authority	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,033,107	\$ -	\$ 1,624	\$ 6,710,161
Receivables:					
Accounts, net	-	128,797	-	-	179,812
Interest	412	165,145	-	-	274,254
Taxes	-	-	-	-	198,687
Leases	-	-	-	-	1,461,472
Due from governments	-	-	-	-	11,286,524
Due from Successor Agency	1,192,004	-	-	-	1,192,004
Prepaid expenditures	-	-	-	1,111	112,955
Restricted assets:					
Cash and cash equivalents	118,441	46,485,763	-	-	78,557,772
Cash and cash equivalents with fiscal agent	-	-	-	5,505,170	5,505,170
Due from governments	-	706,546	-	-	747,227
Notes receivable, net	2,211,000	-	-	-	2,275,449
Total assets	<u>\$ 3,521,857</u>	<u>\$ 48,519,358</u>	<u>\$ -</u>	<u>\$ 5,507,905</u>	<u>\$ 108,501,487</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 253,864	\$ -	\$ 36,055	\$ 3,678,223
Accrued salaries and benefits	-	-	-	-	25,495
Due to other funds	-	-	-	-	3,295,652
Due to fiduciary funds	-	-	-	-	24,223
Unearned revenue	-	-	-	-	1,940,815
Payable from restricted assets:					
Refundable deposits	-	-	-	-	84,223
Advances from other funds	145,727	308,420	-	-	740,958
Total liabilities	<u>145,727</u>	<u>562,284</u>	<u>-</u>	<u>36,055</u>	<u>9,789,589</u>
Deferred inflows of resources:					
Unavailable revenue	-	764,765	-	-	9,192,994
Leases	-	-	-	-	1,378,158
Total deferred inflows of resources	<u>-</u>	<u>764,765</u>	<u>-</u>	<u>-</u>	<u>10,571,152</u>
Fund balances:					
Nonspendable	-	-	-	1,111	112,955
Restricted	2,329,441	47,192,309	-	5,505,170	87,085,618
Assigned	1,046,689	-	-	-	3,611,105
Unassigned	-	-	-	(34,431)	(2,668,932)
Total fund balances (deficit)	<u>3,376,130</u>	<u>47,192,309</u>	<u>-</u>	<u>5,471,850</u>	<u>88,140,746</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,521,857</u>	<u>\$ 48,519,358</u>	<u>\$ -</u>	<u>\$ 5,507,905</u>	<u>\$ 108,501,487</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, 2024

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Cannabis Fund
REVENUES:					
Taxes	\$ -	\$ -	\$ 209,236	\$ -	\$ -
Licenses and permits	-	-	-	-	250,282
Intergovernmental	60,993	-	-	-	-
Charges for services	-	308,517	-	318,962	-
Special assessments levied	-	-	838,281	-	-
Interest and rent	97,913	-	-	56,442	-
Net increase (decrease) in fair value of investments	-	-	-	51,547	-
Fines and forfeits	-	191,948	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>158,906</u>	<u>500,465</u>	<u>1,047,517</u>	<u>426,951</u>	<u>250,282</u>
EXPENDITURES:					
Current:					
Community development	-	-	1,049,516	159,955	265,104
Highways and streets	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	119,604	-	-	-	-
Public safety	-	554,374	-	-	-
Capital outlay:					
Community development	-	-	-	-	-
Highways and streets	-	-	-	-	-
Public Works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public safety	-	900,488	-	-	-
Debt service:					
Principal retirement	-	300,895	-	-	-
Interest	-	4,452	-	-	-
Other	-	-	-	-	-
Total expenditures	<u>119,604</u>	<u>1,760,209</u>	<u>1,049,516</u>	<u>159,955</u>	<u>265,104</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>39,302</u>	<u>(1,259,744)</u>	<u>(1,999)</u>	<u>266,996</u>	<u>(14,822)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	55,920	-
Transfers out	(39,302)	-	-	(2,538)	-
Other financing proceeds - leases and SBITAs	-	838,362	-	-	-
Sale of assets	-	485	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(39,302)</u>	<u>838,847</u>	<u>-</u>	<u>53,382</u>	<u>-</u>
CHANGES IN FUND BALANCES	-	(420,897)	(1,999)	320,378	(14,822)
FUND BALANCES, JULY 1	1,775	3,671,213	1,676	2,284,326	-
PRIOR PERIOD ADJUSTMENTS	-	-	-	-	-
FUND BALANCES (DEFICIT), JUNE 30	<u>\$ 1,775</u>	<u>\$ 3,250,316</u>	<u>\$ (323)</u>	<u>\$ 2,604,704</u>	<u>\$ (14,822)</u>

(continued)

City of Modesto
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Fiscal Year Ended June 30, 2024

	Capital Projects				
	Capital Grants	Special Fund for Capital Outlays	Parks	Securities for Future Improvements	Community Facilities Districts
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	10,298,883	-	-	-	-
Charges for services	-	3,000	1,695	-	926,834
Special assessments levied	-	-	-	-	4,138,178
Interest and rent	-	65,550	56,948	4,289	602,321
Net increase (decrease) in fair value of investments	-	62,439	12,877	-	490,738
Fines and forfeits	-	-	-	-	-
Miscellaneous	-	34,900	10,231	-	-
Total revenues	<u>10,298,883</u>	<u>165,889</u>	<u>81,751</u>	<u>4,289</u>	<u>6,158,071</u>
EXPENDITURES:					
Current:					
Community development	79,398	366,950	-	-	3,885,004
Highways and streets	4,880,203	-	-	-	-
Public works	6,261,645	-	-	-	-
Parks and recreation	-	1,172,794	23,116	-	-
Public safety	-	238,928	-	-	-
Capital outlay:					
Community development	57,490	-	-	-	66
Highways and streets	1,946,341	473	-	-	-
Public Works	73,178	-	-	-	-
Parks and recreation	1,199,609	-	282,208	-	-
Public safety	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	1,578
Interest	-	-	-	-	103
Other	-	-	-	-	-
Total expenditures	<u>14,497,864</u>	<u>1,779,145</u>	<u>305,324</u>	<u>-</u>	<u>3,886,751</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,198,981)</u>	<u>(1,613,256)</u>	<u>(223,573)</u>	<u>4,289</u>	<u>2,271,320</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	6,330,832	1,782,019	182,638	-	-
Transfers out	-	(4,358)	(39,407)	-	-
Other financing proceeds - leases and SBITAs	-	-	-	-	18,986
Sale of assets	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,330,832</u>	<u>1,777,661</u>	<u>143,231</u>	<u>-</u>	<u>18,986</u>
CHANGES IN FUND BALANCES FUND BALANCES, JULY 1	2,131,851	164,405	(80,342)	4,289	2,290,306
PRIOR PERIOD ADJUSTMENTS	(4,751,207)	2,684,614	602,001	76,757	23,038,505
FUND BALANCES (DEFICIT), JUNE 30	<u>\$ (2,619,356)</u>	<u>\$ 2,849,019</u>	<u>\$ 521,659</u>	<u>\$ 81,046</u>	<u>\$ 25,426,439</u>

(continued)

City of Modesto
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Fiscal Year Ended June 30, 2024

	Capital Projects			Debt Service	Total
	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital	Public Financing Authority	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 209,236
Licenses and permits	-	-	-	-	250,282
Intergovernmental	-	-	-	1,190,253	11,550,129
Charges for services	-	4,937,812	-	-	6,496,820
Special assessments levied	-	-	-	-	4,976,459
Interest and rent	222,670	1,091,099	-	264,914	2,462,146
Net increase (decrease) in fair value of investments	(235)	562,926	-	-	1,180,292
Fines and forfeits	-	-	-	-	191,948
Miscellaneous	-	16,885	-	-	62,016
Total revenues	222,435	6,608,722	-	1,455,167	27,379,328
EXPENDITURES:					
Current:					
Community development	-	16,066	13,165	-	5,835,158
Highways and streets	-	571,485	4,612,795	-	10,064,483
Public works	-	-	-	-	6,261,645
Parks and recreation	-	868,518	261,233	-	2,445,265
Public safety	-	-	-	-	793,302
Capital outlay:					
Community development	-	-	16,224	-	73,780
Highways and streets	-	2,090,251	406,445	-	4,443,510
Public Works	-	-	-	-	73,178
Parks and recreation	-	100,250	22,892	-	1,604,959
Public safety	-	-	-	-	900,488
Debt service:					
Principal retirement	-	-	-	2,785,000	3,087,473
Interest	-	-	-	1,077,869	1,082,424
Other	-	-	-	54,370	54,370
Total expenditures	-	3,646,570	5,332,754	3,917,239	36,720,035
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	222,435	2,962,152	(5,332,754)	(2,462,072)	(9,340,707)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	5,332,754	2,796,911	16,481,074
Transfers out	-	(2,503,777)	-	-	(2,589,382)
Other financing proceeds - leases and SBITAs	-	-	-	-	857,348
Sale of assets	-	-	-	-	485
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,503,777)	5,332,754	2,796,911	14,749,525
CHANGES IN FUND BALANCES	222,435	458,375	-	334,839	5,408,818
FUND BALANCES, JULY 1	3,153,695	46,733,934	-	5,137,011	82,634,300
PRIOR PERIOD ADJUSTMENTS	-	-	-	-	97,628
FUND BALANCES (DEFICIT), JUNE 30	\$ 3,376,130	\$ 47,192,309	\$ -	\$ 5,471,850	\$ 88,140,746

(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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 60,993	\$ 60,993
Interest and rent	-	-	97,913	97,913
Total revenues	-	-	158,906	158,906
EXPENDITURES:				
Current:				
Parks and recreation	-	126,066	119,604	6,462
Total expenditures	-	126,066	119,604	6,462
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(126,066)	39,302	165,368
OTHER FINANCING USES:				
Transfers out	-	(1,519,314)	(39,302)	1,480,012
CHANGES IN FUND BALANCES	-	(1,645,380)	-	1,645,380
FUND BALANCES, JULY 1	1,775	1,775	1,775	-
FUND BALANCES, JUNE 30	\$ 1,775	\$ (1,643,605)	\$ 1,775	\$ 1,645,380

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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 305,000	\$ 305,000	\$ 308,517	\$ 3,517
Fines and forfeits	170,000	170,000	191,948	21,948
Total revenues	<u>475,000</u>	<u>475,000</u>	<u>500,465</u>	<u>25,465</u>
EXPENDITURES:				
Current:				
Public safety	841,670	1,992,535	1,454,862	537,673
Debt service:				
Principal retirement	-	300,895	300,895	-
Interest	-	4,452	4,452	-
Total expenditures	<u>841,670</u>	<u>2,297,882</u>	<u>1,760,209</u>	<u>537,673</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(366,670)</u>	<u>(1,822,882)</u>	<u>(1,259,744)</u>	<u>563,138</u>
OTHER FINANCING SOURCES:				
Other financing proceeds - SBITA	-	838,362	838,362	-
Sale of assets	-	-	485	485
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>838,362</u>	<u>838,847</u>	<u>485</u>
CHANGES IN FUND BALANCES	<u>(366,670)</u>	<u>(984,520)</u>	<u>(420,897)</u>	<u>563,623</u>
FUND BALANCES, JULY 1	<u>3,671,213</u>	<u>3,671,213</u>	<u>3,671,213</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 3,304,543</u>	<u>\$ 2,686,693</u>	<u>\$ 3,250,316</u>	<u>\$ 563,623</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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 209,000	\$ 209,236	\$ 209,236	\$ -
Special assessments levied	-	839,983	838,281	(1,702)
Total revenues	<u>209,000</u>	<u>1,049,219</u>	<u>1,047,517</u>	<u>(1,702)</u>
EXPENDITURES:				
Current:				
Community development	210,106	1,049,219	1,049,516	(297)
Total expenditures	<u>210,106</u>	<u>1,049,219</u>	<u>1,049,516</u>	<u>(297)</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,106)</u>	<u>-</u>	<u>(1,999)</u>	<u>(1,999)</u>
CHANGES IN FUND BALANCES	(1,106)	-	(1,999)	(1,999)
FUND BALANCES, JULY 1	<u>1,676</u>	<u>1,676</u>	<u>1,676</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 570</u>	<u>\$ 1,676</u>	<u>\$ (323)</u>	<u>\$ (1,999)</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, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 205,185	\$ 190,816	\$ 318,962	\$ 128,146
Interest and rent	-	-	56,442	56,442
Net increase in fair value of investments	-	-	51,547	51,547
Total revenues	<u>205,185</u>	<u>190,816</u>	<u>426,951</u>	<u>236,135</u>
EXPENDITURES:				
Current:				
Community development	1,543,769	3,578,037	159,955	3,418,082
Total expenditures	<u>1,543,769</u>	<u>3,578,037</u>	<u>159,955</u>	<u>3,418,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,338,584)</u>	<u>(3,387,221)</u>	<u>266,996</u>	<u>3,654,217</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	236,201	811,721	55,920	(755,801)
Transfers out	-	-	(2,538)	(2,538)
TOTAL OTHER FINANCING SOURCES	<u>236,201</u>	<u>811,721</u>	<u>53,382</u>	<u>(758,339)</u>
CHANGES IN FUND BALANCES FUND BALANCES, JULY 1	<u>(1,102,383)</u>	<u>(2,575,500)</u>	<u>320,378</u>	<u>2,895,878</u>
FUND BALANCES, JUNE 30	<u>\$ 1,181,943</u>	<u>\$ (291,174)</u>	<u>\$ 2,604,704</u>	<u>\$ 2,895,878</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
Cannabis Special Revenue Fund
Fiscal Year Ended June 30, 2024

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ -	\$ 299,712	\$ 250,282	\$ (49,430)
Total revenues	-	299,712	250,282	(49,430)
EXPENDITURES:				
Current:				
Community development	-	299,697	265,104	34,593
Total expenditures	-	299,697	265,104	34,593
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	15	(14,822)	(14,837)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	794,117	-	(794,117)
CHANGES IN FUND BALANCES	-	794,132	(14,822)	(808,954)
FUND BALANCES, JULY 1	-	-	-	-
FUND BALANCES, JUNE 30	\$ -	\$ 794,132	\$ (14,822)	\$ (808,954)

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

City of Modesto
Description of Nonmajor Enterprise Funds
Fiscal Year Ended June 30, 2024

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, downtown parking garage, as well as in-lieu parking fees, parking citations, adjudication and enforcement programs. 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 Fund
June 30, 2024

