

CITY OF MODESTO



McHENRY MUSEUM

2024-2025

**Annual Comprehensive
Financial Report**

Fiscal Year Ended
June 30, 2025

CITY OF
Modesto, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended June 30, 2025

Prepared By
Finance Department

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INTRODUCTORY TAB

INTRODUCTORY SECTION

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December 08, 2025

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, 2025.

City management assumes full responsibility for the completeness and reliability of the information contained in this report. We believe the data fairly represent 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 to be performed by an independent certified public accountant selected by the Modesto City Council. The accounting firm of Vasquez + Company, LLP was selected in 2023 to perform the City's annual financial audits. The auditors have issued an unmodified ("clean") opinion on the financial statements for the fiscal year ending on June 30, 2025, which is presented 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 auditor's reports related specifically to the Single Audit will be presented separately at a later date.

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

City of Modesto Profile

Modesto is located in the heart of California's San Joaquin Valley and is the County Seat of Stanislaus County. It is also the retail, service, and financial center of Stanislaus County and the

Northern San Joaquin Valley. The City currently occupies a land area of 37.8 square miles and serves a population of 219,765. 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 that 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 providing services that include police and fire protection; 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 Office of Performance Management and Budget (OPMB) Director.

Local Economy

A major center for local commerce, the City attracts thousands for work, shopping, and entertainment. Key industry sectors include manufacturing, healthcare, education, retail, and bio-industrial. Modesto and its surrounding communities contain canneries, packing plants, and warehouses that 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 regional 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 2024-2025 fiscal year. As of June 30, 2025, the City's unemployment rate was recorded at 5.4%, up from the 5.20% 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 \$451,075 (as of June 30, 2025), a decrease of 3.8% from 2024. CoStar Realty Information stated

the average Modesto MSA multifamily unit asking rent was \$1,583, up 2.3% from \$1,548 in 2024. Modesto building permit activity during fiscal year 2024-2025 ended with a total of 4,585 permits issued with a valuation of \$241,208,491.

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. Regional Kaiser and Sutter Health facilities are expanding, and specialized health care facilities like HealthSouth and Central Valley Specialty Hospital have chosen to locate 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 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 non-profit organizations. 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 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, the full allocation of funds, \$45.89 million, has been expended and obligated.

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.

In fiscal year 2024-2025, as of December 31, 2024, the City of Modesto successfully obligated the full \$45.89 million allocation of ARPA funds, meeting the federal deadline. City staff continues to manage the spending plan, ensuring that ongoing program expenditures remain aligned with U.S. Treasury guidelines and are fully expended by the December 31, 2026, deadline.

ARPA Funds Spending Plan – Economic Vitality

Eligible Category	Year	Description - ACFR	Allocation
Negative Economic Impact	1	Affordable Housing Trust	\$500,000
Negative Economic Impact	1	Relief Across Downtown Card	708,500
Negative Economic Impact	1	Revolving loan fund 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	Support for the Arts	200,000
Negative Economic Impact	1	Tuolumne River – Economic Development	574,785
Public Health-Negative Economic Impact	1	Implementation of a 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	2	Support for Convention and Visitor's Bureau	750,000
Negative Economic Impact	Reall.	Business Incentives - Expand outside of Downtown	500,000
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
Negative Economic Impact	Reall.	Support for Awesome Spot Playground (2nd Allocation)	600,000
Negative Economic Impact	Reall.	Support for Car Museum (2nd Allocation)	350,000
Negative Economic Impact	Reall.	Support for Gallo Arts Center	50,000
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
Public Health-Negative Economic Impact	Reall.	Opportunity Stanislaus (2nd Allocation)	200,000
Public Health-Negative Economic Impact	Reall.	Support for Central Valley Opportunity Center	25,000
Total			\$8,908,285

ARPA Funds Spending Plan - Governance and Service Delivery

Eligible Category	Year	Description – ACFR	Allocation
Public Health	1	Address deferred maintenance at various parks and public facilities	138,665
Revenue Replacement	1	Address deferred maintenance at various parks and public facilities	377,621
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
Water, Sewer, and Broadband Infrastructure	1	Address deferred maintenance at various parks and public facilities	225,000
Negative Economic Impact	2	911 Dispatch Services	63,116
Public Health-Negative Economic Impact	2	Reserve Funding [2022-2023 Deficit]	1,317,160
Premium Pay	Reall.	Employee Hazard Pay	6,552,810
Public Health-Negative Economic Impact	Reall.	Reserve Funding [2024-2025 Deficit]	2,000,000
Total			\$14,664,372

ARPA Funds Spending Plan - Quality of Life

Eligible Category	Year	Description - ACFR	Allocation
Negative Economic Impact	1	Blight Abatement	565,720
Negative Economic Impact	1	Grants to neighborhoods	120,000
Negative Economic Impact	1	Homeless Support Program	885,722
Public Health	1	Emergency Medical Service Equipment	600,000
Revenue Replacement	1	Reserve Funding [2021-2022 Deficit]	4,630,000
Revenue Replacement	1	Downtown Beautification	700,000
Negative Economic Impact	2	Community Assistance Team	400,000
Negative Economic Impact	2	Downtown Streets Team	1,800,000
Negative Economic Impact	2	Multifamily Bulky Item Program	180,000
Negative Economic Impact	2	West Modesto Collaborative	43,000
Revenue Replacement	2	Park Improvements (including turf at Mary Grogan)	9,343
Negative Economic Impact	Reall.	Cesar Chavez Renovation Project	5,448,883
Negative Economic Impact	Reall.	Homeless Services (Day Center, Safe Park, Bridge Housing)	1,514,278
Public Health-Negative Economic Impact	Reall.	Covid-19 labor expenses	4,694,417
Revenue Replacement	Reall.	Downey Shade Structure	233,036
Revenue Replacement	Reall.	Expand Downtown Beautification	500,000
Total			\$22,324,399

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

- Park Improvements such as playground replacements, sport court renovations, park lighting, restroom replacements, concrete repairs, tree trimming and site furnishings.
- Large Park renovations at Cesar E. Chavez and Dr. Martin Luther King Jr. Parks.
- Facility improvements at Maddux Youth Center.
- Security services at Community Centers and Historical Properties.
- Additional funding for Outside Contractors for forestry pruning, stump removal, and stump grinding.
- Funding for the Reforestation of City Trees program.
- Funding for outside contractors to continue to address curbs, gutters, and sidewalks.
- Funding for a Revolving Loan Fund for Accessory Dwelling Unit (ADU) development.
- Funding for Interim Housing Program via a Motel Voucher Program.

- Additional funding for a Marketing Program geared towards Measure H related programs/projects.
- Purchase of additional Fire Department equipment such as 6 LifePak 15's and 6 Lucas Devices.
- Additional positions for the Police Department's Real Time Crime Center (RTCC): Police Technicians, a Senior Police Technician, and a Police Civilian Manager.
- Additional positions for the Police Department: Code Enforcement Officers and Police Civilian Investigators.
- Additional positions for Parks, Recreation and Neighborhoods: Maintenance Workers.
- Funding for the Pelandale Street Landscape Project design work.
- Funding for the Parks Master Plan Project.
- Funding for the Parking Access Revenue Control Systems at the three Downtown Garages: 9th, 10th, and 11th Street garages.

Entertainment and Tourism

Modesto features vibrant arts, entertainment, sports, and cultural expression. With the partnership with Visit Modesto, 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, 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 (2025 marked the last baseball season for the Modesto Nuts), 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. The entertainment continues with monthly Art Walks in downtown, Mod Shop Arts and Crafts Walks, and seasonal activities including the Spirit of Giving 5K Run, Graffiti Cruise, Modesto on Ice skating rink, and Porchfest Community Music Stroll for residents and visitors to enjoy. Modesto truly offers something great for everyone.
- Modesto also hosts a myriad of outdoor and recreational attractions throughout the city. The Tuolumne River Regional Park was recently enhanced with a new boat launch site to support non-motorized recreational activities. The Virginia Corridor Trail is a well-loved multi-use recreational path that plays a key role in the city’s parks system. The trail is part of a broader network that links neighborhoods, parks, and schools, making it a vital corridor for both recreation and non-motorized commuting. Modesto’s bike routes and trails also play a vital role in this connectivity, and we continue to gain recognition for our cycling infrastructure.

Our Strategic Priorities

On June 3, 2025, under Resolution Number 2025-169, the City adopted the 2025-2026 Strategic Plan to incorporate input from the public, City staff, and the City Council and to reaffirm our goals and strategies. Our goals bring the City’s vision and values to life in our community and define our overall direction as a city, confirming our commitment to our citizens. While the strategies are individually important, they are also interconnected amongst all goals and cannot be addressed in isolation. In addition, they are the basis of our scorecard that measures success and upon which our key performance metrics are built. Within the 2025-2026 Strategic Plan, the City has adopted the following Vision, Mission and main Areas of Focus:

Vision Statement:

Modesto will be a welcoming and well-maintained home for residents with a downtown that serves as the heart of our community; a regional hub for economic development with easy access for visitors to the best the region has to offer.

Mission Statement:

We are committed to the delivery of exceptional public services and building partnerships that promote economic prosperity and engaged neighborhoods.

- **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 updates estimates and assumptions used to project future operations. At the end of fiscal year 2024-2025, General Fund Balance was as follows: Restricted and Non-spendable: \$13.1 million; Committed: \$18.4 million; Assigned: \$2.7 million; and Unassigned: \$54.1 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 2,980 broken limb issues and completed 11,807 tree pruning activities.



- The Forestry Division removed 772 trees and 634 stumps.

- The Forestry Division pruned 812 trees for mistletoe.
- The Solid Waste Division recycled 4,511 waste tires and 5,826 mattresses.



- The Solid Waste – Blight Abatement Team collected over 465.28 tons of illegal dumping.
- The Modesto Senior Citizens Center continues to provide a wide array of programming, with over 35,000 participants attending this past year. This 7,000-visitor increase is due in part to new programs including Barre for Fitness, CyberSenior technology education, and Older Americans Month festivities. The Center even received a donation to enhance senior technology learning. The facility has become a popular rental venue for the general public to utilize for a variety of celebrations and events.



- Recreation programs had over 4,700 registered participants. Programs include camps, Adaptive Bowling, Adaptive Friday Night Out, Dance Lessons, Tennis Lessons, Crime Scene Investigation (CSI) Camp, Driver's Education, Swim Classes and Lessons, and Soccer Lessons – to name a few. New to this year was disc golf. Due to overwhelming demand, we doubled our soccer lesson offerings by adding a second location. Our Toddler Music Class filled so quickly that a second class was added.



- In the fiscal year 2024-2025, the Adult Softball Program hosted 152 adult softball teams totaling over 1,700 registered players in men's, women's and coed leagues at Beyer and Davis Park.
- The Aquatics program was in full force with participants for swim lessons, adult water exercise, and certification courses at five different pool locations, with almost 4,000 participants.
- The Parks, Recreation and Neighborhoods (PRN) Department now manages the Special Event Permit process. Staff reviewed and revised the application process to provide a smooth experience for the public.
- Park's Recreation and Neighborhood's held 38 events with over 41,000 participants and 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 30,000 spectators with 93 wonderfully decorated float entries celebrating the "Downtown Disco" theme.
- The Breakfast with Santa event was held in partnership with the North Modesto Kiwanis spread cheer to over 700 participants and raised \$10,000 for Leisure Bucks scholarship program.



- The Modesto Spirit of Giving 5K had roughly 1,100 participants and raised over \$24,000 for the Leisure Bucks scholarship program.
- The PRN Department attended 27 events throughout the City with over 15,000 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 PRN Department coordinated the City's volunteer efforts at 558 events, including Love Modesto and river trail clean-ups. Overall, there were 3,083 volunteers that provided 17,695 hours of service with a total leveraged value of \$695,958.



- 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 1,347 followers.
 - Instagram followers increased by 1,013 followers.
- The After School Education and Safety (ASES) program took place at four school sites with a total of 20,722 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 2024-2025 term! They partnered with the Parks, Recreation and Neighborhoods Department for community outreach opportunities at their events and participated in the Hope Blooms Love Modesto project.
- Neighborhood Center at Marshall Park enriched 4,114 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 2 softball teams to their program, bringing the total to 12 softball teams with 183 players. The program also has 38 baseball teams with 597 players, giving us a total of 50 teams this summer. In total, we served around 790 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 held 9 events serving over 500 members of the community.
- Our Guest Services Team managed 264 picnic area reservations and over 300 Facility bookings.
- The McHenry Mansion partnered with the Stanislaus County Library to host Spooktacular, a family Storytime and trick-or-treat event, where over 800 community members attended.



- The McHenry Mansion held its annual Candlelight Tours in December. Over the course of two nights, 976 individuals were led through the Mansion by tour guides. There were 30 volunteers, 12 part-time recreation staff and 3 full-time staff who helped make the event successful.



- The elevator at the Mansion underwent a complete modernization, with replacement of control and drive systems including power supply, hydraulics, communication devices and more. While the public facing aesthetics of the elevator did not change, the internal upgrade provided much needed safety enhancements. The complete upgrade costs a total of \$100,000.
- The McHenry Museum hosted the Night at the Museum event where 598 guests had the opportunity to explore the Museum, interact with historical figures, and participate in activities to win prizes. 39 community members and 8 staff helped make the event a success.



- The McHenry Museum curated and displayed 6 exhibitions this year, most notably, Legacy of Lowriding (Summer 2024), Diamonds in the Dust (Winter 2024), and 150 Years of Modesto Fire Department (Spring 2025). 4,867 guests viewed the exhibitions on display when they visited during open hours.
- The McHenry Museum had some upgrades this year including 3 HVAC units replaced at a value of \$54,000 and painting of temporary exhibition rooms at a value of approximately \$20,000.
- The sound system was upgraded for improved audio and connectivity to the upstairs large halls of the Modesto Centre Plaza. Sound can now be configured collectively for all rooms or separately. Music is now played in the main lobby.
- Disability Resources Agency for Independent Living (DRAIL) held its Second Annual Disability Awareness Day event in October 2024. The event served over 500 community members to help connect them with services and support teams to increase their independence and advocate for their rights. **Pictured below is a free lunch being served to the attendees by DRAILS' volunteers.



- Healthy Aging was held in October 2024, to keep the health of the community at the forefront and to reach even more older adults. The annual event allows community organizations to distribute resources and goodies to help them live longer, healthier lives.
 - Health Screenings & Services that were provided at the event.
 - Diabetes & Cholesterol Screenings
 - Blood Pressure Checks Bone Density
 - Depression Screening
 - Oral Cancer Screening
 - Foot Care Screening
 - Skin Health Assessments
 - Vision Screenings
 - Senior Fitness Tests
 - Drop the Drugs

- o Flu Shots (quantity limited)
 - o Home Modification Display
- On October 22, 2024, the City Council approved the purchase of five fire engines and two trucks. These new apparatuses represent a shared investment in public safety, firefighter health, and operational readiness. The purchase was made possible through the support of our City Council and the citizens of Modesto, whose approval of Measure H has had a direct impact on our ability to modernize and strengthen our emergency response capabilities. With expected delivery in 2028, our department ensures that our fleet will remain ready and reliable as our city continues to grow.



- Through a partnership with the Engineering Services Department, the City Council approved an architectural services agreement with RED Inc. Architects for the Fire Station 1 rehabilitation and tenant improvements project. The building, originally constructed in 1939, needs various interior and exterior improvements. The design process is well underway, and construction is set to begin in Fall 2026. Along with addressing the needs and preserving the look of the historical art deco building, this project will also provide Modesto Fire Department personnel with the necessary amenities to carry out their daily tasks for many years to come.



- The completion of a standards of coverage study by Fitch and Associates aided in ensuring the Modesto Fire Department's (MFD) response capabilities align with the community's risk, need, and service expectations. The study identified an increase in calls for service while realizing staffing reductions since 2008. MFD acknowledges the recent study and is committed to carefully reviewing its findings and recommendations to ensure we continue delivering the highest level of service and protection to our community.
- MFD's Emergency Medical Services (EMS) Division made significant strides through training and operational improvements:
 - 5,319 hours of training provided to 323 personnel across Modesto, Stanislaus Consolidated, and Turlock.
 - Acquired two new simulation mannequins featuring advanced technology to enhance realism and improve scenario-based learning.
 - Medic 1 responded to more than 700 calls for service.
 - The new Medic 1 vehicle was put into service.
- Construction was completed on Phase 1 of the Turf Reduction project that removed turf at 4 parks in an effort to save water.



- Construction was completed on the renovation of Tuolumne River Regional Park (TRRP) Picnic Area B.



- Construction was completed on the TRRP River Pavilion and Learning Theatre, which provides a couple of new venues to enjoy the Tuolumne River Regional Park.



- With additional funding from Measure H, work on Year 2 of a 5-year plan to address deferred and preventative maintenance began:
 - Construction was completed on the replacement of playground structures at six parks: Aqueduct Park, City Gate Children’s Park, Mildred Perkins Park, Lakewood Park, Riverside Park, and Orchard Park.



- New Park signs were installed at six parks: Mildred Perkins Park, Graceada Park, Robertson Road Park, Sipherd Park, Catherine Everett Park, and Brewer’s Rose Park.



- Basketball and volleyball courts were sealed and striped at 9 parks.



- Concrete repairs were completed at 13 parks.



- The parking lots at McHenry Museum, Mark Twain Park, Mary E. Grogan Park and at Thurman Soccer Fields were repaved and restriped.

- The restroom at Graceada Park was replaced. Work on the restroom replacements at Robertson Road and Mark Twain Park continues.



- The Golf Courses had record-breaking financial performance with total revenues of \$3.5 million and net income of \$2.1 million. These figures represent the highest on record for the City's municipal golf courses. A testament to the dedication and performance of the Golf Course staff.
- This year, Creekside Golf Course launched PGA HOPE (Professional Golfers Association Helping Our Patriots Everywhere). This impactful program was embraced enthusiastically by both participants and the broader golf community. PGA HOPE is the flagship military program of PGA REACH, aimed at introducing golf to Veterans and Active-Duty Military to enhance their physical, mental, social, and emotional well-being.
- Conducted over a 6–8-week curriculum led by our PGA Class A Professionals, Larry Alvarado and Chris Mendes, who have been trained in adaptive golf and military cultural competency.



- Free of charge to all Veterans, supported by PGA REACH and PGA Section Foundations.

- Continuing the tradition of community outreach, the Golf Courses partnered with the Modesto Gospel Mission for the Annual Christmas Toy Drive. Thanks to the generosity of staff and customers, they successfully delivered toys to underprivileged children throughout the community – spreading joy and making the holiday season brighter for many local families.



- Mancini Park ballfield underwent a complete renovation. Improvements made include new edging of infield material and turf, and refurbishment of the backstop with new backboards and paint.



- New Kiosk Community sign has been installed at Lakewood Park. Neighborhood community group requested a sign for park reservations and neighborhood notices. Park staff installed concrete pads and walkway of the park.



- Needham at 13th St. Median was renovated. Previously, this median was a bare ground median. Park staff saw a need to improve and enhance the median by installing new plantings and upgrading the irrigation.



- Park Operations staff renovated 3 ballfields including Davis Park, Downey Park and Enslin Park. Improvements included a new infield and pitcher mounds.



- Riverside Park's sports fields underwent a complete renovation. The ballfield and soccer field were renovated by bringing in sand to level the fields and then seeding the turf for improved playing conditions.



- Annual playground surfacing (Playground wood chips) installed at more than 20 parks. A total of 1,980 cubic yards of playground wood chips was purchased and installed.
- Weekly preparation and coordination for 6 weeks of MoBand. Preparation included pressure washing, painting, and lighting checks, as well as portable restrooms for each event.

- Park Operations poured concrete pads and installed new Park signs ordered by Parks Planning for Graceada, Roberts Road and Everett Parks.
- New soccer goals are installed at Riverside and Aqueduct parks.
- Replaced cable at TRRP Boat Ramp with a more secure cable with clamps to discourage theft.



- The City of Modesto formed three (3) Community Facilities Districts (CFDs) in fiscal year 2024-2025. CFDs are special taxing districts that are formed upon a petition by landowners and a majority vote approving the formation of the district. CFDs are a mechanism to fund the installation and ongoing maintenance of needed infrastructure improvements required by new development projects, as well as for services that include police and fire services.
 - CFD No.2024-1 Tivoli was formed on September 24, 2024. Currently, projects supported by the Tivoli CFD are moving through the City of Modesto entitlement process that would result in the construction of over 1,000 single-family dwelling units.
 - CFD No.2024-2 Fairview Village #2 was formed on October 22, 2024, and will support the necessary infrastructure improvements needed for 217 proposed single-family dwellings.
 - CFD No.2025-2 Kiernan Business Park South #2 was formed on March 11, 2025, to replace the previous Kiernan Business Park South CFD. The improvements funded through this CFD will support 312 multifamily units, commercial and church uses, as well as single-family developments.

- Received an award for a State of California Homekey 3.0 award in the amount of \$15.8 million dollars for the acquisition and rehab of the Traveler's Motel into Jenny's Place, 53 units of permanent supportive housing and one manager's unit in partnership with Modesto Homekey LP and completed in Spring 2025.



- Partnered with the Housing Authority to construct 34 units of affordable housing in two separate housing complexes and installed road improvements and associated infrastructure along Vine Street.
- King Kennedy Cottages, 23 units, serves as permanent supportive housing for Behavioral Health clients and veterans with income restrictions for designated units at or below 30% of the area median income (AMI).
- Helen White provides 12 units to low-income seniors. The project was completed in the Fall of 2024.
- Partnered with Stanislaus County Affordable Housing Corporation for the acquisition of 835 California Ave, Modesto, to house COVID-19 vulnerable individuals. The project provides seven permanent supportive housing units for Very Low-Income families with family members with serious mental illness. The project was completed in the Fall of 2024.

- The City of Modesto was awarded \$33 million for the development of Seventh Street Village from the State of California’s Affordable Housing and Sustainable Communities (AHSC) Grant in partnership with Visionary Home Builders. This project will develop a mixed-use apartment of 79 units of affordable housing anticipated groundbreaking in Fall 2025.



- The City of Modesto received an Encampment Resolution Funding award in the amount of \$5.7 million, to bolster the City’s Camp2Home initiative and will make strategic investments in outreach, congregate and non-congregate shelter, and housing support.
- The City of Modesto has continued the Camp2Home initiative. Our priorities have been to focus on the developed approach to our comprehensive homelessness action plan that reduces encampments in public spaces, ensures the provision of supportive services, and identifies strategies for permanent housing through the following program components:
 - *Street Outreach:* Through the street outreach component, the Community Health and Assistance Team (CHAT) has continued to engage and build relationships with unsheltered individuals and provide immediate support, intervention, and connections with mainstream social services, shelters, and housing programs. During the program year, CHAT has made 5,920 outreach contacts and provided 4,940 services to homeless individuals.
 - *Emergency Shelter:* The Salvation Army’s Berberian Shelter assisted 786 unduplicated homeless individuals with case management and shelter services for the program year.
 - *Job Training:* The Downtown Streets Team (DST) program aims to end homelessness through workforce training, employment and employer pipelines. DST assisted Camp2Home program has assisted 381,173 individuals with job and housing readiness services for the program year.
 - *Permanent Employment:* DST and workforce development have partnered to train Camp2Home participants with obtaining permanent employment. For the program year, 31 individuals obtained employment and housed a total of 50 individuals.

- *Permanent Housing:* Camp2Home considers that securing stable employment is a priority to ensure housing success. Therefore, as individuals graduate from the job training program and obtain gainful and sustainable employment, they are eligible for the next step in the process – rapid rehousing assistance. DST provides case management as part of the rapid rehousing assistance to help individuals connect to resources that improve their safety and well-being, as well as achieve long-term housing and employment success. During the program year, 17 individuals were permanently housed.



- A total of \$217,968 was distributed in loans and grants through the City's Homeowner Rehabilitation Program. A total of eight (8) 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, electrical and plumbing repairs, lead testing, exterior doors, new fencing, porch repairs, American with Disabilities (ADA) bathroom improvements, and ADA ramps. Provided below are before and after images of a Homeowner Repair Program Project.



Before



After

Economic Vitality

- The Compost Division processed over 44,925 tons of residential and commercial organics into compost.
- The Solid Waste Division collected and recycled 4,809 pounds of California Redemption Value (CRV) keeping it out of the waste stream.
- The Streets Division completed 42.29 lane miles of crack seal application and 223.79 lane miles of slurry seal application.
- The Streets Division completed 55,533 square feet of sidewalk repair and 11,651 linear feet of curb and gutter repair.



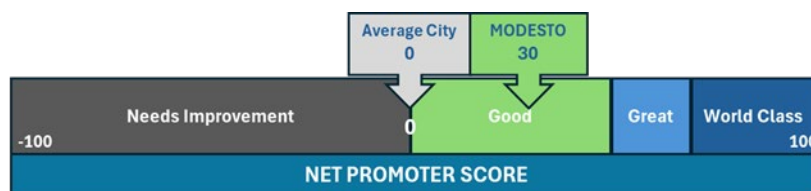
- The Traffic Operations Division replaced and repaired 1,544 traffic signs and completed 184,252 square feet of striping for legends and crosswalks.
- The Traffic Electrical Division converted 89 high voltage lights to low voltage light-emitting diode (LED) streetlights.
- The Traffic Division installed two High Intensity Activated Crosswalk (HAWK) beacons at the Modesto Farmers Market.
- The Traffic Division installed 32 vehicle detection cameras at 8 intersections within the City of Modesto.

- The Planning Division updated the City's Accessory Dwelling Unit (ADU) regulations to comply with and exceed State requirements.
- The Planning Division prepared a Programmatic Environmental Impact Report for the General Plan, which will facilitate a more efficient and expeditious environmental review of future projects in the City of Modesto. Along with this update was the implementation of programs from the City's Housing Element that was found in compliance by the California Department of Housing and Community Development in April of 2024, including the update of residential densities, and allowance for duplexes on all low-density residential (R-1) lots in the City. Implementation of these programs keeps the City's Housing Element in compliance ahead of future State review and follows through on the commitments made in that document.
- The Planning Division processed and approved several subdivision projects, including but not limited to 554 homes for the Solana Subdivision, 189 homes for the Bridges, 185 homes for the Martin Project, and 74 homes for Olivewood.
- The Planning Division received 261 planning applications.
- The Planning Division approved 117 staff level planning projects.
- The Planning Division held 31 Hearings between Planning Commission, Board of Zoning Adjustment and Landmark Preservation Commission.
- 798 building plan checks referred to the Planning Division.
- Ribbon cutting and grand opening of Jenny's Place, 54 units of permanent supportive housing at the former Travelers Motel at 710 9th Street.
- The Building Safety Division contacted 25 commercial building owners and 107 residential building owners under the newly enhanced Vacant Building program.
- The Building Safety Division brought 173 unpermitted or substandard buildings into compliance with the applicable building codes.
- During fiscal year 2024-2025, Building Safety registered 4,973 rental units.
- 1,528 rental code enforcement cases were initiated, 101 of those cases were tenant-driven complaints and 1,427 were City generated.
- 2,702 rental inspections were completed.
- 588 rental units had violations that were brought into compliance by our dedicated Code Enforcement Officers.
- The Economic Development Division's 5-year Economic Development Strategic Plan and Action Plan was approved by City Council in June 2025. The plan, in alignment with the General Plan 2050 update, guides economic development efforts across 22 focus action areas with 122 program action steps with key performance indicators (KPIs). Community engagement included a Stakeholders Summit; Forums on workforce development, entrepreneurial development, state policies and legislative agenda, urban design and zoning; the Central Valley Real Estate Summit, a community workshop, and a public listening session.

- Economic Development Division Business Attraction assembled a list of more than 400 opportunity sites and worked on 15 commercial and industrial opportunities, with six wins to date. Wins include two Vallarta Supermarkets, an SF Supermarket, Corrugated Supplies Company, a national leader in sustainable cardboard products; Aggreplex, an innovator in cement materials for buildings and roadways; and Sage Plastics, a plastics packaging manufacturer. These wins represent 568 new jobs. The division has also worked to attract retail and hospitality brands. Recent efforts are reflected in the Modesto Development Projects map.



- Economic Development Business Retention and Expansion – is ahead of plan to survey 250 businesses in the coming year to determine their satisfaction with Modesto services and as a business location. Modesto’s survey ratings for Net Promoter Score (NPS) and Customer Satisfaction (CSAT) are outperforming municipal benchmarks by 15% (NPS) and 33% (CSAT).

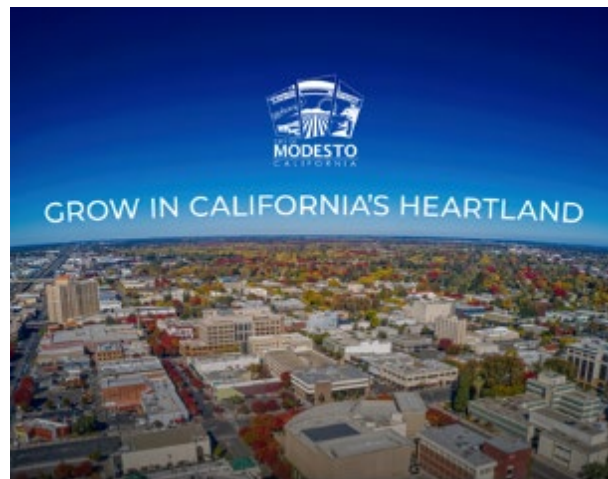


- The division is in the second phase of an Enhanced Infrastructure Financing District (EIFD) Feasibility Study that began in 2022. If approved, an EIFD could help accelerate development in and around downtown in alignment with the Downtown Master Plan and a planned Entertainment District. An EIFD will help attract private investment, additional grant funding and build a capacity to support bonds.

- The Economic Development division supported investment in downtown as a regional destination with occupancy incentive grants to Con Azucar coffee shop and Penny University, and a grease interceptor rebate to Con Azucar.

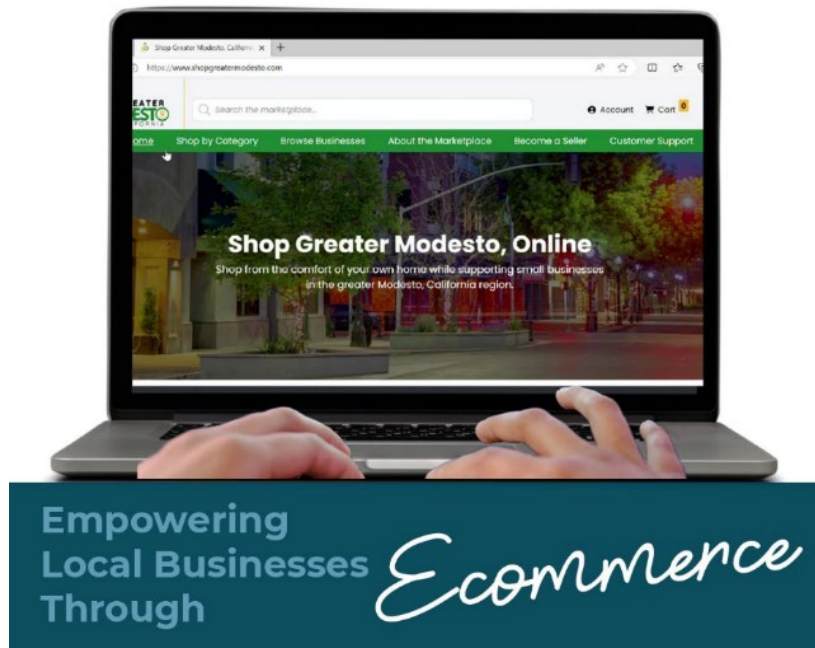


- Economic Development is working with the Building Safety Division to track and market vacant properties. In the past year, six prospects have been introduced to 2700 Sisk Road (former ToysRUs) and 2800 Sisk Road (former Orchard Supply Hardware), and the division is working on an opportunity for a long-vacant lot at 3824 McHenry Ave. The Planning Division has supported this effort by rezoning 2800 Sisk from a restrictive Planned Development that allowed limited uses to Mixed-Use Highway, which allows a broad potential user base and aligns with the surrounding corridor’s zoning.
- Economic Development Division marketing:
 - Attended the International Council of Shopping Centers in Las Vegas, with more than 20 prospect engagements, the International Asset Management Council, with more than 20 prospect engagements, MDM West, a large regional manufacturing and packaging conference, and the UC Merced Innovate to Grow Spring Expo.



- Created a business attraction flyer “Grow in California’s Heartland, now working on Volume Two for the coming year. The Division is also working on brochures and flyers, including a Small Business Guide and an Incentives guide.
- Social Media impressions increased 360% from fiscal year 2024 to fiscal year 2025, click-thru rate on Modesto Economic Development’s LinkedIn increased 220%

- Economic Development division Partner Collaboration and Support: American Rescue Plan Act (ARPA) funding and management – Economic Development manages and coordinates more than \$3 million of ARPA grants to partners for programs including licensed childcare expansion, behavioral health workforce development, downtown quiet zones, downtown beautification and blight remediation, youth technical training and career development, farmworker training, revolving loan funds for beautification and development.
 - Downtown Modesto (DoMo) Partnership – American Rescue Plan Act (ARPA) funding for beautification, lighting, signs and bike lanes.
 - Opportunity Stanislaus – increase training and assistance to local businesses.
 - Visit Modesto – support programs to attract visitors, increase hotel stays and local spending.
 - Modesto Chamber of Commerce – ARPA funding for Shop Greater Modesto Online, joint City-Chamber business walks, ribbon cuttings, mixers, and community events.
 - Stanislaus Latino Chamber of Commerce – ARPA funding for free-access SizeUp business intelligence platform for local businesses, joint business networking events, resource fairs, and workshops to empower entrepreneurs and small business owners.



- Workforce Development – hosted a job fair hiring event supporting manufacturing, logistics and hospitality, part of connecting 500 local residents with new employment opportunities and assisting more than 100 businesses with recruitment and workforce development opportunities.

EDD

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MODESTO City and County

**Wednesday
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The EDD is an equal opportunity partner for this information. If you need help or services because of a disability, call us at 1-209-576-6118. If you use a TTY, call the California Relay Service at 711.

- Bioeconomy Agriculture Manufacturing (BEAM) Circular – submitted a site proposal for the BEAM Circular Innovation Center Campus; promoted BEAM programs and outreach including an AgTech and FoodTech Pitch Day, Circular Economy, and Research and Commercialization Grants.

The Utilities Engineering water, wastewater/storm groups, completed the following projects:

- Empire Yosemite Blvd. Water Main Crossings – the project installed approximately 1,350 LF of new 8” & 12” Water Mains along Yosemite Blvd. in the Community of Empire (Project Cost: \$1.2 million).



- Colorado Water Main Upgrade – this project upgraded the water main from a 4” main to an 8” main on Colorado Avenue from South Ave to Garden Avenue as part of the River Trunk Realignment (Project Cost: \$650 thousand).



- Sylvan Water Main Upgrade – this project installed approximately 3,625 LF of new 8” & 12” Water Main on Sylvan Ave. from Oakdale Rd. to Aria Way and on the entirety of Lydia Lane (Project Cost: \$1.63 million).



- La Loma Phase 3A Strengthen & Replace Water Mains – this project replaced old, deteriorating water mains by installing approximately 16,400 LF of new 8” & 12” Water Mains in the Trask Ln., Encina Ave., El Vista Ave, and Yosemite Blvd. part of the La Loma Neighborhood (Project Cost: \$6.94 million).



- La Loma Phase 2C Strengthen & Replace Water Mains - Project replaced old, deteriorating water mains by installing approximately 23,000 LF of new 8" & 12" Water Mains in the Encina Ave., Yosemite Blvd., San Juan Dr., and Rowland Ave. part of the La Loma Neighborhood (Project Cost: \$9.06 million).



- Grayson Well 69 Surface Improvements – this project provided above ground improvements that included a 400 GPM well, backup generator, and flush line along Brenner Way (Project Cost: \$4.25 million).



- J.M. Pike Park Strengthen & Replace Water Mains – this project replaced old, deteriorating water mains in the J.M. Pike Park Neighborhood (Project Cost: \$10 million).



- Sonoma Trunk Extension and Lift station. This project installed new sewer main on Oakdale Road, Sylvan Avenue and Lydia Way. (Project Cost: \$7.74 million).



- J.M. Pike Park Cross Connection Removal - the project removed nonfunctional rock wells and stormwater to sanitary sewer cross-connections and installed a new storm drain piping and inlets and underground stormwater storage system and at J.M. Pike Park (Project Cost: \$27.9 million).



- River Trunk Realignment Gravity System - this Project addressed the hydraulic flow capacity and aging infrastructure for the River Trunk (Project Cost: \$27.2 million).



- Sutter Trunk Rehabilitation Phase 2 - the project replaced outdated and inefficient pipes, repairing existing ones where feasible, and decommissioning an old sewer Lift.



The following Utilities Engineering projects (water, wastewater/storm) are still under construction:

- Well 312 Treatment System & Flush Line Project – this project will install Granulated Activated Carbon (GAC) treatment & a flush line to address water quality issues associated with Well 312. Improvements will allow for the well to be brought back online (Project Cost: \$5.1 million).
- Bret Harte Neighborhood Phase 1 Strengthen & Replace Water Mains - this project will replace old, deteriorating existing water mains in a portion of the Bret Harte Elementary Neighborhood (Project Cost: \$2.3 million).
- Coffee Road Strengthen & Replace Water Mains – this project will replace old, deteriorating water mains in a portion of the Coffee Road Neighborhood (Project Cost: \$3.2 million).
- River Trunk Realignment – Shackelford Pump Station: this project will construct a new Pump Station that will pump the sewer through the Shackelford Siphon (Project Cost: \$14.59 million).
- Plant Structural Improvements - this project will provide diverse improvements at the Sutter Wastewater Treatment Plant (WWTP) as well as a new concrete vault for the existing valves and recoating of existing digestors (Project Cost: \$3.25 million).

- Sutter Campus Parking Lot and Security Upgrade - this project will enhance security and rectify traffic and parking issues in the roadway in front of the plant, the plant entrance, parking area, septage station, and Vac-con facility (Project Cost: \$8.27 million).
- La Loma Sewer Trunk Replacement Phase 1 - this project will replace all degraded and undersized sewer mains, in addition to installing new sewer laterals and manholes where necessary (Project Cost: \$6.84 million).
- Jennings Campus Corrosion Control Measures - the objective of this project is to replace the old lined Ductile Iron Pipe and Coated Steel pipe, which are susceptible to corrosion caused by high levels of H₂S and line UV Channels (Project Cost: \$5.84 million).
- West Trunk Sewer Rehabilitation - the project involves rehabilitating existing sewer trunks using the Cast in Place Pipe (CIPP) process at various locations throughout the City (Project Cost: \$22.58 million).
- Jennings Well Treatment Improvements - this project will address water quality concerns related to the Jennings Well, which provides drinking water to the City's Regional Water Recycling Facility - Jennings Campus (Project Cost: \$1.8 million).
- Woodland Lift Station Rehabilitation - the project is providing multiple enhancements to the existing sewer lift station including structural, electrical, and piping upgrades (Project Cost: \$4.91 million).

Water Construction, Service, and System Maintenance:

- Responded to 1,021 City water leaks.
- 145 large meters replaced with ultrasonic units.
- 56 new water service connections are installed.
- Maintained an average response time of 24 minutes and completed 38,397 service orders.
- Completed Strengthen & Replace projects at Anita Court, Cox Street, Dee Court, Jeff Court, Lane Street, Max Court, and Morada Court.

Water Conservation:

- Facilitated water conservation outreach events at Earth Day, Love Modesto, RecFest, Johansen Future Fair, Beyer Trades Night, Modesto Farmers Market, National Night Out, Imagine a Day Without Water, Modesto On Ice, Holiday of Lights, Occupational Olympics, Home Show, Touch a Truck at Modesto Junior College.

- Responded to 1,634 reports of water waste, conducted 239 Water Wise Consultations with customers, received 468 rebate applications and reimbursed customers \$202,000 for water saving measures like turf replacement, drip irrigation, and energy-efficient appliances.



Water Quality:

- Monitored 6,989 backflow prevention assemblies.
- Collected 5,560 water samples and produced 16.27 billion gallons of safe, clean water.
- Completed sampling for 5th Unregulated Contaminant Monitoring Rule (UCMR-5), which requires monitoring for 29 per- and polyfluoroalkyl substances (PFAS) and lithium in drinking water.



Water Wells and Tanks:

- Painting was completed for Grayson Tank Station 9, including the tank, pump houses and containers, and all pipes.
- Completed carbon change-out on Wells 1, 212, 225, and 279.
- Performed inspections and tank cleaning at Tanks 4, 5, 7, and 8.
- Performed significant repairs at Tanks 6 and 13, and Wells 33, 46, 49, 56, 57, 62, 68, 214, 217, 241.
- Pump efficiency testing completed at 79 Wells and 12 Tanks.

The City of Modesto Wastewater Division accomplishments included:

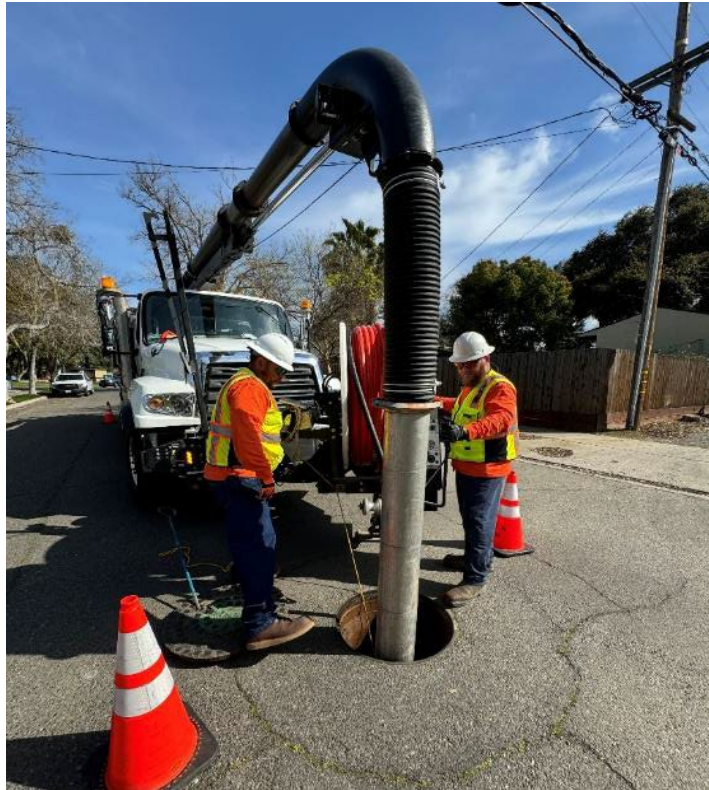
Operations & Maintenance:

- Completion of the Reclamation District (RD) 2091 Levee Enhancement Project.
- Completion of the Cannery Segregation and Domestic Outfall Siphon Inspections.
- 7,153,830,000 total gallons treated.
- 6,183,620,000 gallons recycled.
- 23,020,767 pounds of Biochemical oxygen demand (BOD) treated.
- 16,522,000 pounds of biosolids applied (include pond dredging).
- North Valley Regional Recycled Water Program delivery rate of 70%.



Collections:

- Four consecutive months with no Sanitary Sewer spills (SSS).
- West Trunk Lining project completed.
- 19,969 work orders completed.
- Completed 2,267 customer service calls.
- Cleaned 347 miles of sewer lines.



Environmental Compliance & Lab:

- Successfully completed the California Environmental Laboratory Accreditation Program (ELAP) amendment application to add the EPA Method Update Rule (MUR) methods to the lab's existing Fields of Accreditation (FOAs).
- Successfully completed the ELAP Onsite assessment (OSA) and has received its renewed laboratory accreditation certificate.
- All Significant Industrial Users (SIUs) were issued new wastewater discharge permits with an expiration date of December 31, 2026.
- Wastewater staff completed all required data requests from Larry Walker Associates (LWA) on August 16th. We are well ahead of schedule for meeting the Regional Board's Annual Stormwater Report deadline of October 1st.

- Environmental Compliance, through various public outreach opportunities, made 8,398,548 impressions on how to prevent stormwater pollution.



Governance and Service Delivery

- Implemented a new public bidding solution, OpenGov, to manage the lifecycle of the City's bidding solicitation process for goods and services. This solution allows all vendors to solicit electronic bids for goods or services needed for City business.
- The Purchasing Division provided a Vendor Management training to all City prospective bidders on how to submit bid proposals.
- Implemented a new financial reporting tool, Oracle Analytics Cloud, to manage the extraction of financial data for the City's ERP system, Oracle.
- Implemented the new Courtesy Leak Adjustment program via electronic submission through the City's website.
- The Modesto Police Department launched a comprehensive citywide initiative to combat organized retail theft (ORT) and motor vehicle accessory theft (MVAT), funded by a \$6 million grant from the Board of State and Community Corrections. The program combines proactive enforcement, enhanced technology, and strong business engagement to address rising concerns from retailers and community members. At the heart of the effort is a commitment to real-time crime monitoring, with strategic investments in mobile surveillance units, license plate readers, and a robust upgrade to the department's Real Time Crime Center (RTCC). A full-time civilian investigator was also added to lead case development and strengthen partnerships with local retailers. Through consistent bi-monthly operations, MPD has executed 48 enforcement actions resulting in 364 arrests and nearly \$91,000 in recovered

stolen property. These efforts are informed by crime data and direct feedback from business partners, ensuring that deployments target the areas of greatest need. More than 45% of arrests involved non-residents, underscoring Modesto's role as a regional deterrent for organized theft crews.

- Citywide property crime dropped by 13.8%, and several major retail centers experienced double-digit reductions in theft, including a more than 50% drop in holiday-season losses. These outcomes reflect a clear shift in how Modesto is perceived—not as an easy target, but as a city prepared to respond with coordination and resolve.
- The Modesto Police Department made history as the first police department in California to become Autism Certified through the International Board of Credentialing and Continuing Education Standards (IBCCES), ensuring our officers are better equipped to connect with every member of our diverse community.
- The Modesto Police Department welcomed over 70 new team members, bringing fresh talent, dedication, and a shared commitment to serving our community with integrity and professionalism. This growth reflects not only our department's progress but also the incredible support we receive from the Modesto community. Together, we're building a stronger team to keep Modesto safe and thriving.
- Fiscal year 2024-2025 marked the first full year of service for Sky 1, Modesto Police Department's dedicated air support unit — and the impact has been outstanding. Sky 1 logged over 930 flight hours, responded to more than 2,900 calls for service, and was first on scene over 2,000 times, providing critical support to officers on the ground. In addition to patrol efforts, Sky 1 assisted in 40 DUI arrests, assisted with the search for missing persons, and played a key role in 214 felony arrests. Sky 1 continues to enhance our ability to respond quickly, increase officer safety, and support community policing efforts from the air.
- In terms of crime trends, violent crime remained steady, with 7 homicides reported in calendar year (CY) 2024, mirroring the total from the previous year. The number of aggravated assaults decreased, from 903 in CY 2023 to 894 in CY 2024, reflecting our ongoing efforts to prevent and intervene in violent incidents. Property crimes showed notable reductions. MPD investigated 556 burglaries and 718 vehicle thefts, both of which were down from CY 2023 totals, signaling progress in our crime prevention strategies, increased patrols, and investigative follow-up. These results demonstrate our department's commitment to making Modesto a safer place to live, work, and visit.
- The Modesto Police Department strengthened its commitment to innovation by deploying new technologies designed to enhance public safety and operational efficiency. This year marked the full integration of the Taser 10, providing officers with advanced tools for safer outcomes in the field. We expanded the use of pursuit mitigation technologies, including StarChase and MobileSpike, allowing officers to resolve dangerous incidents with greater control and less risk to the public. Our Real-Time Crime Center and Citywide Camera System continued to provide real-time intelligence, giving officers critical information when seconds matter most. With these investments, along with the expansion of our Automated License Plate Reader network, MPD remains at the forefront of modern policing, using innovation to build a safer Modesto.
- The Forestry Division received 2,558 forestry requests and conducted 3,404 inspections.
- The Forestry Division received 819 GoModesto requests and completed 560 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, 2024. This was the 42nd 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 fifth time the distinguished Budget Presentation Award from GFOA for the fiscal year ended June 30, 2025. To receive this prestigious award, a government must demonstrate that 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 eighth year for the Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2024. 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 2025 PAFR to the GFOA for consideration.

As a result of receiving the GFOA awards for PAFR, ACFR and Budget Presentation for the fiscal year ended June 30, 2024, the City received GFOA's Triple Crown Award for the fifth time. The GFOA's Triple Crown designation recognizes governments that meet the high standards of all three separate award programs. The City will continue to strive to achieve these awards for future fiscal years.

Finally, we would like to express our appreciation to the City Council, City employees, and community for their leadership and support. We look forward to 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, 2024

Christopher P. Morill

Executive Director/CEO

THE CITY OF MODESTO ORGANIZATIONAL 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
Joe Lopez



City Attorney
Jose Sanchez



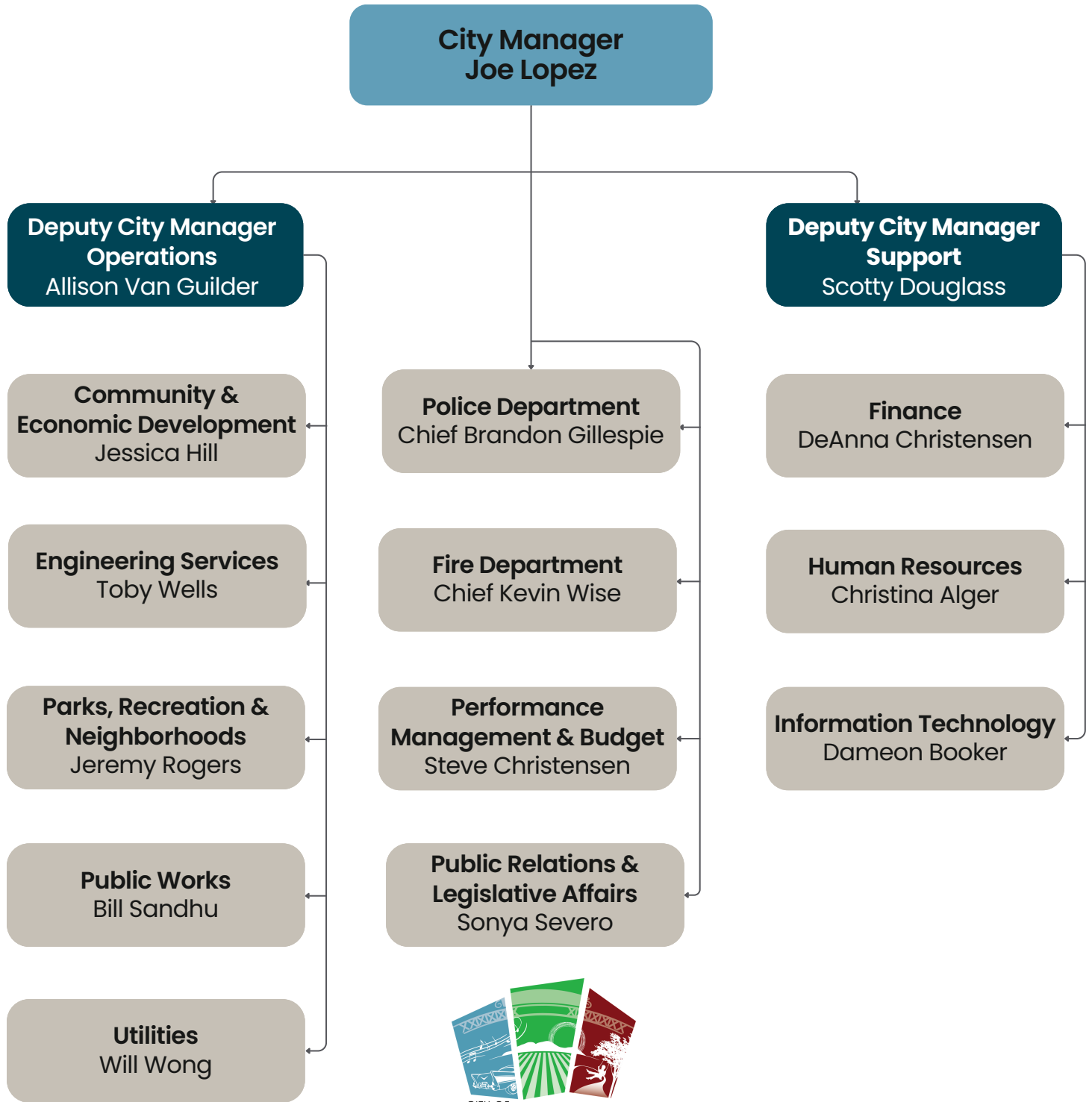
City Clerk
Diane Nayares-Perez



City Auditor
Baker Tilly



THE CITY OF MODESTO ORGANIZATIONAL CHART



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

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

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

FINANCIAL SECTION TAB

FINANCIAL SECTION

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Independent Auditor's Report

**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, 2025, 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 as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Implementation of a New Accounting Standard

As discussed in Notes 1 and 19, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the fiscal year ended June 30, 2025. 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 net OPEB liability and related ratios, schedule of OPEB plan contributions, and budgetary comparison information for the General Fund, Operating Grants Special Revenue Fund and Housing and Community Development Special Revenue Fund, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual fund financial statements and budgetary comparison schedules 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 8, 2025 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.

Vasquez & Company LLP

**Glendale, California
December 8, 2025**

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, 2025. 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 2025 fiscal year by \$1,251,937,912 (*total net position*). Of this amount, \$234,079,873 is restricted for a specific purpose (*restricted net position*), \$1,030,704,255 is net investment in capital assets, and \$(12,846,216) is unrestricted (*unrestricted net position*).
- The City's total deferred outflows of resources decreased by \$25,773,660 as compared to the prior year due to a decrease in deferred pension.
- The City's total deferred inflows of resources increased by \$1,988,916 as compared to the prior year due to an increase in deferred OPEB and deferred leases.
- The City's total liabilities increased by \$20,995,239 as compared to the prior year, mainly due to an increase in pollution remediation liability.
- The City's total net position increased by \$29,872,820 compared to the prior year. This increase is attributed mainly to an increase in charges for services, an increase in operating grants and contributions, and an increase in unrestricted investment earnings as a result of the careful management of the investment portfolio for the City's investment funds.
- As of June 30, 2025, the City's governmental funds reported combined fund balances of \$279,519,944 an increase of \$24,392,641 in comparison with the prior year's amount of \$255,127,303, as restated, due mainly to revenues generated higher than expenditures incurred during the fiscal year.
- As of June 30, 2025, 61.3% of the General fund balance or \$54,106,955 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 \$88,252,272 or 40.9% of total General Fund expenditures. Of this, \$1,621,755 is the restricted fund balance. The unassigned fund balance of \$54,106,955 represents 25.1% 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 General Fund operating expenditures.
- The City's total long-term liabilities showed a net decrease of \$28,280,629 in comparison with the prior year. This decrease was attributed to a reduction in debt from the principal payments made during the fiscal year and net pension liabilities, net of an increase in 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 19 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, and Housing and Community Development Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report on 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 functions rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements except for 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 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 31-101 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, and Housing and Community Development Fund have been provided to demonstrate compliance with this budget. This section also includes the schedules for net pension liability and net OPEB liability.

Required supplementary information can be found on pages 102-112 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 113-151 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 \$1,251,937,912 at the close of the most recent fiscal year.

Statements of Net Position

	Governmental activities		Business-type activities		Total	
	2025	2024 (Restated)	2025	2024 (Restated)	2025	2024 (Restated)
Current and other assets	\$ 432,540,746	\$ 420,559,054	\$ 372,220,517	\$ 344,726,281	\$ 804,761,263	\$ 765,285,335
Capital assets	357,164,141	359,164,501	920,905,221	879,750,154	1,278,069,362	1,238,914,655
Total assets	789,704,887	779,723,555	1,293,125,738	1,224,476,435	2,082,830,625	2,004,199,990
Deferred outflows of resources	77,314,160	97,922,459	22,946,145	28,111,506	100,260,305	126,033,965
Current and other liabilities	51,977,961	45,792,067	82,493,186	39,403,212	134,471,147	\$85,195,279
Long-term liabilities	459,207,486	468,171,785	306,185,387	325,501,717	765,392,873	793,673,502
Total liabilities	511,185,447	513,963,852	388,678,573	364,904,929	899,864,020	878,868,781
Deferred inflows of resources	14,088,461	15,368,153	17,200,537	13,931,929	31,288,998	29,300,082
Net position:						
Net investment in capital assets	348,311,958	347,825,273	682,392,297	628,224,368	1,030,704,255	976,049,641
Restricted net position	230,262,278	83,916,553	3,817,595	15,883,497	234,079,873	99,800,050
Unrestricted net position	(236,829,097)	(83,427,817)	223,982,881	229,643,218	(12,846,216)	146,215,401
Total net position	\$ 341,745,139	\$ 348,314,009	\$ 910,192,773	\$ 873,751,083	\$ 1,251,937,912	\$ 1,222,065,092

The largest portion of the City's net position, \$1,030,704,255 or 82.3%, 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.

**City of Modesto
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025**

Another significant portion of the City's net position, \$234,079,873 or 18.7%, represents resources that are subject to external restrictions on how these may be used and are reported as *restricted net position*.

The remaining balance of \$(12,846,216) or -1.0% represents the City's *unrestricted net position*.

The City's net position increased by \$29,872,820 during the current fiscal year, largely due to an increase in unrestricted investment earnings of \$17,017,211, charges for services \$13,620,203, taxes in the amount of \$3,437,849, and operating and capital grants and contributions \$4,040,779.