<u>ASSETS</u>	<u>Parking</u>	<u>Storm Drain</u>	<u>Compost</u>	<u>Airport</u>
Current assets:				
Cash and cash equivalents	\$ 953,268	\$ 10,186,553	\$ 7,213,607	\$ 3,991,884
Receivables:				
Accounts, net	104,651	5,539	2,354,455	19,902
Interest	834	37,703	35,799	13,302
Taxes	-	-	-	2,212
Utilities, net	-	629,271	776,033	-
Leases	135,564	-	-	123,028
Prepaid expenses	115	143	1,071	1,998
Due from governments	8,224	18,152	152,872	339,225
Inventories	-	-	-	-
Total current assets	<u>1,202,656</u>	<u>10,877,361</u>	<u>10,533,837</u>	<u>4,491,551</u>
Noncurrent assets:				
Advances to other funds	-	-	-	-
Restricted cash and cash equivalents with fiscal agent	-	-	-	-
Leases receivable	4,656,244	-	-	2,373,736
Land and construction in progress	3,131,804	928,317	1,140,000	1,352,142
Other capital assets, net of accumulated depreciation	2,235,812	12,574,059	764,539	7,056,280
Intangible assets right-to-use, net of accumulated amortization	-	17,669	5,250	-
Total noncurrent assets	<u>10,023,860</u>	<u>13,520,045</u>	<u>1,909,789</u>	<u>10,782,158</u>
Total assets	<u>11,226,516</u>	<u>24,397,406</u>	<u>12,443,626</u>	<u>15,273,709</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred OPEB	31,349	23,867	139,410	-
Deferred pensions	294,276	288,550	2,801,621	279,244
Total deferred outflows of resources	<u>325,625</u>	<u>312,417</u>	<u>2,941,031</u>	<u>279,244</u>
Total assets and deferred outflows of resources	<u>11,552,141</u>	<u>24,709,823</u>	<u>15,384,657</u>	<u>15,552,953</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	32,874	92,559	162,446	13,196
Accrued salaries and benefits	24,741	17,785	160,552	13,421
Interest payable	-	-	8,800	-
Current portion - leases and SBITA	-	4,572	1,359	-
Unearned revenue	-	-	42,892	40,000
Total current liabilities	<u>57,615</u>	<u>114,916</u>	<u>376,049</u>	<u>66,617</u>
Noncurrent liabilities:				
Advances from other funds	-	1,324,704	3,129,800	-
Pollution remediation liability	-	-	2,026,319	-
Leases and SBITA payable	-	10,219	3,036	-
Net OPEB liability	121,223	126,390	915,212	-
Net pension liability	1,093,021	1,071,755	10,405,986	1,037,190
Total noncurrent liabilities	<u>1,214,244</u>	<u>2,533,068</u>	<u>16,480,353</u>	<u>1,037,190</u>
Total liabilities	<u>1,271,859</u>	<u>2,647,984</u>	<u>16,856,402</u>	<u>1,103,807</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred OPEB	41,764	33,550	176,063	-
Deferred pensions	2,731	2,677	25,996	2,591
Deferred leases	4,579,547	-	-	2,426,343
Total deferred inflows of resources	<u>4,624,042</u>	<u>36,227</u>	<u>202,059</u>	<u>2,428,934</u>
Total liabilities and deferred inflows of resources	<u>5,895,901</u>	<u>2,684,211</u>	<u>17,058,461</u>	<u>3,532,741</u>
<u>NET POSITION</u>				
Net investment in capital assets	5,367,616	13,505,254	1,905,394	8,408,422
Restricted	-	-	-	-
Unrestricted	<u>288,624</u>	<u>8,520,358</u>	<u>(3,579,198)</u>	<u>3,611,790</u>
Total net position	<u>\$ 5,656,240</u>	<u>\$ 22,025,612</u>	<u>\$ (1,673,804)</u>	<u>\$ 12,020,212</u>

(Continued)

City of Modesto
Combining Statement of Net Position
Nonmajor Enterprise Fund (Continued)
June 30, 2024

	Golf	Community Center	Abatement and Public Nuisance	Total
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 3,672,481	\$ 432,788	\$ 714,700	\$ 27,165,281
Receivables:				
Accounts, net	336,912	122,427	1,086,152	4,030,038
Interest	11,739	-	1,819	101,196
Taxes	-	-	-	2,212
Utilities, net	-	-	-	1,405,304
Leases	63,054	8,379	-	330,025
Prepaid expenses	162,788	384	-	166,499
Due from governments	-	-	-	518,473
Inventories	53,436	-	-	53,436
Total current assets	<u>4,300,410</u>	<u>563,978</u>	<u>1,802,671</u>	<u>33,772,464</u>
Noncurrent assets:				
Advances to other funds	-	-	52,882	52,882
Restricted cash and cash equivalents with fiscal agent	204,607	-	-	204,607
Leases receivable	3,749,414	-	-	10,779,394
Land and construction in progress	1,360,197	3,667,020	-	11,579,480
Other capital assets, net of accumulated depreciation	861,955	2,438,825	-	25,931,470
Intangible assets right-to-use, net of accumulated amortization	297,334	-	-	320,253
Total noncurrent assets	<u>6,473,507</u>	<u>6,105,845</u>	<u>52,882</u>	<u>48,868,086</u>
Total assets	<u>10,773,917</u>	<u>6,669,823</u>	<u>1,855,553</u>	<u>82,640,550</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred OPEB	-	21,671	-	216,297
Deferred pensions	-	258,555	-	3,922,246
Total deferred outflows of resources	<u>-</u>	<u>280,226</u>	<u>-</u>	<u>4,138,543</u>
Total assets and deferred outflows of resources	<u>10,773,917</u>	<u>6,950,049</u>	<u>1,855,553</u>	<u>86,779,093</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	148,299	32,770	73,659	555,803
Accrued salaries and benefits	32,687	28,017	-	277,203
Interest payable	-	-	-	8,800
Current portion - leases and SBITA	51,480	-	-	57,411
Unearned revenue	869,523	-	100	952,515
Total current liabilities	<u>1,101,989</u>	<u>60,787</u>	<u>73,759</u>	<u>1,851,732</u>
Noncurrent liabilities:				
Advances from other funds	-	-	-	4,454,504
Pollution remediation liability	-	-	-	2,026,319
Leases and SBITA payable	284,935	-	-	298,190
Net OPEB liability	-	115,965	-	1,278,790
Net pension liability	-	960,344	-	14,568,296
Total noncurrent liabilities	<u>284,935</u>	<u>1,076,309</u>	<u>-</u>	<u>22,626,099</u>
Total liabilities	<u>1,386,924</u>	<u>1,137,096</u>	<u>73,759</u>	<u>24,477,831</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred OPEB	-	24,691	-	276,068
Deferred pensions	-	2,399	-	36,394
Deferred leases	3,560,335	1,618	-	10,567,843
Total deferred inflows of resources	<u>3,560,335</u>	<u>28,708</u>	<u>-</u>	<u>10,880,305</u>
Total liabilities and deferred inflows of resources	<u>4,947,259</u>	<u>1,165,804</u>	<u>73,759</u>	<u>35,358,136</u>
<u>NET POSITION</u>				
Net investment in capital assets	2,183,071	6,105,845	-	37,475,602
Restricted	204,607	-	-	204,607
Unrestricted	3,438,980	(321,600)	1,781,794	13,740,748
Total net position	<u>\$ 5,826,658</u>	<u>\$ 5,784,245</u>	<u>\$ 1,781,794</u>	<u>\$ 51,420,957</u>

(Concluded)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
Fiscal Year Ended June 30, 2024

	<u>Parking</u>	<u>Storm Drain</u>	<u>Compost</u>	<u>Airport</u>
OPERATING REVENUES:				
Charges for services	\$ 1,216,747	\$ 6,274,159	\$ 16,640,925	\$ 948,663
Miscellaneous	350,517	1,874	292,957	13,023
Total operating revenues	<u>1,567,264</u>	<u>6,276,033</u>	<u>16,933,882</u>	<u>961,686</u>
OPERATING EXPENSES:				
Salaries and wages	623,428	337,788	4,395,920	390,866
Contractual services	291,145	769,063	3,069,691	148,817
Utilities	153,315	37,360	34,463	111,233
Maintenance and supplies	139,182	2,332,343	2,676,863	117,214
Insurance	131,151	11,378	474,076	50,941
Employee benefits	297,203	340,216	2,771,736	188,941
Administration services	478,832	2,701,871	676,398	46,310
Allocated indirect administrative costs	43,350	130,482	351,705	28,739
Depreciation	385,571	443,440	54,823	656,160
Total operating expenses	<u>2,543,177</u>	<u>7,103,941</u>	<u>14,505,675</u>	<u>1,739,221</u>
OPERATING INCOME (LOSS)	<u>(975,913)</u>	<u>(827,908)</u>	<u>2,428,207</u>	<u>(777,535)</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	-	-	256,785	339,225
Gain (loss) on disposition of capital assets	-	58,100	43,985	-
Tax revenue	-	-	-	359,122
Tax expense	(31)	-	-	(2,001)
Interest income	73,322	240,540	159,447	117,465
Net increase (decrease) in fair value of investments	(2,353)	233,301	131,095	67,578
Rental income	157,051	-	-	319,847
Settlements and recoveries	-	-	-	-
Interest expense and amortization	-	(440)	(131)	-
Trustee and letter of credit fees	-	-	-	-
Total nonoperating revenues	<u>227,989</u>	<u>531,501</u>	<u>591,181</u>	<u>1,201,236</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(747,924)</u>	<u>(296,407)</u>	<u>3,019,388</u>	<u>423,701</u>
Capital contributions	-	-	(57,568)	-
Transfers in	1,027,084	700,000	-	-
Transfers out	-	(1,386,780)	(749,482)	-
Total capital contributions and transfers	<u>1,027,084</u>	<u>(686,780)</u>	<u>(807,050)</u>	<u>-</u>
CHANGES IN NET POSITION	279,160	(983,187)	2,212,338	423,701
NET POSITION (DEFICIT), JULY 1, AS PREVIOUSLY REPORTED	5,377,080	23,008,799	(3,886,142)	11,596,511
PRIOR PERIOD ADJUSTMENTS	-	-	-	-
NET POSITION (DEFICIT), JULY 1, AS RESTATED	<u>5,377,080</u>	<u>23,008,799</u>	<u>(3,886,142)</u>	<u>11,596,511</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 5,656,240</u>	<u>\$ 22,025,612</u>	<u>\$ (1,673,804)</u>	<u>\$ 12,020,212</u>

(Continued)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2024

	Golf	Community Center	Abatement and Public Nuisance	Total
OPERATING REVENUES:				
Charges for services	\$ 3,162,078	\$ 274,052	\$ 247,697	\$ 28,764,321
Miscellaneous	-	3,130	-	661,501
Total operating revenues	<u>3,162,078</u>	<u>277,182</u>	<u>247,697</u>	<u>29,425,822</u>
OPERATING EXPENSES:				
Salaries and wages	-	738,881	-	6,486,883
Contractual services	2,561,002	274,082	115,752	7,229,552
Utilities	50,189	267,243	-	653,803
Maintenance and supplies	296,539	280,637	-	5,842,778
Insurance	38,804	52,249	-	758,599
Employee benefits	-	272,855	-	3,870,951
Administration services	273,646	65,618	262,265	4,504,940
Allocated indirect administrative costs	50,008	-	-	604,284
Depreciation	99,205	57,184	-	1,696,383
Total operating expenses	<u>3,369,393</u>	<u>2,008,749</u>	<u>378,017</u>	<u>31,648,173</u>
OPERATING INCOME (LOSS)	<u>(207,315)</u>	<u>(1,731,567)</u>	<u>(130,320)</u>	<u>(2,222,351)</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	-	-	-	596,010
Gain (loss) on disposition of capital assets	(5,447)	15,295	-	111,933
Tax revenue	-	-	-	359,122
Tax expense	-	-	-	(2,032)
Interest income	15,567	249	10,790	617,380
Net increase (decrease) in fair value of investments	(4,188)	-	9,815	435,248
Rental income	132,212	592,022	-	1,201,132
Settlements and recoveries	3,620,125	-	-	3,620,125
Interest expense and amortization	(33,210)	-	-	(33,781)
Trustee and letter of credit fees	(2,954)	-	-	(2,954)
Total nonoperating revenues	<u>3,722,105</u>	<u>607,566</u>	<u>20,605</u>	<u>6,902,183</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>3,514,790</u>	<u>(1,124,001)</u>	<u>(109,715)</u>	<u>4,679,832</u>
Capital contributions	-	-	-	(57,568)
Transfers in	366,791	460,377	2,538	2,556,790
Transfers out	-	(39,245)	-	(2,175,507)
Total capital contributions and transfers	<u>366,791</u>	<u>421,132</u>	<u>2,538</u>	<u>323,715</u>
CHANGES IN NET POSITION	<u>3,881,581</u>	<u>(702,869)</u>	<u>(107,177)</u>	<u>5,003,547</u>
NET POSITION (DEFICIT), JULY 1, AS PREVIOUSLY REPORTED	<u>1,945,077</u>	<u>6,487,114</u>	<u>1,854,067</u>	<u>46,382,506</u>
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>34,904</u>	<u>34,904</u>
NET POSITION (DEFICIT), JULY 1, AS RESTATED	<u>1,945,077</u>	<u>6,487,114</u>	<u>1,888,971</u>	<u>46,417,410</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 5,826,658</u>	<u>\$ 5,784,245</u>	<u>\$ 1,781,794</u>	<u>\$ 51,420,957</u>

(Concluded)

City of Modesto
Combining Statement of Cash Flow
Nonmajor Enterprise Funds
Fiscal Year Ended June 30, 2024

	Parking	Storm Drain	Compost	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 1,543,331	\$ 6,240,976	\$ 16,644,053	\$ 976,630
Payments to suppliers	(1,117,798)	(6,141,819)	(6,697,349)	(555,461)
Payments to employees	(874,325)	(649,528)	(6,706,587)	(607,085)
Net cash provided by (used in) operating activities	<u>(448,792)</u>	<u>(550,371)</u>	<u>3,240,117</u>	<u>(185,916)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	-	-	256,785	339,225
Taxes received	-	-	-	359,122
Transfers in	1,027,084	700,000	-	-
Transfers out	-	(1,386,780)	(749,482)	-
Advances from/to other funds	-	-	(654,200)	-
Settlements and recoveries	-	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>1,027,084</u>	<u>(686,780)</u>	<u>(1,146,897)</u>	<u>698,347</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Advances from/to other funds	-	-	-	-
Acquisition and construction of capital assets	-	-	-	-
Proceeds from sale of capital assets	-	58,101	52,177	-
Principal (repayments) collection	(157,051)	(4,240)	(1,259)	115,907
Interest (paid) received	(347)	(440)	4,923	-
Trustee fees	-	-	-	-
Capital contributions	-	-	(57,568)	-
Net cash provided by (used in) capital and related financing activities	<u>(157,398)</u>	<u>53,421</u>	<u>(1,727)</u>	<u>115,907</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	73,057	230,688	142,769	111,873
Net increase (decrease) in the fair value of investments	(2,353)	233,301	131,095	67,578
Rental income received	290,599	-	-	168,383
Net cash provided by investing activities	<u>361,303</u>	<u>463,989</u>	<u>273,864</u>	<u>347,834</u>
Net increase (decrease) in cash and cash equivalents	782,197	(719,741)	2,365,357	976,172
CASH AND CASH EQUIVALENTS, JULY 1	171,071	10,906,294	4,848,250	3,015,712
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 953,268</u>	<u>\$ 10,186,553</u>	<u>\$ 7,213,607</u>	<u>\$ 3,991,884</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 953,268	\$ 10,186,553	\$ 7,213,607	\$ 3,991,884
Restricted cash and cash equivalents with fiscal agent	-	-	-	-
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 953,268</u>	<u>\$ 10,186,553</u>	<u>\$ 7,213,607</u>	<u>\$ 3,991,884</u>

(Continued)

City of Modesto
Combining Statement of Cash Flow
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2024

	Golf	Community Center	Abatement and Public Nuisance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 4,357,117	\$ 236,287	\$ 461,972	\$ 30,460,366
Payments to suppliers	(3,208,917)	(498,453)	(304,258)	(18,524,055)
Payments to employees	-	(975,268)	-	(9,812,793)
Net cash provided by (used in) operating activities	<u>1,148,200</u>	<u>(1,237,434)</u>	<u>157,714</u>	<u>2,123,518</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	-	-	-	596,010
Taxes received	-	-	-	359,122
Transfers in	366,791	460,377	2,538	2,556,790
Transfers out	-	(39,245)	-	(2,175,507)
Advances from/to other funds	-	-	-	(654,200)
Settlements and recoveries	3,620,125	-	-	3,620,125
Net cash provided by (used in) noncapital financing activities	<u>3,986,916</u>	<u>421,132</u>	<u>2,538</u>	<u>4,302,340</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Advances from/to other funds	-	-	52,879	52,879
Acquisition and construction of capital assets	(614,379)	-	-	(614,379)
Proceeds from sale of capital assets	-	15,296	-	125,574
Principal (repayments) collection	(1,346,463)	(2,773)	-	(1,395,879)
Interest (paid) received	(38,751)	-	-	(34,615)
Trustee fees	(2,954)	-	-	(2,954)
Capital contributions	-	-	-	(57,568)
Net cash provided by (used in) capital and related financing activities	<u>(2,002,547)</u>	<u>12,523</u>	<u>52,879</u>	<u>(1,926,942)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	3,828	249	10,170	572,634
Net increase (decrease) in the fair value of investments	(4,188)	-	9,815	435,248
Rental income received	132,212	600,278	-	1,191,472
Net cash provided by investing activities	<u>131,852</u>	<u>600,527</u>	<u>19,985</u>	<u>2,199,354</u>
Net increase (decrease) in cash and cash equivalents	3,264,421	(203,252)	233,116	6,698,270
CASH AND CASH EQUIVALENTS, JULY 1	612,667	636,040	481,584	20,671,618
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 3,877,088</u>	<u>\$ 432,788</u>	<u>\$ 714,700</u>	<u>\$ 27,369,888</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ 3,672,481	\$ 432,788	\$ 714,700	\$ 27,165,281
Restricted cash and cash equivalents with fiscal agent	204,607	-	-	204,607
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 3,877,088</u>	<u>\$ 432,788</u>	<u>\$ 714,700</u>	<u>\$ 27,369,888</u>

(Concluded)

City of Modesto
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2024

	Parking	Storm Drain	Compost	Airport
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (975,913)	\$ (827,908)	\$ 2,428,207	\$ (777,535)
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
Depreciation	385,571	443,440	54,823	656,160
Taxes paid	(31)	-	-	(2,001)
Prior year adjustment	-	-	-	-
Change in assets, liabilities, and deferred resources:				
(Increase) decrease:				
Accounts receivable	(23,933)	(4,332)	(242,671)	15,267
Taxes receivable	-	-	-	(323)
Utilities receivable	-	(30,725)	(47,158)	-
Leases receivable				
Due from other governments	93,026	-	(87,103)	(75,046)
Inventories	-	-	-	-
Prepaid expenses	58	(143)	1,864	(1,883)
Deferred outflows of resources - OPEB	2,391	6,635	21,050	-
Deferred outflows of resources - pensions	22,301	32,253	232,562	54,822
Increase (decrease):				
Accounts payable	26,599	(159,089)	(284,968)	(7,364)
Accrued salaries and benefits	(475)	(90)	(6,419)	(5,913)
Unearned revenue	-	-	42,892	40,000
Net OPEB liability	1,397	(2,483)	(4,791)	-
Net pension liability	34,654	(742)	262,221	(79,646)
Deferred inflows of resources - OPEB	(12,387)	(5,019)	(30,146)	-
Deferred inflows of resources - pensions	(2,050)	(2,168)	(19,827)	(2,454)
Pollution remediation	-	-	919,581	-
Total adjustments	527,121	277,537	811,910	591,619
Net cash provided (used in) by operating activities	\$ (448,792)	\$ (550,371)	\$ 3,240,117	\$ (185,916)

(Continued)

City of Modesto
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2024

	Golf	Community Center	Abatement and Public Nuisance	Total
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (207,315)	\$ (1,731,567)	\$ (130,320)	\$ (2,222,351)
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
net cash provided (used in) by operating activities:				
Depreciation	99,205	57,184	-	1,696,383
Taxes paid	-	-	-	(2,032)
Prior year adjustment	-	-	34,904	34,904
Change in assets, liabilities, and deferred resources:				
(Increase) decrease:				
Accounts receivable	19,068	(40,895)	179,371	(98,125)
Taxes receivable	-	-	-	(323)
Utilities receivable	-	-	-	(77,883)
Leases receivable	1,175,971	-	-	1,175,971
Due from other governments	-	463,291	-	394,168
Inventories	803	-	-	803
Prepaid expenses	(8,124)	(108)	-	(8,336)
Deferred outflows of resources - OPEB	-	1,208	-	31,284
Deferred outflows of resources - pensions	-	22,637	-	364,575
Increase (decrease):				
Accounts payable	50,539	(25,227)	73,659	(325,851)
Accrued salaries and benefits	5,626	3,420	-	(3,851)
Unearned revenue	12,427	-	100	95,419
Net OPEB liability	-	775	-	(5,102)
Net pension liability	-	20,274	-	236,761
Deferred inflows of resources - OPEB	-	(6,578)	-	(54,130)
Deferred inflows of resources - pensions	-	(1,848)	-	(28,347)
Pollution remediation	-	-	-	919,581
Total adjustments	<u>1,355,515</u>	<u>494,133</u>	<u>288,034</u>	<u>4,345,869</u>
Net cash provided (used in) by operating activities	<u>\$ 1,148,200</u>	<u>\$ (1,237,434)</u>	<u>\$ 157,714</u>	<u>\$ 2,123,518</u>

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City of Modesto
Description of Internal Service Funds
Fiscal Year Ended June 30, 2024

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 Fund
June 30, 2024

	Fleet Management	Central Services	Information and Technology Services	Insurance
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 4,442,181	\$ 13,426,789
Receivables:				
Accounts	463	-	-	4,768,587
Interest	-	186	16,005	55,419
Leases	-	-	-	-
Prepaid expenses	3,813	2,070	961,241	1,642,771
Due from governments	2,668,134	-	-	-
Inventories	3,266,164	3,361,656	-	-
Total current assets	<u>5,938,574</u>	<u>3,363,912</u>	<u>5,419,427</u>	<u>19,893,566</u>
Noncurrent assets:				
Restricted assets - cash and cash equivalents	-	-	-	994,769
Restricted assets - cash from fiscal agent	-	-	-	603,308
Leases receivable	-	-	-	-
Land and construction in progress	4,338,653	-	15,542	-
Other capital assets, net of accumulated depreciation	33,803,025	-	2,915,855	-
Intangible assets right-to-use, net of accumulated amortization	-	-	2,310,684	-
Total noncurrent assets	<u>38,141,678</u>	<u>-</u>	<u>5,242,081</u>	<u>1,598,077</u>
Total assets	<u>44,080,252</u>	<u>3,363,912</u>	<u>10,661,508</u>	<u>21,491,643</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred OPEB	70,907	-	162,914	-
Deferred pensions	2,272,034	319,719	2,279,112	263,147
Total deferred outflows of resources	<u>2,342,941</u>	<u>319,719</u>	<u>2,442,026</u>	<u>263,147</u>
Total assets and deferred outflows of resources	<u>46,423,193</u>	<u>3,683,631</u>	<u>13,103,534</u>	<u>21,754,790</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	1,095,959	248,356	156,497	4,904,335
Accrued salaries and benefits	114,015	23,255	130,045	19,793
Interest payable	19,832	-	-	10,805
Due to other funds	435,590	2,722,378	-	-
Unearned revenue	-	-	-	41,559
Current portion - compensated absences	-	-	-	-
Current portion - claims liability	-	-	-	7,290,622
Current portion - leases and SBITA	-	-	955,275	-
Total current liabilities	<u>1,665,396</u>	<u>2,993,989</u>	<u>1,241,817</u>	<u>12,267,114</u>
Noncurrent liabilities:				
Compensated absences	-	-	-	-
Claims liability	-	-	-	21,169,617
Leases and SBITA	-	-	407,199	-
Net OPEB liability	466,508	-	600,454	-
Net pension liability	8,438,956	1,187,523	8,465,248	977,402
Total noncurrent liabilities	<u>8,905,464</u>	<u>1,187,523</u>	<u>9,472,901</u>	<u>22,147,019</u>
Total liabilities	<u>10,570,860</u>	<u>4,181,512</u>	<u>10,714,718</u>	<u>34,414,133</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred OPEB	132,438	-	260,327	-
Deferred pensions	21,082	2,966	21,148	2,442
Deferred leases	-	-	-	-
Total deferred inflows of resources	<u>153,520</u>	<u>2,966</u>	<u>281,475</u>	<u>2,442</u>
Total liabilities and deferred inflows of resources	<u>10,724,380</u>	<u>4,184,478</u>	<u>10,996,193</u>	<u>34,416,575</u>
<u>NET POSITION</u>				
Net investment in capital assets	38,141,678	-	1,568,923	-
Restricted	-	-	-	1,598,077
Unrestricted	<u>(2,442,865)</u>	<u>(500,847)</u>	<u>538,418</u>	<u>(14,259,862)</u>
Total net position	<u>\$ 35,698,813</u>	<u>\$ (500,847)</u>	<u>\$ 2,107,341</u>	<u>\$ (12,661,785)</u>

(Continued)

City of Modesto
Combining Statement of Net Position
Internal Service Fund (Continued)
June 30, 2024

	<u>Employee Benefits Management</u>	<u>Building Services</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 15,000	\$ 1,937,220	\$ 19,821,190
Receivables:			
Accounts	-	2,275	4,771,325
Interest	27,285	6,898	105,793
Leases	-	5,407	5,407
Prepaid expenses	-	-	2,609,895
Due from governments	-	71,847	2,739,981
Inventories	-	-	6,627,820
Total current assets	<u>42,285</u>	<u>2,023,647</u>	<u>36,681,411</u>
Noncurrent assets:			
Restricted assets - cash and cash equivalents	6,890,053	-	7,884,822
Restricted assets - cash from fiscal agent	-	-	603,308
Leases receivable	-	16,714	16,714
Land and construction in progress	-	2,115,215	6,469,410
Other capital assets, net of accumulated depreciation	-	2,060,095	38,778,975
Intangible assets right-to-use, net of accumulated amortization	-	-	2,310,684
Total noncurrent assets	<u>6,890,053</u>	<u>4,192,024</u>	<u>56,063,913</u>
Total assets	<u>6,932,338</u>	<u>6,215,671</u>	<u>92,745,324</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	-	-	233,821
Deferred pensions	96,056	400,883	5,630,951
Total deferred outflows of resources	<u>96,056</u>	<u>400,883</u>	<u>5,864,772</u>
Total assets and deferred outflows of resources	<u>7,028,394</u>	<u>6,616,554</u>	<u>98,610,096</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	16,566	55,467	6,477,180
Accrued salaries and benefits	9,269	23,745	320,122
Interest payable	-	-	30,637
Due to other funds	-	-	3,157,968
Unearned revenue	-	-	41,559
Current portion - compensated absences	872,970	-	872,970
Current portion - claims liability	-	-	7,290,622
Current portion - leases and SBITA	-	-	955,275
Total current liabilities	<u>898,805</u>	<u>79,212</u>	<u>19,146,333</u>
Noncurrent liabilities:			
Compensated absences	12,815,208	-	12,815,208
Claims liability	-	-	21,169,617
Leases and SBITA	-	-	407,199
Net OPEB liability	-	-	1,066,962
Net pension liability	356,780	1,488,990	20,914,899
Total noncurrent liabilities	<u>13,171,988</u>	<u>1,488,990</u>	<u>56,373,885</u>
Total liabilities	<u>14,070,793</u>	<u>1,568,202</u>	<u>75,520,218</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	-	-	392,765
Deferred pensions	891	3,720	52,249
Deferred leases	-	21,174	21,174
Total deferred inflows of resources	<u>891</u>	<u>24,894</u>	<u>466,188</u>
Total liabilities and deferred inflows of resources	<u>14,071,684</u>	<u>1,593,096</u>	<u>75,986,406</u>
<u>NET POSITION</u>			
Net investment in capital assets	-	4,175,310	43,885,911
Restricted	6,890,053	-	8,488,130
Unrestricted	<u>(13,933,343)</u>	<u>848,148</u>	<u>(29,750,351)</u>
Total net position	<u>\$ (7,043,290)</u>	<u>\$ 5,023,458</u>	<u>\$ 22,623,690</u>

(Concluded)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
Fiscal Year Ended June 30, 2024

	Fleet Management	Central Services	Information and Technology Services	Insurance
OPERATING REVENUES:				
Charges for services	\$ 20,867,391	\$ 7,112,447	\$ 10,014,802	\$ 38,737,862
Miscellaneous	29,645	9	-	67,377
Total operating revenues	<u>20,897,036</u>	<u>7,112,456</u>	<u>10,014,802</u>	<u>38,805,239</u>
OPERATING EXPENSES:				
Salaries and wages	3,365,808	373,217	3,275,541	350,278
Cost of goods sold	-	5,839,850	-	-
Contractual services	939,510	158,167	556,359	1,911,591
Utilities	174,113	-	139,918	876
Maintenance and supplies	11,714,574	154,139	1,682,241	126,525
Insurance	339,856	13,166	95,477	25,779,210
Claims	-	-	-	11,507,309
Employee benefits	3,382,002	355,296	1,668,687	167,460
Administration services	466,061	228,041	6,914	152,375
Allocated indirect administrative costs	406,949	-	-	-
Depreciation	3,600,148	-	1,775,997	-
Total operating expenses	<u>24,389,021</u>	<u>7,121,876</u>	<u>9,201,134</u>	<u>39,995,624</u>
OPERATING INCOME (LOSS)	<u>(3,491,985)</u>	<u>(9,420)</u>	<u>813,668</u>	<u>(1,190,385)</u>
NONOPERATING REVENUES (EXPENSES):				
Loss on disposition of capital assets	(28,779)	-	-	-
Interest income	(120,921)	1,185	107,776	257,902
Net increase (decrease) in fair value of investments	(36,736)	1,411	106,804	246,623
Rental income	36,000	-	-	-
Interest expense and amortization	-	-	(60,974)	-
Total nonoperating revenues (expenses)	<u>(150,436)</u>	<u>2,596</u>	<u>153,606</u>	<u>504,525</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	<u>(3,642,421)</u>	<u>(6,824)</u>	<u>967,274</u>	<u>(685,860)</u>
Capital contributions	1,443,506	-	-	-
Transfers in	4,363,890	-	395,304	-
Transfers out	-	-	(142,313)	-
Total contributions and transfers	<u>5,807,396</u>	<u>-</u>	<u>252,991</u>	<u>-</u>
CHANGES IN NET POSITION	2,164,975	(6,824)	1,220,265	(685,860)
NET POSITION (DEFICIT), JULY 1	<u>33,533,838</u>	<u>(494,023)</u>	<u>887,076</u>	<u>(11,975,925)</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ 35,698,813</u>	<u>\$ (500,847)</u>	<u>\$ 2,107,341</u>	<u>\$ (12,661,785)</u>