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	
	2025	2024 (Restated)	2025	2024 (Restated)	2025	2024 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 34,235,480	\$ 34,824,430	\$ 199,240,499	\$ 185,031,346	\$ 233,475,979	\$ 219,855,776
Operating grants and contributions	16,658,746	15,527,564	2,561,079	844,097	19,219,825	16,371,661
Capital grants and contributions	8,827,153	6,838,419	7,222,643	8,018,762	16,049,796	14,857,181
General revenues:						
Taxes	78,702,418	75,311,597	406,150	359,122	79,108,568	75,670,719
Intergovernment revenue not restricted for specific purposes	154,500,389	164,878,012	-	-	154,500,389	164,878,012
Special assessments, levied	5,487,466	5,436,061	-	-	5,487,466	5,436,061
Unrestricted investment earnings	23,589,103	10,274,601	16,712,360	13,009,651	40,301,463	23,284,252
Settlements and recoveries	-	-	-	3,620,125	-	3,620,125
Miscellaneous	2,212,563	1,156,335	1,897,429	1,479,611	4,109,992	2,635,946
Total revenues	324,213,318	314,247,019	228,040,160	212,362,714	552,253,478	526,609,733
Expenses:						
General government	19,507,887	17,445,366	-	-	19,507,887	17,445,366
Community development	50,662,150	50,217,253	-	-	50,662,150	50,217,253
Highways and streets	36,489,700	41,002,788	-	-	36,489,700	41,002,788
Public works	15,001,365	14,023,462	-	-	15,001,365	14,023,462
Parks and recreation	26,118,626	21,734,430	-	-	26,118,626	21,734,430
Public safety	184,103,949	172,211,096	-	-	184,103,949	172,211,096
Interest on long-term debt	1,122,442	1,276,737	-	-	1,122,442	1,276,737
Water	-	-	92,737,199	89,753,239	92,737,199	89,753,239
Sewer	-	-	64,696,457	54,102,497	64,696,457	54,102,497
Other Enterprise	-	-	31,940,883	31,982,029	31,940,883	31,982,029
Total expenses	333,006,119	317,911,132	189,374,539	175,837,765	522,380,658	493,748,897
Change in net position before transfers						
	(8,792,801)	(3,664,113)	38,665,621	36,524,949	29,872,820	32,860,836
Transfers	2,223,931	1,975,368	(2,223,931)	(1,975,368)	-	-
Total transfers	2,223,931	1,975,368	(2,223,931)	(1,975,368)	-	-
Change in net position						
	(6,568,870)	(1,688,745)	36,441,690	34,549,581	29,872,820	32,860,836
Net position - beginning	348,314,009	350,002,754	873,751,083	839,201,502	1,222,065,092	1,189,204,256
Net position - ending	\$ 341,745,139	\$ 348,314,009	\$ 910,192,773	\$ 873,751,083	\$ 1,251,937,912	\$ 1,222,065,092

The City's 2024 financial statements have been restated to correct previously reported balances. Refer to Note 19.

Governmental activities. Governmental activities decreased the City's net position by \$6,568,870, mainly due to expenditures exceeding the revenues and transfers during the fiscal year. Operating and capital grants and contributions increased by \$3,119,916, and investment earnings increased by \$13,314,502 as compared to the prior fiscal year. However, intergovernmental revenues decreased by \$10,377,623 as compared to the prior fiscal year.

Total expenses increased compared to the prior year by \$15,094,987. This increase is mainly attributed to an increase in salary and benefit costs, along with an increase in hiring previously vacant positions and the addition of new administrative support positions throughout City Departments. Additionally, a large increase is attributed to expenditures within public safety, such as the purchase of five (5) new fire trucks.

Business-type activities. Business-type activities increased the City's net position by \$36,441,690. The increase was mainly attributed to increases in operating and capital grants and contributions in the amount of \$920,863, an increase in charges for services in the amount of \$14,209,153, and an increase in unrestricted investment earnings in the amount of \$3,702,709, offset by the increase in expenses in the amount of \$13,536,774 as compared to the prior year.

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 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, 2025, the City's governmental funds reported combined fund balances of \$279,519,944, an increase of \$24,392,641 from the prior year. The total unassigned fund balance for the governmental funds was \$48,834,816, which includes a positive \$54,106,955 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 \$6,046,703 from the prior fiscal year.

The General Fund is the chief operating fund of the City. At June 30, 2025, the unassigned fund balance of the General Fund was \$54,106,955, while the total fund balance was \$88,252,272. 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 40.9% of that same amount. The prior year's ratios were 25.1% and 43.4%, respectively.

**City of Modesto
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025**

The Operating Grants fund accounts for receipts and disbursements of a variety of Governmental Fund Operating grants. At June 30, 2025, the total fund balance was \$2,484,373, which is an increase of \$1,625,281 from the 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, 2025, the total fund balance was \$28,946,839, an increase of \$1,167,996 from the prior year.

Revenues of governmental funds totaled \$348,770,058 in fiscal year 2024-25, which represents an increase of \$26,680,179 from fiscal year 2023-24.

Expenditures of governmental funds totaled \$324,580,630 in fiscal year 2024-25, representing an increase of \$32,939,508 from fiscal year 2023-24.

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 2025		FY 2024		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	% Change
Taxes	\$78,702,418	22.5%	\$75,311,597	23.4%	\$3,390,821	4.5%
Licenses and permits	344,834	0.1%	399,698	0.1%	(54,864)	-13.7%
Intergovernmental	206,581,980	59.2%	196,139,064	60.9%	10,442,916	5.3%
Charges for services	32,280,429	9.3%	33,848,559	10.5%	(1,568,130)	-4.6%
Special assessments	5,487,466	1.6%	5,436,061	1.7%	51,405	0.9%
Interest and rent	17,462,701	5.0%	5,468,374	1.7%	11,994,327	219.3%
Net increase (decrease) in fair value	4,144,945	1.2%	3,807,834	1.2%	337,111	8.9%
Fines and forfeits	1,610,217	0.5%	576,173	0.2%	1,034,044	179.5%
Miscellaneous	2,155,068	0.6%	1,102,519	0.3%	1,052,549	95.5%
Total	\$348,770,058	100.0%	\$322,089,879	100.0%	\$26,680,179	8.3%

- 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 \$10,442,916, mainly due to a large-scale project, Travelers Homekey, funded by State grant funding in the amount of \$9,384,562.
- Charges for Services – Revenues decreased by \$1,568,130 primarily due to a drop in revenues in the Capital Facility Fees.

**City of Modesto
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025**

- 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 2025		FY 2024		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	% Change
General government	\$17,949,967	5.5%	\$15,228,776	5.2%	\$2,721,191	17.9%
Community development	48,024,246	14.9%	45,142,072	15.4%	2,882,174	6.4%
Highways and streets	23,203,685	7.1%	26,421,078	9.1%	(3,217,393)	-12.2%
Public works	6,975,832	2.1%	12,711,516	4.4%	(5,735,684)	-45.1%
Parks and recreation	24,349,411	7.5%	19,479,513	6.7%	4,869,898	25.0%
Public safety	173,714,370	53.5%	154,658,970	53.0%	19,055,400	12.3%
Capital outlay	23,067,120	7.1%	10,646,681	3.7%	12,420,439	116.7%
Debt Service-principal retirement	5,504,467	1.7%	5,598,966	1.9%	(94,499)	-1.7%
Debt Service-interest charges	1,302,044	0.4%	1,280,380	0.4%	21,664	1.7%
Debt Service-other	489,488	0.2%	473,170	0.2%	16,318	3.4%
Total	\$324,580,630	100.0%	\$291,641,122	100.0%	\$32,939,508	11.3%

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

- Highways and streets – Expenditures decreased by \$3,217,393 or 12.2% over the prior year due to a large-scale project, State Route 132 being completed during Fiscal Year 2023-24 which resulted in less construction expenditures during this fiscal year as compared to the prior year.
- Public works – Expenditures decrease by \$5,735,684 or 45.1% over the prior year due to increase in projects being undertaken by City staff due to increase in available funding and decrease in number of projects during Fiscal Year 2024-25 as a result of decreased level of funding available.
- Parks and recreation – Expenditures increased by \$4,869,898 or 25.0% over the prior year due to 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 \$19,055,400 or 12.3% over the prior year mainly due to an increase in services that are provided and equipment purchases, and the purchase of five (5) fire trucks, based on grant fund availability that fluctuates year to year depending on grants awarded.
- Capital outlay – Expenditures increased in the amount of \$12,420,439 or 116.7% due to large-scale multi-year projects, including the renovations to Cesar E. Chavez Park and Mary Grogan Park.

**City of Modesto
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025**

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

	FY 2025	FY 2024	Increase/(Decrease)	
			Amount	Percent
Transfers in	\$27,968,242	\$26,873,392	\$1,094,850	4.1%
Transfers out	(28,635,725)	(29,514,905)	879,180	-3.0%
Other financing proceeds	813,201	4,042,674	(3,229,473)	-79.9%
Sale of assets	57,495	53,816	3,679	6.8%
Net financing sources	\$203,213	\$1,454,977	(\$1,251,764)	-86.0%

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 from governmental funds for 2025 were \$203,213 compared to \$1,454,977 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 decreased by \$3,229,473 due to decrease in the number of new SBITAs and leases in the current year.

The fund balance of the City's General Fund increased by \$5,193,652 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	\$90,925,358	\$71,191,003	\$36,590,220	\$198,706,581
Operating expenses	(87,286,552)	(62,619,305)	(31,847,725)	(181,753,582)
Operating income	3,638,806	8,571,698	4,742,495	16,952,999
Nonoperating revenues, net	3,767,258	6,789,047	4,294,068	14,850,373
Income before capital contributions and transfers	7,406,064	15,360,745	9,036,563	31,803,372
Contributions and transfers	(226,179)	4,313,195	911,696	4,998,712
Changes in net position	\$7,179,885	\$19,673,940	\$9,948,259	\$36,802,084

The Water fund had a rate increase of 4.5% effective January 1, 2025. This rate was approved on August 22, 2023.

The Sewer fund had a rate increase of 3.5% effective July 1, 2024. This rate was approved on April 12, 2022.

Pollution remediation liability was reported for the Water, Sewer, and other Enterprise fund in the amounts of \$40,000,476, \$10,511,114, and \$3,170,994, respectively, based on net recoveries the City has received from various settlements and future cleanup costs. 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 107** of this report.

While the City Council amended the budget several times throughout the year, the differences between the original budget and the final amended budget for the General Fund decreased overall, mainly due to a decrease in intergovernmental revenues and an increase in public safety expenditures. The estimated revenues decreased by \$1,755,521, while total appropriations increased by \$12,608,217. 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 \$9,701,712 more than final estimates. Variances in Utility Users Tax \$738,713, Property Tax \$528,092, and Intergovernmental \$5,090,645, were due to an increase in collection efforts, new grants received, and a quicker recovery from the pandemic than was anticipated and stronger property values.

Expenditures, overall, were \$29,367,739 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, 2025, amounted to \$1,278,069,362 (net of accumulated depreciation and amortization). The total increase in the City's investment in capital assets compared to 2024 was 3.2%.

**City of Modesto
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025**

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
	2025	2024	2025	2024	2025	2024		
Land	\$ 42,653,318	\$ 42,653,318	\$ 30,647,169	\$ 30,647,169	\$ 73,300,487	\$ 73,300,487	0.0%	\$ -
Capitalized interest	-	-	2,960,308	3,465,094	2,960,308	3,465,094	-14.6%	(504,786)
Buildings	17,020,339	18,622,500	25,804,685	27,458,329	42,825,024	46,080,829	-7.1%	(3,255,805)
Improvements	48,912,026	54,076,028	214,606,406	225,808,192	263,518,432	279,884,220	-5.8%	(16,365,788)
Furnishings and equipment	2,222,821	2,210,388	1,844,383	2,149,526	4,067,204	4,359,914	-6.7%	(292,710)
Buses & fareboxes	25,103	25,103	-	-	25,103	25,103	0.0%	-
Intangible assets	385,584	780,536	3	3	385,587	780,539	-50.6%	(394,952)
Equipment pool	24,586,735	23,787,508	-	-	24,586,735	23,787,508	3.4%	799,227
Service animals	12,815	19,611	-	-	12,815	19,611	-34.7%	(6,796)
Water rights	-	-	179,113,342	191,054,232	179,113,342	191,054,232	-6.3%	(11,940,890)
Streets	133,189,507	143,643,347	-	-	133,189,507	143,643,347	-7.3%	(10,453,840)
Signalization	5,947,151	6,458,205	-	-	5,947,151	6,458,205	-7.9%	(511,054)
Bridges	23,680,407	24,421,978	-	-	23,680,407	24,421,978	-3.0%	(741,571)
Pipelines	389,119	394,694	327,696,085	286,149,600	328,085,204	286,544,294	14.5%	41,540,910
Construction in progress	52,873,203	34,968,291	135,607,154	112,476,485	188,480,357	147,444,776	27.8%	41,035,581
Right to use SBITAS	4,913,731	6,698,754	113,002	153,925	5,026,733	6,852,679	-26.6%	(1,825,946)
Right to use Leases								
Buildings	208,319	219,922	-	-	208,319	219,922	-5.3%	(11,603)
Equipment	1	-	224,104	297,335	224,105	297,335	-24.6%	(73,230)
Land	143,962	184,318	2,288,580	90,264	2,432,542	274,582	785.9%	2,157,960
Total	\$ 357,164,141	\$ 359,164,501	\$ 920,905,221	\$ 879,750,154	\$ 1,278,069,362	\$ 1,238,914,655	3.2%	\$ 39,154,707

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

- Pipelines – Construction of the La Loma – El Vista to Riverside project was completed in fiscal year 2024-25 in the amount of \$7.0 million, La Loma Phase 2C Strengthen & Replace Mains project was completed in the amount of \$9.1 million, Grayson Well 274 was completed in the amount of \$4.2 million and River Trunk Gravity was completed in the amount of \$26.1 million. .
- Water rights – Depreciation expense for fiscal year 2024-25 in the amount of \$11.9 million.
- Construction in progress – Ongoing water and sewer construction projects related to improvements to the City's water and sewer infrastructure were made during fiscal year 2024-25, ongoing construction of the Pike Park Neighborhood Strengthen & Replace Mains project, Well 312 Treatment and Flush line, Bret Harte Strengthen & Replace watermains and replacement of the SCADA system. West Trunk Rehabilitation project, La Loma Sewer project.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements. Depreciation expense is recorded using the straight-line method, based on estimated useful life of the asset. Additional information on the City's capital assets can be found in Note 3 on pages **50-52** of this report. Additional information on the City's commitments can be found in Note 19 on page **84** of this report.

Long-term debt and liabilities

At June 30, 2025, the City had total long-term liabilities outstanding of \$338,394,039, net of unamortized discounts and premiums, as compared to \$350,548,810, as restated, in the prior year. This amount was comprised of \$35,995,000 of lease revenue bonds, \$37,619,528 of certificates of participation, \$89,725,262 of revenue bonds payable, \$84,460,000 of reimbursement agreement related to Modesto Irrigation District bonds, \$21,076,038 of estimated compensated absences, \$33,196,178 of claims liability, \$24,350,939 of loans payable, \$410,681 of developer advances, \$4,978,519 of finance purchase obligations, \$2,980,251 of lease payable and \$3,601,643 of SBITAs liability.

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 **55-74** of this report.

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

BONDS	Moody's Rating	S & P Rating	Fitch Rating
2008 Lease Revenue Bonds	Aa3	A+/A-1	AA+
2008 Water Certificates of Participation	Aa2	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. 68, *Accounting and Financial Reporting for Pensions*, the City's Net pension liability as of June 30, 2025 was \$405,314,909.

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, 2025 was \$21,683,925. Additional information on the City's net OPEB liability and Pension can be found in Note 19.

With the implementation of GASB Statement No. 87, *Leases*, the City reported lease receivables in the amount of \$27,562,158, deferred inflows of resources-leases in the amount of \$25,861,420, and lease payable in the amount of \$2,980,251 as of June 30, 2025.

With the implementation of GASB Statement No 96, *Subscription-Based Information Technology Arrangements*, (SBITA), the City reported SBITA liability in the amount of \$3,601,643 as of June 30, 2025.

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, 2025, the CPI-Western Urban Index did see a continuous increase up to 2.7%.

- *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 the Council on August 22, 2023.

All of these factors were considered in preparing the City's budget for fiscal year 2024-25.

During the current fiscal year, fund balance in the General Fund increased by \$5,193,652 to \$88,252,272, which represents 40.9% of total General Fund outflows and exceeds the City's target value of a 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 2024-2025 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, 2025

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and investments	\$ 107,610,844	\$ 261,430,326	\$ 369,041,170
Accounts receivable, net	1,512,499	3,987,172	5,499,671
Interest receivable	927,439	1,460,094	2,387,533
Utility billings receivable, net	1,922,957	20,067,776	21,990,733
Taxes receivable	23,405,698	-	23,405,698
Leases receivable	10,467,608	17,094,550	27,562,158
Due from governments	15,711,797	8,351,420	24,063,217
Prepaid expenses	10,903,724	4,990,926	15,894,650
Internal balances	(459,394)	459,394	-
Inventories	7,498,689	49,674	7,548,363
Investments in joint ventures	6,974,299	-	6,974,299
Restricted assets:			
Cash and investments	150,093,410	51,658,650	201,752,060
Cash and investments with fiscal agent	12,344,421	2,670,535	15,014,956
Accounts receivable, net	837,888	-	837,888
Interest receivable	297,069	-	297,069
Due from governments	6,346,834	-	6,346,834
Due from Successor Agency	1,192,004	-	1,192,004
Reimbursement agreement	10,438,550	-	10,438,550
Notes and loan receivable, net	64,514,410	-	64,514,410
Capital assets:			
Land and construction in progress	95,526,521	166,254,323	261,780,844
Other capital assets, net of accumulated depreciation	255,986,023	752,025,209	1,008,011,232
Intangible assets, net of accumulated amortization	5,651,597	2,625,689	8,277,286
Total assets	789,704,887	1,293,125,738	2,082,830,625
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	5,060,008	1,410,300	6,470,308
Deferred pensions	70,529,986	11,727,386	82,257,372
Loss on refunding	-	261,716	261,716
Accumulated decrease in fair value of hedging derivatives	1,724,166	9,546,743	11,270,909
Total deferred outflows of resources	77,314,160	22,946,145	100,260,305
<u>LIABILITIES</u>			
Accounts payable	15,856,667	13,081,797	28,938,464
Accrued salaries and benefits	5,601,918	1,267,057	6,868,975
Approved loans payable	5,914,221	-	5,914,221
Due to fiduciary funds	26,974	-	26,974
Due to other governments	41,144	-	41,144
Interest payable	38,546	485,822	524,368
Unearned revenue	15,342,362	1,782,795	17,125,157
Refundable deposits	7,431,963	2,646,388	10,078,351
Derivative instrument - interest swap	1,724,166	9,546,743	11,270,909
Pollution remediation liability	-	53,682,584	53,682,584
Long-term liabilities:			
Due Within one year	19,442,750	15,880,528	35,323,278
Due in more than one year	76,542,974	226,527,787	303,070,761
Net OPEB liability due in more than one year	16,533,819	5,150,106	21,683,925
Net pension liability due in more than one year	346,687,943	58,626,966	405,314,909
Total liabilities	511,185,447	388,678,573	899,864,020
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	3,631,889	997,367	4,629,256
Deferred pensions	753,937	44,385	798,322
Deferred leases	9,702,635	16,158,785	25,861,420
Total deferred inflows of resources	14,088,461	17,200,537	31,288,998
<u>NET POSITION</u>			
Net investment in capital assets	348,311,958	682,392,297	1,030,704,255
Restricted for:			
Grants purposes	74,673,446	-	74,673,446
Housing and community development	53,556,775	-	53,556,775
Pollution remediation	-	1,147,060	1,147,060
Health and human services	197,274	-	197,274
Public safety	4,735,722	-	4,735,722
General government and support services	10,620,603	-	10,620,603
Capital projects	80,635,495	-	80,635,495
Debt service payments	5,842,963	2,670,535	8,513,498
Unrestricted	(236,829,097)	223,982,881	(12,846,216)
Total net position	\$ 341,745,139	\$ 910,192,773	\$ 1,251,937,912

See Notes to Basic Financial Statements.

City of Modesto
Statement of Activities
Fiscal Year Ended June 30, 2025

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
FUNCTIONS/PROGRAMS:							
Governmental activities:							
General government	\$ 19,507,887	\$ 9,458,727	\$ 153,301	\$ -	\$ (9,895,859)	\$ -	\$ (9,895,859)
Community development	50,662,150	8,011,784	10,233,822	47,363	(32,369,181)	-	(32,369,181)
Highways and streets	36,489,700	1,889,103	-	5,774,215	(28,826,382)	-	(28,826,382)
Public works	15,001,365	5,049,886	336,054	605,807	(9,009,618)	-	(9,009,618)
Parks and recreation	26,118,626	2,253,950	-	2,399,768	(21,464,908)	-	(21,464,908)
Public safety	184,103,949	7,572,030	5,935,569	-	(170,596,350)	-	(170,596,350)
Interest on long-term debt	1,122,442	-	-	-	(1,122,442)	-	(1,122,442)
Total governmental activities	333,006,119	34,235,480	16,658,746	8,827,153	(273,284,740)	-	(273,284,740)
Business-type activities:							
Water	92,737,199	90,925,358	203,049	1,232,226	-	(376,566)	(376,566)
Sewer	64,696,457	71,724,921	1,819,221	5,990,417	-	14,838,102	14,838,102
Other enterprise	31,940,883	36,590,220	538,809	-	-	5,188,146	5,188,146
Total business-type activities	189,374,539	199,240,499	2,561,079	7,222,643	-	19,649,682	19,649,682
Total	\$ 522,380,658	\$ 233,475,979	\$ 19,219,825	\$ 16,049,796	(273,284,740)	19,649,682	(253,635,058)
General revenues:							
Taxes:							
Utility users tax					23,446,327	-	23,446,327
Property taxes, levied for general purposes					24,284,092	-	24,284,092
Property taxes, generated by and allocated to the airport					-	406,150	406,150
Transient occupancy tax					3,488,165	-	3,488,165
Franchise tax					7,661,231	-	7,661,231
Cannabis tax					3,279,809	-	3,279,809
Business license tax, levied for general purposes					16,334,395	-	16,334,395
Business license tax, levied for downtown improvement district					208,399	-	208,399
Special assessments, levied					5,487,466	-	5,487,466
Intergovernmental revenues:							
Sales tax (state appropriation)					36,595,971	-	36,595,971
Sales tax Measure H					47,211,026	-	47,211,026
Motor vehicle license fee					23,850,552	-	23,850,552
Transportation tax funding					26,022,667	-	26,022,667
Other					20,820,173	-	20,820,173
Unrestricted investment earnings and rent					23,589,103	16,712,360	40,301,463
Miscellaneous					2,212,563	1,897,429	4,109,992
Transfers					2,223,931	(2,223,931)	-
Total general revenues and transfers					266,715,870	16,792,008	283,507,878
Change in net position					(6,568,870)	36,441,690	29,872,820
Net position, July 1, as previously reported					353,579,350	873,883,400	1,227,462,750
Restatements (Note 19)					(5,265,341)	(132,317)	(5,397,658)
Net position, July 1, as restated					348,314,009	873,751,083	1,222,065,092
Net position, June 30					\$ 341,745,139	\$ 910,192,773	\$ 1,251,937,912

See Notes to Basic Financial Statements.

**City of Modesto
Balance Sheet
Governmental Funds
June 30, 2025**

	General	Operating Grants	Housing and Community Development	Other Governmental	Total Governmental
<u>ASSETS</u>					
Cash and investments	\$ 55,756,978	\$ 11,313,539	\$ 4,586,943	\$ 10,004,333	\$ 81,661,793
Receivables:					
Accounts, net	396,098	64,596	3,333	322,223	786,250
Interest	383,154	20,732	1,018	355,346	760,250
Utilities, net	1,922,957	-	-	-	1,922,957
Taxes	23,238,354	1,872	-	165,472	23,405,698
Leases	9,065,337	-	-	1,385,557	10,450,894
Due from governments	1,388,496	1,881,720	1,426,045	7,745,492	12,441,753
Due from other funds	926,179	-	-	-	926,179
Prepaid expenditures	9,278,052	55,648	1,545	185,399	9,520,644
Restricted assets:					
Cash and investments	3,875,246	-	-	137,800,243	141,675,489
Cash and investments with fiscal agent	5,087,150	833,381	-	5,842,963	11,763,494
Accounts receivable, net	-	-	-	837,888	837,888
Interest receivable	-	-	-	297,069	297,069
Due from governments	-	-	-	6,346,834	6,346,834
Due from Successor Agency	-	-	-	1,192,004	1,192,004
Notes receivable, net	-	-	53,588,383	10,926,027	64,514,410
Advances to other funds	2,167,745	-	-	-	2,167,745
Total assets	\$ 113,485,746	\$ 14,171,488	\$ 59,607,267	\$ 183,406,850	\$ 370,671,351
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 3,991,712	\$ 669,440	\$ 105,385	\$ 5,468,097	\$ 10,234,634
Accrued salaries and benefits	4,716,631	195,907	29,341	273,779	5,215,658
Interest payable	-	7,608	-	4,187	11,795
Approved loans payable	-	-	5,914,221	-	5,914,221
Due to other funds	-	-	-	926,179	926,179
Due to fiduciary funds	-	-	-	26,974	26,974
Due to other governments	41,144	-	-	-	41,144
Unearned revenue	445,526	8,932,440	-	5,928,769	15,306,735
Refundable deposits	7,340,641	-	-	91,322	7,431,963
Advances from other funds	-	-	-	843,041	843,041
Total liabilities	16,535,654	9,805,395	6,048,947	13,562,348	45,952,344
Deferred inflows of resources:					
Unavailable revenue	295,750	1,881,720	24,611,481	8,723,245	35,512,196
Leases	8,402,070	-	-	1,284,797	9,686,867
Total deferred inflows of resources	8,697,820	1,881,720	24,611,481	10,008,042	45,199,063
Fund balances:					
Nonspendable	11,445,797	55,648	1,545	185,399	11,688,389
Restricted	1,621,755	2,428,725	28,945,294	160,835,203	193,830,977
Committed	18,397,817	-	-	-	18,397,817
Assigned	2,679,948	-	-	4,087,997	6,767,945
Unassigned	54,106,955	-	-	(5,272,139)	48,834,816
Total fund balances	88,252,272	2,484,373	28,946,839	159,836,460	279,519,944
Total liabilities, deferred inflows of resources, and fund balances	\$ 113,485,746	\$ 14,171,488	\$ 59,607,267	\$ 183,406,850	\$ 370,671,351

See Notes to Basic Financial Statements.

City of Modesto
Reconciliation of the Governmental Funds Balance Sheet
to the Governmental Activities Statement of Net Position
June 30, 2025

Total fund balances - governmental funds		\$ 279,519,944
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	\$ 85,545,786	
Depreciable	189,068,280	
Accumulated depreciation on general capital assets	(135,121,524)	
Lease assets and SBITAS - right-of-use	7,053,862	
Accumulated amortization on lease assets, right-of-use	(3,044,120)	
Infrastructure:		
Depreciable	586,996,952	
Accumulated depreciation on infrastructure	<u>(423,790,768)</u>	306,708,468
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	\$ 35,512,196	
Reimbursement agreement with Successor Agency	10,438,550	
Investments in joint ventures	<u>6,974,299</u>	52,925,045
Derivative instruments:		
Rate swaps are not reported in governmental funds.	\$ (1,724,166)	
Deferred outflows of resources used to accumulate decreases in fair value of hedging derivatives also are not reported in governmental funds.	<u>1,724,166</u>	-
Internal service funds are used by management to charge the costs of activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are included in governmental activities in the statement of net position.		
		23,784,208
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	\$ 66,893,521	
Deferred inflows of resources	<u>(740,173)</u>	66,153,348
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	\$ 4,780,452	
Deferred inflows of resources	<u>(3,298,567)</u>	1,481,885
Some liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	\$ (328,508,703)	
Net OPEB liability	(15,379,073)	
Bonds payable, and other long-term debt	(44,939,983)	<u>(388,827,759)</u>
Net position - governmental activities		<u>\$ 341,745,139</u>

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, 2025

	General	Operating Grants	Housing and Community Development	Transportation Special Tax	Other Governmental	Total Governmental
REVENUES:						
Taxes	\$ 76,102,066	\$ 253,569	\$ -	\$ -	\$ 2,346,783	\$ 78,702,418
Licenses and permits	100,255	45,515	-	-	199,064	344,834
Intergovernmental	130,800,725	32,123,832	5,282,977	-	38,374,446	206,581,980
Charges for services	19,630,203	5,697,380	1,322,781	-	5,630,065	32,280,429
Special assessments levied	368,587	84,427	-	-	5,034,452	5,487,466
Interest and rent	2,980,547	755,393	17,691	-	13,709,070	17,462,701
Net increase in fair value of investments	797,344	80,076	17,849	-	3,249,676	4,144,945
Fines and forfeits	1,395,769	-	-	-	214,448	1,610,217
Miscellaneous	841,851	217,583	-	-	1,095,634	2,155,068
Total revenues	<u>233,017,347</u>	<u>39,257,775</u>	<u>6,641,298</u>	<u>-</u>	<u>69,853,638</u>	<u>348,770,058</u>
EXPENDITURES:						
Current:						
General government	17,464,350	485,617	-	-	-	17,949,967
Community development	9,791,316	24,439,639	4,420,218	-	9,373,073	48,024,246
Highways and streets	-	-	-	-	23,203,685	23,203,685
Public works	4,759,823	1,166,512	-	-	1,049,497	6,975,832
Parks and recreation	18,556,442	409,883	-	-	5,383,086	24,349,411
Public safety	162,667,321	10,222,300	-	-	824,749	173,714,370
Capital outlay:						
General government	10,900	28,035	-	-	-	38,935
Community development	-	-	-	-	334,494	334,494
Highways and streets	-	-	-	-	9,636,532	9,636,532
Public works	-	-	-	-	876,217	876,217
Parks and recreation	-	7,070	-	-	12,032,288	12,039,358
Public safety	133,704	-	-	-	7,880	141,584
Debt service:						
Principal retirement	1,716,610	235,650	345,000	-	3,207,207	5,504,467
Interest	246,651	5,194	4,916	-	1,045,283	1,302,044
Other	441,297	-	-	-	48,191	489,488
Total expenditures	<u>215,788,414</u>	<u>36,999,900</u>	<u>4,770,134</u>	<u>-</u>	<u>67,022,182</u>	<u>324,580,630</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>17,228,933</u>	<u>2,257,875</u>	<u>1,871,164</u>	<u>-</u>	<u>2,831,456</u>	<u>24,189,428</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	2,132,113	2,447,319	-	-	23,388,810	27,968,242
Transfers out	(14,622,900)	(3,477,101)	(703,168)	-	(9,832,556)	(28,635,725)
Other financing proceeds - leases and SBITAs	416,013	397,188	-	-	-	813,201
Sale of assets	39,493	-	-	-	18,002	57,495
Total other financial sources (uses)	<u>(12,035,281)</u>	<u>(632,594)</u>	<u>(703,168)</u>	<u>-</u>	<u>13,574,256</u>	<u>203,213</u>
CHANGES IN FUND BALANCES	<u>5,193,652</u>	<u>1,625,281</u>	<u>1,167,996</u>	<u>-</u>	<u>16,405,712</u>	<u>24,392,641</u>
FUND BALANCES, JULY 1, AS PREVIOUSLY REPORTED	83,058,620	859,092	27,778,843	55,290,002	88,140,746	255,127,303
Adjustments (Note 19)	-	-	-	(55,290,002)	55,290,002	-
FUND BALANCES, JULY 1, AS RESTATED	<u>83,058,620</u>	<u>859,092</u>	<u>27,778,843</u>	<u>-</u>	<u>143,430,748</u>	<u>255,127,303</u>
FUND BALANCES, JUNE 30	<u>\$ 88,252,272</u>	<u>\$ 2,484,373</u>	<u>\$ 28,946,839</u>	<u>\$ -</u>	<u>\$ 159,836,460</u>	<u>\$ 279,519,944</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 Governmental Activities Statement of Activities
Fiscal Year Ended June 30, 2025**

Net change in fund balances - governmental funds \$ 24,392,641

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	\$ 23,067,120	
Adjustments to capital assets	(7,583,977)	
Depreciation and amortization expense	<u>(20,380,107)</u>	(4,896,964)

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

Change in unavailable revenues	\$ (25,728,592)	
Change in investments in joint ventures	<u>589,514</u>	(25,139,078)

Recognition of Successor Agency annual payment for their Reimbursement Agreement receivable associated with long-term debt.