(Continued)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2024

	Employee Benefits Management	Building Services	Total
OPERATING REVENUES:			
Charges for services	\$ 35,552,141	\$ 3,983,395	\$ 116,268,038
Miscellaneous	1,561	23,274	121,866
Total operating revenues	<u>35,553,702</u>	<u>4,006,669</u>	<u>116,389,904</u>
OPERATING EXPENSES:			
Salaries and wages	3,005,589	559,828	10,930,261
Cost of goods sold	-	-	5,839,850
Contractual services	236,876	1,788,474	5,590,977
Utilities	1,767	248,379	565,053
Maintenance and supplies	22,357	924,831	14,624,667
Insurance	3,520	28,157	26,259,386
Claims	4,498	-	11,511,807
Employee benefits	33,477,717	298,109	39,349,271
Administration services	306,360	95,304	1,255,055
Allocated indirect administrative costs	-	-	406,949
Depreciation	-	277,338	5,653,483
Total operating expenses	<u>37,058,684</u>	<u>4,220,420</u>	<u>121,986,759</u>
OPERATING INCOME (LOSS)	<u>(1,504,982)</u>	<u>(213,751)</u>	<u>(5,596,855)</u>
NONOPERATING REVENUES (EXPENSES):			
Loss on disposition of capital assets	-	-	(28,779)
Interest income	173,892	45,004	464,838
Net increase (decrease) in fair value of investments	157,226	40,795	516,123
Rental income	-	5,406	41,406
Interest expense and amortization	-	-	(60,974)
Total nonoperating revenues (expenses)	<u>331,118</u>	<u>91,205</u>	<u>932,614</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(1,173,864)</u>	<u>(122,546)</u>	<u>(4,664,241)</u>
Capital contributions	-	-	1,443,506
Transfers in	-	-	4,759,194
Transfers out	-	-	(142,313)
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>6,060,387</u>
CHANGES IN NET POSITION	<u>(1,173,864)</u>	<u>(122,546)</u>	<u>1,396,146</u>
NET POSITION (DEFICIT), JULY 1	<u>(5,869,426)</u>	<u>5,146,004</u>	<u>21,227,544</u>
NET POSITION (DEFICIT), JUNE 30	<u>\$ (7,043,290)</u>	<u>\$ 5,023,458</u>	<u>\$ 22,623,690</u>

(Concluded)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2024

	Fleet Management	Central Services	Information and Technology Services	Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 20,908,198	\$ 7,112,456	\$ 10,014,802	\$ 34,152,536
Payments to suppliers	(15,868,627)	(6,474,963)	(3,773,846)	(34,722,640)
Payments to employees	(5,083,489)	(640,187)	(4,835,625)	(624,961)
Net cash provided by (used in) operating activities	<u>(43,918)</u>	<u>(2,694)</u>	<u>1,405,331</u>	<u>(1,195,065)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	4,363,890	-	395,304	-
Transfers out	-	-	(142,313)	-
Net cash provided by (used in) noncapital financing activities	<u>4,363,890</u>	<u>-</u>	<u>252,991</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(7,473,242)	-	(1,180,224)	-
Loss from sale of capital assets	(28,779)	-	-	-
Capital contributions received	1,443,506	-	-	-
Principal repayments of long-term debts	-	-	(968,707)	-
Interest paid	-	-	(60,974)	-
Capital grants received	-	-	-	-
Net cash used in capital and related financing activities	<u>(6,058,515)</u>	<u>-</u>	<u>(2,209,905)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received (paid)	(117,767)	1,283	104,374	247,171
Net increase (decrease) in the fair value of investments	(36,736)	1,411	106,804	246,623
Rental income received (paid)	36,000	-	-	-
Net cash provided by (used in) investing activities	<u>(118,503)</u>	<u>2,694</u>	<u>211,178</u>	<u>493,794</u>
Net increase (decrease) in cash and cash equivalents	(1,857,046)	-	(340,405)	(701,271)
CASH AND CASH EQUIVALENTS, JULY 1	<u>1,857,046</u>	<u>-</u>	<u>4,782,586</u>	<u>15,726,137</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,442,181</u>	<u>\$ 15,024,866</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and cash equivalents	\$ -	\$ -	\$ 4,442,181	\$ 13,426,789
Restricted cash and cash equivalents	-	-	-	994,769
Restricted cash and cash equivalents with fiscal agent	-	-	-	603,308
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,442,181</u>	<u>\$ 15,024,866</u>

(Continued)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2024

	Employee Benefits Management	Building Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 35,553,702	\$ 4,028,118	\$ 111,769,812
Payments to suppliers	(590,376)	(3,216,082)	(64,646,534)
Payments to employees	(34,688,382)	(904,318)	(46,776,962)
Net cash provided by (used in) operating activities	274,944	(92,282)	346,316
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	4,759,194
Transfers out	-	-	(142,313)
Net cash provided by (used in) noncapital financing activities	-	-	4,616,881
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	-	(8,653,466)
Loss from sale of capital assets	-	-	(28,779)
Capital contributions received	-	-	1,443,506
Principal repayments of long-term debts	-	-	(968,707)
Interest paid	-	-	(60,974)
Capital grants received	-	-	-
Net cash used in capital and related financing activities	-	-	(8,268,420)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received (paid)	163,357	43,457	441,875
Net increase (decrease) in the fair value of investments	157,226	40,795	516,123
Rental income received (paid)	-	(16,715)	19,285
Net cash provided by (used in) investing activities	320,583	67,537	977,283
Net increase (decrease) in cash and cash equivalents	595,527	(24,745)	(2,327,940)
CASH AND CASH EQUIVALENTS, JULY 1	6,309,526	1,961,965	30,637,260
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 6,905,053	\$ 1,937,220	\$ 28,309,320
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash and cash equivalents	\$ 15,000	\$ 1,937,220	\$ 19,821,190
Restricted cash and cash equivalents	6,890,053	-	7,884,822
Restricted cash and cash equivalents with fiscal agent	-	-	603,308
TOTAL CASH AND CASH EQUIVALENTS	\$ 6,905,053	\$ 1,937,220	\$ 28,309,320

(Concluded)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2024

	Fleet Management	Central Services	Information and Technology Services	Insurance
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (3,491,985)	\$ (9,420)	\$ 813,668	\$ (1,190,385)
Adjustments to reconcile operating income (loss) to				
net cash provided by/(used in) operating activities:				
Depreciation	3,600,148	-	1,775,997	-
(Increase) decrease in:				
Accounts receivable	11,162	-	-	(4,652,703)
Due from governments	(1,204,949)	-	-	-
Prepaid expenses	(1,410)	(1,944)	(956,119)	(449,768)
Inventories	(926,936)	(1,369,509)	-	-
Deferred outflows of resources - OPEB	10,371	-	43,192	-
Deferred outflows of resources - pensions	(362,804)	12,069	298,669	86,229
Increase (decrease) in:				
Accounts payable	(145,216)	29,475	(328,435)	3,769,093
Accrued salaries and benefits	(4,475)	5,637	(8,383)	2,052
Interest payable	19,832	-	-	10,805
Due to other funds	435,590	1,254,741	-	-
Compensated absences	-	-	-	-
OPEB liability	1,615	-	(12,299)	-
Net pension liability	2,056,091	78,302	(152,689)	(190,618)
Deferred inflows of resources - OPEB	(33,201)	-	(50,489)	-
Deferred inflows of resources - pensions	(7,751)	(2,045)	(17,781)	(2,834)
Deferred inflows of resources - leases				
Unearned revenue	-	-	-	1,739
Claims liability	-	-	-	1,421,325
Total adjustments	3,448,067	6,726	591,663	(4,680)
Net cash provided (used) by operating activities	\$ (43,918)	\$ (2,694)	\$ 1,405,331	\$ (1,195,065)

(Continued)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2024

	<u>Employee Benefits Management</u>	<u>Building Services</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,504,982)	\$ (213,751)	\$ (5,596,855)
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:			
Depreciation	-	277,338	5,653,483
(Increase) decrease in:			
Accounts receivable	-	276	(4,641,265)
Due from governments	-	6,683	(1,198,266)
Prepaid expenses	1,873	-	(1,407,368)
Inventories	-	-	(2,296,445)
Deferred outflows of resources - OPEB	-	7,967	61,530
Deferred outflows of resources - pensions	3,898	59,948	98,009
Increase (decrease) in:			
Accounts payable	(19,103)	(135,318)	3,170,496
Accrued salaries and benefits	2,232	(2,303)	(5,240)
Interest payable	-	-	30,637
Due to other funds	-	-	1,690,331
Compensated absences	1,769,025	-	1,769,025
OPEB liability	-	(42,135)	(52,819)
Net pension liability	22,619	(51,644)	1,762,061
Deferred inflows of resources - OPEB	-	(17,277)	(100,967)
Deferred inflows of resources - pensions	(618)	(3,240)	(34,269)
Deferred inflows of resources - leases	-	21,174	21,174
Unearned revenue	-	-	1,739
Claims liability	-	-	1,421,325
Total adjustments	<u>1,779,926</u>	<u>121,469</u>	<u>5,943,171</u>
Net cash provided (used) by operating activities	<u>\$ 274,944</u>	<u>\$ (92,282)</u>	<u>\$ 346,316</u>

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City of Modesto
Description of Private Purpose Trust Funds and Investment Trust Funds
Fiscal Year Ended June 30, 2024

Private Purpose Trust Funds account 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, 2024

	<u>Redevelopment Successor Agency</u>	<u>Special Districts</u>	<u>Total Private Purpose Trust Funds</u>
ASSETS			
Cash and cash equivalents	\$ 291,071	\$ 1,610,321	\$ 1,901,392
Cash and cash equivalents held with fiscal agent	-	3,192,168	3,192,168
Interest receivable	2,369	3,860	6,229
Taxes receivable	742,545	72,771	815,316
Assessments receivable	-	25,770,000	25,770,000
Prepays	54	714	768
Due from primary governments	-	24,223	24,223
Total assets	<u>1,036,039</u>	<u>30,674,057</u>	<u>31,710,096</u>
Deferred outflows of resources:			
Loss on refunding	<u>-</u>	<u>835,585</u>	<u>835,585</u>
Total assets and deferred outflows of resources	<u>1,036,039</u>	<u>31,509,642</u>	<u>32,545,681</u>
LIABILITIES			
Accounts payables and other liabilities	8,422	985	9,407
Unearned revenues	-	651,931	651,931
Due to local governments	1,192,004	-	1,192,004
Interest payable	-	382,310	382,310
Long-term liabilities:			
Due within one year	867,100	1,281,659	2,148,759
Due in more than one year	10,843,550	25,299,360	36,142,910
Total liabilities	<u>12,911,076</u>	<u>27,616,245</u>	<u>40,527,321</u>
NET POSITION			
Restricted	-	3,893,397	3,893,397
Unrestricted	(11,875,037)	-	(11,875,037)
Total net position (deficit)	<u>\$ (11,875,037)</u>	<u>\$ 3,893,397</u>	<u>\$ (7,981,640)</u>

City of Modesto
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Private Purpose Trust Funds
Fiscal Year Ended June 30, 2024

	<u>Redevelopment Successor Agency</u>	<u>Special Districts</u>	<u>Total Private Purpose Trust Funds</u>
ADDITIONS:			
Collections on behalf of other governments:			
Special assessments	\$ -	\$ 1,584,705	\$ 1,584,705
Property taxes	1,055,512	-	1,055,512
Total collections on behalf of other governments	<u>1,055,512</u>	<u>1,584,705</u>	<u>2,640,217</u>
Interest and investment earnings:			
Interest earnings	50,329	244,170	294,499
Net increase (decrease) in fair value of investments	21,419	(6,668)	14,751
Total interest and investment earnings	<u>71,748</u>	<u>237,502</u>	<u>309,250</u>
Total additions	<u>1,127,260</u>	<u>1,822,207</u>	<u>2,949,467</u>
DEDUCTIONS:			
Distribution of property taxes to other taxing entities	382,603	-	382,603
Obligation retirements:			
Interest expense	29,768	1,156,918	1,186,686
Trustee fees	-	3,760	3,760
City administrative expenses	119,203	38,225	157,428
Other expenses	1,330	74,533	75,863
Total deductions	<u>532,904</u>	<u>1,273,436</u>	<u>1,806,340</u>
Net increase in fiduciary net position	594,356	548,771	1,143,127
Net position, July 1, as previously reported	(12,469,393)	3,338,788	(9,130,605)
Prior year adjustment	-	5,838	5,838
Net position, July 1, as restated	<u>(12,469,393)</u>	<u>3,344,626</u>	<u>(9,124,767)</u>
Net position (deficit), June 30	<u>\$ (11,875,037)</u>	<u>\$ 3,893,397</u>	<u>\$ (7,981,640)</u>

City of Modesto
Combining Statement of Fiduciary Net Position
Fiduciary Funds – Investment Trust Funds
June 30, 2024

	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	Total Investment Trust Funds
ASSETS			
Cash and cash equivalents	\$ 1,825,548	\$ 223,263	\$ 2,048,811
Interest receivable	587	1,928	2,515
Taxes receivable	-	123,366	123,366
Leases receivable	1,153,575	-	1,153,575
Due from governments	936,430	-	936,430
Land and construction in progress	5,335,917	-	5,335,917
Other capital assets, net of accumulated depreciation	3,245,692	-	3,245,692
Total assets	<u>12,497,749</u>	<u>348,557</u>	<u>12,846,306</u>
LIABILITIES			
Accounts payables and other liabilities	<u>199,058</u>	<u>319,194</u>	<u>518,252</u>
Total liabilities	<u>199,058</u>	<u>319,194</u>	<u>518,252</u>
Deferred inflow of resources			
Leases	<u>1,085,018</u>	<u>-</u>	<u>1,085,018</u>
Total deferred inflow of resources	<u>1,085,018</u>	<u>-</u>	<u>1,085,018</u>
NET POSITION			
Net invested in capital assets	8,581,609	-	8,581,609
Unrestricted	<u>2,632,064</u>	<u>29,363</u>	<u>2,661,427</u>
Total net position	<u>\$ 11,213,673</u>	<u>\$ 29,363</u>	<u>\$ 11,243,036</u>

City of Modesto
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Investment Trust Funds
Fiscal Year Ended June 30, 2024

	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	Total Investment Trust Funds
ADDITIONS:			
Contributions:			
Members investment pool	\$ 531,037	\$ -	\$ 531,037
Total contributions	<u>531,037</u>	<u>-</u>	<u>531,037</u>
Collections on behalf of other governments:			
Special assessments	-	321,274	321,274
Property taxes	-	429,208	429,208
Grants	819,046	-	819,046
Other	1,087,947	-	1,087,947
Total collections on behalf of other governments	<u>1,906,993</u>	<u>750,482</u>	<u>2,657,475</u>
Interest and investment earnings:			
Interest and rent earnings	77,613	6,943	84,556
Net increase in fair value of investments	8,914	558	9,472
Total interest and investment earnings	<u>86,527</u>	<u>7,501</u>	<u>94,028</u>
 Total additions	 <u>2,524,557</u>	 <u>757,983</u>	 <u>3,282,540</u>
DEDUCTIONS:			
Distribution of property taxes to other taxing entities	-	718,095	718,095
City administrative expenses	170,423	2,885	173,308
Other expenses	-	7,712	7,712
Depreciation expense	437,904	-	437,904
Insurance expenses	-	1,086	1,086
Operating expenses	955,655	-	955,655
Total deductions	<u>1,563,982</u>	<u>729,778</u>	<u>2,293,760</u>
 Net increase in fiduciary net position	 960,575	 28,205	 988,780
Net position, July 1	10,253,098	1,158	10,254,256
Net position, June 30	<u>\$ 11,213,673</u>	<u>\$ 29,363</u>	<u>\$ 11,243,036</u>

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STATISTICAL SECTION TAB

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the Annual Comprehensive Financial Report presents detailed information to aid in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit. Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance has changed over time:

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

Revenue Capacity

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

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

Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Debt Margin
4. Revenue Bond Coverage, Wastewater Revenue Bonds

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers
3. Principal Property Taxpayers

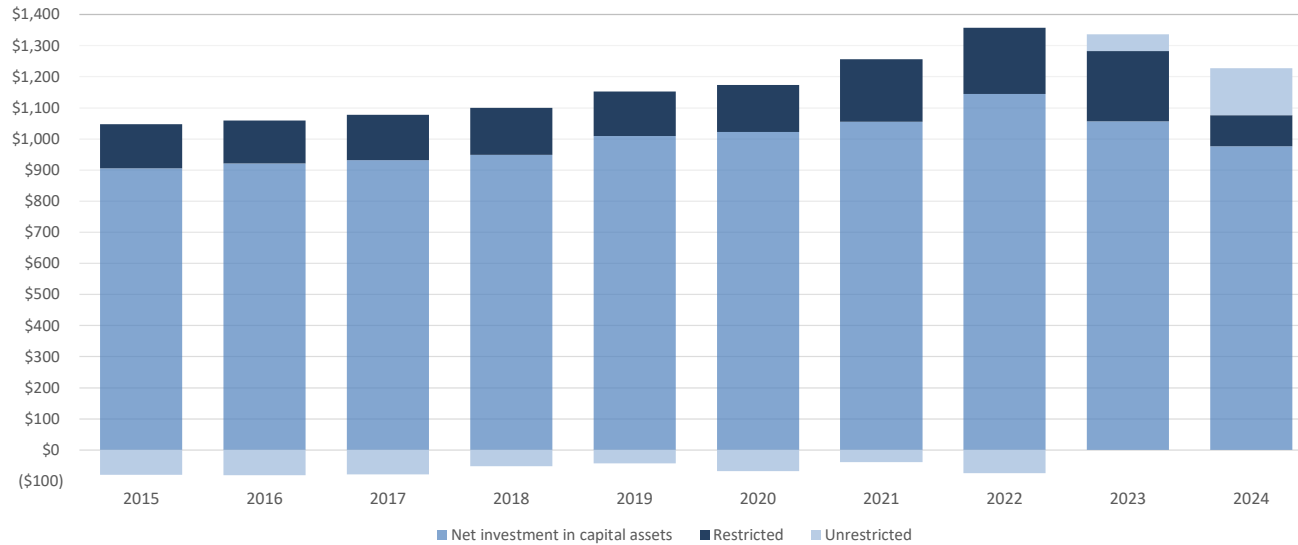
Operating Information

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

**City of Modesto
Net Position by Component⁽¹⁾
Last Ten Fiscal Years
(Accrual Basis of Accounting)**



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities										
Net investment in capital assets	\$ 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	\$ 347,825,273
Restricted ⁽²⁾	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	83,916,553
Unrestricted	(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)	(78,162,476)
Total governmental activities net position	<u>\$ 319,680,597</u>	<u>\$ 324,231,802</u>	<u>\$ 309,111,010</u>	<u>\$ 325,524,120</u>	<u>\$ 338,056,027</u>	<u>\$ 303,665,151</u>	<u>\$ 373,589,871</u>	<u>\$ 463,506,357</u>	<u>\$ 489,433,701</u>	<u>\$ 353,579,350</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 628,224,368
Restricted ⁽²⁾	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	15,883,497
Unrestricted	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	229,775,535
Total business-type activities net position	<u>\$ 647,857,327</u>	<u>\$ 654,198,320</u>	<u>\$ 690,285,159</u>	<u>\$ 723,029,635</u>	<u>\$ 771,387,599</u>	<u>\$ 802,061,369</u>	<u>\$ 843,876,401</u>	<u>\$ 819,305,292</u>	<u>\$ 847,728,789</u>	<u>\$ 873,883,400</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 976,049,641
Restricted ⁽²⁾	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	99,800,050
Unrestricted	(80,119,840)	(80,950,744)	(77,887,847)	(52,050,421)	(43,340,334)	(68,263,883)	(38,851,766)	(74,161,219)	54,599,470	151,613,059
Total primary government net position	<u>\$ 967,537,924</u>	<u>\$ 978,430,122</u>	<u>\$ 999,396,169</u>	<u>\$ 1,048,553,755</u>	<u>\$ 1,109,443,626</u>	<u>\$ 1,105,726,520</u>	<u>\$ 1,217,466,272</u>	<u>\$ 1,282,811,649</u>	<u>\$ 1,337,162,490</u>	<u>\$ 1,227,462,750</u>

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

(2) 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.

(3) During fiscal year 2024, a correction to construction work in progress in the amount of \$138,748,624 was process to correct previously overstated capital assets, when the City determined that a previously recognized asset would be turned over to the California Department of Transportation once the asset was completed, based on a cooperative agreement.

City of Modesto
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses										
Governmental activities:										
General government	\$ 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	\$ 17,124,132
Community development	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	49,357,807
Highways and streets	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	40,587,533
Public works	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	13,898,622
Parks and recreation	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	21,298,671
Public safety	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	169,102,289
Interest on long-term debt	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	1,276,737
Total governmental activities expenses	\$ 149,682,774	\$ 149,382,687	\$ 175,812,715	\$ 191,969,626	\$ 186,246,949	\$ 227,839,341	\$ 220,075,585	\$ 207,502,984	\$ 245,944,139	\$ 312,645,791
Business-type activities:										
Water	\$ 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	\$ 89,689,694
Sewer	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	54,056,910
Other Enterprise Funds	38,850,915	45,630,005	45,977,066	43,273,109	48,115,965	51,408,949	54,972,944	26,000,573	28,102,128	31,958,844
Total business-type activities expenses	123,850,515	137,851,551	145,234,174	141,244,058	152,078,567	166,429,011	170,266,273	143,686,208	154,193,575	175,705,448
Total primary government expenses	\$ 273,533,289	\$ 287,234,238	\$ 321,046,889	\$ 333,213,684	\$ 338,325,516	\$ 394,268,352	\$ 390,341,858	\$ 351,189,192	\$ 400,137,714	\$ 488,351,239
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 7,216,392
Community development	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	10,896,436
Highway and streets	1,744,505	1,154,290	1,101,813	758,952	748,319	909,580	651,061	651,082	1,077,458	1,293,908
Public works	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	4,556,686
Parks and recreation	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	2,133,067
Public safety	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	8,727,941
Operating grants and contributions	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	15,527,564
Capital grants and contributions	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	6,838,419
Total governmental activities program revenues	34,967,455	30,028,333	36,102,544	41,328,854	44,398,455	64,577,419	104,200,324	68,777,846	60,111,653	57,190,413
Business-type activities:										
Charges for services:										
Water	\$ 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	\$ 86,165,645
Sewer	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	69,439,879
Other enterprise funds	21,242,091	21,130,529	22,607,585	23,223,082	24,594,413	22,951,211	23,391,632	22,982,937	28,871,874	29,425,822
Operating grants and contributions	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	844,097
Capital grants and contributions	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	8,018,762
Total business-type activities program revenues	155,280,704	143,889,533	177,181,752	175,920,095	189,830,773	186,243,257	212,702,619	178,678,791	179,826,840	193,894,205
Total primary government program revenues	\$ 190,248,159	\$ 173,917,866	\$ 213,284,296	\$ 217,248,949	\$ 234,229,228	\$ 250,820,676	\$ 316,902,943	\$ 247,456,637	\$ 239,938,493	\$ 251,084,618
Net (Expense)/Revenue										
Governmental activities										
	\$ (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)	\$ (255,455,378)
Business-type activities										
	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	18,188,757
Total primary government net expense	\$ (83,285,130)	\$ (113,316,372)	\$ (107,762,593)	\$ (115,964,735)	\$ (104,096,288)	\$ (143,447,676)	\$ (73,438,915)	\$ (103,732,555)	\$ (160,199,221)	\$ (237,266,621)

(continued)

City of Modesto
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Utility users tax	\$ 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	\$ 21,173,728
Property taxes, levied for general purposes ⁽¹⁾	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	23,046,388
Transient occupancy tax	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	3,351,194
Franchise tax	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	7,975,509
Cannabis tax ⁽⁵⁾	-	-	-	-	352,208	3,201,364	5,379,402	4,022,799	3,185,203	3,408,455
Business license tax, levied for general purposes	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	16,147,087
Business license tax, levied for downtown improvement district	188,247	186,123	192,540	189,070	202,014	190,543	225,051	205,995	211,645	209,236
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	5,436,061
Grants and contributions not restricted to specific programs: ⁽⁴⁾										
Sales tax (state appropriation)	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	38,038,757
Sales tax Measure H ⁽⁷⁾	-	-	-	-	-	-	-	-	11,116,219	47,954,202
Motor vehicle license fee	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	22,537,514
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	26,795,778
Community facilities district fees	4,570,403	3,829	1,830	274,494	8,432	16,567	14,628	-	-	-
Proceeds from Modesto Regional Fire Authority dissolution	2,500,721	-	-	-	-	-	-	-	-	-
Other	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	29,551,761
Unrestricted investment earnings	564,314	582,565	362,856	726,199	5,753,083	6,044,156	(287,088)	(3,911,830)	3,403,539	10,274,601
Miscellaneous	2,281,008	2,440,696	515,206	818,542	3,421,783	3,660,429	2,184,677	1,643,071	923,411	1,156,335
Transfers	(775,377)	(567,177)	(1,750,401)	(354,287)	(1,675,373)	479,917	824,609	21,077,584	66,244	1,975,368
Total government activities	137,783,841	122,655,595	124,589,379	137,299,727	154,440,151	174,545,238	193,487,236	233,543,426	215,201,397	259,031,974
Business-type activities:										
Taxes:										
Property taxes, generated by and allocated to the airport	237,546	206,854	199,124	207,849	201,931	190,995	266,272	212,978	291,711	359,122
Unrestricted investment earnings	554,180	2,247,061	872,935	1,047,604	7,290,802	8,082,331	(192,489)	(8,124,559)	2,562,708	13,009,651
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	1,479,611
Settlements	13,851	-	-	-	-	-	-	-	-	3,620,125
Transfers, net	775,377	567,177	1,750,401	354,287	1,675,373	(479,917)	(824,609)	(21,077,584)	(66,244)	(1,975,368)
Special item ⁽³⁾⁽⁶⁾	-	-	-	-	-	-	-	(19,461,712)	-	-
Total business-type activities	2,795,683	4,389,853	4,139,261	3,082,549	10,696,833	9,184,229	935,841	(47,149,219)	4,495,379	16,493,141
Total primary government	\$ 140,579,524	\$ 127,045,448	\$ 128,728,640	\$ 140,382,276	\$ 165,136,984	\$ 183,729,467	\$ 194,423,077	\$ 186,394,207	\$ 219,696,776	\$ 275,525,115
Change in Net Position										
Governmental activities	\$ 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	\$ 3,576,596
Business-type activities	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	34,681,898
Total primary government	\$ 57,294,394	\$ 13,729,076	\$ 20,966,047	\$ 24,417,541	\$ 61,040,696	\$ 40,281,791	\$ 120,984,162	\$ 82,661,652	\$ 59,497,555	\$ 38,258,494

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

(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>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>	<u>2024</u>
General Fund										
Nonspendable	\$ 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	\$ 1,976,718
Restricted	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	10,088,574
Committed	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	18,397,817
Assigned	3,119,753	6,503,769	4,854,307	1,096,566	509,751	309,114	349,022	579,390	1,149,259	4,535,259
Unassigned ⁽¹⁾	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	48,060,252
Total General Fund	<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>	<u>\$ 83,058,620</u>
All Other Governmental Funds										
Nonspendable	\$ 88,057	\$ 86,242	\$ 81,007	\$ 23,816	\$ 13,290	\$ 101,173	\$ 543,554	\$ 32,734	\$ 27,828	\$ 274,550
Restricted	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	170,915,534
Assigned	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	3,611,105
Unassigned	(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)	(2,732,506)
Total all other governmental funds	<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>	<u>\$ 172,068,683</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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Taxes	\$ 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	\$ 75,311,597
Licenses and permits	149,888	186,624	201,445	153,226	344,855	408,645	473,693	434,118	409,082	399,698
Intergovernmental	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	196,139,064
Charges for services	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	33,848,559
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	5,436,061
Interest and rent	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	5,468,374
Net increase (decrease) in fair value of investments	(320,398)	102,422	(572,616)	(645,593)	1,294,543	1,728,158	(985,713)	(4,317,623)	(487,727)	3,807,834
Fines and forfeits	1,171,076	904,802	1,263,407	1,127,877	1,143,506	666,120	660,110	832,510	880,252	576,173
Donations and Contribution	-	-	-	-	-	-	370,958	44,338	-	-
Miscellaneous	2,784,295	2,286,597	516,844	818,542	722,662	989,858	1,392,784	1,461,307	927,525	1,102,519
Total Revenues	170,530,558	159,658,987	159,396,110	179,309,249	190,501,002	235,954,975	260,162,501	277,965,768	284,439,964	322,089,879
Expenditures										
Current:										
General government	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	15,228,776
Community development	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	45,142,072
Highways and streets	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	26,421,078
Public works	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	12,711,516
Parks and recreation	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	19,479,513
Public safety	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	154,658,970
Capital outlay	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	10,646,681
Debt service:										
Principal retirement	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	5,598,966
Interest	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	1,280,380
Other	783,264	697,405	430,779	396,686	506,333	307,928	51,814	48,610	113,633	473,170
Total Expenditures	162,642,474	156,071,836	161,183,448	160,677,962	193,922,912	216,998,632	231,900,118	257,225,112	255,587,573	291,641,122
Excess of revenues over (under) expenditures	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	30,448,757
Other Financing Sources (Uses)										
Transfers in	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	26,873,392
Transfers out	(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)	(29,514,905)
Capital leases	1,070,472	330,947	5,883,756	-	-	39,204	-	3,741,926	1,772,045	4,042,674
Sale of assets	94,489	106,582	31,239	154,458	87,608	132,485	1,934	32,551	10,540	53,816
Total other financing sources (uses)	(1,360,300)	(3,174,392)	4,814,956	(2,707,000)	824,096	(1,933,802)	(1,248,829)	2,090,952	61,183	1,454,977
Change in fund balances	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	31,903,734
FUND BALANCES, July 1	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	223,905,892
PRIOR PERIOD ADJUSTMENTS	11,484,568	993,395	-	(2,046,381)	(59,750)	1,452,683	(4,273,849)	(346,163)	(9,770)	(682,323)
FUND BALANCES, June 30	\$115,647,600	\$117,053,754	\$120,081,372	\$133,959,278	\$131,301,714	\$149,776,938	\$172,516,643	\$195,002,088	\$223,905,892	\$255,127,303
Debt service as a percentage of noncapital expenditures ⁽¹⁾	3.18%	3.22%	3.30%	3.50%	2.87%	2.65%	2.73%	2.55%	2.59%	2.45%