(867,100)

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	5,504,467	
Adjustments to long-term debt	175,505	
Proceeds of long-term debt	<u>(813,201)</u>	4,866,771

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 interest payable	\$ 4,097	
OPEB expense associated with net OPEB liability	328,992	
Pension expense associated with net pension liability	<u>(7,489,639)</u>	(7,156,550)

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.

2,231,410

Change in net position - governmental activities

\$ (6,568,870)

City of Modesto
Statement of Net Position
Proprietary Funds
June 30, 2025

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
ASSETS					
Current assets:					
Cash and investments	\$ 137,615,727	\$ 90,327,175	\$ 33,487,424	\$ 261,430,326	\$ 25,949,051
Receivables:					
Accounts, net	104,114	51,028	3,832,030	3,987,172	726,249
Interest	816,612	474,380	169,102	1,460,094	167,189
Utilities, net	10,792,661	7,920,617	1,354,498	20,067,776	-
Leases	19,285	411,238	515,152	945,675	5,488
Prepaid expenses	4,973,929	13,378	3,619	4,990,926	1,383,080
Due from governments	1,143,330	1,958,931	5,249,159	8,351,420	3,270,044
Due from other funds	2,837,583	-	-	2,837,583	-
Inventories	-	-	49,674	49,674	7,498,689
Total current assets	<u>158,303,241</u>	<u>101,156,747</u>	<u>44,660,658</u>	<u>304,120,646</u>	<u>38,999,790</u>
Noncurrent assets:					
Advances to other funds	1,860,000	615,600	-	2,475,600	-
Restricted cash and investments	40,023,513	11,635,137	-	51,658,650	8,417,921
Restricted cash and investments with fiscal agent	2,549,306	196	121,033	2,670,535	580,927
Leases receivable	1,579,148	3,353,063	11,216,664	16,148,875	11,226
Land and construction in progress	37,765,947	116,489,985	11,998,391	166,254,323	9,980,735
Other capital assets, net of accumulated depreciation	376,181,040	351,473,940	24,370,229	752,025,209	39,218,667
Intangible assets, net of accumulated amortization	2,336,737	48,026	240,926	2,625,689	1,256,271
Total noncurrent assets	<u>462,295,691</u>	<u>483,615,947</u>	<u>47,947,243</u>	<u>993,858,881</u>	<u>59,465,747</u>
Total assets	<u>620,598,932</u>	<u>584,772,694</u>	<u>92,607,901</u>	<u>1,297,979,527</u>	<u>98,465,537</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred OPEB	659,818	487,773	262,709	1,410,300	279,556
Deferred pensions	4,489,158	4,700,822	2,537,406	11,727,386	3,636,465
Loss on refunding	261,716	-	-	261,716	-
Accumulated decrease in fair value of hedging derivatives	9,546,743	-	-	9,546,743	-
Total deferred outflows of resources	<u>14,957,435</u>	<u>5,188,595</u>	<u>2,800,115</u>	<u>22,946,145</u>	<u>3,916,021</u>

(Continued)

City of Modesto
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2025

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 2,906,649	\$ 9,361,274	\$ 813,874	\$ 13,081,797	\$ 5,622,033
Accrued salaries and benefits	454,443	485,401	327,213	1,267,057	386,260
Interest payable	1,932	464,752	19,138	485,822	26,751
Due to other funds	-	-	-	-	2,837,583
Current portion - compensated absences	-	-	-	-	6,642,839
Current portion - claims liability	-	-	-	-	7,886,993
Current portion - long-term debt	7,195,684	7,155,969	-	14,351,653	-
Current portion - developer advances	79,793	-	-	79,793	-
Current portion - leases and SBITAS	203,644	18,230	81,930	303,804	143,336
Unearned revenue	40,972	1,403,494	338,329	1,782,795	35,627
Total current liabilities	<u>10,883,117</u>	<u>18,889,120</u>	<u>1,580,484</u>	<u>31,352,721</u>	<u>23,581,422</u>
Noncurrent liabilities:					
Payable from restricted assets - refundable deposits	1,510,851	1,135,537	-	2,646,388	-
Advances from other funds	-	-	3,800,304	3,800,304	-
Compensated absences	-	-	-	-	14,433,199
Claims liability	-	-	-	-	25,309,185
Derivative instrument - interest swap	9,546,743	-	-	9,546,743	-
Pollution remediation liability	40,000,476	10,511,114	3,170,994	53,682,584	-
Long-term debt:					
Reimbursement agreement related to MID debt	79,810,000	-	-	79,810,000	-
Revenue bonds payable	-	83,485,262	-	83,485,262	-
Loans payable	201,020	22,703,266	-	22,904,286	-
Certificates of participation	35,104,528	-	-	35,104,528	-
Developer advances	330,888	-	-	330,888	-
Leases and SBITAs payable	2,149,141	19,606	235,679	2,404,426	263,864
Net OPEB liability	2,044,136	1,751,708	1,354,262	5,150,106	1,154,746
Net pension liability	22,441,978	23,500,119	12,684,869	58,626,966	18,179,240
Total noncurrent liabilities	<u>193,139,761</u>	<u>143,106,612</u>	<u>21,246,108</u>	<u>357,492,481</u>	<u>59,340,234</u>
Total liabilities	<u>204,022,878</u>	<u>161,995,732</u>	<u>22,826,592</u>	<u>388,845,202</u>	<u>82,921,656</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred OPEB	501,643	262,255	233,469	997,367	333,322
Deferred pensions	16,990	17,791	9,604	44,385	13,764
Deferred leases	1,468,691	3,720,959	10,969,135	16,158,785	15,768
Total deferred inflows of resources	<u>1,987,324</u>	<u>4,001,005</u>	<u>11,212,208</u>	<u>17,200,537</u>	<u>362,854</u>
NET POSITION					
Net investment in capital assets	291,470,742	354,629,618	36,291,937	682,392,297	50,048,473
Restricted for pollution remediation	23,037	1,124,023	-	1,147,060	-
Restricted for support services	-	-	-	-	8,998,848
Restricted cash with fiscal agent	2,549,306	196	121,033	2,670,535	-
Unrestricted	135,503,080	68,210,715	24,956,246	228,670,041	(39,950,273)
Total net position	<u>\$ 429,546,165</u>	<u>\$ 423,964,552</u>	<u>\$ 61,369,216</u>	914,879,933	<u>\$ 19,097,048</u>
Adjustment to reflect the consolidation of internal service fund activities				(4,687,160)	
Net position of business-type activities				<u>\$ 910,192,773</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, 2025

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
OPERATING REVENUES:					
Charges for services	\$ 90,252,946	\$ 68,762,132	\$ 28,981,724	\$ 187,996,802	\$ 128,984,674
Miscellaneous	672,412	2,428,871	7,608,496	10,709,779	530,649
Total operating revenues	<u>90,925,358</u>	<u>71,191,003</u>	<u>36,590,220</u>	<u>198,706,581</u>	<u>129,515,323</u>
OPERATING EXPENSES:					
Salaries and wages	11,454,377	11,222,706	6,971,461	29,648,544	11,851,671
Cost of goods sold	-	-	-	-	6,712,951
Contractual services	12,096,881	15,799,905	7,442,486	35,339,272	6,468,306
Utilities	3,185,190	3,454,073	671,750	7,311,013	598,769
Maintenance and supplies	11,751,382	6,052,104	5,871,898	23,675,384	15,994,871
Water purchases	18,731,636	-	-	18,731,636	-
Insurance	654,866	2,018,388	985,958	3,659,212	29,833,194
Claims	-	-	-	-	14,508,351
Employee benefits	4,748,318	4,963,751	3,051,604	12,763,673	39,757,960
Administration services	1,501,588	2,989,791	4,642,905	9,134,284	1,467,724
Allocated indirect administrative costs	1,580,489	947,977	525,436	3,053,902	307,575
Depreciation	21,581,825	15,170,610	1,684,227	38,436,662	6,055,449
Total operating expenses	<u>87,286,552</u>	<u>62,619,305</u>	<u>31,847,725</u>	<u>181,753,582</u>	<u>133,556,821</u>
OPERATING INCOME (LOSS)	<u>3,638,806</u>	<u>8,571,698</u>	<u>4,742,495</u>	<u>16,952,999</u>	<u>(4,041,498)</u>
NONOPERATING REVENUES (EXPENSES)					
Operating grants	203,049	1,819,221	538,809	2,561,079	-
Gain (loss) on disposition of capital assets	46,268	107,540	172,483	326,291	(174,014)
Tax revenue	-	-	406,150	406,150	-
Tax expense	(103,238)	(63,505)	(2,053)	(168,796)	-
Interest income	5,230,631	3,409,481	1,183,738	9,823,850	1,029,720
Net increase in fair value of investments	3,515,210	2,682,762	690,538	6,888,510	319,017
Connection fees	-	533,918	-	533,918	-
Rental income	49,670	484,110	1,332,357	1,866,137	43,206
Settlements and recoveries	-	(295,000)	-	(295,000)	-
Interest expense and amortization	(5,172,561)	(1,882,812)	(27,954)	(7,083,327)	(39,892)
Trustee and letter of credit fees	(1,771)	(6,668)	-	(8,439)	-
Total nonoperating revenues	<u>3,767,258</u>	<u>6,789,047</u>	<u>4,294,068</u>	<u>14,850,373</u>	<u>1,178,037</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>7,406,064</u>	<u>15,360,745</u>	<u>9,036,563</u>	<u>31,803,372</u>	<u>(2,863,461)</u>
Capital contributions	1,232,226	5,990,417	-	7,222,643	1,843,063
Transfers in	1,331,100	24,150	2,231,895	3,587,145	4,328,657
Transfers out	(2,789,505)	(1,701,372)	(1,320,199)	(5,811,076)	(1,437,243)
Total contributions and transfers	<u>(226,179)</u>	<u>4,313,195</u>	<u>911,696</u>	<u>4,998,712</u>	<u>4,734,477</u>
CHANGES IN NET POSITION	<u>7,179,885</u>	<u>19,673,940</u>	<u>9,948,259</u>	<u>36,802,084</u>	<u>1,871,016</u>
NET POSITION, JULY 1, AS PREVIOUSLY REPORTED	422,366,280	404,290,612	51,420,957	878,077,849	22,623,690
Restatements (Note 19)	-	-	-	-	(5,397,658)
NET POSITION, JULY 1, AS RESTATED	<u>422,366,280</u>	<u>404,290,612</u>	<u>51,420,957</u>	<u>878,077,849</u>	<u>17,226,032</u>
NET POSITION, JUNE 30	<u>\$ 429,546,165</u>	<u>\$ 423,964,552</u>	<u>\$ 61,369,216</u>	<u>914,879,933</u>	<u>\$ 19,097,048</u>
Adjustment to reflect the consolidation of internal service funds				(360,394)	
Change in net position of business-type activities				<u>\$ 36,441,690</u>	

See Notes to Basic Financial Statements.

City of Modesto
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2025

	Enterprise				Internal Service
	Water	Sewer	Other Enterprise	Total Enterprise	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 90,874,365	\$ 67,454,361	\$ 36,270,347	\$ 194,599,073	\$ 128,157,335
Payments to suppliers	(13,920,332)	(22,579,452)	(23,867,960)	(60,367,744)	(73,404,405)
Payments to employees	(17,076,753)	(16,984,695)	(10,561,981)	(44,623,429)	(45,018,823)
Net cash provided by operating activities	<u>59,877,280</u>	<u>27,890,214</u>	<u>1,840,406</u>	<u>89,607,900</u>	<u>9,734,107</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating grants received	203,049	1,819,221	538,809	2,561,079	-
Taxes received	-	-	406,150	406,150	-
Settlements and recoveries	-	(295,000)	-	(295,000)	-
Transfers in	1,331,100	24,150	2,231,895	3,587,145	4,232,325
Transfers out	(2,789,505)	(1,701,372)	(1,320,199)	(5,811,076)	(1,437,243)
Advances from/to other funds	620,000	125,217	(601,318)	143,899	-
Net cash provided by (used in) noncapital financing activities	<u>(635,356)</u>	<u>(27,784)</u>	<u>1,255,337</u>	<u>592,197</u>	<u>2,795,082</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(20,905,613)	(55,782,858)	(418,912)	(77,107,383)	(7,847,189)
Proceeds (loss) from sale of capital assets	46,268	107,540	160,432	314,240	185,888
Principal (repayments) collection	(7,257,770)	(4,945,579)	331,695	(11,871,654)	-
Interest paid	(5,180,915)	(1,915,602)	(17,616)	(7,114,133)	(39,892)
Refunding gain	23,791	22,216	-	46,007	-
Trustee and letter of credit fees	(1,771)	(6,668)	-	(8,439)	-
Capital contributions	1,232,226	5,990,417	-	7,222,643	474,629
Connection fees for capital purposes	-	533,918	-	533,918	-
Net cash provided by (used in) capital and related financing activities	<u>(32,043,784)</u>	<u>(55,996,616)</u>	<u>55,599</u>	<u>(87,984,801)</u>	<u>(7,226,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	4,923,575	3,388,391	1,115,830	9,427,796	968,324
Net increase in the fair value of investments	3,515,210	2,682,762	690,538	6,888,510	319,017
Rental income received	69,124	935,566	1,280,859	2,285,549	48,613
Net cash provided by investing activities	<u>8,507,909</u>	<u>7,006,719</u>	<u>3,087,227</u>	<u>18,601,855</u>	<u>1,335,954</u>
Net increase (decrease) in cash and investments	35,706,049	(21,127,467)	6,238,569	20,817,151	6,638,579
CASH AND INVESTMENTS, JULY 1	<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>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 180,188,546</u>	<u>\$ 101,962,508</u>	<u>\$ 33,608,457</u>	<u>\$ 315,759,511</u>	<u>\$ 34,947,899</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and investments	\$ 137,615,727	\$ 90,327,175	\$ 33,487,424	\$ 261,430,326	\$ 25,949,051
Restricted cash and investments	40,023,513	11,635,137	-	51,658,650	8,417,921
Restricted cash and investments with fiscal agent	2,549,306	196	121,033	2,670,535	580,927
TOTAL CASH AND INVESTMENTS	<u>\$ 180,188,546</u>	<u>\$ 101,962,508</u>	<u>\$ 33,608,457</u>	<u>\$ 315,759,511</u>	<u>\$ 34,947,899</u>

(Continued)

See Notes to Basic Financial Statements.

City of Modesto
Statement of Cash Flows (Continued)
Proprietary Funds
Fiscal Year Ended June 30, 2025

	Enterprise			Total Enterprise	Internal Service
	Water	Sewer	Other Enterprise		
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED BY OPERATING					
ACTIVITIES:					
Operating income (loss)	\$ 3,638,806	\$ 8,571,698	\$ 4,742,495	\$ 16,952,999	\$ (4,041,498)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	21,581,825	15,170,610	1,684,227	38,436,662	6,055,449
Taxes paid	(103,238)	(63,505)	(2,053)	(168,796)	-
(Increase) decrease in:					
Accounts receivable	(42,265)	85,825	198,008	241,568	4,045,076
Taxes receivable	-	-	2,212	2,212	-
Utilities receivable	(8,728)	(91,448)	50,806	(49,370)	-
Due from governments	(963,654)	3,780,289	(4,730,686)	(1,914,051)	(530,063)
Prepaid expenses	(329,738)	6,626	162,880	(160,232)	1,226,815
Inventories	-	-	3,762	3,762	(870,869)
Due from other funds	(115,206)	-	-	(115,206)	-
Leases receivable	-	(3,731,019)	(570,899)	(4,301,918)	-
Deferred outflows of resources - OPEB	(195,913)	(151,516)	(46,412)	(393,841)	(45,735)
Deferred outflows of resources - pensions	2,412,194	2,489,548	1,384,840	6,286,582	1,994,486
Increase (decrease) in:					
Accounts payable	(381,682)	1,113,188	258,071	989,577	(855,147)
Accrued salaries and benefits	34,952	82,743	50,010	167,705	66,138
Interest payable	-	-	-	-	(3,886)
Compensated absences	-	-	-	-	1,990,202
Deferred inflows of resources - OPEB	(139,069)	(86,467)	(42,599)	(268,135)	(59,443)
Deferred inflows of resources - pensions	(47,047)	(48,928)	(26,790)	(122,765)	(38,485)
Deferred inflows of resources - leases	-	-	-	-	(5,406)
Net OPEB liability	287,310	206,010	75,472	568,792	87,784
Net pension liability	(3,191,533)	(3,206,885)	(1,883,427)	(8,281,845)	(2,735,659)
Claims liability	-	-	-	-	4,735,939
Pollution remediation liability	37,242,401	3,659,317	1,144,675	42,046,393	-
Due to other funds	-	-	-	-	(320,385)
Unearned revenue	(25,999)	(51,132)	(614,186)	(691,317)	(5,932)
Lease liability	-	-	-	-	(955,274)
Refundable deposits	223,864	155,260	-	379,124	-
Total adjustments	<u>56,238,474</u>	<u>19,318,516</u>	<u>(2,902,089)</u>	<u>72,654,901</u>	<u>13,775,605</u>
Net cash provided by operating activities	<u>\$ 59,877,280</u>	<u>\$ 27,890,214</u>	<u>\$ 1,840,406</u>	<u>\$ 89,607,900</u>	<u>\$ 9,734,107</u>
NONCASH INVESTING, CAPITAL AND FINANCING					
ACTIVITIES:					
Issuance of lease payable for right-to-use asset	\$ 2,440,688	\$ -	\$ -	\$ -	\$ -
Contributions of capital assets	-	-	-	-	1,464,766
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	<u>\$ 2,440,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,464,766</u>

(Concluded)

See Notes to Basic Financial Statements.

City of Modesto
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Investment Trust Funds
ASSETS		
Cash and investments	\$ 2,897,730	\$ 2,850,715
Cash and investments held with fiscal agent	3,346,988	-
Interest receivable	12,527	5,978
Taxes receivable	1,600,980	110,846
Assessments receivable	24,555,000	-
Prepays	-	229
Leases receivable	-	1,108,752
Due from governments	26,974	265,426
Land and construction in progress	-	5,634,159
Other capital assets, net of accumulated depreciation	-	5,137,575
Total assets	32,440,199	15,113,680
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding	766,250	-
Total deferred outflows of resources	766,250	-
LIABILITIES		
Accounts payables and other liabilities	38,333	735,992
Unearned revenues	598,347	-
Due to local governments	1,192,004	-
Interest payable	362,600	-
Long-term liabilities:		
Due within one year	2,736,259	-
Due in more than one year	33,406,651	-
Total liabilities	38,334,194	735,992
DEFERRED INFLOW OF RESOURCES		
Leases	-	1,025,284
Total deferred inflow of resources	-	1,025,284
NET POSITION		
Restricted for other governments	5,176,567	13,352,404
Unrestricted	(10,304,312)	-
Total net position (deficit)	\$ (5,127,745)	\$ 13,352,404

See Notes to Basic Financial Statements.

City of Modesto
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2025

	Private-Purpose Trust Funds	Investment Trust Funds
ADDITIONS:		
Members investment pool	\$ -	\$ 849,312
Total contributions	-	849,312
Collections on behalf of other governments:		
Special assessments	2,204,199	254,158
Property taxes	1,801,473	464,280
Grants	-	1,455,015
Other	-	278,718
Total collections on behalf of other governments	4,005,672	2,452,171
Interest and investment earnings:		
Interest earnings	305,578	173,368
Net increase in fair value of investments	50,463	90,845
Total interest and investment earnings	356,041	264,213
Other additions:		
Gain on disposition of capital assets	-	461,074
Total other additions	-	461,074
Total additions	4,361,713	4,026,770
DEDUCTIONS:		
Distribution of property taxes to other taxing entities	148,074	796,599
Obligation retirements:		
Interest expense	1,100,892	-
Trustee fees	3,760	-
City administrative expenses	181,231	177,013
Other expenses	73,861	8,540
Depreciation expense	-	434,128
Insurance expenses	-	16,236
Operating expenses	-	1,118,641
Total deductions	1,507,818	2,551,157
SPECIAL ITEMS:		
Insurance recoveries	-	453,744
Recovery of previously written-off capital asset	-	180,011
Total special items	-	633,755
Net increase in fiduciary net position	2,853,895	2,109,368
Net position (deficit), July 1	(7,981,640)	11,243,036
Net position (deficit), June 30	\$ (5,127,745)	\$ 13,352,404

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, parks and 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 Districts (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 19 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 proprietary fund statements and fiduciary funds financial 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. Custodial 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 Special Revenue Fund** to account for a variety of governmental fund operating grants, including law enforcement grants.
- **The Housing and Community Development Special Revenue Fund** to account for various grant funds received from federal Community Development Block Grants to be used for a variety of housing related programs primarily targeted at low-income housing. Additionally, this fund accounts for the City's revolving fund, which provides housing loans to low-income individuals and accounts for emergency shelter grant revenue received from the Housing and Urban Development Department.

The City reports the following major proprietary funds:

- **The Water Fund** accounts for all revenues collected by the City for the purpose of financing the construction, operation, and maintenance of the City water distribution system. Revenues are derived from water service charges and various installation fees.
- **The Sewer Fund** accounts for revenues collected by the City for the purpose of financing the construction, operation, and maintenance of the City sewer system. Revenues include, but are not limited to, sewer service charges and sewer lateral charges.

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 investments, 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 nonoperating 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 Investments

Cash and investments (including restricted assets) held in the City's investment pool are reported as cash and investments 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.

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, 2025 is \$30,410,051.

Utility billings receivable is \$21,990,773, net of an allowance for doubtful collections of \$1,669,033, and includes unbilled receivables using actual amounts billed in July for June services for all City funds. City accounts receivable of \$6,336,955 are reported net of an allowance for doubtful collections of \$1,729,295 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, hangars, 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 (IT) 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 \$10,000 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 asset 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 proprietary 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 Governmental Accounting Standards Board (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

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 18 for a detailed listing of the deferred outflows and inflows of resources the City has recognized.

Compensated Absences

The City recognizes liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, vacation, holiday, management leave, bilingual leave, compensating time off and sick leave qualify for liability recognition for compensated absences. The liability for compensated absences is reported as incurred in the Employee Benefits Management Internal Service Fund. The liability for compensated absences includes salary-related benefits, where applicable. As of June 30, 2025, the total estimated liability for all compensated absences is \$21,076,038.

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 purposes.
- *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 an 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 unpredictable 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, 2023
Measurement Date:	June 30, 2024
Measurement Period:	July 1, 2023, to June 30, 2024

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 pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2024
Measurement Date:	June 30, 2024
Measurement Period:	July 1, 2023, to June 30, 2024

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, 2025, the City implemented the following GASB new standards. The financial statements included herein apply the requirements and provisions of the standards.

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.

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

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

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

Primary Government:	
Cash and investments	\$ 369,041,170
Restricted cash and investments	201,752,060
Cash and investments held with fiscal agent	15,014,956
Private-Purpose Trust Funds:	
Cash and investments	2,897,730
Cash and investments held with fiscal agent	3,346,988
Investment Trust Funds:	
Cash and investments	2,850,715
Total cash and investments	\$ 594,903,619

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City’s Investment Policy

The City’s investment policy and the California Government Code allow the City to invest in the following types of instruments, and the table also identifies certain provisions of the California Government Code, or the City’s investment policy where it is more restrictive:

Investment Instrument Summary

Security Type	Maximum Maturity	Min Credit Quality	Authorized Investment Limit	Per Issuer Limit
City Issued Bonds	5 Years	None	None	None
US Treasury Notes/ Bills	5 Years	None	None	None
State of California Securities	5 Years	“A”	None	None
California Municipal Securities	5 Years	“A”	None	None
Other 49 State Municipal Securities	5 Years	“A”	None	None
Federal Agencies	5 Years	None	None	None
Banker’s Acceptance (BA)	180 days	“A-1”	40%	5%
Commercial Paper	270 days	“A-1”/ “A”	40%	5%
Certificates of Deposit	1 Year	FDIC Insured or Collateralized	20%	5%
Negotiable Certificates of Deposit	5 Years	“A”	30%	5%
Repurchase Agreements	90 Days	None	None	20%
Reverse Repurchase Agreements	92 Days	None	20%	5%
Medium Term Notes (MTN)	5 Years	“A”	30%	5%
Money Market Fund	None	“AAAm”	20%	10%
LAIF	None	None	\$75 million	None
Mortgage and Asset-Backed Securities	5 Year	“AA”	20%	5%
CAMP	None	None	None	None
Supranationals	5 Years	“AA”	30%	5%

The City is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the “Act”) for the purpose of exercising the common power of its participants to invest certain proceeds of debt issues and surplus funds. The Pool’s investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. Security types prohibited include but are not limited to: Investments in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. At June 30, 2025, the fair value approximated the City’s cost. At June 30, 2025, 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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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 has eleven (11) 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, 2025, the City had collected deposit balances of \$10,466,458. On this amount, the FDIC insurance coverage was \$250,000.

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2025, the City owned twenty-six (26) callable bonds. Of the twenty-six (26), twenty-four (24) are corporate bonds, and two (2) are bank bonds. Information on those bonds has been provided as follows:

<u>Amount</u>	<u>Maturity Date</u>	<u>Call Date</u>	<u>Call Terms</u>
\$ 5,217,696	5/10/2028	4/10/2028	Callable on and any time after 4/10/2028
3,393,080	1/28/2026	12/28/2025	Callable on and any time after 12/28/2025
2,200,345	11/13/2025	10/13/2025	Callable on and any time after 10/13/2025
3,516,584	9/14/2027	6/14/2027	Callable on and any time after 6/14/2027
2,948,772	8/8/2026	5/8/2026	Callable on and any time after 5/08/2026
2,969,181	2/6/2027	11/6/2026	Callable one-time on 11/06/2026
353,525	1/15/2027	12/15/2026	Callable on and any time after 12/15/2026
1,221,298	4/15/2028	3/15/2028	Callable on and any time after 3/15/2028
2,523,351	11/21/2026	8/21/2026	Callable one-time on 8/21/2026
2,947,758	4/4/2029	3/4/2029	Callable on and any time after 3/04/2029
372,690	3/14/2029	2/14/2029	Callable on and any time after 2/14/2029
5,906,866	9/29/2028	8/29/2028	Callable on and any time after 8/29/2028
4,404,827	12/8/2026	11/8/2026	Callable on and any time after 11/08/2026
4,083,076	5/26/2028	5/26/2027	Callable on 5/26/2027 and any time after if specific conditions are met
1,499,764	2/24/2028	2/24/2027	Callable on and any time after 2/24/2027
5,706,390	8/7/2026	7/7/2026	Callable on and any time after 7/07/2026
3,024,612	5/21/2027	5/21/2026	Callable on and any time after 5/21/2026
2,088,537	1/24/2029	1/24/2028	Callable on and any time after 1/24/2028
2,355,090	3/22/2028	2/22/2028	Callable on and any time after 2/22/2028
1,914,849	2/20/2029	2/20/2028	Callable on and any time after 2/20/2028
4,691,374	4/28/2030	3/28/2030	Callable on and any time after 3/28/2030
2,737,652	4/20/2029	4/20/2028	Callable on and any time after 4/20/2028
2,960,605	8/14/2029	7/14/2029	Callable on and any time after 7/14/2029
1,964,814	7/17/2029	6/17/2029	Callable on and any time after 6/17/2029
743,330	2/7/2030	1/7/2030	Callable on and any time after 1/07/2030
3,803,108	8/18/2026	7/17/2026	Callable on and any time after 7/17/2026

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	Not Rated	\$ 746,316	\$ 746,316	\$ -	\$ -
US Treasury Bonds and Securities	Not Rated	AA1	237,809,338	62,413,092	33,364,202	142,032,044
REMICs and Other Government Paydowns	AA+	Not Rated	84,996,830	-	12,001,278	72,995,552
Corporate Bonds and Notes	Not Rated	See Below	85,772,642	5,593,678	29,283,797	50,895,167
Corporate Paydown Securities	Not Rated	See Below	37,908,674	-	-	37,908,674
Municipal Bonds	AA	Aa2	1,800,000	1,800,000	-	-
CAMP	AAAm	Not Rated	79,725,922	79,725,922	-	-
Total Investments Held by City			\$ 528,759,722	\$ 150,279,008	\$ 74,649,277	\$ 303,831,437
Investments Held by Fiscal Agent						
Money Market Funds	AAAm	Aaa-mf	\$ 2,405,687	\$ 2,405,687	\$ -	\$ -
CAMP	AAAm	Not Rated	10,869,107	10,869,107	-	-
PARS	Not Rated	Not Rated	5,087,150	5,087,150	-	-
Total Investments Held by Fiscal Agent			\$ 18,361,944	\$ 18,361,944	\$ -	\$ -
City of Modesto Banking Accounts and Cash on Hand	A/A-1	A1/P1	47,781,953			
Total Cash and Investments			\$ 594,903,619			

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
\$ 5,918,220	AAA	Aaa
5,218,356	AA+	Aaa
5,914,494	AA	Aa2
7,143,222	AA-	Aa2
372,723	AA-	Aa3
9,510,021	A+	Aa2
15,475,969	A+	Aa3
12,728,147	A+	A1
5,308,092	A	Aa3
6,472,902	A	A1
6,072,470	A	A2
2,089,376	A-	A1
3,548,650	Not Rated	Not Rated
<u>\$ 85,772,642</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
\$ 6,109,986	AAA	Aaa
23,483,113	AAA	Not Rated
8,315,575	Not Rated	Aaa
<u>\$ 37,908,674</u>		

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The City’s investment policy contains no limitations on the amount that can be invested in any one government issuer beyond that stipulated by the California Government Code. Investments in any one government 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, 2025:

Issuer	Investment Type	Reported Amount	Percent of Portfolio
FHLMC MULTICLASS MTG PARTN	US Government Sponsored Enterprise Structured Securities	\$ 81,653,253	18.18%

Fair Value Measurement and Application

The Pool categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. 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.
- Level 3:* Valuations are based on unobservable inputs and include situations where there is little, if any, market activity for the investment. Examples are private equity valuations and complex derivatives with no active market.

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, 2025:

	Fair Value Measurements Using	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments Held by City		
Investments by Fair Value Level		
US Treasury Bonds and Securities	\$ 237,809,338	\$ 237,809,338 \$ -
REMICS and Other Government Paydowns	84,996,830	- 84,996,830
Corporate Bonds and Notes	85,772,642	- 85,772,642
Corporate Paydown Securities	37,908,674	- 37,908,674
Municipal Bonds	1,800,000	- 1,800,000
Total Investments by Fair Value Level	\$ 448,287,484	\$ 237,809,338 \$ 210,478,146
Investments Not Subject to Fair Value Hierarchy		
CAMP	\$ 79,725,922	
Short-Term Fixed Deposits	746,316	
Total Investments Held by City	\$ 528,759,722	
Investments Held by Fiscal Agents		
Investments Not Subject to Fair Value Hierarchy		
CAMP	\$ 10,869,107	
Money Market Funds	2,405,687	
PARS	5,087,150	
Total Investments Held by Fiscal Agents	18,361,944	
Grand Total of Investments	\$ 547,121,666	

NOTE 3 CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2025 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated and amortized:				
Land	\$ 42,653,318	\$ -	\$ -	\$ 42,653,318
Construction in progress	34,968,291	27,494,575	(9,589,663)	52,873,203
Total capital assets, not being depreciated and amortized:	<u>77,621,609</u>	<u>27,494,575</u>	<u>(9,589,663)</u>	<u>95,526,521</u>
Capital assets being depreciated:				
Buildings	57,001,281	-	-	57,001,281
Improvements other than buildings	144,564,872	197,354	-	144,762,226
Furnishings & equipment	16,272,927	663,675	(170,621)	16,765,981
Buses and fareboxes	278,852	-	-	278,852
Service animals	56,327	-	(11,200)	45,127
Equipment pool	59,052,795	5,952,035	(2,741,446)	62,263,384
Infrastructure				
Streets	522,692,061	-	-	522,692,061
Signals	26,808,179	-	-	26,808,179
Bridges	37,078,565	-	-	37,078,565
Pipeline	418,147	-	-	418,147
Capital assets being amortized:				
Intangible assets	7,974,303	-	-	7,974,303
SBITAs	9,183,633	361,489	(300,119)	9,245,003
Right-to-use leases				
Buildings	662,694	-	-	662,694
Equipment	17,287	-	-	17,287
Land	424,873	-	-	424,873
Total capital assets, being depreciated and amortized:	<u>882,486,796</u>	<u>7,174,553</u>	<u>(3,223,386)</u>	<u>886,437,963</u>
Less accumulated depreciation for:				
Buildings	(38,378,782)	(1,602,160)	-	(39,980,942)
Improvements	(90,488,839)	(5,361,361)	-	(95,850,200)
Furnishings & equipment	(14,062,539)	(635,701)	155,080	(14,543,160)
Buses and fareboxes	(253,749)	-	-	(253,749)
Service animals	(36,716)	(6,796)	11,200	(32,312)
Equipment pool	(35,265,293)	(4,346,197)	1,934,841	(37,676,649)
Infrastructure				
Streets	(379,048,714)	(10,453,840)	-	(389,502,554)
Signals	(20,349,974)	(511,054)	-	(20,861,028)
Bridges	(12,656,587)	(741,571)	-	(13,398,158)
Pipelines	(23,453)	(5,575)	-	(29,028)
Less accumulated amortization for:				
Intangible assets	(7,193,767)	(394,952)	-	(7,588,719)
SBITAs	(2,484,879)	(2,146,512)	300,119	(4,331,272)
Right-to-use leases				
Buildings	(442,771)	(189,481)	177,877	(454,375)
Equipment	(17,286)	-	-	(17,286)
Land	(240,555)	(40,356)	-	(280,911)
Total accumulated depreciation and amortization	<u>(600,943,904)</u>	<u>(26,435,556)</u>	<u>2,579,117</u>	<u>(624,800,343)</u>
Total capital assets being depreciated and amortized, net	<u>281,542,892</u>	<u>(19,261,003)</u>	<u>(644,269)</u>	<u>261,637,620</u>
Governmental activities capital assets, net	<u>\$ 359,164,501</u>	<u>\$ 8,233,572</u>	<u>\$ (10,233,932)</u>	<u>\$ 357,164,141</u>

NOTE 3 CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General government	\$ 506,386
Community development	1,134,157
Highways and streets	12,559,456
Public works	223,126
Parks and recreation	1,006,780
Public safety	4,950,202
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	6,055,449
Total depreciation and amortization expense - Governmental activities	\$ 26,435,556

	Beginning Balance	Additions	Deletions	Ending Balance
Business- type activities:				
Capital assets not being depreciated and amortized:				
Land	\$ 30,647,169	\$ -	\$ -	\$ 30,647,169
Construction in progress	112,476,491	73,138,621	(50,007,958)	135,607,154
Total capital assets, not being depreciated and amortized:	143,123,660	73,138,621	(50,007,958)	166,254,323
Capital assets being depreciated:				
Capitalized interest	19,496,181	-	-	19,496,181
Buildings	95,773,532	-	-	95,773,532
Improvements other than buildings	502,724,553	7,444,163	-	510,168,716
Furnishings and equipment	12,814,085	316,792	(46,166)	13,084,711
Water rights	358,226,691	-	-	358,226,691
Pipelines	352,135,695	46,265,876	-	398,401,571
Capital assets being amortized:				
Intangible assets	403,384	-	-	403,384
SBITAs	204,627	-	-	204,627
Right- to-use Leases				
Land	631,838	2,409,080	-	3,040,918
Equipment	381,064	31,605	-	412,669
Total capital assets, being depreciated and amortized:	1,342,791,650	56,467,516	(46,166)	1,399,213,000
Less accumulated depreciation for:				
Capitalized interest	(16,031,087)	(504,786)	-	(16,535,873)
Buildings	(68,315,203)	(1,653,644)	-	(69,968,847)
Improvements other than buildings	(276,916,367)	(18,645,943)	-	(295,562,310)
Furnishings and equipment	(10,664,558)	(615,486)	39,716	(11,240,328)
Water rights	(167,172,459)	(11,940,890)	-	(179,113,349)
Pipelines	(65,986,095)	(4,719,391)	-	(70,705,486)
Less accumulated amortization for:				
Intangible assets	(403,381)	-	-	(403,381)
SBITAs	(50,702)	(40,923)	-	(91,625)
Right- to-use Leases				
Land	(541,575)	(210,763)	-	(752,338)
Equipment	(83,729)	(104,836)	-	(188,565)
Total accumulated depreciation and amortization	(606,165,156)	(38,436,662)	39,716	(644,562,102)
Total capital assets being depreciated and amortized, net	736,626,494	18,030,854	(6,450)	754,650,898
Business-type activities capital assets, net	\$ 879,750,154	\$ 91,169,475	\$ (50,014,408)	\$ 920,905,221

NOTE 3 CAPITAL ASSETS (CONTINUED)

Business-type activities:

Water	\$ 21,581,825
Sewer	15,170,610
Parking	385,571
Storm drain	442,184
Compost	49,443
Airport	643,728
Golf	119,930
Community Center	43,371
Total depreciation and amortization expense - Business-type activities	<u>\$ 38,436,662</u>

NOTE 4 LEASES RECEIVABLE

The City is a lessor for leases of buildings, hangars, 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 DebtBook.

Payment increases include flat percentage increases and the use of an index, such as the Consumer Price Index (CPI). 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 leases receivable of \$27,562,158 was composed of the following:

Governmental Activities

Building leases - annual payments range from \$2,500 to \$149,353 with interest at rates ranging from 1.5% to 2.6% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2026 through 2028.	\$ 168,563
Land use leases (including land use for cell towers) - annual payments range from \$650 to \$80,111 with interest at rates ranging from 1.5% to 4.261% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2040 through 2064.	<u>10,299,045</u>
Total Principal Balances - Governmental Activities	<u>\$ 10,467,608</u>

NOTE 4 LEASES RECEIVABLE (CONTINUED)

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

Year Ending June 30	Principal	Interest
2026	\$ 346,242	\$ 175,870
2027	206,503	172,143
2028	219,221	168,854
2029	227,914	165,364
2030	244,028	161,669
2031 - 2035	1,437,842	743,453
2036 - 2040	1,782,499	607,758
2041 - 2045	1,957,655	452,525
2046 - 2050	1,603,733	297,407
2051 - 2055	1,361,533	151,788
2056 - 2060	845,928	49,458
2061 - 2064	234,510	2,924
Total	<u>\$ 10,467,608</u>	<u>\$ 3,149,213</u>

Business-Type Activities

Buildings, hangars and office space leases - annual payments range from \$1,486 to \$475,700 with interest at rates ranging from 1.5% to 2.599% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2026 through 2054. \$ 5,566,386

Land use leases (including land use for cell towers) - annual payments range from \$5,852 to \$118,697 with interest at rates ranging from 1.5% to 4.261% and annual increases in base payments per CPI or flat increase. Final payment dates range from 2043 through 2064. 6,498,446

Parking space leases - annual payments range from \$112,000 to \$347,120 with interest at rates ranging from 2.32% to 4.21% and annual increases in base payments per CPI or flat dollar increases. Final payment dates range from 2027 to 2054. 5,029,718

Total Principal Balances - Business-Type Activities \$ 17,094,550

NOTE 4 LEASES RECEIVABLE (CONTINUED)

Payments for the leases receivable are expected to be received in the following subsequent years:

Year Ending June 30	Principal	Interest
2026	\$ 945,675	\$ 436,817
2027	726,700	415,295
2028	635,261	399,210
2029	657,703	383,057
2030	678,177	366,351
2031 - 2035	2,543,970	1,596,328
2036 - 2040	2,052,749	1,330,736
2041 - 2045	2,446,444	1,011,505
2046 - 2050	2,608,500	636,624
2051 - 2055	2,249,533	243,982
2056 - 2060	1,061,869	78,636
2061 - 2064	487,969	10,459
Total	<u>\$ 17,094,550</u>	<u>\$ 6,909,000</u>

NOTE 5 NOTES AND LOANS RECEIVABLE

The notes receivable in the Housing and Community Development Fund and Other Governmental Funds of \$64,514,410 consists 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, 2025, 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 (State) 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.

\$ 231,704

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 California State Water Resources Control Board. Events of Default: default allows California State Water Resources Control Board to terminate obligation, which results in acceleration. \$ 23,619,235

Total Principal Balances - Business-Type Activities \$ 23,850,939

NOTE 6 LONG-TERM DEBT (CONTINUED)

Loans Payable (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
2026	\$ 500,000	\$ -	\$ 946,653	\$ 241,798
2027	-	-	956,585	231,866
2028	-	-	966,628	221,823
2029	-	-	976,784	211,668
2030	-	-	987,053	201,398
2030-2034	-	-	4,981,066	852,321
2035-2039	-	-	5,161,197	599,612
2040-2044	-	-	5,424,469	336,339
2045-2048	-	-	3,450,504	69,874
Total	\$ 500,000	\$ -	\$ 23,850,939	\$ 2,966,699

Certificates of Participation:

Business-Type Activities:

Water Enterprise Fund:

2008 Water Refunding Revenue Certificates of Participation (2008 COPs) 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 3.4747% for the fiscal year ended June 30, 2025.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Certificates of Participation (Continued):

Water Enterprise Fund (Continued):

The following are significant terms that pertain to the 2008 COPs. Acceleration Clauses: in the event of late payment, Modesto Public Financing Authority (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>37,680,000</u>
Total Principal Balances - Business-Type Activities	37,680,000
Less: Unamortized Discount - 2008 Water Refunding Certificates of Participation	<u>(60,472)</u>
Total Business-Type Activities - Certificates of Participation	<u>\$ 37,619,528</u>

The City has pledged all gross revenues of the Water Utility System to repay the 2008 COPs. The total principal and estimated total interest remaining to be paid on the certificates is \$42,004,767. 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 \$12,310,120, and net operating revenues of the Fund were \$38,343,802, which represented coverage of 311%.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Certificates of Participation (Continued):

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

Year Ending June 30	Principal	Interest
2026	\$ 2,515,000	\$ 465,386
2027	2,595,000	431,913
2028	2,705,000	398,172
2029	2,810,000	360,923
2030	2,945,000	323,080
2031-2035	16,535,000	993,677
2036-2037	7,575,000	75,269
Total	\$ 37,680,000	\$ 3,048,420

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 BMO Bank N.A was established with a commitment fee of 0.375%, this was extended on May 12, 2023 with a commitment fee of 0.34%.

The combination of the variable rate 2008 bonds and the floating rate swap creates a synthetic fixed-rate debt for the City. The average synthetic fixed-rate was 3.6140% for the fiscal year ended June 30, 2025.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Lease Revenue Bonds (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.

\$ 35,995,000

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

Year Ending June 30	Principal	Interest
2026	\$ 3,240,000	\$ 249,790
2027	3,470,000	224,058
2028	3,730,000	196,940
2029	3,815,000	167,910
2030	3,970,000	138,333
2031-2034	17,770,000	230,091
Total	\$ 35,995,000	\$ 1,207,122

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 Water 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)

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 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 Board 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.

\$ 72,585,000

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):

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.

	\$ <u>11,340,000</u>
Total Principal Balances - Business-Type Activities	83,925,000
Add: Unamortized Bond Premium - 2018A Wastewater Bonds	1,304,408
Unamortized Bond Premium - 2020B Wastewater Bonds	<u>4,495,854</u>
Total Business-Type Activities Revenue Bonds	<u>\$ 89,725,262</u>

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

Year Ending June 30	Principal	Interest
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	7,260,000	1,720,186
2031-2035	40,580,000	4,327,492
2036-2037	10,015,000	209,023
Total	<u>\$ 83,925,000</u>	<u>\$ 16,123,209</u>

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, 2025, \$84,460,000 is outstanding for the 2007 F Bonds. For the 2007F 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 2007F 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	Principal	Interest
2026	\$ 4,650,000	\$ 2,980,187
2027	4,885,000	2,804,676
2028	5,105,000	2,624,553
2029	5,340,000	2,423,578
2030	5,570,000	2,223,745
2031-2035	32,040,000	7,721,771
2036-2038	26,870,000	1,407,786
Total	\$ 84,460,000	\$ 22,186,296

Interest Rate Swap Agreements:

Objective of the swaps - The primary objective of the swaps is to mitigate the effect of fluctuations in variable interest rates by paying a fixed-rate and receiving a floating rate on the swap. Combining a pay-fixed receive-variable rate swap with variable debt results in what is termed "synthetic" fixed-rate debt. It is called synthetic because the economics are similar to fixed-rate debt, but another instrument is involved unlike regular fixed-rate debt. Each time the City created synthetic 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-rate 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 2025, the City did not have any collateral posted.

Terms - The terms, including the counterparty credit rating of the outstanding swaps, as of June 30, 2025 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>	\$ 37,680,000	\$ 35,995,000	\$ 14,640,000	\$ 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 USD-LIBOR + 0.154%	63.7% of USD-LIBOR + 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 agreements, 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, 2025, the fair value of the swaps was in favor of the counterparty as shown in the following table:

Bond Issue	Fair Value
2008 Water Refunding Rev. Certificates of Participation	\$ (2,026,973)
2008 Lease Revenue Bonds	\$ (1,724,166)
2007 MID Domestic Water Revenue Bonds	\$ (7,519,770)

Credit risk - As of June 30, 2025, 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, 2025, 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		
2026	\$ 10,405,000	\$ 3,695,363	\$ 1,358,603	\$ 15,458,966
2027	10,950,000	3,460,647	1,265,276	15,675,923
2028	11,540,000	3,219,665	1,166,802	15,926,467
2029	11,965,000	2,952,411	1,069,707	15,987,118
2030	12,485,000	2,685,158	956,622	16,126,780
2031-2035	66,345,000	8,945,539	3,038,722	78,329,261
2036-2038	34,445,000	1,483,055	659,041	36,587,096
Total	\$ 158,135,000	\$ 26,441,838	\$ 9,514,773	\$ 194,091,611

NOTE 6 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Loans Payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Lease Revenue Bonds	38,985,000	-	(2,990,000)	35,995,000	3,240,000
Notes Payable	345,000	-	(345,000)	-	-
Leases Payable	415,395	177,877	(232,224)	361,048	159,160
Finance Purchase Obligations	5,787,146	-	(808,627)	4,978,519	822,582
SBITAs	5,136,687	635,324	(2,259,395)	3,512,616	1,336,454
Compensated Absences *	16,363,661	1,078,702	-	17,442,363	5,497,561
Claims Liability	28,460,239	19,241,185	(14,505,246)	33,196,178	7,886,993
Total Governmental Activities	\$ 95,993,128	\$ 21,133,088	\$ (21,140,492)	\$ 95,985,724	\$ 19,442,750
Business-Type Activities:					
Loans Payable	\$ 24,787,769	\$ -	\$ (936,830)	\$ 23,850,939	\$ 946,653
Certificates of Participation	40,090,000	-	(2,410,000)	37,680,000	2,515,000
Unamortized Discount	(65,969)	-	5,497	(60,472)	-
Leases Payable	428,527	2,440,688	(250,012)	2,619,203	260,910
SBITAs	128,857	-	(39,830)	89,027	42,894
MID Bonds	88,915,000	-	(4,455,000)	84,460,000	4,650,000
Sewer Bonds	89,405,000	-	(5,480,000)	83,925,000	6,240,000
Unamortized Premium	6,751,935	-	(951,673)	5,800,262	-
Sewer Bonds - Direct Placement	897,767	-	(897,767)	-	-
Developer Advances	494,623	-	(83,942)	410,681	79,793
Compensated Absences *	2,722,173	911,502	-	3,633,675	1,145,278
Total Business-Type Activities	\$ 254,555,682	\$ 3,352,190	\$ (15,499,557)	\$ 242,408,315	\$ 15,880,528

* The change in compensated absences above is net change for the year. Beginning balances were restated due to GASB 101 implementation.

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 governmental funds. Accordingly, any long-term liabilities for the internal service funds are included as part of the above totals for governmental activities.

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, 2025, the City has two governmental activities finance purchase obligations with Pierce Manufacturing Inc. for the purchase of Velocity Pumpers and Velocity Tillers valued at \$9,625,682, less accumulated depreciation of \$5,438,362.

The following is a schedule of the future minimum lease payments, as of June 30, 2025:

Year Ending June 30	Amount
2026	\$ 945,377
2027	945,378
2028	1,301,047
2029	346,833
2030	346,833
2031-2032	1,518,060
Total minimum payments	5,403,528
Less: amount representing interest	(425,009)
Present value of minimum payments	\$ 4,978,519

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 DebtBook.

Payment increases include flat percentage increases and the use of an index such as the CPI. 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 \$2,980,251 was composed of the following:

Governmental Activities

Buildings and office space leases - annual payments range from \$27,419 to \$77,220 with interest at rates ranging from 0.9% to 2.86% and annual increases based on flat dollar amounts. Final payment dates range from 2026 to 2029. \$ 345,338

Land leases - annual payments ranging from \$1,783 to \$2,193 with interest at 0.2% and annual increases based on flat amounts. Final payment date is 2033. 15,710

Total Principal Balances - Governmental Activities \$ 361,048

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 159,160	\$ 6,447
2027	84,408	4,033
2028	80,039	1,857
2029	29,088	280
2030	1,990	17
2031-2033	<u>6,363</u>	<u>26</u>
Total	\$ <u><u>361,048</u></u>	\$ <u><u>12,660</u></u>

Business-Type Activities

Land leases - annual payments range from \$31,315 to \$123,434 with interest at a rate of 2.61% and increases based on CPI. Final payment date is 2035. \$ 2,314,847

Building lease - annual payment of \$19,674 with interest at a rate of 2.60%. Final payment date is 2026. 19,421

Golf carts and pickers - annual payments range from \$5,403 to \$162,209 with interest at rates ranging from 8.18% to 8.71% and increases of flat dollar amounts. Final payment date is 2028. 284,935

Total Principal Balances - Business-Type Activities \$ 2,619,203

NOTE 8 LEASES PAYABLE (CONTINUED)

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

Year Ending June 30	Principal	Interest
2026	\$ 260,910	\$ 81,020
2027	258,844	70,721
2028	378,121	50,525
2029	223,902	42,286
2030	237,897	36,277
2031-2035	1,259,529	78,497
Total	\$ 2,619,203	\$ 359,326

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 DebtBook.

The City's SBITA liability of \$3,601,643 was composed of the following:

Governmental Activities

Annual payments range from \$10,637 to \$854,023 with interest at rates ranging from 2.02% - 3.71% and increases based on CPI or flat dollar increases. The value of the right-to-use assets is \$4,913,731 (\$9,245,003 net of accumulated amortization of \$4,331,272). Final payment dates range from 2026 to 2028.

\$ 3,512,616

Annual debt service requirements to maturity for SBITA liability are as follows:

Year Ending June 30	Principal	Interest
2026	\$ 1,336,454	\$ 99,672
2027	1,215,789	60,970
2028	960,373	25,773
Total	\$ 3,512,616	\$ 186,415

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

Business-Type Activities

Annual payments range from \$40,443 to \$47,307 with interest at a rate of 2.31% and increases based on CPI or flat dollar increases. The value of the right to use assets is \$113,002 (\$204,627 net of accumulated amortization of \$91,625). Final payment date is 2027.

\$ 89,027

Annual debt service requirements to maturity for SBITA liability are as follows:

Year Ending June 30	Principal	Interest
2026	\$ 42,894	\$ 2,057
2027	46,133	1,066
Total	\$ 89,027	\$ 3,123

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, 2025, the total outstanding balance due under the agreements is \$410,681. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 2025, the amount of \$79,793 due during fiscal year 2025 has been reported as "current portion developer advances" on the Water Enterprise Fund statement of net position. The remaining \$330,888 of outstanding principal has been reported under noncurrent liabilities, as "developer advances."

NOTE 11 INTERFUND BALANCES

Interfund balances as of June 30, 2025 consist of the following:

Due to General Fund:	
Other governmental funds	\$ 926,179
Due to Water Fund:	
Internal Service funds	2,837,583
Total Due to/Due From:	\$ 3,763,762

NOTE 11 INTERFUND BALANCES (CONTINUED)

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

Advances from General Fund to:

Other governmental funds	\$ 843,041
Other enterprise funds	1,324,704
Advances from General Fund	<u>2,167,745</u>

Advances from Water Fund to other enterprise funds	<u>1,860,000</u>
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Advances from Sewer Fund to other enterprise funds	<u>615,600</u>
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Total Advances from/Advances to	<u>\$ 4,643,345</u>
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Balances reported as “advance to/from” were for capital projects expenditures and are either in the process of being repaid, or have scheduled repayments in future years.

NOTE 12 FUND BALANCE

Detailed classifications of the City’s Fund Balances, as of June 30, 2025, are provided below:

	General	Operating Grants	Housing and Community Development	Other Governmental	Total Governmental
Nonspendable					
Advances to other funds	\$ 2,167,745	\$ -	\$ -	\$ -	\$ 2,167,745
Prepaid Items	9,278,052	55,648	1,545	185,399	9,520,644
Total Nonspendable Fund Balance	<u>11,445,797</u>	<u>55,648</u>	<u>1,545</u>	<u>185,399</u>	<u>11,688,389</u>
Restricted					
Cash with Fiscal Agent	1,621,755	833,381	-	5,842,963	8,298,099
Community Facilities District	-	-	-	28,026,699	28,026,699
Community Facility Fees	-	-	-	44,453,880	44,453,880
Grants and donations	-	1,595,344	-	102,982	1,698,326
Notes receivable	-	-	28,945,294	-	28,945,294
Successor Redevelopment Housing Agency	-	-	-	12,064,036	12,064,036
Strategic planning and development	-	-	-	2,886,030	2,886,030
Traffic fines	-	-	-	2,776,444	2,776,444
Transportation Tax Funding	-	-	-	64,682,169	64,682,169
Total Restricted Fund Balance	<u>1,621,755</u>	<u>2,428,725</u>	<u>28,945,294</u>	<u>160,835,203</u>	<u>193,830,977</u>
Committed					
General fund set-aside	18,397,817	-	-	-	18,397,817
Total Committed Fund Balance	<u>18,397,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,397,817</u>
Assigned					
Encumbrances - vendor contracts	2,679,948	-	-	-	2,679,948
Capital projects	-	-	-	4,087,997	4,087,997
Total Assigned Fund Balance	<u>2,679,948</u>	<u>-</u>	<u>-</u>	<u>4,087,997</u>	<u>6,767,945</u>
Unassigned - General Fund	54,106,955	-	-	-	54,106,955
Unassigned - Special Revenue Funds	-	-	-	(49,508)	(49,508)
Unassigned - Capital Projects Funds	-	-	-	(5,089,227)	(5,089,227)
Unassigned - Debt Service Funds	-	-	-	(133,404)	(133,404)
Total Unassigned Fund Balance	<u>54,106,955</u>	<u>-</u>	<u>-</u>	<u>(5,272,139)</u>	<u>48,834,816</u>
Total Fund Balance	<u>\$ 88,252,272</u>	<u>\$ 2,484,373</u>	<u>\$ 28,946,839</u>	<u>\$ 159,836,460</u>	<u>\$ 279,519,944</u>

NOTE 13 DEFICIT FUND EQUITY

The Capital Grants Fund has a deficit fund balance of \$3,313,999, which will be recovered through future grant revenues and local matches covered through the General Fund or other City funds.

The Central Services Fund has a deficit net position of \$728,247, which will be recovered through future overhead charges.

The Insurance Fund has a deficit net position of \$15,606,005 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 deficit net position of \$12,870,988. It exists partially because the total compensated absences and other postemployment 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):								
	General Fund	Operating Grants	Housing and Urban Development	Other Governmental	Water	Sewer	Other Enterprise Funds	Internal Service	Total
General Fund	\$ -	\$ 585,911	\$ -	\$ 176,054	\$ 65,000	\$ 68,640	\$ -	\$ 1,236,508	\$ 2,132,113
Operating Grants	1,549,920	-	703,168	-	-	-	50,183	144,048	2,447,319
Other Governmental	11,768,932	2,439,343	-	9,172,948	-	-	7,587	-	23,388,810
Water	149,793	-	-	-	-	1,068,361	112,946	-	1,331,100
Sewer	-	-	-	2,967	-	-	21,183	-	24,150
Other Enterprise	1,154,119	376,053	-	1,723	700,000	-	-	-	2,231,895
Internal Service	136	75,794	-	478,864	2,024,505	564,371	1,128,300	56,687	4,328,657
Grand Total	\$ 14,622,900	\$ 3,477,101	\$ 703,168	\$ 9,832,556	\$ 2,789,505	\$ 1,701,372	\$ 1,320,199	\$ 1,437,243	\$ 35,884,044

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, 2025, 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, 2025 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.

\$ 10,438,550

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 939,600	\$ 289,757	\$ 1,229,357
2027	1,006,300	259,907	1,266,207
2028	1,081,700	228,450	1,310,150
2029	1,106,350	194,776	1,301,126
2030	1,151,300	160,466	1,311,766
2031-2034	5,153,300	266,906	5,420,206
Total	\$ <u>10,438,550</u>	\$ <u>1,400,262</u>	\$ <u>11,838,812</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, 2025, are as follows:

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

NOTE 16 APPROVED LOANS PAYABLE

The approved loans payable in the Housing and Community Development Special Revenue Fund in the amount of \$5,914,221 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. The City 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, 2025, the City reported pollution remediation liability from the Water and Sewer Enterprise funds in the amounts of \$3,079,869 and \$10,511,114, respectively.