⁽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
(Fiscal Year Ended June 30, 2024)

Ten Largest Customers of Water Utility System, Year Ended June 30, 2024

<u>Customer</u>	<u>Usage (ccf) ⁽¹⁾</u>	<u>% of Total Usage</u>	<u>% of Total Water Sales Revenue</u>	<u>Water Sales Revenue (\$)</u>
1) City of Modesto	338,160	1.62%	1.51%	\$ 1,156,454
2) Modesto City Schools	355,548	1.70%	1.43%	1,097,667
3) Stanislaus Food Products	445,941	2.13%	1.29%	984,918
4) Foster Farms	446,845	2.14%	1.25%	952,705
5) Sunopta	262,838	1.26%	0.75%	575,047
6) Stanislaus Housing Authority	142,978	0.68%	0.63%	483,718
7) Modesto Irrigation District	126,768	0.61%	0.46%	351,389
8) E & J Gallo	89,632	0.43%	0.43%	332,581
9) Yosemite Community College	100,091	0.48%	0.42%	323,055
10) STANCO	78,568	0.38%	0.42%	322,769
Total Top Ten	2,387,369	11.43%	8.59%	\$ 6,580,303

Water Sales Revenue, Year Ended June 30, 2024

Residential - Flat Rates	\$ 131,904
Commercial, Industrial and Municipal - Metered Rates	76,370,026
Total Flat/Metered Revenues (Water Sales) ⁽²⁾	\$ 76,501,930

Water Rates and Charges as of July 1, 2023

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

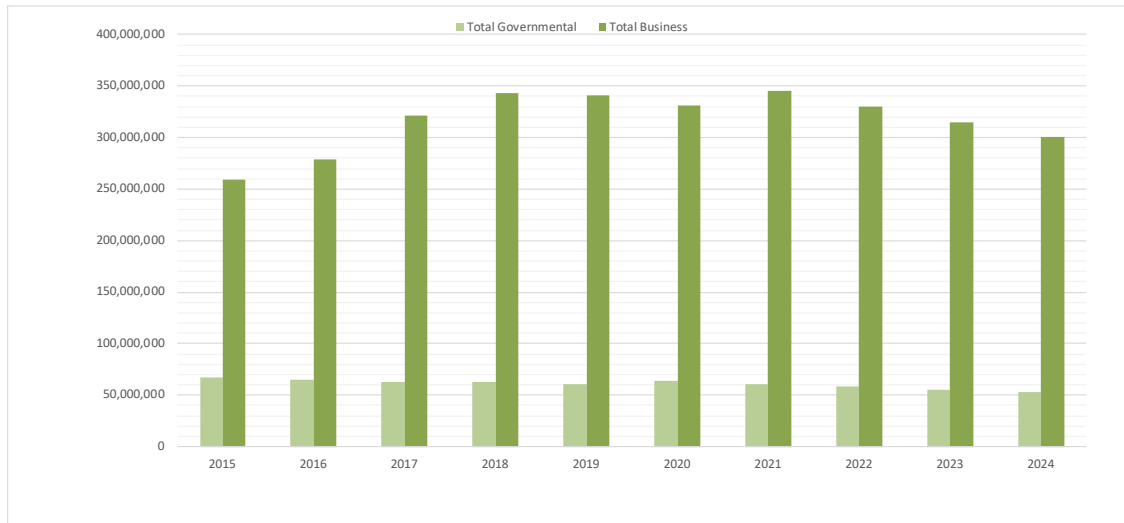
In addition to these minimum charges, commercial accounts are charged \$2.02 per 100 cubic feet of water used.

(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 ⁽⁶⁾	Subscription-Based IT Arrangements ⁽⁷⁾	Total
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
2024	500,000	38,985,000	345,000	6,202,541	5,136,687	51,169,228

Business-Type Activities										
Fiscal Year	Loans Payable ⁽²⁾⁽⁵⁾	Certificates of Participation ⁽⁵⁾	Reimbursement Agreement related to MID ⁽³⁾⁽⁵⁾	Revenue Bonds ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Finance Purchase Obligations and Leases ⁽⁶⁾	Subscription-Based IT Arrangements ⁽⁷⁾	Total	Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
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
2024	24,787,769	40,024,031	88,915,000	97,054,702	428,527	128,857	251,338,886	302,508,114	4.31%	1,381

(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, 2024

Jurisdiction	Net Debt Outstanding ⁽¹⁾	Percentage Applicable to City of Modesto ⁽²⁾	Amount Applicable to City of Modesto
Direct debt:			
City of Modesto	<u>\$ 51,169,228</u>	100%	<u>\$ 51,169,228</u>
Overlapping General Obligation debt - school districts:			
Ceres Unified School District	82,000,224	5.77%	4,730,031
Hart-Ransom Union School District	3,157,421	31.25%	986,583
Modesto Elementary School District ⁽³⁾	119,279,242	76.93%	91,765,439
Modesto High School District	97,181,415	67.44%	65,541,457
Paradise Elementary School District	170,000	0.00%	-
Salida Union Elementary District	10,745,000	29.62%	3,182,397
Stanislaus Union School District	37,510,000	76.33%	28,631,695
Sylvan School District	27,496,581	78.49%	21,581,891
Yosemite Community College District	241,492,297	33.19%	80,161,410
Total overlapping debt	<u>619,032,180</u>		<u>296,580,903</u>
Total direct and overlapping debt	<u>\$ 670,201,408</u>		<u>\$ 347,750,131</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, 2024

Net assessed value ⁽¹⁾⁽³⁾	\$	21,613,272,723
Plus homeowners' exemption ⁽¹⁾⁽³⁾		194,218,860
Gross assessed value ⁽¹⁾⁽³⁾	\$	21,807,491,583
Debt limit - 15% of gross assessed value ⁽²⁾	\$	3,271,123,737
Legal debt margin	\$	3,271,123,737

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
2015	\$ 2,017,621,335	\$ -	\$ 2,017,621,335	0%
2016	2,120,160,392	-	2,120,160,392	0%
2017	2,232,042,092	-	2,232,042,092	0%
2018 ⁽⁴⁾	2,354,367,851	-	2,354,367,851	0%
2019	2,476,468,235	-	2,476,468,235	0%
2020	2,606,133,716	-	2,606,133,716	0%
2021	2,734,540,136	-	2,734,540,136	0%
2022	2,874,165,127	-	2,874,165,127	0%
2023	3,081,811,386	-	3,081,811,386	0%
2024	3,271,123,737	-	3,271,123,737	0%

(1) Source: Stanislaus County Auditor.

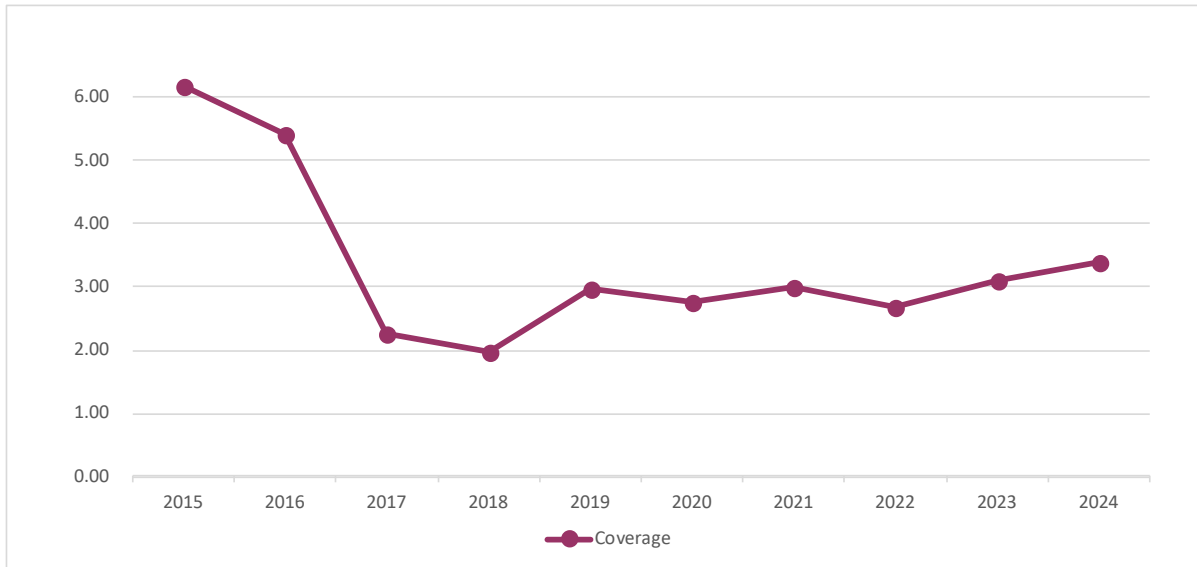
(2) Section 43605 California Government Code.

(3) Figures are based on Stanislaus County.

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

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

**City of Modesto
Revenue Bond Coverage
Wastewater Revenue Bonds
Last Ten Fiscal Years**

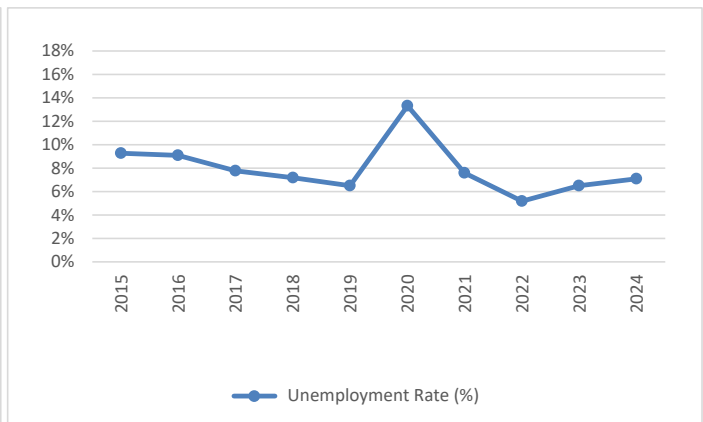
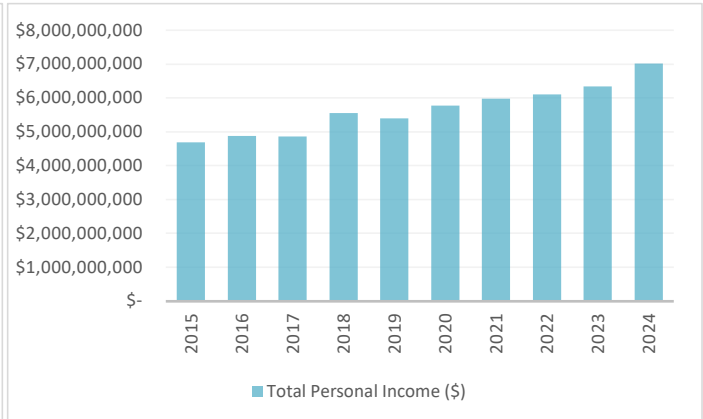
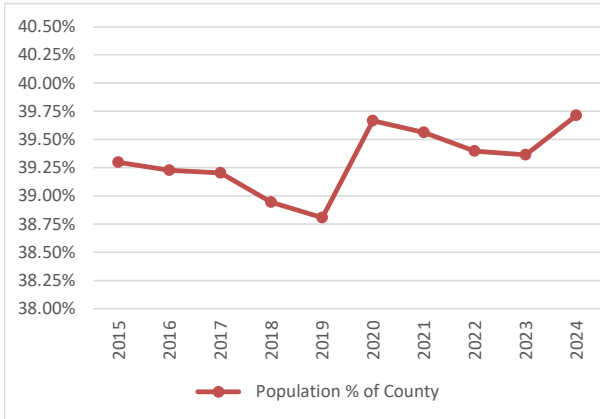


Fiscal Year	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
2015	\$ 46,853,368	\$ 21,207,025	\$ 25,646,343	\$ 4,150,322	6.18
2016	50,207,559	25,418,140	24,789,419	4,570,286	5.42
2017	50,907,228	25,212,214	25,695,014	11,311,098	2.27
2018	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
2024	83,111,642	47,780,913	35,330,729	10,421,473	3.39

(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.

City of Modesto Demographic and Economic Statistics Last Ten Fiscal Years



Fiscal Year ⁽¹⁾⁽²⁾⁽³⁾	City Population	Total Personal Income (\$)	Per Capita Personal Income (\$)	Unemployment Rate (%)	Stanislaus County Population	City Population % of County
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%
2024	218,989	7,017,283,516	32,044	7.10%	551,430	39.71%

- (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	2023/24			2015/16		
	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment
E & J Gallo Winery	7,000	1	6.39%	3,000	2	1.44%
Modesto City Schools	3,200	2	2.92%	3,500	1	1.53%
Doctors Medical Center	2,600	3	2.37%	2,600	3	1.13%
Memorial Medical Ctr	2,000	4	1.82%	2,300	4	1.00%
Del Monte Foods Inc	1,200	5	1.09%	2,200	5	0.96%
Frito Lay	1,200	6	1.09%			
Modesto Junior College	1,200	7	1.09%	1,582	8	0.69%
City of Modesto	1,008	8	0.92%	900	9	0.39%
Sylvan Union School District	800	9	0.73%			
Save Mart Supermarkets	800	10	0.73%			
Subtotal	<u>21,008</u>		<u>19.15%</u>	<u>16,082</u>		<u>7.14%</u>
Total Labor Force	109,600					
Total City Population	218,989					

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	2023/24			2015/16		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Pacific Gas & Electric Company	\$ 571,835,893	1	2.62%	\$ 281,159,695	1	1.99%
E & J Gallo Winery	562,252,695	2	2.58%	341,819,330	4	2.42%
Gallo Glass Company	497,437,030	3	2.28%	290,999,571	3	2.06%
Frito Lay Inc	447,139,680	4	2.05%			
Hunt Wesson Foods Inc	214,919,104	5	0.99%	118,965,168	8	0.84%
G3 Enterprises Inc	198,573,481	6	0.91%			
Doctors Medical Center	192,150,655	7	0.88%	254,451,297	6	1.80%
California Dairies Inc	187,014,601	8	0.86%			
Blue Diamond Growers	152,721,427	9	0.70%			
Bronco Wine Company	142,189,773	10	0.65%	139,843,806	5	0.99%
World International ⁽¹⁾				21,622,479	2	0.15%
WW Grainger, Inc				96,619,996	9	0.68%
Subtotal	<u>\$ 3,166,234,339</u>		<u>14.52%</u>	<u>\$ 1,545,481,342</u>		<u>10.93%</u>

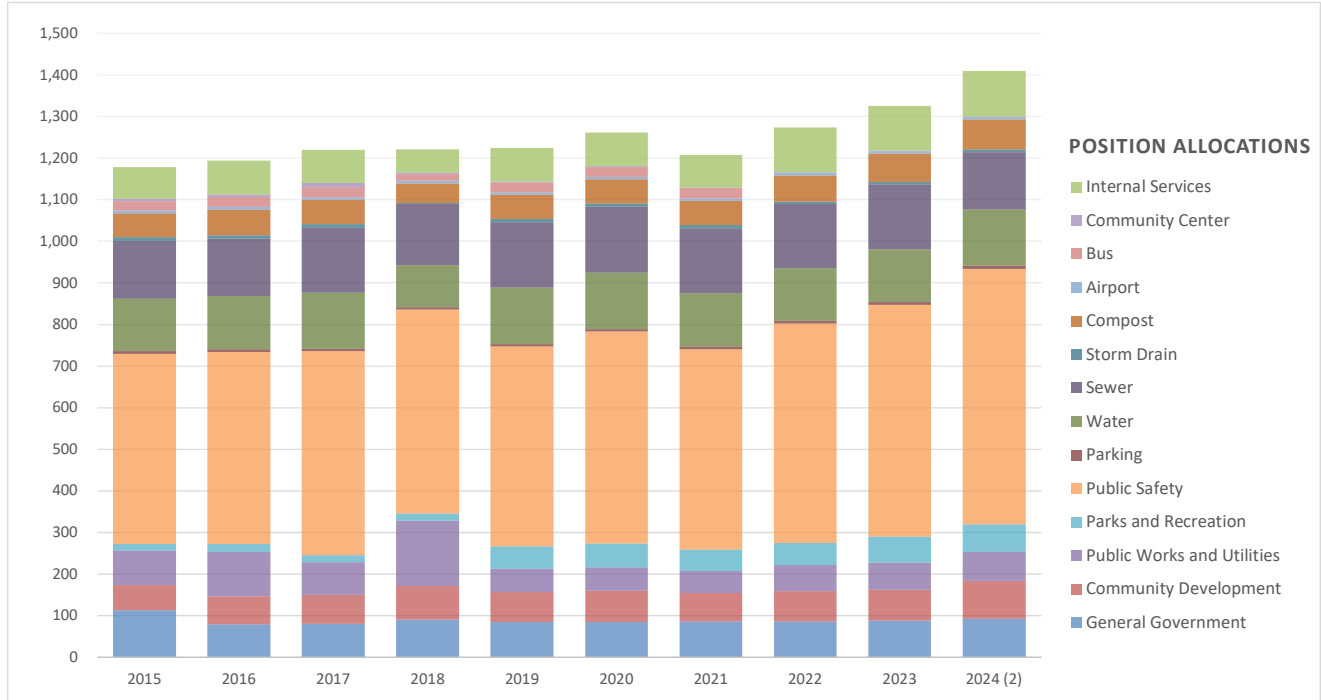
Total assessed value of \$ \$ 21,807,491,583 \$ 14,134,402,614

⁽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 valorem taxes.

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



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 ⁽²⁾
Function										
General Government	112.10	79.00	80.00	90.00	84.00	84.00	85.00	86.00	88.00	91.75
Community Development	60.75	67.00	70.00	81.00	72.00	76.00	69.00	73.00	74.00	91.00
Public Works and Utilities	83.00	107.00	78.00	157.00	56.00	56.00	53.00	63.00	65.00	70.00
Parks and Recreation	16.50	18.50	17.50	17.50	54.75	56.75	51.75	62.75	66.75	66.75
Public Safety	456.50	462.50	490.50	490.50	480.50	510.50	482.00	528.00	557.00	614.50
Parking	7.00	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00
Water	126.00	128.00	134.00	101.00	135.00	136.00	127.00	126.00	127.00	135.00
Sewer	139.00	139.00	157.00	146.80	158.00	158.00	157.00	155.00	156.00	139.00
Storm Drain	9.00	8.00	8.00	2.00	8.00	8.00	8.00	6.00	6.00	6.00
Compost	57.80	61.80	58.80	48.00	57.80	57.80	58.00	63.00	68.00	72.00
Airport	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Bus ⁽¹⁾	23.00	24.00	24.00	16.00	24.00	24.00	24.00	-	-	-
Community Center	6.00	5.00	11.00	3.00	2.00	2.00	1.00	1.00	1.00	1.00
Internal Services	76.00	82.00	79.00	56.00	81.00	81.00	79.00	108.00	108.00	110.00
Total	1,178.65	1,193.80	1,219.80	1,220.80	1,225.05	1,262.05	1,207.75	1,273.75	1,325.75	1,410.00

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

(2) As a result of the positive impact of Measure H funding, position allocations were approved for functions throughout the City.

Source: City of Modesto

City of Modesto
Operating Indicators by Function

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public safety:										
Fire:										
Fire calls for service	24,712	21,135	26,288	28,444	30,341	31,415	30,741	32,618	33,305	33,825
Primary fire inspections conducted	1,050	764	1,060	1,509	2,011	2,687	1,993	2,167	1,818	1,945
Police:										
Communication Center calls answered										
Police calls for service	122,270	129,439	129,802	194,931	181,430	178,649	165,126	148,710	134,513	138,514
Law violations: ⁽⁴⁾										
Part I and Part II crimes	50,729	53,609	53,142	53,543	47,141	36,898	33,067	28,204	18,494	20,104
Physical arrests (adult and juvenile)	18,634	12,303	11,760	13,247	12,388	13,302	12,360	10,962	5,611	5,952
Traffic violations	12,700	11,451	15,428	16,930	17,098	16,263	13,767	7,978	6,914	7,538
Parking violations	5,493	6,139	10,841	9,414	7,443	3,781	477	429	1,020	1,010
Public works										
Streets:										
Street resurfacing (Slurry Seal lane miles)	8	4	12	4	8	1	123	118	160	195
Potholes repaired (Total # of repairs)	14,515	24,059	8,745	25,004	36,709	2,831	21,863	9,230	16,672	11,944
Water utility customer repaired (sq. ft)	611	-	-	-	-	-	-	-	-	-
Crack sealing (lane miles)	12	37	29	48	29	23	43	32	34	36
Airport:										
Number of tenant aircraft	162	173	162	153	167	160	164	156	165	159
Number of hangars	119	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	582,473	443,272	582,602	580,383	631,891	511,928	540,226	647,631	683,330	761,410
Bus service:⁽³⁾										
Number of buses	56	60	59	57	61	61	69	-	-	-
Number of routes	21	21	21	17	17	17	19	-	-	-
Total route miles	362	362	362	245	245	245	338	-	-	-
Average weekday number of passengers	11,598	12,441	10,523	9,354	8,869	7,475	6,686	-	-	-
Total number of passengers carried	3,416,314	3,664,689	3,108,307	2,762,922	2,589,049	2,182,079	1,987,698	-	-	-
Solid waste:										
Recyclables processed (tons per year) ⁽⁶⁾⁽⁷⁾	55,020	56,493	71,155	62,701	60,947	62,617	60,332	17,008	3,409	9,384
Organic Waste ⁽⁸⁾	-	-	-	-	-	-	-	29,111	20,116	35,400
Green Waste ⁽²⁾	48,832	58,730	62,859	64,873	66,017	82,866	46,373	14,691	18,932	14,153
Commercial food waste ⁽⁵⁾	817	845	914	1,550	1,145	1,192	2,783	3,368	-	-
Waste tires	4,152	4,497	4,931	4,285	4,320	5,089	4,501	4,883	6,236	3,597
Community development										
Building safety & NPU:										
Permits issued	4,511	4,939	4,973	5,033	4,335	4,146	4,808	4,690	4,790	4,809
Estimated cost of construction ⁽¹⁰⁾	\$ 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	\$ 260,927,659
Building Inspections made	31,571	23,187	36,158	42,891	39,086	34,218	34,730	21,064	17,720	25,038
Traffic electrical:										
Street lights	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,923
Traffic signals	147	151	153	155	155	156	156	156	160	159
Lighted ped walks	28	28	28	24	26	26	26	26	34	40
Beacons	11	11	11	3	4	4	4	4	15	16
Four way flashers	10	10	10	5	3	3	3	3	6	8
School flashers	22	23	24	16	13	14	14	14	44	62
CCTV	41	41	41	30	24	24	24	24	24	10
Hubs	6	6	6	2	6	6	6	6	8	8
Culture and recreation:										
Recreation class participants ^{(1) (9)}	151,323	150,091	150,500	154,000	160,656	116,131	28,240	58,426	88,103	132,313

(1) Fiscal year 2020-2021 Recreation class participants had decreased due the COVID-19 outbreak and classes were suspended.
(2) 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.
(3) 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.
(4) 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.
(5) 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.
(6) Fiscal year 2022-2023 recycling numbers decreased due to the inaccurate reporting from the haulers and adding a blue recycling container to residents.
(7) Beginning 23/24 - data includes hauler and City staff collected recycling
(8) Organic waste data includes yard, food, and paper waste and is collected by haulers from residential and commercial customers.
(9) Recreational swimming, outreach tabling events, department events and parade, and senior center programming attendance are the main contributing factors. The parade attendance was in correctly reported in FY23 and should have been 12,000 higher.
(10) Increase for fiscal year 2023-2024 is mainly due to an increase in labor and materials costs.
Source: City of Modesto - Various Departments

City of Modesto
Capital Asset Statistics by Function/Program

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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	104	104	100	105	100	105	105	103
Public works										
Streets:										
Miles of streets ⁽¹⁾	691	692	692	692	693	693	694	700	700	700
Water:										
Miles of water mains	914	887	887	908	908	914	916	914	914	914
Fire hydrants	7,748	7,845	7,859	7,921	7,974	8,026	8,043	8,077	8,262	8,435
Storage capacity (gallons)	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	22,545,000
Wastewater:										
Miles of sanitary sewers	639	639	655	656	656	656	657	650	650	650
Miles of storm sewers	183	183	170	170	170	170	170	165	165	165
Number of treatment plants ⁽²⁾	2	2	2	2	2	2	2	2	2	2
Treatment capacity (millions of gallons) ⁽⁴⁾	70	70	19	19	19	19	19	19	19	19
Community services:										
City parks ⁽¹⁰⁾	76	76	76	76	76	76	76	76	76	75
City parks acreage	1,110	1,240	1,240	1,240	1,240	1,240	1,246	1,246	1,249	1,245
Playgrounds ⁽⁶⁾	58	58	58	58	58	54	55	55	55	54
City trails	6	6	6	6	6	6	9	9	9	9
City trails miles	15	15	15	16	16	17	17	17	17	17
Regional park acreage	375	375	375	375	375	375	653	653	634	641
Regional park facilities:										
Golf courses (18 holes)	2	2	2	2	2	2	2	2	2	2
Golf courses (9 holes) ⁽⁶⁾	1	1	1	1	1	1	1	1	-	-
Clubhouse and banquet facility ⁽⁷⁾⁽⁷⁾	8	8	8	8	8	8	8	8	4	4
Historic house ⁽³⁾	4	3	3	3	3	3	3	3	3	3
Museums ⁽⁸⁾	-	-	-	-	-	-	-	-	1	1
Community gardens	2	2	1	1	1	1	1	1	1	1
Community centers ⁽⁹⁾	7	7	7	7	7	7	7	7	4	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	1	1	1	1	1	1	1	1
Tennis courts	37	37	37	37	37	37	37	37	33	33
Pickleball courts	-	-	-	-	-	-	-	-	12	12
Baseball/softball diamonds	24	24	24	24	24	24	29	29	29	28
Soccer/football fields	29	29	29	29	29	29	31	31	31	31
Splash play in Existing parks	10	10	10	10	9	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) 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.

(4) 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.

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

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

(7) 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.

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

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

(10) In fiscal year 2023-2024, the City completed a land swap agreement with E. & J. Gallo Winery in which the winery acquired Beard Brok Park and the City gained 13 acres of land which will eventually be developed into a trail which will connect parks along Dry Creek to Tuolumne River Regional Park.

Source: City of Modesto - Various Departments

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CONTINUING DISCLOSURE TAB

CONTINUING DISCLOSURE SECTION

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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
Fiscal Year Ended June 30, 2024

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>Customer Base by Type of Account</u>			
<u>Category</u>	<u>Number of Accounts</u>	<u>% of Total Accounts</u>	<u>% of Sewer Fee Operating Revenue</u>
Residential	59,449	94.7%	60.66%
Commercial	3,254	5.2%	17.23%
Industrial	51	0.1%	22.11%
Total	62,754	100.00%	100.00%

Ten Largest Users of Sewer Facilities, Year Ended June 30, 2024

<u>User</u>	<u>Sewer Fee Revenue</u>	<u>% of Sewer Fee Operating Revenue</u>
1) E & J Gallo	\$ 2,888,176	4.68%
2) Foster Farms	2,377,370	3.85%
3) Stanislaus Food Products	2,350,378	3.81%
4) Frito-Lay, Inc	1,624,862	2.63%
5) City of Ceres	1,510,293	2.45%
6) Del Monte Foods	1,120,757	1.82%
7) Sunopta	1,086,259	1.76%
8) Paleteria	531,717	0.86%
9) Nestle Food Company	484,613	0.79%
10) Rizo Lopez Foods	468,895	0.76%
Total (Top Ten Customers)	\$ 14,443,320	23.41%
Total (All Customers)	\$ 61,710,629	

The average single-family residence monthly sewer charge is: \$44.69

<u>Commercial Group</u>	<u>Charge Per 1,000 Gallons</u>	<u>Fixed Charge</u>
Group 1 (no food, just toilets or working facilities)	\$3.98	\$5.04
Group 2 (commercial laundromats, service stations, hotels without food)	\$5.23	\$5.04
Group 3 (industrial laundromats, hotels with food)	\$6.51	\$5.04
Group 4 (restaurants, bakeries, auto steam, markets)	\$8.06	\$5.04

Industrial users pay a minimum account charge of \$5.04 with additional charges of: \$3,870.65 per million gallons of flow, \$288.55 per 1,000 pounds of excess biochemical oxygen demand (BOD), and \$538.00 per 1,000 pounds of Total Suspended Solids (TSS).