The City also reported a liability in the Water Enterprise fund, which represents the recovery the City has collected, less any remediation and legal costs incurred in pursuit of mitigating damages from the manufacturers of 1,2,3-trichloropropane, or TCP, a chemical solvent found in industrial and hazardous waste sites. TCP has been used in industrial solvents, various cleaning agents, and found as an impurity from the production of pesticide products. This chemical has seeped into the groundwater through soil fumigant applications and site sources where the chemical was manufactured and threatens the City's groundwater supplies. The City has been proactive in attempting to recover damages and future cleanup costs from the manufacturers and their insurers and has also initiated litigation with the manufacturers. As of June 30, 2025, the City reported a pollution remediation liability from the Water Enterprise fund of \$36,920,607.

NOTE 17 POLLUTION REMEDIATION LIABILITY (CONTINUED)

The City also records a liability in the Other Enterprise funds 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 were 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 the 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 to start, but as of September 2021, all waste has been moved from the eastern fill to the western fill, a stormwater 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. The City reported a pollution remediation liability from the Carpenter Road Landfill Fund in the amount of \$218,735.

For the Geer Road Landfill Mitigation Costs Fund, a liability was reported related to the Geer Road Landfill, which is in Stanislaus County, 8 miles southeast of the City on the Tuolumne River. The site is jointly owned by Stanislaus County and the City but was formerly operated by the 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 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 (WDRs). Pollution was first identified in 1985, and since that time, several investigations have been 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, was installed. The treated water was then released into a leach field, where it was recharged to the 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 established a fee within the Solid Waste rates to collect around \$1,100,000 annually. The City reported a pollution remediation liability from the Geer Road Landfill Mitigation Costs Fund in the amount of \$2,952,259.

As of June 30, 2025, the City reported pollution remediation liability of \$3,170,994 from the Other Enterprise funds.

NOTE 18 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 government-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 \$8,697,820, \$1,881,720, \$24,611,481, and \$10,008,042 for unavailable resources related to notes, 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 19), OPEB liability (Note 19), swap hedging (Note 6) and loss on refunding.

NOTE 19 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 19 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, 2025 is \$33,196,178, consisting of \$21,623,334 workers' compensation, \$11,266,208 general liability, \$266,344 dental, and \$40,292 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 \$25,629,778 and \$11,977,923, respectively. The actuarial liability for workers' compensation and general liability was based on 2025 actuarial reports.

The current portion of the total liability claims is estimated to be \$7,886,993 and the balance of \$25,309,185 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, 2024 through June 30, 2025 were:

	Claims Liability July 1	Current-Year Claims and Changes in Estimates	Current-Year Claim Payments	Claims liability June 30
2023-24	\$ 27,038,914	\$ 12,928,634	\$ (11,507,309)	\$ 28,460,239
2024-25	\$ 28,460,239	\$ 19,241,186	\$ (14,505,247)	\$ 33,196,178

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 bondholders.

At June 30, 2025, the balances of these districts' outstanding debt were as follows:

Debt Issued	Outstanding Amount
Village One #2 Community Facilities District	\$ 21,505,000
Fairview Village Community Facilities District	\$ 3,050,000

NOTE 19 OTHER INFORMATION (CONTINUED)

Community Facilities Debt Without City Commitment (Continued)

The accompanying financial statements include the Private-Purpose Trust Fund for both districts. The City serves solely in a fiduciary capacity; assets are held in trust for the benefit of the districts and are not available for City use. These districts issue stand-alone reports, which are available through the City.

The long-term debt activities for the year ended June 30, 2025 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Village One #2 District					
Refunding Special Tax Bonds	\$ 22,540,000	\$ -	\$ (1,035,000)	\$ 21,505,000	\$ 1,130,000
Premium on Refunding Bonds	811,019	-	(66,659)	744,360	66,659
	<u>23,351,019</u>	<u>-</u>	<u>(1,101,659)</u>	<u>22,249,360</u>	<u>1,196,659</u>
Fairview Village District					
Refunding Special Tax Bonds	3,230,000	-	(180,000)	3,050,000	195,000
Total	<u>\$ 26,581,019</u>	<u>\$ -</u>	<u>\$ (1,281,659)</u>	<u>\$ 25,299,360</u>	<u>\$ 1,391,659</u>

Annual debt service requirements for the bonds are as follows:

Year Ending June 30	Village One #2 District		Fairview Village District	
	Principal	Interest	Principal	Interest
2026	\$ 1,130,000	\$ 934,500	\$ 195,000	\$ 121,053
2027	1,230,000	875,500	205,000	112,853
2028	1,335,000	811,375	225,000	104,038
2029	1,455,000	741,625	240,000	94,505
2030	1,570,000	666,000	255,000	84,358
2031-2035	3,535,000	2,430,125	1,930,000	251,740
2036-2037	11,250,000	1,125,000	-	-
	<u>\$ 21,505,000</u>	<u>\$ 7,584,125</u>	<u>\$ 3,050,000</u>	<u>\$ 768,547</u>

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, 2025, 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 \$2,300,000.

NOTE 19 OTHER INFORMATION (CONTINUED)

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 \$33,646,692 for the City's governmental funds as of June 30, 2025 for contracts awarded but not completed and other outstanding purchase requisitions and orders. This amount consists of \$2,679,948 in the General Fund, \$578,861 in the Operating Grants Fund, \$761 in the Housing and Community Development, and \$30,387,122 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, 2025, there are major construction contracts Scenic Drive Pavement Rehabilitation Phase 2 and Orangeburg Avenue Pavement Rehabilitation Phase 2 with Bay Cities Paving and Grading in the amounts of \$4,292,790 and \$2,218,354 respectively, a construction contract with Harris Builders, Inc, for the renovation of Cesar E. Chavez park in the amount of \$8,253,009 and an agreement with Winner Chevrolet in the amount of \$347,311 for the purchase of five (5) Chevrolet Tahoes for the Police Department.

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 on 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 started their work in November 2023.

The working draft report for waste removal was submitted to CalRecycle on July 9, 2024 and was conditionally approved on September 11, 2024. All required permits from the California Department of Fish and Wildlife (CDFW) were submitted on October 31, 2024. The final report will be submitted to the Water Board approximately in July 2025, with active trench excavation set for August 2025. The Public Works director will work with the City Council on selecting a Final Cover Repair Alternative once the work is completed, which will allow for final clean closure of the Carpenter Road Landfill.

NOTE 19 OTHER INFORMATION (CONTINUED)

Joint Ventures and Jointly Governed Organizations

Tuolumne River Regional Park

The City participates with Stanislaus County 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 and 2 members from the City Council. The TRRP Board prepares the annual budget, which must be approved by the City Council 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 \$352,874 for the fiscal year ended June 30, 2025. As of June 30, 2025, the City's investment in this joint venture was \$3,062,040, and is included in governmental activities on the statement of net position. Financial statements for TRRP are prepared by the City Finance Department.

City-County Capital Improvements and Financing Agency

The City and Stanislaus County formed the City-County Capital Improvements and Financing Agency (CCCIFA) 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.

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 on July 1, 2010 the County Auditor Controller became the fiscal administrator. For the fiscal year ended June 30, 2025, the City's payments to the Agency were \$1,457,796 for operations and capital reserve. The City's equity interest in the Agency is \$3,912,259, 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 CCCIFA 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 (SWEFA). SWEFA 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, 2025, the City has no equity interest. Stanislaus County Treasurer's office prepares the SWEFA financial statements.

NOTE 19 OTHER INFORMATION (CONTINUED)

Joint Ventures and Jointly Governed Organization (Continued)

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 the annual budget, claims, liabilities, and the use of MSCEDA property as collateral. Each participant will contribute sufficient funds to pay for all costs and expenses associated with providing Emergency Dispatch Services. Upon termination of the agreement, assets will be distributed equally to the City and County, unless otherwise approved. The financial statements may be obtained by writing to the Modesto/Stanslaus Consolidated Emergency Dispatch, Office Manager, 3705 Oakdale Road, Modesto, California 95357.

On August 23, 2016, the City of Modesto City Council and County of Stanislaus Board of Supervisors approved to amend section 6.1 of the JPA agreement, allowing for any member of the JPA to terminate the agreement by providing a written notice of intent to terminate to the Commission and all members at least twenty-four (24) months in advance of the desired termination date.

On October 12, 2021, the 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 written notice of intent to terminate was provided to the MSCEDA and the County on October 27, 2021, in accordance with Section 6.1 of the agreement. The City and County are currently evaluating the best options for the dissolution of the Consolidated Emergency Dispatch Agency.

On December 6, 2022, Modesto and the County executed a third amendment to the agreement to update the governing body structure of the Commission, changing membership to one Modesto staff member appointed by the Modesto City Council and one County staff member appointed by the County Board of Supervisors, each with an appointed alternate from the respective partner agencies.

NOTE 19 OTHER INFORMATION (CONTINUED)

Joint Ventures and Jointly Governed Organization (Continued)

Consolidated Emergency Dispatch Agency (Continued)

On December 8, 2023, Modesto and the County executed a fourth amendment to the agreement to extend the term to June 30, 2024. This extension was to provide the City and County time to continue to explore alternatives to service delivery and governance models and to avoid disruption of critical dispatch services. The fourth amendment also included a change to the governing body structure of the Commission, changing from seven members to four members. The Commission's restructure consisted of two (2) members of the Modesto City Council, selected by the City Council and one alternate also a member of the Modesto City Council to serve in the absence of one of the two (2) Modesto selected members and two (2) members of the County's Board of Supervisors, selected by the Board of Supervisors and they too shall have one (1) alternate to serve in the absence of one of the two (2) County selected members who will also be a member of the County's Board of Supervisors. This changed the quorum of the governing body from four (4) commissioners to three (3).

On June 4, 2024, Modesto and the County entered into the Fifth Amendment to the Agreement, extending the agreement to December 31, 2024, changing the membership of the Commission and thereby editing the quorum requirement, amending the Agency Member Liaison requirements and appointing the Consolidated Emergency Dispatch Agency Commissioners and an Alternate Member.

On November 1, 2025, Modesto and the County entered into the Sixth Amendment to the Agreement, extending the agreement to December 31, 2025. This amendment was to provide sufficient time for Modesto and the County to reach a resolution on the future delivery of dispatch services and governance of the SR911 JPA.

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 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 the 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. At the end of the fiscal year June 30, 2025, the City has no equity interest. Financial statements may be obtained by writing to the County of Stanislaus, Public Works Department, 1716 Morgan Road, Modesto, CA 95358.

NOTE 19 OTHER INFORMATION (CONTINUED)

Joint Ventures and Jointly Governed Organization (Continued)

Stanislaus Animal Services Agency

The Stanislaus Animal Services Agency (SASA) was created on October 27, 2009, pursuant to a joint powers 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 powers agreement. The City did not make contributions to the Agency for the fiscal year ended June 30, 2025. 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 costs related to the design and construction of future projects. At the end of the fiscal year June 30, 2025, the City has no equity interest.

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 hire and retirement dates, their employee bargaining unit, and their grandfathered sick leave at retirement.

NOTE 19 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

I. Plan Description (Continued)

For employees who 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 retiree who elects the buy-out option, receives a contribution to a Retiree Health Savings Account. Those employees are then removed from the City's medical plan and ineligible to re-enroll.

The OPEB Plan does not issue a separate report. All transactions are included within the financial statements of the City. During the fiscal year ending June 30, 2022, the City entered into an agreement with Public Agency Retirement Services (PARS) to prefund the City's OPEB liability. PARS issues a publicly available financial report for the fiduciary net position of the OPEB Trust, which is available upon request.

II. Employees Covered

As of June 30, 2024 actuarial valuation, the following current and former City employees were covered by the OPEB plan membership:

Active employees	377
Inactive employees	316
Total	693

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, 2025, the City's contributions were \$2,595,885. The liability for all OPEB activities is primarily liquidated from the Employee Benefits Management Fund.

NOTE 19 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

IV. Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2024, based on the following actuarial methods and assumptions:

Actuarial Assumptions:	
Discount Rate	3.93% at June 30, 2024; 5.45% at June 30, 2023
General Inflation	2.5% annually
Salary Increases	3%
Investment Rate of Return	5.6%, net of 0.58% assumed investment expense
Medical Trend	Average actual increase for 2026, decreasing to 3.9% by 2076
Mortality, Retirement, Disability, Termination Rates	CalPERS 2021 Experience Study
Mortality Improvement	Scale MP-2021 is the most recent mortality improvement scale developed by the Retirement Plans Experience Committee of the Society of Actuaries (SOA).

V. Long-term Expected Rate of Return

The long-term expected rate of return of 6.18% for the moderate portfolio, prior to offset for non-imbedded investment related fees of 0.58%, was determined using a building-block method and best-estimate ranges of expected future real-rates of returns for each major asset class (expected returns, net of OPEB plan investment expense and inflation).

The target allocation and best estimates of geometric real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return</u>	<u>Weight</u>
Equity		50.00%
Large Cap Core	6.80%	26.50%
Mid Cap Core	7.10%	5.00%
Small Cap Core	7.90%	7.50%
Real Estate	6.60%	1.75%
International	7.30%	6.00%
Emerging Markets	7.30%	3.25%
Fixed-Income		45.00%
Short Term Bond	3.30%	10.00%
Intermediate Term Bond	6.90%	33.50%
High Yield	6.10%	1.50%
Cash	2.40%	5.00%
Expected Return		6.18%
Expected Standard Deviation		8.70%

NOTE 19 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

VI. Discount Rate

The discount rate used to measure the total OPEB liability was 3.93 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 City's OPEB fiduciary net position was projected to be not available to make all projected OPEB payments for current active and inactive employees and beneficiaries based on the 'pay as you go' annual contributions for the first year. As such, those payments and future benefit payments are treated as unfunded and are discounted using a municipal bond rate. The City has selected the Bond Buyer 20-Bond Go Index, which was 3.93% as of the measurement date, as the applicable rate.

VII. 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, 2024 (Measurement Date June 30, 2023)	\$ 20,492,396	\$ 1,481,519	\$ 19,010,877
Changes recognized for the measurement period:			
Service cost	679,094	-	679,094
Interest	1,090,081	-	1,090,081
Changes of Assumptions	3,396,023	-	3,396,023
Investment	-	82,399	(82,399)
Change Due to Plan Experience	13,237	-	13,237
Investment Income	-	82,965	(82,965)
Employer Contributions	-	2,340,023	(2,340,023)
Benefit Payments	(2,340,023)	(2,340,023)	-
Net Changes	2,838,412	165,364	2,673,048
Balance at June 30, 2025 (Measurement Date June 30, 2024)	\$ 23,330,808	\$ 1,646,883	\$ 21,683,925

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

The following presents the Net OPEB liability of the Plan as of the measurement date, calculated using the discount rate of 3.93 percent, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1 lower (2.93 percent) or 1 percentage-point higher (4.93 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.93%	3.93%	4.93%
Net OPEB Liability	\$ 23,411,449	\$ 21,683,925	\$ 20,139,138

NOTE 19 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

IX. 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 the measurement period ended June 30, 2024:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	\$ 20,267,116	\$ 21,683,925	\$ 23,392,563

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

For the measurement period ended June 30, 2024, the City recognized an OPEB expense of \$2,156,315.

Components of OPEB Expense	Total OPEB
Service cost	\$ 679,094
Interest	1,090,081
Expensed portion of current-period changes of assumptions or other inputs	387,140
OPEB Expense	\$ 2,156,315

As of June 30, 2025, 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	\$ 2,595,885	\$ -
Changes of assumptions or other inputs	3,731,665	(4,062,912)
Difference between actual and expected experience	130,787	(490,517)
Net difference between projected and actual earnings on investments	11,971	(75,827)
Total	\$ 6,470,308	\$ (4,629,256)

The amounts above are net of outflows and inflows recognized as expense in the 2023-2024 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 OPEB liability in the year ending June 30, 2026.

NOTE 19 OTHER INFORMATION (CONTINUED)

Other Postemployment Benefits (OPEB) (Continued)

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

Other amounts reported as deferred outflows of resources and developing of resources related to OPEB will be recognized in future OPEB expense as follows:

Fiscal Year Ending June 30	Deferred outflows/inflows of resources related to OPEB expense
2026	\$ (204,717)
2027	(576,086)
2028	(591,022)
2029	(39,264)
2030	644,928
Thereafter	11,328

XI. Payable to the OPEB Plan

At June 30, 2025, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2025.

XII. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued reports of PARS, which may be obtained upon request.

Pension Plans

I. Plan Description

All City qualified employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans (the 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.

NOTE 19 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

II. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2025 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%

At the June 30, 2023 valuation date, the following employees were covered by the benefit terms for each Plan.

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	1,087	610
Inactive employees entitles to, but not yet receiving benefits	1,006	261
Active employees	811	370
	<u>2,904</u>	<u>1,241</u>

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.

NOTE 19 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

III. Contributions (Continued)

For the fiscal year June 30, 2025, the average active employee contribution rate was 7.42% of annual pay for Miscellaneous and 10.97% for Safety and the employer’s contribution rate is 9.11% of annual payroll for Miscellaneous and 22.49% for Safety. The employer contributions made for the fiscal year June 30, 2025 was \$19.93 million for the Miscellaneous plan and \$33.01 million for the Safety plan. Employer contribution rates may change if plan contracts are amended. The liability for all governmental activities is primarily liquidated from the general fund, while the liability for business-type activities is liquidated from the enterprise funds.

IV. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures.

A summary of principal assumptions and methods used to determine the total 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. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach.

NOTE 19 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

V. Long-term Expected Rate of Return (Continued)

The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

<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.

VI. 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 19 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

VII. 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, 2023 Measurement Date ⁽¹⁾	\$ 563,916,637	\$ 396,679,689	\$ 167,236,948
Changes Recognized for the Measurement Period:			
Service Cost	9,179,081	-	9,179,081
Interest on the Total Pension Liability	38,258,073	-	38,258,073
Changes of Assumptions	-	-	-
Differences between Expected and Actual Experience	2,630,876	-	2,630,876
Contributions - Employer	-	17,400,016	(17,400,016)
Contributions - Employees	-	4,695,774	(4,695,774)
Net Investment Income	-	37,856,926	(37,856,926)
Benefit Payments, including Refunds of Employee Contributions	(33,344,425)	(33,344,425)	-
Administrative Expense	-	(322,779)	322,779
Net Change during 2023-24	16,723,605	26,285,512	(9,561,907)
Balance at June 30, 2024 Measurement Date ⁽¹⁾	\$ 580,640,242	\$ 422,965,201	\$ 157,675,041

Safety Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2023 Measurement Date ⁽¹⁾	\$ 754,703,829	\$ 493,727,149	\$ 260,976,680
Changes Recognized for the Measurement Period:			
Service Cost	13,868,810	-	13,868,810
Interest on the Total Pension Liability	51,475,368	-	51,475,368
Differences between Expected and Actual Experience	4,407,902	-	4,407,902
Contributions - Employer	-	30,299,553	(30,299,553)
Contributions - Employees	-	5,293,230	(5,293,230)
Net Investment Income	-	47,897,856	(47,897,856)
Benefit Payments, including Refunds of Employee Contributions	(40,052,614)	(40,052,614)	-
Administrative Expense	-	(401,747)	401,747
Net Change during 2023-24	29,699,466	43,036,278	(13,336,812)
Balance at June 30, 2024 Measurement Date ⁽¹⁾	\$ 784,403,295	\$ 536,763,427	\$ 247,639,868

⁽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 19 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

VIII. 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)	\$ 230,858,873	\$ 157,675,041	\$ 97,087,289

Safety Plan	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 354,656,392	\$ 247,639,868	\$ 160,262,487

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

For the measurement period ended June 30, 2024, the City incurred an aggregate pension expense of \$60,361,969.

As of June 30, 2024 measurement date, 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	\$ 1,907,519	\$ -
Differences between Expected and Actual Experiences	3,574,767	(119,369)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,128,604	-
Contributions subsequent to the measurement date	19,929,475	-
Total	\$ 31,540,365	\$ (119,369)

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 5,388,810	\$ -
Differences between Expected and Actual Experiences	5,256,049	(678,953)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,065,489	-
Contributions subsequent to the measurement date	33,006,659	-
Total	\$ 50,717,007	\$ (678,953)

The amounts above are net of outflows and inflows recognized as expense in the 2023-2024 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, 2026.

NOTE 19 OTHER INFORMATION (CONTINUED)

Pension Plans (Continued)

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

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 Ending June 30	Miscellaneous Plan	Safety Plan
2025	\$ 3,382,355	\$ 6,149,817
2026	11,703,641	14,812,473
2027	(1,414,044)	(1,126,958)
2028	(2,180,431)	(2,803,937)
Thereafter	-	-
Total	\$ 11,491,521	\$ 17,031,395

X. Payable to the Pension Plan

At June 30, 2025, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

XI. Subsequent Events

There were no subsequent events that would naturally affect the results presented in this disclosure.

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 plan's 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 (IRC). 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 IRC 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, 2025, 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, 2025 was \$188,577,798.

NOTE 19 OTHER INFORMATION (CONTINUED)

Adjustments and Restatement of Beginning Balances

Changes to or within the Financial Reporting Entity

The Transportation Special Tax Special Revenue Fund was previously reported as a major fund in the 2024 ACFR. However, the size criteria for the current year changed the presentation for the fund. The effect of the change within the financial reporting entity is summarized below in the “Change to or Within the Financial Reporting Entity” column in the following table.

Changes in Accounting Principles

During the fiscal year 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. The effect of the change in accounting principle is summarized below in the “Restatement-GASB 101 Implementation” column in the table below.

	Net position/fund balance June 30, 2024 As Previously Reported	Change to or Within the Financial Reporting Entity	Restatement - GASB 101 Implementation	Net position/fund balance June 30, 2024 As Restated
Government-Wide				
Government Activities	\$ 353,579,350	\$ -	\$ (5,265,341)	\$ 348,314,009
Business-Type Activities	873,883,400	-	(132,317)	873,751,083
Total Primary Government	<u>\$ 1,227,462,750</u>	<u>\$ -</u>	<u>\$ (5,397,658)</u>	<u>\$ 1,222,065,092</u>
Governmental Funds				
Major Funds:				
General	\$ 83,058,620	\$ -	\$ -	\$ 83,058,620
Operating Grants	859,092	-	-	859,092
Housing and Community Development	27,778,843	-	-	27,778,843
Transportation Special Tax	55,290,002	(55,290,002)	-	-
Nonmajor Funds:				
Other nonmajor funds	88,140,746	55,290,002	-	143,430,748
	<u>\$ 255,127,303</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,127,303</u>
Proprietary Funds				
Internal Service	\$ 22,623,690	\$ -	\$ (5,397,658)	\$ 17,226,032

NOTE 20 SUBSEQUENT EVENTS

The United Soccer League (USL) was founded in 1986 and is the largest and fastest growing pre-professional and professional soccer organization in the country. Since 2012, the USL has significantly grown from 11 clubs to 44 professional clubs and over 150 pre-professional clubs spanning 42 states, in over 200 U.S. markets and over 20,000 players. The City would be next in line to be part of one of the most widely accessible soccer leagues in the United States.

On September 10, 2024, the City Council approved a letter of intent (LOI) between the City and the USL, committing to exclusively negotiate the potential of bringing professional men's and women's teams to the City and the surrounding region. During fiscal year 2025, the City evaluated the viability of supporting professional soccer teams and explored opportunities to enhance entertainment options for the community, including funding and the location of the stadium with an entertainment district. On August 5, 2025, City Council agreed that a proposed stadium should be located in downtown Modesto and the practice soccer fields would be located at the Muni Golf Course location near John Thurman field. City staff is currently in the process of evaluating all options to fund this new stadium.

After nearly 8 decades of professional, minor league, baseball, the Modesto Nuts played their last game at John Thurman Field in Modesto and relocated to Southern California. On September 9, 2025, City Council approved an agreement with Main Street Modesto, LLC, for a new Pioneer Baseball League team to play at John Thurman Field. The Pioneer Baseball league is one of four MLB Partner Leagues and is uniquely focused on developing young future Major Leaguers. The new team, The Modesto Roadsters, is expected to start to play in May 2026. This change comes after the Modesto Nuts ended nearly 8 decades of professional minor league baseball in Modesto.

On September 23, 2025 under Resolutions 2025-347 to 2025-351, City Council approved plans and specifications for the River Trunk Realignment – Pump Station Project for a total estimated construction cost of \$144 million, awarded a construction contract to Shimmick Construction Company, Inc, of Irvine CA, and approved the issuance of Wastewater Revenue Bonds, Series 2025 in a not to exceed aggregate principal amount of \$60 million, to finance the construction of the River Trunk Realignment – Pump Station Construction project with the remaining funding for this project coming from wastewater reserves.

On October 15, 2025, S&P published and ratified a 'AA' rating with a stable outlook for Modesto's 2025A Wastewater Bonds and outstanding wastewater revenue debt.

**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
Last Ten Fiscal Years

Miscellaneous Plan	2023-2024	2022-2023	2021-2022	2020-2021 ⁽⁴⁾	2019-2020 ⁽⁴⁾	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Measurement Period										
TOTAL PENSION LIABILITY										
Service Cost	\$ 9,179,081	\$ 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
Interest on Total Pension Liability	38,258,073	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
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	2,630,876	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	(33,344,425)	(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)
Net Change in Total Pension Liability	16,723,605	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
Total Pension Liability - Beginning	563,916,637	544,388,228	514,270,745	497,269,825	482,105,528	462,946,098	447,706,079	410,872,571	398,719,890	394,909,831
Total Pension Liability - Ending (a)	\$ 580,640,242	\$ 563,916,637	\$ 544,388,228	\$ 514,270,745	\$ 497,269,825	\$ 482,105,528	\$ 462,946,098	\$ 447,706,079	\$ 410,872,571	\$ 398,719,890
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 17,400,016	\$ 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
Contributions - Employee	4,695,774	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
Net Investment Income	37,856,926	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
Benefit Payments, Including Refunds of Employee Contributions	(33,344,425)	(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)
Plan to Plan Resource Movement	-	-	-	-	-	-	(181)	505	(1,118)	(188)
Administrative Expense	(322,779)	(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	26,285,512	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)
Plan Fiduciary Net Position - Beginning ⁽²⁾	396,679,689	384,576,486	428,401,044	358,840,146	352,809,194	342,032,921	327,575,983	305,114,946	315,056,908	320,571,374
Plan Fiduciary Net Position - Ending (b)	422,965,201	396,679,689	384,576,486	428,401,044	358,840,146	352,809,194	342,032,921	327,575,983	305,114,946	315,056,908
Plan Net Pension Liability - Ending (a) - (b)	\$ 157,675,041	\$ 167,236,948	\$ 159,811,742	\$ 85,869,701	\$ 138,429,679	\$ 129,296,334	\$ 120,913,177	\$ 120,130,096	\$ 105,757,625	\$ 83,662,982
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.84%	70.34%	70.64%	83.30%	72.16%	73.18%	73.88%	73.17%	74.26%	79.02%
Covered Payroll ⁽³⁾	\$ 57,369,255	\$ 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
Plan Net Pension Liability as a Percentage of Covered Payroll ⁽³⁾	274.84%	308.04%	296.43%	158.69%	265.64%	253.98%	242.74%	257.04%	233.94%	201.29%

NOTES:

⁽¹⁾ During fiscal year 2017-2018, 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 2024; 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)
Last Ten Fiscal Years

Safety Plan										
Measurement Period	2023-2024	2022-2023	2021-2022	2020-2021 ⁽⁴⁾	2019-2020 ⁽⁴⁾	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
TOTAL PENSION LIABILITY										
Service Cost	\$ 13,868,810	\$ 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
Interest on Total Pension Liability	51,475,368	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
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	4,407,902	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	(40,052,614)	(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)
Net Change in Total Pension Liability	29,699,466	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
Total Pension Liability - Beginning	754,703,829	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
Total Pension Liability - Ending (a)	\$ 784,403,295	\$ 754,703,829	\$ 725,963,389	\$ 680,374,643	\$ 654,391,208	\$ 630,048,182	\$ 596,773,606	\$ 575,754,935	\$ 525,440,909	\$ 508,339,261
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 30,299,553	\$ 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
Contributions - Employee	5,293,230	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
Net Investment Income	47,897,856	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
Benefit Payments, Including Refunds of Employee Contributions	(40,052,614)	(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)
Plan to Plan Resource Movement	-	-	-	-	-	-	(1,551)	(505)	1,118	211
Administrative Expense	(401,747)	(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	43,036,278	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)
Plan Fiduciary Net Position - Beginning ⁽²⁾	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 Fiduciary Net Position - Ending (b)	536,763,427	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
Plan Net Pension Liability - Ending (a) - (b)	\$ 247,639,868	\$ 260,976,680	\$ 256,242,244	\$ 163,934,015	\$ 225,820,963	\$ 212,538,678	\$ 194,078,322	\$ 192,286,245	\$ 168,718,462	\$ 140,480,972
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.43%	65.42%	64.70%	75.91%	65.49%	66.27%	67.48%	66.60%	67.89%	72.36%
Covered Payroll ⁽³⁾	\$ 43,057,467	\$ 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
Plan Net Pension Liability as a Percentage of Covered Payroll ⁽³⁾	575.14%	657.71%	703.54%	436.09%	611.88%	628.45%	601.61%	628.21%	561.97%	450.22%

NOTES:

⁽¹⁾ During fiscal year 2017-2018, 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 2024; 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	2024-2025	2023-2024	2022-2023	2021-2022	2020-2021 ⁽⁴⁾	2019-2020 ⁽⁴⁾	2018-2019	2017-2018	2016-2017	2015-2016
Actuarially Determined Contribution ⁽²⁾	\$ 19,929,475	\$ 17,088,675	\$ 15,933,439	\$ 14,288,254	\$ 13,302,558	\$ 11,857,136	\$ 10,158,019	\$ 8,553,955	\$ 8,382,192	\$ 6,920,358
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(19,929,475)	(17,400,016)	(16,140,415)	(14,557,323)	(13,607,488)	(11,857,136)	(10,158,019)	(8,553,955)	(8,382,192)	(6,920,358)
Contribution Deficiency (Excess)	\$ -	\$ (311,341)	\$ (206,976)	\$ (269,069)	\$ (304,930)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 71,934,501	\$ 57,369,255	\$ 54,290,652	\$ 53,912,800	\$ 54,111,658	\$ 52,112,485	\$ 50,907,972	\$ 49,812,447	\$ 46,735,345	\$ 45,207,621
Contributions as a Percentage of Covered Payroll ⁽³⁾	27.71%	30.33%	29.73%	27.00%	25.15%	22.75%	19.95%	17.17%	17.94%	15.31%

Safety Plan

Fiscal Year	2024-2025	2023-2024	2022-2023	2021-2022	2020-2021 ⁽⁴⁾	2019-2020 ⁽⁴⁾	2018-2019	2017-2018	2016-2017	2015-2016
Actuarially Determined Contribution ⁽²⁾	\$ 33,006,659	\$ 28,548,727	\$ 26,631,905	\$ 24,116,232	\$ 21,472,516	\$ 19,749,458	\$ 16,758,148	\$ 14,809,730	\$ 12,812,060	\$ 11,137,889
Contributions in Relation to the Actuarially Determined Contribution ⁽²⁾	(33,006,659)	(30,299,553)	(28,423,970)	(25,211,361)	(21,650,057)	(20,241,960)	(16,758,148)	(14,809,730)	(12,812,060)	(11,137,889)
Contribution Deficiency (Excess)	\$ -	\$ (1,750,826)	\$ (1,792,065)	\$ (1,095,129)	\$ (177,541)	\$ (492,502)	\$ -	\$ -	\$ -	\$ -
Covered Payroll ⁽³⁾	\$ 52,776,533	\$ 43,057,467	\$ 39,679,438	\$ 36,422,089	\$ 37,591,927	\$ 36,906,356	\$ 33,819,770	\$ 32,259,582	\$ 30,608,378	\$ 30,022,552
Contributions as a Percentage of Covered Payroll ⁽³⁾	62.54%	70.37%	71.63%	69.22%	57.59%	54.85%	49.55%	45.91%	41.86%	37.10%

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 Net OPEB Liability and Related Ratios
Last Ten Fiscal Years *

<i>Reporting Period</i>	<u>FY 2024-2025</u>	<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, 2024</u>	<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	\$ 679,094	\$ 672,081	\$ 1,244,957	\$ 1,196,410	\$ 836,292	\$ 811,934	\$ 963,490	\$ 935,427
Interest	1,090,081	1,076,573	635,756	667,183	903,896	1,013,863	1,038,035	892,669
Differences between expected and actual experience	13,237	-	(902,717)	-	1,737,964	-	(468,009)	-
Changes of assumptions	3,396,023	906,060	(7,477,125)	129,927	3,430,611	754,247	(1,306,633)	(1,600,635)
Benefit payments	<u>(2,340,023)</u>	<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	2,838,412	166,979	(9,226,453)	(875,530)	3,967,412	(432,170)	(2,506,363)	(2,203,007)
Total OPEB liability - beginning	<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>	<u>31,601,528</u>
Total OPEB liability - ending	<u>23,330,808</u>	<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	165,364	94,204	35	-	-	-	-	-
Employer contributions	2,340,023	2,487,735	4,114,604	-	-	-	-	-
Benefit payments	<u>(2,340,023)</u>	<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	165,364	94,204	1,387,315	-	-	-	-	-
Fiduciary net position - beginning	<u>1,481,519</u>	<u>1,387,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position - ending	<u>1,646,883</u>	<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>\$ 21,683,925</u>	<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 Payroll	\$ 53,447,711	\$ 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 Payroll	40.57%	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 Plan Contributions
Last Ten Fiscal Years *

Fiscal Year	2024-2025	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
Actuarially Determined Contribution (ADC)	\$ 2,509,426	\$ 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	(2,595,885)	(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)	<u>\$ (86,459)</u>	<u>\$ (129,818)</u>	<u>\$ (279,114)</u>	<u>\$ (1,428,297)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 56,237,965	\$ 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 Payroll	4.82%	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 2023-24 were as follows for June 30, 2024 measurement date actuarial valuations.

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.93% at June 30, 2024 (Bond Buyer 20-Bond Index). 3.93% at June 30, 2023 (Bond Buyer 20-Bond Index).
Asset Valuation Method	Market Value
General Inflation	2.5% annually
Salary Increases	3%
Trend	Average actual increase for 2025, 8.1% for 2025, decreasing to 3.9% in 2075
Retirement Age	50 to 75
Mortality	CalPERS 2021 Experience Study
Mortality Improvement	MP-2021

*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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
<u>TAXES</u>				
Utility users tax	\$ 22,105,000	\$ 22,707,614	\$ 23,446,327	\$ 738,713
Property tax	23,026,264	23,756,000	24,284,092	528,092
Transient occupancy tax	3,514,400	3,443,286	3,488,165	44,879
Franchise tax	6,161,300	6,161,300	5,269,278	(892,022)
Cannabis tax	3,859,148	3,306,506	3,279,809	(26,697)
Business license tax	17,055,056	17,853,824	16,334,395	(1,519,429)
Total taxes	75,721,168	77,228,530	76,102,066	(1,126,464)
<u>LICENSES AND PERMITS</u>	192,746	192,746	100,255	(92,491)
<u>INTERGOVERNMENTAL</u>				
Sales tax	41,004,883	36,549,000	36,595,971	46,971
Sales tax Measure H	42,809,800	42,809,800	47,211,026	4,401,226
Motor vehicle license fees	23,249,188	23,574,795	23,850,552	275,757
State	1,200,000	1,200,000	1,329,400	129,400
County	41,821	41,821	38,042	(3,779)
Other intergovernmental	21,534,664	21,534,664	21,775,734	241,070
Total intergovernmental	129,840,356	125,710,080	130,800,725	5,090,645
<u>CHARGES FOR SERVICES</u>				
General government	3,706,878	3,754,075	3,689,672	(64,403)
Community development	3,264,686	3,522,339	3,444,053	(78,286)
Parks and recreation	3,513,568	3,176,906	2,227,107	(949,799)
Public safety	3,444,418	3,523,427	6,458,006	2,934,579
Indirect cost recovery	3,811,522	3,811,522	3,811,365	(157)
Total charges for services	17,741,072	17,788,269	19,630,203	1,841,934
<u>SPECIAL ASSESSMENT</u>	367,350	368,065	368,587	522
<u>INTEREST AND RENT</u>	566,979	566,979	2,980,547	2,413,568
<u>NET INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENTS</u>	(150,000)	(150,000)	797,344	947,344
<u>FINES AND FORFEITS</u>	235,905	1,055,386	1,395,769	340,383
<u>MISCELLANEOUS</u>				
Mandated cost recovery	102,500	102,500	164,796	62,296
Other	453,080	453,080	677,055	223,975
Total miscellaneous	555,580	555,580	841,851	286,271
Total revenues	\$ 225,071,156	\$ 223,315,635	\$ 233,017,347	\$ 9,701,712

(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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government:				
City council	\$ 764,810	\$ 764,830	\$ 650,666	\$ 114,164
Human resources	2,248,430	2,248,562	2,198,028	50,534
City manager	3,405,477	3,427,748	2,855,945	571,803
City attorney	2,382,415	2,382,503	2,218,518	163,985
City clerk/auditor	1,996,241	1,996,325	1,396,262	600,063
Finance	7,229,693	7,530,342	6,954,586	575,756
OPMB	1,415,950	1,412,189	995,771	416,418
Other	308,770	308,781	205,474	103,307
Total general government	<u>19,751,786</u>	<u>20,071,280</u>	<u>17,475,250</u>	<u>2,596,030</u>
Community development:	<u>9,378,158</u>	<u>10,184,534</u>	<u>9,791,316</u>	<u>393,218</u>
Public works:				
Operations and maintenance dept:	<u>7,279,723</u>	<u>6,185,444</u>	<u>4,759,823</u>	<u>1,425,621</u>
Total public works	<u>7,279,723</u>	<u>6,185,444</u>	<u>4,759,823</u>	<u>1,425,621</u>
Parks and recreation:				
Administration	950,916	950,958	855,075	95,883
Planning and development	1,828,576	886,848	886,629	219
Convention visitors bureau	808,269	836,535	833,036	3,499
Operations service and maintenance	11,024,717	11,048,500	9,542,708	1,505,792
Facilities	2,044,497	2,064,124	1,996,251	67,873
Recreation division	5,076,367	4,991,331	4,442,743	548,588
Total parks and recreation	<u>21,733,342</u>	<u>20,778,296</u>	<u>18,556,442</u>	<u>2,221,854</u>
Public safety:				
Fire protection	69,035,908	81,826,778	69,733,660	12,093,118
Police protection	<u>103,979,747</u>	<u>103,705,187</u>	<u>93,067,365</u>	<u>10,637,822</u>
Total public safety	<u>173,015,655</u>	<u>185,531,965</u>	<u>162,801,025</u>	<u>22,730,940</u>
Debt service:				
Principal retirement	808,633	1,716,610	1,716,610	-
Interest expenditures	143,766	246,651	246,651	-
Other	436,873	441,373	441,297	76
Total debt service	<u>1,389,272</u>	<u>2,404,634</u>	<u>2,404,558</u>	<u>76</u>
Total expenditures	<u>232,547,936</u>	<u>245,156,153</u>	<u>215,788,414</u>	<u>29,367,739</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,476,780)</u>	<u>(21,840,518)</u>	<u>17,228,933</u>	<u>39,069,451</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	628,640	2,451,061	2,132,113	(318,948)
Transfers out	(16,322,749)	(21,161,590)	(14,622,900)	6,538,690
Other financing proceeds - leases and SBITAs	-	238,136	416,013	177,877
Sale of assets	5,000	5,000	39,493	34,493
Total other financing sources (uses)	<u>(15,689,109)</u>	<u>(18,467,393)</u>	<u>(12,035,281)</u>	<u>6,432,112</u>
CHANGES IN FUND BALANCE	<u>(23,165,889)</u>	<u>(40,307,911)</u>	<u>5,193,652</u>	<u>45,501,563</u>
FUND BALANCE, JULY 1	<u>83,058,620</u>	<u>83,058,620</u>	<u>83,058,620</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 59,892,731</u>	<u>\$ 42,750,709</u>	<u>\$ 88,252,272</u>	<u>\$ 45,501,563</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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 496,628	\$ 496,628	\$ 253,569	\$ (243,059)
Licenses and permits	50,000	50,000	45,515	(4,485)
Intergovernmental	36,526,237	34,882,793	32,123,832	(2,758,961)
Charges for services	7,072,641	7,072,641	5,697,380	(1,375,261)
Special assessments	82,097	82,097	84,427	2,330
Interest and rent	8,064	278,471	755,393	476,922
Net increase in fair value of investments	-	-	80,076	80,076
Miscellaneous	144,048	203,893	217,583	13,690
Total revenues	<u>44,379,715</u>	<u>43,066,523</u>	<u>39,257,775</u>	<u>(3,808,748)</u>
EXPENDITURES:				
Current:				
General government	9,163,249	2,654,014	513,652	2,140,362
Community development	24,303,684	30,261,245	24,439,639	5,821,606
Public works	1,793,163	1,169,431	1,166,512	2,919
Parks and recreation	5,807,866	3,894,496	416,953	3,477,543
Public safety	4,124,517	14,198,041	10,222,300	3,975,741
Debt service:				
Principal retirement	-	235,650	235,650	-
Interest	-	5,194	5,194	-
Total expenditures	<u>45,192,479</u>	<u>52,418,071</u>	<u>36,999,900</u>	<u>15,418,171</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(812,764)</u>	<u>(9,351,548)</u>	<u>2,257,875</u>	<u>11,609,423</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,863,903	7,196,403	2,447,319	(4,749,084)
Transfers out	(112)	(6,166,138)	(3,477,101)	2,689,037
Other financing proceeds	-	-	397,188	397,188
Total other financing sources (uses)	<u>3,863,791</u>	<u>1,030,265</u>	<u>(632,594)</u>	<u>(1,662,859)</u>
CHANGES IN FUND BALANCE	3,051,027	(8,321,283)	1,625,281	9,946,564
FUND BALANCE, JULY 1	<u>859,092</u>	<u>859,092</u>	<u>859,092</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 3,910,119</u>	<u>\$ (7,462,191)</u>	<u>\$ 2,484,373</u>	<u>\$ 9,946,564</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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 12,038,285	\$ 173,227	\$ 5,282,977	\$ 5,109,750
Charges for services	2,495,570	2,344,558	1,322,781	(1,021,777)
Interest and rent	-	-	17,691	17,691
Net increase in fair value of investments	-	-	17,849	17,849
Miscellaneous	51,829	51,829	-	(51,829)
Total revenues	<u>14,585,684</u>	<u>2,569,614</u>	<u>6,641,298</u>	<u>4,071,684</u>
EXPENDITURES:				
Current:				
Community development	24,412,988	8,628,368	4,420,218	4,208,150
Debt service:				
Principal retirement	345,000	345,000	345,000	-
Interest	4,916	4,916	4,916	-
Total expenditures	<u>24,762,904</u>	<u>8,978,284</u>	<u>4,770,134</u>	<u>4,208,150</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>(10,177,220)</u>	<u>(6,408,670)</u>	<u>1,871,164</u>	<u>8,279,834</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,791,033	3,616,184	-	(3,616,184)
Transfers out	(400,000)	(1,175,404)	(703,168)	472,236
Total other financing sources (uses)	<u>2,391,033</u>	<u>2,440,780</u>	<u>(703,168)</u>	<u>(3,143,948)</u>
CHANGES IN FUND BALANCE				
FUND BALANCE, JULY 1	(7,786,187)	(3,967,890)	1,167,996	5,135,886
	<u>27,778,843</u>	<u>27,778,843</u>	<u>27,778,843</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 19,992,656</u>	<u>\$ 23,810,953</u>	<u>\$ 28,946,839</u>	<u>\$ 5,135,886</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 Office of Performance Management and Budget Director.
 - 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 Office of Performance Management and Budget Director - 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.

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**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.

Transportation Special Tax Fund - To account for state-controlled, locally-shared gas tax, 25 year, ½ cent sales tax Measure L, SB-I (Road Repair and Accountability Act of 2017) monies.

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

Opioid Fund - To account for the City's share of various lawsuit settlements against the manufacturers of certain prescription opioid medications.

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, 2025

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, streetlights, 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 Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Nonmajor Debt Service Fund includes:

Public Financing Authority Fund - To account for payment of debt issued to finance projects authorized by the Modesto Public Financing Authority.

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City of Modesto
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
ASSETS					
Cash and investments	\$ 2,385,582	\$ -	\$ -	\$ -	\$ -
Receivables:					
Accounts, net	-	-	-	-	-
Interest	-	-	-	-	-
Taxes	-	-	70,109	-	-
Leases	-	-	-	-	-
Due from governments	-	-	-	-	-
Prepaid expenditures	-	108,597	52,125	-	15,689
Restricted assets:					
Cash and investments	1,775	2,727,886	-	3,077,530	59,024,131
Cash and investments with fiscal agent	-	-	-	-	-
Accounts receivable, net	-	-	-	-	837,284
Interest receivable	-	-	-	12,919	284,150
Due from governments	-	55,736	-	-	5,457,494
Due from Successor Agency	-	-	-	-	-
Notes receivable, net	-	-	-	44,609	-
Total assets	<u>\$ 2,387,357</u>	<u>\$ 2,892,219</u>	<u>\$ 122,234</u>	<u>\$ 3,135,058</u>	<u>\$ 65,618,748</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 102	\$ 34,225	\$ 249,028	\$ 553,170
Accrued salaries and benefits	-	7,076	-	-	238,740
Interest payable	-	-	-	-	4,187
Due to other funds	-	-	85,392	-	-
Due to fiduciary funds	-	-	-	-	-
Unearned revenue	2,385,582	-	-	-	124,793
Refundable deposits	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	<u>2,385,582</u>	<u>7,178</u>	<u>119,617</u>	<u>249,028</u>	<u>920,890</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Leases	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	108,597	52,125	-	15,689
Restricted	1,775	2,776,444	-	2,886,030	64,682,169
Assigned	-	-	-	-	-
Unassigned	-	-	(49,508)	-	-
Total fund balances (deficit)	<u>1,775</u>	<u>2,885,041</u>	<u>2,617</u>	<u>2,886,030</u>	<u>64,697,858</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,387,357</u>	<u>\$ 2,892,219</u>	<u>\$ 122,234</u>	<u>\$ 3,135,058</u>	<u>\$ 65,618,748</u>

(Continued)

**City of Modesto
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2025**

	Special Revenue		Capital Projects		
	Cannabis	Opioid	Capital Grants	Special Fund for Capital Outlays	Parks
ASSETS					
Cash and investments	\$ -	\$ 1,882,821	\$ -	\$ 4,266,662	\$ 538,911
Receivables:					
Accounts, net	-	129,531	10,068	54,551	36
Interest	-	-	-	14,291	2,017
Taxes	-	-	-	-	-
Leases	-	-	-	-	371,607
Due from governments	-	-	7,572,302	-	173,190
Prepaid expenditures	-	-	8,269	-	-
Restricted assets:					
Cash and investments	176,659	-	-	-	-
Cash and investments with fiscal agent	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Interest receivable	-	-	-	-	-
Due from governments	-	-	-	-	-
Due from Successor Agency	-	-	-	-	-
Notes receivable, net	-	-	-	-	-
Total assets	<u>\$ 176,659</u>	<u>\$ 2,012,352</u>	<u>\$ 7,590,639</u>	<u>\$ 4,335,504</u>	<u>\$ 1,085,761</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 18,398	\$ -	\$ 1,227,185	\$ 451,103	\$ 326,600
Accrued salaries and benefits	-	-	-	-	-
Interest payable	-	-	-	-	-
Due to other funds	-	-	840,787	-	-
Due to fiduciary funds	-	-	-	-	-
Unearned revenue	141,678	2,012,352	1,264,364	-	-
Refundable deposits	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	<u>160,076</u>	<u>2,012,352</u>	<u>3,332,336</u>	<u>451,103</u>	<u>326,600</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	7,572,302	38,501	173,190
Leases	-	-	-	-	343,874
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>7,572,302</u>	<u>38,501</u>	<u>517,064</u>
Fund balances:					
Nonspendable	-	-	8,269	-	-
Restricted	16,583	-	-	-	-
Assigned	-	-	-	3,845,900	242,097
Unassigned	-	-	(3,322,268)	-	-
Total fund balances (deficit)	<u>16,583</u>	<u>-</u>	<u>(3,313,999)</u>	<u>3,845,900</u>	<u>242,097</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 176,659</u>	<u>\$ 2,012,352</u>	<u>\$ 7,590,639</u>	<u>\$ 4,335,504</u>	<u>\$ 1,085,761</u>

(Continued)

City of Modesto
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2025

	Capital Projects				
	Securities for Future Improvements	Community Facilities Districts	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 928,733
Receivables:					
Accounts, net	-	-	-	128,037	-
Interest	-	126,983	-	212,055	-
Taxes	-	95,363	-	-	-
Leases	-	1,013,950	-	-	-
Due from governments	-	-	-	-	-
Prepaid expenditures	-	378	-	-	-
Restricted assets:					
Cash and investments	84,624	28,118,021	135,737	44,453,880	-
Cash and investments with fiscal agent	-	-	-	-	-
Accounts receivable, net	-	-	604	-	-
Interest receivable	-	-	-	-	-
Due from governments	-	-	-	833,604	-
Due from Successor Agency	-	-	1,192,004	-	-
Notes receivable, net	-	-	10,881,418	-	-
Total assets	<u>\$ 84,624</u>	<u>\$ 29,354,695</u>	<u>\$ 12,209,763</u>	<u>\$ 45,627,576</u>	<u>\$ 928,733</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 261,823	\$ -	\$ 1,282,702	\$ 928,733
Accrued salaries and benefits	-	27,963	-	-	-
Interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to fiduciary funds	-	26,974	-	-	-
Unearned revenue	-	-	-	-	-
Refundable deposits	-	91,322	-	-	-
Advances from other funds	-	424,840	145,727	272,474	-
Total liabilities	<u>-</u>	<u>832,922</u>	<u>145,727</u>	<u>1,555,176</u>	<u>928,733</u>
Deferred inflows of resources:					
Unavailable revenue	-	48,616	-	890,636	-
Leases	-	940,923	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>989,539</u>	<u>-</u>	<u>890,636</u>	<u>-</u>
Fund balances:					
Nonspendable	-	378	-	-	-
Restricted	84,624	28,026,699	12,064,036	44,453,880	-
Assigned	-	-	-	-	-
Unassigned	-	(494,843)	-	(1,272,116)	-
Total fund balances (deficit)	<u>84,624</u>	<u>27,532,234</u>	<u>12,064,036</u>	<u>43,181,764</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,624</u>	<u>\$ 29,354,695</u>	<u>\$ 12,209,763</u>	<u>\$ 45,627,576</u>	<u>\$ 928,733</u>

(Continued)

**City of Modesto
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2025**

	Debt Service Public Financing Authority	Total	
ASSETS			
Cash and investments	\$ 1,624	\$ 10,004,333	
Receivables:			
Accounts, net	-	322,223	
Interest	-	355,346	
Taxes	-	165,472	
Leases	-	1,385,557	
Due from governments	-	7,745,492	
Prepaid expenditures	341	185,399	
Restricted assets:			
Cash and investments	-	137,800,243	
Cash and investments with fiscal agent	5,842,963	5,842,963	
Accounts receivable, net	-	837,888	
Interest receivable	-	297,069	
Due from governments	-	6,346,834	
Due from Successor Agency	-	1,192,004	
Notes receivable, net	-	10,926,027	
Total assets	\$ 5,844,928	\$ 183,406,850	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 135,028	\$ 5,468,097	
Accrued salaries and benefits	-	273,779	
Interest payable	-	4,187	
Due to other funds	-	926,179	
Due to fiduciary funds	-	26,974	
Unearned revenue	-	5,928,769	
Refundable deposits	-	91,322	
Advances from other funds	-	843,041	
Total liabilities	135,028	13,562,348	
Deferred inflows of resources:			
Unavailable revenue	-	8,723,245	
Leases	-	1,284,797	
Total deferred inflows of resources	-	10,008,042	
Fund balances:			
Nonspendable	341	185,399	
Restricted	5,842,963	160,835,203	
Assigned	-	4,087,997	
Unassigned	(133,404)	(5,272,139)	
Total fund balances (deficit)	5,709,900	159,836,460	
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,844,928	\$ 183,406,850	

(Concluded)

City of Modesto
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2025

	Special Revenue				
	Local Transportation	Traffic Safety	Downtown Improvement District	Strategic Planning and Development	Transportation Special Tax
REVENUES:					
Taxes	\$ -	\$ -	\$ 208,399	\$ -	\$ 2,138,384
Licenses and permits	-	-	-	-	1,260
Intergovernmental	50,553	-	-	219,654	26,022,667
Charges for services	-	368,915	-	414,021	1,867,112
Special assessments levied	-	-	840,342	-	-
Interest and rent	68,997	-	-	91,658	1,890,546
Net increase in fair value of investments	-	-	-	60,504	1,346,670
Fines and forfeits	-	214,448	-	-	-
Miscellaneous	-	-	-	-	171,711
Total revenues	<u>119,550</u>	<u>583,363</u>	<u>1,048,741</u>	<u>785,837</u>	<u>33,438,350</u>
EXPENDITURES:					
Current:					
Community development	-	-	1,045,801	847,878	1,569,824
Highways and streets	-	-	-	-	16,911,287
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public safety	-	709,621	-	-	-
Capital outlay:					
Community development	-	-	-	-	-
Highways and streets	-	-	-	-	88,233
Public works	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Public safety	-	7,880	-	-	-
Debt service:					
Principal retirement	-	211,437	-	-	4,074
Interest	-	19,700	-	-	304
Other	-	-	-	-	-
Total expenditures	<u>-</u>	<u>948,638</u>	<u>1,045,801</u>	<u>847,878</u>	<u>18,573,722</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>119,550</u>	<u>(365,275)</u>	<u>2,940</u>	<u>(62,041)</u>	<u>14,864,628</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	345,090	1,540,205
Transfers out	(119,550)	-	-	(1,723)	(7,014,979)
Sale of assets	-	-	-	-	18,002
Total other financing sources (uses)	<u>(119,550)</u>	<u>-</u>	<u>-</u>	<u>343,367</u>	<u>(5,456,772)</u>
CHANGES IN FUND BALANCES	<u>-</u>	<u>(365,275)</u>	<u>2,940</u>	<u>281,326</u>	<u>9,407,856</u>
FUND BALANCES, JULY 1, AS PREVIOUSLY REPORTED	1,775	3,250,316	(323)	2,604,704	-
Adjustments (Note 19)	-	-	-	-	55,290,002
FUND BALANCES, JULY 1, AS RESTATED	<u>1,775</u>	<u>3,250,316</u>	<u>(323)</u>	<u>2,604,704</u>	<u>55,290,002</u>
FUND BALANCES (DEFICIT), JUNE 30	<u>\$ 1,775</u>	<u>\$ 2,885,041</u>	<u>\$ 2,617</u>	<u>\$ 2,886,030</u>	<u>\$ 64,697,858</u>

(Continued)

City of Modesto
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Fiscal Year Ended June 30, 2025

	Special Revenue		Capital Projects		
	Cannabis	Opioid	Capital Grants	Special Fund for Capital Outlays	Parks
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	197,804	-	-	-	-
Intergovernmental	-	-	11,011,231	-	-
Charges for services	44,660	-	-	43,663	975
Special assessments levied	-	-	-	-	-
Interest and rent	-	-	-	100,923	63,139
Net increase in fair value of investments	-	-	-	72,173	11,957
Fines and forfeits	-	-	-	-	-
Miscellaneous	-	-	130,000	761,985	12,500
Total revenues	<u>242,464</u>	<u>-</u>	<u>11,141,231</u>	<u>978,744</u>	<u>88,571</u>
EXPENDITURES:					
Current:					
Community development	211,059	-	115,693	1,096,380	-
Highways and streets	-	-	6,190,161	-	-
Public works	-	-	623,343	426,154	-
Parks and recreation	-	-	-	5,126,645	25,452
Public safety	-	-	-	115,128	-
Capital outlay:					
Community development	-	-	76,095	-	-
Highways and streets	-	-	6,269,819	-	-
Public works	-	-	777,067	99,150	-
Parks and recreation	-	-	6,075,878	-	754,056
Public safety	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	<u>211,059</u>	<u>-</u>	<u>20,128,056</u>	<u>6,863,457</u>	<u>779,508</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>31,405</u>	<u>-</u>	<u>(8,986,825)</u>	<u>(5,884,713)</u>	<u>(690,937)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	8,292,182	6,884,561	411,375
Transfers out	-	-	-	(2,967)	-
Sale of assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>8,292,182</u>	<u>6,881,594</u>	<u>411,375</u>
CHANGES IN FUND BALANCES	<u>31,405</u>	<u>-</u>	<u>(694,643)</u>	<u>996,881</u>	<u>(279,562)</u>
FUND BALANCES, JULY 1, AS PREVIOUSLY REPORTED	(14,822)	-	(2,619,356)	2,849,019	521,659
Adjustments (Note 19)	-	-	-	-	-
FUND BALANCES, JULY 1, AS RESTATED	<u>(14,822)</u>	<u>-</u>	<u>(2,619,356)</u>	<u>2,849,019</u>	<u>521,659</u>
FUND BALANCES (DEFICIT), JUNE 30	<u>\$ 16,583</u>	<u>\$ -</u>	<u>\$ (3,313,999)</u>	<u>\$ 3,845,900</u>	<u>\$ 242,097</u>

(Continued)

City of Modesto
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Fiscal Year Ended June 30, 2025

	Capital Projects				
	Securities for Future Improvements	Community Facilities Districts	Successor Redevelopment Housing Agency	Capital Facility Fees	Transportation Special Tax Capital
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	55,167	-
Charges for services	-	821,108	-	2,069,611	-
Special assessments levied	-	4,194,110	-	-	-
Interest and rent	3,578	925,446	8,684,999	1,577,296	-
Net increase in fair value of investments	-	629,372	2,907	1,126,093	-
Fines and forfeits	-	-	-	-	-
Miscellaneous	-	4,192	-	15,246	-
Total revenues	<u>3,578</u>	<u>6,574,228</u>	<u>8,687,906</u>	<u>4,843,413</u>	<u>-</u>
EXPENDITURES:					
Current:					
Community development	-	4,466,702	-	19,679	57
Highways and streets	-	-	-	55,275	46,962
Public works	-	-	-	-	-
Parks and recreation	-	-	-	230,748	241
Public safety	-	-	-	-	-
Capital outlay:					
Community development	-	-	-	-	258,399
Highways and streets	-	-	-	1,658,492	1,619,988
Public Works	-	-	-	-	-
Parks and recreation	-	-	-	4,196,427	1,005,927
Public safety	-	-	-	-	-
Debt service:					
Principal retirement	-	1,696	-	-	-
Interest	-	35	-	-	-
Other	-	-	-	-	-
Total expenditures	<u>-</u>	<u>4,468,433</u>	<u>-</u>	<u>6,160,621</u>	<u>2,931,574</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,578</u>	<u>2,105,795</u>	<u>8,687,906</u>	<u>(1,317,208)</u>	<u>(2,931,574)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	2,931,574
Transfers out	-	-	-	(2,693,337)	-
Sale of assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,693,337)</u>	<u>2,931,574</u>
CHANGES IN FUND BALANCES	<u>3,578</u>	<u>2,105,795</u>	<u>8,687,906</u>	<u>(4,010,545)</u>	<u>-</u>
FUND BALANCES, JULY 1, AS PREVIOUSLY REPORTED	81,046	25,426,439	3,376,130	47,192,309	-
Adjustments (Note 19)	-	-	-	-	-
FUND BALANCES, JULY 1, AS RESTATED	<u>81,046</u>	<u>25,426,439</u>	<u>3,376,130</u>	<u>47,192,309</u>	<u>-</u>
FUND BALANCES (DEFICIT), JUNE 30	<u>\$ 84,624</u>	<u>\$ 27,532,234</u>	<u>\$ 12,064,036</u>	<u>\$ 43,181,764</u>	<u>\$ -</u>