Industrial users on the Cannery Segregation line pay a minimum account charge of \$5.04 with additional charges of: \$2,923.65 per million gallons of flow, \$19.49 per 1,000 pounds of biochemical oxygen demand (BOD), and \$38.40 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 26	
Principal Amount of Bonds and Other Parity Debt	Page 62-65	(Note 6)
Historical Debt Service Coverage	Page 177	
	(continued)	

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2024

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>
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%
2023-24	3.5%

Comparative Monthly Wastewater Service Charges.

The City's residential charges as of July 1, 2023 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, 2023

<u>City</u>	<u>Monthly Residential Charge</u>
Fresno	\$ 25.75
Lodi	49.00
Modesto	44.69
Stockton	50.77
Tracy	53.34
Turlock	28.95

CITY OF MODESTO
WASTEWATER SYSTEM
Wastewater Connection Fees Comparison
As of July 1, 2023

<u>City</u>	<u>Connection Fee</u>
Fresno ⁽¹⁾	\$ 2,119.00
Lodi ⁽²⁾	3,548.00
Modesto	2,643.00
Stockton	2,264.41
Tracy	2,267.00
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.

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>
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%
2023-24	3.5%

CITY OF MODESTO
WASTEWATER SYSTEM
Sewer Charge Comparisons

Comparative Monthly Wastewater Service Charges.

The City's residential charges as of July 1, 2023 are set forth below with a comparison to other Central Valley and Northern California cities.

As of July 1, 2023

<u>City</u>	<u>Monthly Sewer Charge Comparison Residential Service</u>	<u>Wastewater Connection Fees Comparison</u>
Fresno ⁽¹⁾	\$25.75	2,119.00
Lodi ⁽²⁾	49.00	3,548.00
Modesto	44.69	2,643.00
Stockton	50.77	2,264.41
Tracy	53.34	2,267.00
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)
Fiscal Year Ended June 30, 2024

Water Revenue Refinancing Certificates of Participation, 2008 Series A

Reserve Account Requirement as of June 30, 2024	\$ 4,011,410
Surety Policy Value:	2,082,513
Balance in Parity Reserve Account as of June 30, 2024	<u>2,258,104</u>
Shortfall/(Excess) Reserve Coverage:	<u>\$ (329,207)</u>

Ten Largest Customers of Water Utility System, Year Ended June 30, 2024

<u>Customer</u>	<u>Business Type</u>	<u>Usage^(ccf) (1)</u>	<u>% of Total Usage</u>	<u>Water Sales Revenue (\$)</u>	<u>% of Total Water Sales Revenue</u>
1) City of Modesto	Local Government	338,160	1.62%	\$ 1,156,454	1.51%
2) Modesto City Schools	Education	355,548	1.70%	1,097,667	1.43%
3) Stanislaus Food Products	Cannery	445,941	2.13%	984,918	1.29%
4) Foster Farms	Dairy Processor	446,845	2.14%	952,705	1.25%
5) Sunopta	Cannery	262,838	1.26%	575,047	0.75%
6) Stanislaus Housing Authority	Housing Authority	142,978	0.68%	483,718	0.63%
7) Modesto Irrigation District	Power Company	126,768	0.61%	351,389	0.46%
8) E & J Gallo Winery	Processor	89,632	0.43%	332,581	0.43%
9) Yosemite Community College	Education	100,091	0.48%	323,055	0.42%
10) STANCO	Local Government	78,568	0.38%	322,769	0.42%
Total Top Ten		<u>2,387,369</u>	<u>11.43%</u>	<u>\$ 6,580,303</u>	<u>8.59%</u>

Total Flat/Metered Revenues (Water Sales) \$ 76,501,930

(1) Grover Landscaping maintains City parks

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

Water Sales Revenue, Year Ended June 30, 2024

Residential - flat rates	
Commercial, industrial and municipal - metered rates	\$ 131,904
Total Water Sales	<u>76,370,026</u>
	<u>\$ 76,501,930</u>

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

\$ 69.44

Current Water Rates as of July 1, 2023 - 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.

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

(1) 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

	2015 ⁽⁵⁾	2016 ⁽⁶⁾	2017	2018 ⁽¹⁰⁾	2019 ⁽¹¹⁾	2020 ⁽¹³⁾	2021	2022 ⁽¹⁴⁾⁽¹⁵⁾	2023	2024
Charges for services	\$ 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	\$ 80,556,147
Connection charges	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	1,731,616
Refunds, damages & recoveries	20,988	511,063	57,533	(121,929)	95,591	92,786	(801,155)	(4,141,774)	53,974	80,714
Interest and rental income	353,305	535,823	574,899	689,500	999,269	1,086,126	864,989	971,868	890,334	5,469,458
Service credits	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	3,528,249
Miscellaneous ⁽⁹⁾	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	1,211,317
Total gross operating revenues	\$ 59,577,631	\$ 59,478,361	\$ 68,857,245	\$ 75,683,035	\$ 78,560,089	\$ 84,899,344	\$ 87,924,613	\$ 82,742,716	\$ 83,058,243	\$ 92,577,501
Operating expenses ⁽¹⁾⁽⁴⁾	\$ 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	\$ 53,146,114
Operating transfers ⁽²⁾⁽¹²⁾	765,000	765,954	765,000	1,239,943	3,129,583	2,241,135	3,283,246	689,875	799,091	1,197,857
Total operating expenses ⁽²⁾	\$ 34,538,198	\$ 39,488,274	\$ 36,273,887	\$ 36,925,519	\$ 41,935,710	\$ 41,408,461	\$ 45,371,400	\$ 47,855,842	\$ 48,540,495	\$ 54,343,971
Net operating revenues	\$ 25,039,433	\$ 19,990,087	\$ 32,583,358	\$ 38,757,516	\$ 36,624,379	\$ 43,490,883	\$ 42,553,213	\$ 34,886,874	\$ 34,517,748	\$ 38,233,530
2008 Revenue Certificates of Participation	\$ 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	\$ 3,632,022
MID Treatment & Delivery Agreement ⁽³⁾	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	8,525,231
CDWR Loan	262,692	131,322	-	-	-	-	-	-	-	-
ARRA Grant	36,095	36,089	36,084	36,080	37,123	39,350	37,540	37,343	37,756	37,443
Total debt service	\$ 12,760,006	\$ 12,684,620	\$ 12,706,785	\$ 12,512,762	\$ 12,373,480	\$ 12,562,311	\$ 12,877,268	\$ 12,097,907	\$ 11,277,573	\$ 12,194,696
Debt service coverage ⁽⁷⁾⁽⁸⁾	1.96	1.58	2.56	3.10	2.96	3.46	3.30	2.88	3.06	3.14

- (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) 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)
- (3) 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.
- (4) Reduced fiscal year 2014-2015 Operating expenses from \$40,349,338 to \$33,773,198.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) The financial figures reported only reflect net operating revenues in the Water Operating Fund.
- (9) Fiscal year 2017-2018 Miscellaneous revenues include \$1,048,863 of one-time transfer as result of the dissolution of the Central Stores Fund.
- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) 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.
- (15) 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.

	Fiscal Year Projected 2025	Fiscal Year Projected 2026	Fiscal Year Projected 2027	Fiscal Year Projected 2028	Fiscal Year Projected 2029
Charges for services	\$ 87,753,248	\$ 91,702,144	\$ 95,828,740	\$ 100,141,034	\$ 96,064,703
Connection charges	1,244,910	1,269,808	1,295,204	1,321,108	1,383,348
Refunds, damages & recoveries	11,730	11,964	12,203	12,447	12,447
Interest and rental income	513,383	505,953	538,322	518,502	720,767
Service credits	3,167,325	3,230,671	3,295,285	3,361,191	4,525,166
Miscellaneous	-	-	-	-	17,231
6-year Loan Repayment from fund 4893 (Carpenter Road Landfill)	678,280	663,710	649,140	634,570	634,570
Total gross operating revenues	<u>\$ 93,368,876</u>	<u>\$ 97,384,250</u>	<u>\$ 101,618,894</u>	<u>\$ 105,988,852</u>	<u>\$ 103,358,232</u>
Operating expenses	\$ 60,472,925	\$ 63,496,571	\$ 66,671,400	\$ 70,004,971	\$ 73,222,021
Operating transfers	765,000	765,000	765,000	765,000	765,000
Total operating expenses	<u>\$ 61,237,925</u>	<u>\$ 64,261,571</u>	<u>\$ 67,436,400</u>	<u>\$ 70,769,971</u>	<u>\$ 73,987,021</u>
Net operating revenues	<u>\$ 32,130,951</u>	<u>\$ 33,122,679</u>	<u>\$ 34,182,494</u>	<u>\$ 35,218,881</u>	<u>\$ 29,371,211</u>
2008 Revenue Certificates of Participation	\$ 4,240,014	\$ 4,240,014	\$ 4,240,014	\$ 4,240,014	\$ 3,603,860.00
MID Treatment & Delivery Agreement	8,409,205	8,409,205	8,409,205	8,409,206	8,316,756
ARRA Grant	36,600	36,600	36,600	36,600	37,451
Total debt service	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,819</u>	<u>\$ 12,685,820</u>	<u>\$ 11,958,067.00</u>
Debt service coverage	2.53	2.61	2.69	2.78	2.46

Source: City of Modesto.

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2024

CITY WATER UTILITY SYSTEM STATISTICS
(Calendar Years 2015 through 2024)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of Service Accounts	74,665.00	72,825.00	73,135.00	73,423.00	73,591.00	73,897.00	74,094.00	74,356.00	74,527.00	74,776.00
Total Water Production ^(MG)	17,692.00	15,155.00	15,319.48	16,782.00	16,059.00	17,141.56	17,569.00	17,017.93	15,655.52	15,610.17
Capacity ^{(MGD) (1)}	175.20	175.20	175.20	168.00	168.20	170.30	135.00	130.00	135.00	135.00
Peak Daily Distribution ^(MGD)	84.60	74.70	84.25	77.50	83.50	75.14	75.90	73.63	69.99	64.78
Average Daily Distribution ^(MGD)	48.47	41.52	41.97	45.98	44.00	46.96	48.13	46.62	42.89	42.77

"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 2015 through 2024)

	<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>	<u>2024</u>
Well Water ^(BG)	10.63	9.22	8.63	9.82	5.45	7.71	7.12	8.81	7.68	7.56
Surface Water ^(BG)	<u>5.85</u>	<u>5.02</u>	<u>5.86</u>	<u>6.23</u>	<u>9.86</u>	<u>8.76</u>	<u>9.56</u>	<u>8.21</u>	<u>7.98</u>	<u>8.05</u>
Total ^(BG)	16.48	14.24	14.49	16.05	15.31	16.47	16.68	17.02	15.66	15.61

"BG" means billion gallons.

CITY WATER UTILITY SYSTEM
Average Monthly Water Rates Comparison
Flat Rate (1" Service)
As of July 1, 2023

<u>City</u>	<u>Flat Rate Typical</u>
Fresno ⁽¹⁾	\$17.90
Lodi ⁽²⁾	36.45
Modesto	69.44
Stockton ⁽¹⁾	36.54
Tracy ⁽²⁾	30.90
Turlock ⁽¹⁾	105.00

(1) Water is metered. Charge varies per meter size.

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

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2024

The following table sets forth connection fees for all users except multi-family units by meter size for fiscal year 2023-2024:

CITY WATER UTILITY SYSTEM
Connection Fees Comparison
Except Multiple Family Units
(Fiscal Year 2023-2024)

<u>Meter Size</u>	<u>Connection Fees</u>
5/8" meter**	\$ 2,022
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)
Fiscal Year Ended June 30, 2024

		Sale of Water (Year Ended June 30, 2024)									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues											
Residential (Flat Rates)		\$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	\$131,904
Commercial, Industrial and Municipal (Metered)		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	76,370,026
Total Water Sales		<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>	<u>\$76,501,930</u>

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

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

Lot Size	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
0-5,000 sq. ft. lot	\$40.81	\$40.81	\$47.38	\$48.77	\$52.97	\$56.11	\$59.48	\$60.66	\$60.66	\$60.66
5,001-7,000 sq. ft. lot	46.38	46.38	54.72	56.23	60.89	64.23	68.08	69.44	69.44	69.44
7,001-11,000 sq. ft. lot	55.04	55.04	69.22	70.98	76.52	80.26	85.08	86.78	86.78	86.78
11,001-17,000 sq. ft. lot	58.43	58.43	90.88	93.00	99.87	104.22	110.47	112.68	112.68	112.68
over 17,000 sq. ft. lot	68.69	68.69	101.80	104.10	111.65	116.3	123.28	125.75	125.75	125.75

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

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2024

The following table sets forth the adopted monthly service charge and volume charge for commercial accounts through fiscal year 2023-24.

CITY WATER UTILITY SYSTEM
Water Rates and Charges
Commercial Accounts

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Volume-based Rate (\$/hcf)	\$ 1.40	\$ 1.40	\$ 1.79	\$ 1.82	\$ 1.93	\$ 1.98	\$ 1.98	\$ 2.02	\$ 2.02	\$ 2.11
Fixed Monthly Meter Charge (in addition to volume-based charges)										
5/8"-3/4" meter	\$ 15.03	\$ 15.03	\$ 20.79	\$ 21.47	\$ 23.34	\$ 24.94	\$ 24.94	\$ 25.44	\$ 25.44	\$ 26.43
1" meter	21.33	21.33	29.30	30.39	33.48	36.11	36.11	36.83	36.83	38.55
1-1/2" meter	36.90	36.90	50.58	52.71	58.83	64.04	64.04	65.32	65.32	68.85
2" meter	55.68	55.68	76.11	79.49	89.25	97.55	97.55	99.50	99.50	105.21
3" meter	105.80	105.80	156.98	164.30	185.59	203.66	203.66	207.73	207.73	220.35
4" meter	162.13	162.13	276.14	289.28	327.55	360.04	360.04	367.24	367.24	390.03
6" meter	318.47	318.47	561.28	588.33	667.24	734.22	734.22	748.90	748.90	796.05
8" meter	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	1,462.65
10" meter	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	2,311.05
12" meter	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	3,038.25

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2024

BOND RATINGS

<u>Bonds</u>	<u>Moody's Rating</u>	<u>Standard & Poor's Rating</u>	<u>Fitch Rating</u>
2008 Lease Revenue Bonds	Aa3	AA+/A-1	A+
2008 Water Certificates of Participation	Aa3	AA/A-1	
Wastewater Revenue Bonds, Series 2018A		AA	
Wastewater Revenue Bonds, Series 2020A		AA	
Wastewater Revenue Bonds, Series 2020B		AA	

Sources: www.moody.com
 www.standardandpoors.com
 www.Fitchratings.com