(Continued)

City of Modesto
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Fiscal Year Ended June 30, 2025

	Debt Service		Total
	Public Financing Authority		
REVENUES:			
Taxes	\$ -	\$	2,346,783
Licenses and permits	-		199,064
Intergovernmental	1,015,174		38,374,446
Charges for services	-		5,630,065
Special assessments levied	-		5,034,452
Interest and rent	302,488		13,709,070
Net increase in fair value of investments	-		3,249,676
Fines and forfeits	-		214,448
Miscellaneous	-		1,095,634
Total revenues	1,317,662		69,853,638
EXPENDITURES:			
Current:			
Community development	-		9,373,073
Highways and streets	-		23,203,685
Public works	-		1,049,497
Parks and recreation	-		5,383,086
Public safety	-		824,749
Capital outlay:			
Community development	-		334,494
Highways and streets	-		9,636,532
Public works	-		876,217
Parks and recreation	-		12,032,288
Public safety	-		7,880
Debt service:			
Principal retirement	2,990,000		3,207,207
Interest	1,025,244		1,045,283
Other	48,191		48,191
Total expenditures	4,063,435		67,022,182
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	(2,745,773)		2,831,456
OTHER FINANCING SOURCES (USES):			
Transfers in	2,983,823		23,388,810
Transfers out	-		(9,832,556)
Sale of assets	-		18,002
Total other financing sources (uses)	2,983,823		13,574,256
CHANGES IN FUND BALANCES			
	238,050		16,405,712
FUND BALANCES, JULY 1, AS PREVIOUSLY REPORTED			
	5,471,850		88,140,746
Adjustments (Note 19)	-		55,290,002
FUND BALANCES, JULY 1, AS RESTATED			
	5,471,850		143,430,748
FUND BALANCES (DEFICIT), JUNE 30			
	\$ 5,709,900	\$	159,836,460

(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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 50,553	\$ 50,553
Interest and rent	-	-	68,997	68,997
Total revenues	<u>-</u>	<u>-</u>	<u>119,550</u>	<u>119,550</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>(764,659)</u>	<u>(119,550)</u>	<u>645,109</u>
CHANGES IN FUND BALANCES	-	(764,659)	-	764,659
FUND BALANCES, JULY 1	<u>1,775</u>	<u>1,775</u>	<u>1,775</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ 1,775</u>	<u>\$ (762,884)</u>	<u>\$ 1,775</u>	<u>\$ 764,659</u>

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

City of Modesto
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Traffic Safety Special Revenue Fund
Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 305,000	\$ 305,000	\$ 368,915	\$ 63,915
Fines and forfeits	200,000	200,000	214,448	14,448
Total revenues	<u>505,000</u>	<u>505,000</u>	<u>583,363</u>	<u>78,363</u>
EXPENDITURES:				
Current:				
Public safety	1,110,930	1,029,793	717,501	312,292
Debt service:				
Principal retirement	-	211,437	211,437	-
Interest	-	19,700	19,700	-
Total expenditures	<u>1,110,930</u>	<u>1,260,930</u>	<u>948,638</u>	<u>312,292</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(605,930)</u>	<u>(755,930)</u>	<u>(365,275)</u>	<u>390,655</u>
CHANGES IN FUND BALANCES	(605,930)	(755,930)	(365,275)	390,655
FUND BALANCES, JULY 1	<u>3,250,316</u>	<u>3,250,316</u>	<u>3,250,316</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 2,644,386</u>	<u>\$ 2,494,386</u>	<u>\$ 2,885,041</u>	<u>\$ 390,655</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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 207,000	\$ 208,400	\$ 208,399	\$ (1)
Special assessments levied	-	850,000	840,342	(9,658)
Total revenues	<u>207,000</u>	<u>1,058,400</u>	<u>1,048,741</u>	<u>(9,659)</u>
EXPENDITURES:				
Current:				
Community development	<u>207,409</u>	<u>1,058,400</u>	<u>1,045,801</u>	<u>12,599</u>
Total expenditures	<u>207,409</u>	<u>1,058,400</u>	<u>1,045,801</u>	<u>12,599</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(409)</u>	<u>-</u>	<u>2,940</u>	<u>2,940</u>
CHANGES IN FUND BALANCES	(409)	-	2,940	2,940
FUND DEFICITS, JULY 1	<u>(323)</u>	<u>(323)</u>	<u>(323)</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (732)</u>	<u>\$ (323)</u>	<u>\$ 2,617</u>	<u>\$ 2,940</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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 35,104	\$ -	\$ 219,654	\$ 219,654
Charges for services	40,000	715,000	414,021	(300,979)
Interest and rent	12,330	-	91,658	91,658
Net increase in fair value of investments	-	-	60,504	60,504
Miscellaneous	-	1,728,302	-	(1,728,302)
Total revenues	<u>87,434</u>	<u>2,443,302</u>	<u>785,837</u>	<u>(1,657,465)</u>
EXPENDITURES:				
Current:				
Community development	<u>3,032,626</u>	<u>4,027,095</u>	<u>847,878</u>	<u>3,179,217</u>
Total expenditures	<u>3,032,626</u>	<u>4,027,095</u>	<u>847,878</u>	<u>3,179,217</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(2,945,192)</u>	<u>(1,583,793)</u>	<u>(62,041)</u>	<u>1,521,752</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	391,606	345,090	(46,516)
Transfers out	-	-	(1,723)	(1,723)
Total other financing sources	<u>-</u>	<u>391,606</u>	<u>343,367</u>	<u>(48,239)</u>
CHANGES IN FUND BALANCES	(2,945,192)	(1,192,187)	281,326	1,473,513
FUND BALANCES, JULY 1	<u>2,604,704</u>	<u>2,604,704</u>	<u>2,604,704</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ (340,488)</u>	<u>\$ 1,412,517</u>	<u>\$ 2,886,030</u>	<u>\$ 1,473,513</u>

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

City of Modesto
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Transportation Special Tax Special Revenue Fund
Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 2,138,384	\$ 638,384
Licenses and permits	-	-	1,260	1,260
Intergovernmental	15,522,123	15,651,453	26,022,667	10,371,214
Charges for services	1,391,459	1,391,459	1,867,112	475,653
Interest and rent	-	1,700,000	1,890,546	190,546
Net increase in fair value of investments	-	1,165,717	1,346,670	180,953
Miscellaneous	10,000	50,000	171,711	121,711
Total revenues	<u>18,423,582</u>	<u>21,458,629</u>	<u>33,438,350</u>	<u>11,979,721</u>
EXPENDITURES:				
Current:				
Community development	2,197,832	2,874,500	1,569,824	1,304,676
Highways and streets	17,776,735	18,030,845	16,999,520	1,031,325
Debt service:				
Principal retirement	-	4,074	4,074	-
Interest	-	304	304	-
Total expenditures	<u>19,974,567</u>	<u>20,909,723</u>	<u>18,573,722</u>	<u>2,336,001</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,550,985)</u>	<u>548,906</u>	<u>14,864,628</u>	<u>14,315,722</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,485,453	1,688,922	1,540,205	(148,717)
Transfers out	-	(6,665,966)	(7,014,979)	(349,013)
Sale of assets	-	-	18,002	18,002
Total other financing sources (uses)	<u>1,485,453</u>	<u>(4,977,044)</u>	<u>(5,456,772)</u>	<u>(479,728)</u>
CHANGES IN FUND BALANCE	(65,532)	(4,428,138)	9,407,856	13,835,994
FUND BALANCE, JULY 1	<u>55,290,002</u>	<u>55,290,002</u>	<u>55,290,002</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 55,224,470</u>	<u>\$ 50,861,864</u>	<u>\$ 64,697,858</u>	<u>\$ 13,835,994</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, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 274,642	\$ 274,642	\$ 197,804	\$ (76,838)
Charges for services	12,760	12,760	44,660	31,900
Total revenues	<u>287,402</u>	<u>287,402</u>	<u>242,464</u>	<u>(44,938)</u>
EXPENDITURES:				
Current:				
Community development	272,609	272,609	211,059	61,550
Total expenditures	<u>272,609</u>	<u>272,609</u>	<u>211,059</u>	<u>61,550</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>14,793</u>	<u>14,793</u>	<u>31,405</u>	<u>16,612</u>
CHANGES IN FUND BALANCES	14,793	14,793	31,405	16,612
FUND DEFICITS, JULY 1	<u>(14,822)</u>	<u>(14,822)</u>	<u>(14,822)</u>	<u>-</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (29)</u>	<u>\$ (29)</u>	<u>\$ 16,583</u>	<u>\$ 16,612</u>

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

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City of Modesto
Description of Nonmajor Enterprise Funds
Fiscal Year Ended June 30, 2025

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, 2025

<u>ASSETS</u>	Parking	Storm Drain	Compost	Airport
Current assets:				
Cash and investments	\$ 527,810	\$ 10,367,748	\$ 12,201,290	\$ 4,887,151
Receivables:				
Accounts, net	37,049	10,454	2,190,923	51,729
Interest	2,139	46,233	78,675	21,823
Utilities, net	-	600,675	753,823	-
Leases	54,566	-	-	409,574
Prepaid expenses	172	13	1,342	1,969
Due from governments	5,378	4,538	4,836,950	402,293
Inventories	-	-	-	-
Total current assets	<u>627,114</u>	<u>11,029,661</u>	<u>20,063,003</u>	<u>5,774,539</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agent	-	-	-	-
Leases receivable	4,540,019	-	-	2,335,911
Land and construction in progress	3,131,804	928,317	1,140,000	1,352,142
Other capital assets, net of accumulated depreciation	1,850,241	12,148,632	716,490	6,412,551
Intangible assets, net of accumulated amortization	-	12,970	3,852	-
Total noncurrent assets	<u>9,522,064</u>	<u>13,089,919</u>	<u>1,860,342</u>	<u>10,100,604</u>
Total assets	<u>10,149,178</u>	<u>24,119,580</u>	<u>21,923,345</u>	<u>15,875,143</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred OPEB	46,648	23,972	161,757	-
Deferred pensions	191,758	183,342	1,797,948	191,453
Total deferred outflows of resources	<u>238,406</u>	<u>207,314</u>	<u>1,959,705</u>	<u>191,453</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	32,124	97,819	461,188	30,059
Accrued salaries and benefits	26,813	15,095	191,524	21,097
Interest payable	-	-	19,138	-
Current portion - leases and SBITA	-	4,923	1,462	-
Unearned revenue	12,480	-	-	-
Total current liabilities	<u>71,417</u>	<u>117,837</u>	<u>673,312</u>	<u>51,156</u>
Noncurrent liabilities:				
Advances from other funds	-	1,324,704	2,475,600	-
Pollution remediation liability	-	-	3,170,994	-
Long-term debt:				
Leases and SBITA payable	-	5,295	1,573	-
Net OPEB liability	142,850	129,360	953,996	-
Net pension liability	958,625	916,556	8,988,208	957,102
Total noncurrent liabilities	<u>1,101,475</u>	<u>2,375,915</u>	<u>15,590,371</u>	<u>957,102</u>
Total liabilities	<u>1,172,892</u>	<u>2,493,752</u>	<u>16,263,683</u>	<u>1,008,258</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred OPEB	31,957	29,808	152,366	-
Deferred pensions	726	694	6,805	725
Deferred leases	4,260,354	-	-	2,665,521
Total deferred inflows of resources	<u>4,293,037</u>	<u>30,502</u>	<u>159,171</u>	<u>2,666,246</u>
<u>NET POSITION</u>				
Net investment in capital assets	4,982,045	13,079,701	1,857,307	7,764,693
Restricted	-	-	-	-
Unrestricted	<u>(60,390)</u>	<u>8,722,939</u>	<u>5,602,889</u>	<u>4,627,399</u>
Total net position	<u>\$ 4,921,655</u>	<u>\$ 21,802,640</u>	<u>\$ 7,460,196</u>	<u>\$ 12,392,092</u>

(Continued)

City of Modesto
Combining Statement of Net Position
Nonmajor Enterprise Fund (Continued)
June 30, 2025

<u>ASSETS</u>	<u>Golf</u>	<u>Community Center</u>	<u>Abatement and Public Nuisance</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 4,043,762	\$ 534,618	\$ 925,045	\$ 33,487,424
Receivables:				
Accounts, net	12,684	58,698	1,470,493	3,832,030
Interest	16,187	-	4,045	169,102
Utilities, net	-	-	-	1,354,498
Leases	42,633	8,379	-	515,152
Prepaid expenses	-	123	-	3,619
Due from governments	-	-	-	5,249,159
Inventories	49,674	-	-	49,674
Total current assets	<u>4,164,940</u>	<u>601,818</u>	<u>2,399,583</u>	<u>44,660,658</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agent	121,033	-	-	121,033
Leases receivable	4,340,734	-	-	11,216,664
Land and construction in progress	1,779,108	3,667,020	-	11,998,391
Other capital assets, net of accumulated depreciation	846,861	2,395,454	-	24,370,229
Intangible assets, net of accumulated amortization	224,104	-	-	240,926
Total noncurrent assets	<u>7,311,840</u>	<u>6,062,474</u>	<u>-</u>	<u>47,947,243</u>
Total assets	<u>11,476,780</u>	<u>6,664,292</u>	<u>2,399,583</u>	<u>92,607,901</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred OPEB	-	30,332	-	262,709
Deferred pensions	-	172,905	-	2,537,406
Total deferred outflows of resources	<u>-</u>	<u>203,237</u>	<u>-</u>	<u>2,800,115</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	149,300	43,384	-	813,874
Accrued salaries and benefits	36,649	36,035	-	327,213
Interest payable	-	-	-	19,138
Current portion - leases and SBITA	75,545	-	-	81,930
Unearned revenue	325,849	-	-	338,329
Total current liabilities	<u>587,343</u>	<u>79,419</u>	<u>-</u>	<u>1,580,484</u>
Noncurrent liabilities:				
Advances from other funds	-	-	-	3,800,304
Pollution remediation liability	-	-	-	3,170,994
Long-term debt:				
Leases and SBITA payable	228,811	-	-	235,679
Net OPEB liability	-	128,056	-	1,354,262
Net pension liability	-	864,378	-	12,684,869
Total noncurrent liabilities	<u>228,811</u>	<u>992,434</u>	<u>-</u>	<u>21,246,108</u>
Total liabilities	<u>816,154</u>	<u>1,071,853</u>	<u>-</u>	<u>22,826,592</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred OPEB	-	19,338	-	233,469
Deferred pensions	-	654	-	9,604
Deferred leases	4,040,984	2,276	-	10,969,135
Total deferred inflows of resources	<u>4,040,984</u>	<u>22,268</u>	<u>-</u>	<u>11,212,208</u>
<u>NET POSITION</u>				
Net investment in capital assets	2,545,717	6,062,474	-	36,291,937
Restricted	121,033	-	-	121,033
Unrestricted	3,952,892	(289,066)	2,399,583	24,956,246
Total net position	<u>\$ 6,619,642</u>	<u>\$ 5,773,408</u>	<u>\$ 2,399,583</u>	<u>\$ 61,369,216</u>

(Concluded)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
Fiscal Year Ended June 30, 2025

	<u>Parking</u>	<u>Storm Drain</u>	<u>Compost</u>	<u>Airport</u>
OPERATING REVENUES:				
Charges for services	\$ 1,166,651	\$ 6,184,232	\$ 16,426,800	\$ 782,979
Miscellaneous	298,867	4,196	7,278,969	17,441
Total operating revenues	<u>1,465,518</u>	<u>6,188,428</u>	<u>23,705,769</u>	<u>800,420</u>
OPERATING EXPENSES:				
Salaries and wages	631,874	390,536	4,690,663	482,958
Contractual services	312,582	621,268	3,404,914	135,761
Utilities	154,893	37,425	32,028	111,217
Maintenance and supplies	136,809	2,714,170	2,445,008	159,491
Insurance	172,209	16,467	543,839	122,609
Employee benefits	234,964	275,340	2,061,327	251,569
Administration services	492,418	3,004,536	634,564	57,299
Allocated indirect administrative costs	46,511	130,212	264,072	37,514
Depreciation	385,571	442,184	49,443	643,728
Total operating expenses	<u>2,567,831</u>	<u>7,632,138</u>	<u>14,125,858</u>	<u>2,002,146</u>
OPERATING INCOME (LOSS)	<u>(1,102,313)</u>	<u>(1,443,710)</u>	<u>9,579,911</u>	<u>(1,201,726)</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	-	-	107,166	431,643
Gain on disposition of capital assets	-	30,685	141,798	-
Tax revenue	-	-	-	406,150
Tax expense	-	-	-	(2,053)
Interest income	199,723	275,036	372,858	176,462
Net increase in fair value of investments	15,971	247,456	212,882	98,176
Rental income	152,034	-	-	470,815
Interest expense and amortization	-	(341)	(101)	-
Total nonoperating revenues	<u>367,728</u>	<u>552,836</u>	<u>834,603</u>	<u>1,581,193</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(734,585)</u>	<u>(890,874)</u>	<u>10,414,514</u>	<u>379,467</u>
TRANSFERS				
Transfers in	-	700,000	-	-
Transfers out	-	(32,098)	(1,280,514)	(7,587)
Total transfers	<u>-</u>	<u>667,902</u>	<u>(1,280,514)</u>	<u>(7,587)</u>
CHANGES IN NET POSITION	<u>(734,585)</u>	<u>(222,972)</u>	<u>9,134,000</u>	<u>371,880</u>
NET POSITION (DEFICIT), JULY 1	<u>5,656,240</u>	<u>22,025,612</u>	<u>(1,673,804)</u>	<u>12,020,212</u>
NET POSITION, JUNE 30	<u>\$ 4,921,655</u>	<u>\$ 21,802,640</u>	<u>\$ 7,460,196</u>	<u>\$ 12,392,092</u>

(Continued)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2025

	Golf	Community Center	Abatement and Public Nuisance	Total
OPERATING REVENUES:				
Charges for services	\$ 3,516,586	\$ 248,246	\$ 656,230	\$ 28,981,724
Miscellaneous	5,679	3,344	-	7,608,496
Total operating revenues	<u>3,522,265</u>	<u>251,590</u>	<u>656,230</u>	<u>36,590,220</u>
OPERATING EXPENSES:				
Salaries and wages	-	775,430	-	6,971,461
Contractual services	2,706,775	261,086	100	7,442,486
Utilities	63,385	272,802	-	671,750
Maintenance and supplies	276,060	140,360	-	5,871,898
Insurance	47,528	83,306	-	985,958
Employee benefits	-	228,404	-	3,051,604
Administration services	302,954	64,831	86,303	4,642,905
Allocated indirect administrative costs	47,127	-	-	525,436
Depreciation	119,930	43,371	-	1,684,227
Total operating expenses	<u>3,563,759</u>	<u>1,869,590</u>	<u>86,403</u>	<u>31,847,725</u>
OPERATING INCOME (LOSS)	<u>(41,494)</u>	<u>(1,618,000)</u>	<u>569,827</u>	<u>4,742,495</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	-	-	-	538,809
Gain on disposition of capital assets	-	-	-	172,483
Tax revenue	-	-	-	406,150
Tax expense	-	-	-	(2,053)
Interest income	127,870	3,946	27,843	1,183,738
Net increase in fair value of investments	97,657	-	18,396	690,538
Rental income	131,916	577,592	-	1,332,357
Interest expense and amortization	(27,512)	-	-	(27,954)
Total nonoperating revenues	<u>329,931</u>	<u>581,538</u>	<u>46,239</u>	<u>4,294,068</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>288,437</u>	<u>(1,036,462)</u>	<u>616,066</u>	<u>9,036,563</u>
TRANSFERS				
Transfers in	504,547	1,025,625	1,723	2,231,895
Transfers out	-	-	-	(1,320,199)
Total transfers	<u>504,547</u>	<u>1,025,625</u>	<u>1,723</u>	<u>911,696</u>
CHANGES IN NET POSITION	792,984	(10,837)	617,789	9,948,259
NET POSITION (DEFICIT), JULY 1	<u>5,826,658</u>	<u>5,784,245</u>	<u>1,781,794</u>	<u>51,420,957</u>
NET POSITION, JUNE 30	<u>\$ 6,619,642</u>	<u>\$ 5,773,408</u>	<u>\$ 2,399,583</u>	<u>\$ 61,369,216</u>

(Concluded)

City of Modesto
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Fiscal Year Ended June 30, 2025

	Parking	Storm Drain	Compost	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 1,533,120	\$ 6,212,109	\$ 23,891,511	\$ 770,805
Payments to suppliers	(1,298,831)	(6,507,764)	(10,577,277)	(704,444)
Payments to employees	(904,200)	(718,727)	(7,192,546)	(728,690)
Net cash provided by (used in) operating activities	(669,911)	(1,014,382)	6,121,688	(662,329)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	-	-	107,166	431,643
Taxes received	-	-	-	406,150
Transfers in	-	700,000	-	-
Transfers out	-	(32,098)	(1,280,514)	(7,587)
Advances from/(to) other funds	-	-	(654,200)	-
Net cash provided by (used in) noncapital financing activities	-	667,902	(1,827,548)	830,206
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	-	-	-
Proceeds from sale of capital assets	-	18,627	141,802	3
Principal (repayments) collection	(319,193)	(4,573)	(1,360)	239,178
Interest (paid) received	-	(341)	10,237	-
Net cash provided by (used in) capital and related financing activities	(319,193)	13,713	150,679	239,181
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	198,418	266,506	329,982	167,939
Net increase in the fair value of investments	15,971	247,456	212,882	98,176
Rental income received	349,257	-	-	222,094
Net cash provided by investing activities	563,646	513,962	542,864	488,209
Net increase (decrease) in cash and investments	(425,458)	181,195	4,987,683	895,267
CASH AND INVESTMENTS, JULY 1	953,268	10,186,553	7,213,607	3,991,884
CASH AND INVESTMENTS, JUNE 30	\$ 527,810	\$ 10,367,748	\$ 12,201,290	\$ 4,887,151
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 527,810	\$ 10,367,748	\$ 12,201,290	\$ 4,887,151
Restricted cash and investments with fiscal agent	-	-	-	-
TOTAL CASH AND INVESTMENTS	\$ 527,810	\$ 10,367,748	\$ 12,201,290	\$ 4,887,151

(Continued)

City of Modesto
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2025

	Golf	Community Center	Abatement and Public Nuisance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 3,275,594	\$ 315,319	\$ 271,889	\$ 36,270,347
Payments to suppliers	(3,815,990)	(803,492)	(160,162)	(23,867,960)
Payments to employees	-	(1,017,818)	-	(10,561,981)
Net cash provided by (used in) operating activities	<u>(540,396)</u>	<u>(1,505,991)</u>	<u>111,727</u>	<u>1,840,406</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	-	-	-	538,809
Taxes received	-	-	-	406,150
Transfers in	504,547	1,025,625	1,723	2,231,895
Transfers out	-	-	-	(1,320,199)
Advances from/(to) other funds	-	-	52,882	(601,318)
Net cash provided by (used in) noncapital financing activities	<u>504,547</u>	<u>1,025,625</u>	<u>54,605</u>	<u>1,255,337</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(418,912)	-	-	(418,912)
Proceeds from sale of capital assets	-	-	-	160,432
Principal (repayments) collection	416,985	658	-	331,695
Interest (paid) received	(27,512)	-	-	(17,616)
Net cash provided by (used in) capital and related financing activities	<u>(29,439)</u>	<u>658</u>	<u>-</u>	<u>55,599</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	123,422	3,946	25,617	1,115,830
Net increase in the fair value of investments	97,657	-	18,396	690,538
Rental income received	131,916	577,592	-	1,280,859
Net cash provided by investing activities	<u>352,995</u>	<u>581,538</u>	<u>44,013</u>	<u>3,087,227</u>
Net increase (decrease) in cash and investments	287,707	101,830	210,345	6,238,569
CASH AND INVESTMENTS, JULY 1	3,877,088	432,788	714,700	27,369,888
CASH AND INVESTMENTS, JUNE 30	<u>\$ 4,164,795</u>	<u>\$ 534,618</u>	<u>\$ 925,045</u>	<u>\$ 33,608,457</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 4,043,762	\$ 534,618	\$ 925,045	\$ 33,487,424
Restricted cash and investments with fiscal agent	121,033	-	-	121,033
TOTAL CASH AND INVESTMENTS	<u>\$ 4,164,795</u>	<u>\$ 534,618</u>	<u>\$ 925,045</u>	<u>\$ 33,608,457</u>

(Concluded)

City of Modesto
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2025

	Parking	Storm Drain	Compost	Airport
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,102,313)	\$ (1,443,710)	\$ 9,579,911	\$ (1,201,726)
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
Depreciation	385,571	442,184	49,443	643,728
Taxes paid	-	-	-	(2,053)
Change in assets, liabilities, and deferred resources:				
(Increase) decrease:				
Accounts receivable	67,602	(4,915)	163,532	(31,827)
Taxes receivable	-	-	-	2,212
Utilities receivable	-	28,596	22,210	-
Leases receivable				
Due from other governments	2,846	13,614	(4,684,078)	(63,068)
Inventories	-	-	-	-
Prepaid expenses	(57)	130	(271)	29
Deferred outflows of resources - OPEB	(15,299)	(105)	(22,347)	-
Deferred outflows of resources - pensions	102,518	105,208	1,003,673	87,791
Increase (decrease):				
Accounts payable	(750)	5,260	298,742	16,863
Accrued salaries and benefits	2,072	(2,690)	30,972	7,676
Unearned revenue	12,480	-	(42,892)	(40,000)
Net OPEB liability	21,627	2,970	38,784	-
Net pension liability	(134,396)	(155,199)	(1,417,778)	(80,088)
Deferred inflows of resources - OPEB	(9,807)	(3,742)	(23,697)	-
Deferred inflows of resources - pensions	(2,005)	(1,983)	(19,191)	(1,866)
Pollution remediation	-	-	1,144,675	-
Total adjustments	432,402	429,328	(3,458,223)	539,397
Net cash provided (used in) by operating activities	\$ (669,911)	\$ (1,014,382)	\$ 6,121,688	\$ (662,329)

(Continued)

City of Modesto
Combining Statement of Cash Flows
Nonmajor Enterprise Funds (Continued)
Fiscal Year Ended June 30, 2025

	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)	\$ (41,494)	\$ (1,618,000)	\$ 569,827	\$ 4,742,495
Adjustments to reconcile operating income (loss) to net cash provided (used in) by operating activities:				
Depreciation	119,930	43,371	-	1,684,227
Taxes paid	-	-	-	(2,053)
Change in assets, liabilities, and deferred resources:				
(Increase) decrease:				
Accounts receivable	324,228	63,729	(384,341)	198,008
Taxes receivable	-	-	-	2,212
Utilities receivable	-	-	-	50,806
Leases receivable	(570,899)	-	-	(570,899)
Due from other governments	-	-	-	(4,730,686)
Inventories	3,762	-	-	3,762
Prepaid expenses	162,788	261	-	162,880
Deferred outflows of resources - OPEB	-	(8,661)	-	(46,412)
Deferred outflows of resources - pensions	-	85,650	-	1,384,840
Increase (decrease):				
Accounts payable	1,001	10,614	(73,659)	258,071
Accrued salaries and benefits	3,962	8,018	-	50,010
Unearned revenue	(543,674)	-	(100)	(614,186)
Net OPEB liability	-	12,091	-	75,472
Net pension liability	-	(95,966)	-	(1,883,427)
Deferred inflows of resources - OPEB	-	(5,353)	-	(42,599)
Deferred inflows of resources - pensions	-	(1,745)	-	(26,790)
Pollution remediation	-	-	-	1,144,675
Total adjustments	<u>(498,902)</u>	<u>112,009</u>	<u>(458,100)</u>	<u>(2,902,089)</u>
Net cash provided (used in) by operating activities	<u>\$ (540,396)</u>	<u>\$ (1,505,991)</u>	<u>\$ 111,727</u>	<u>\$ 1,840,406</u>

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City of Modesto
Description of Internal Service Funds
Fiscal Year Ended June 30, 2025

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, 2025

	Fleet Management	Central Services	Information and Technology Services	Insurance
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 675,876	\$ -	\$ 4,617,001	\$ 18,196,471
Receivables:				
Accounts	12,270	-	-	678,581
Interest	9,041	112	21,153	86,509
Leases	-	-	-	-
Prepaid expenses	1,898	317,269	1,050,633	7,186
Due from governments	3,250,038	-	-	-
Inventories	3,833,779	3,664,910	-	-
Total current assets	7,782,902	3,982,291	5,688,787	18,968,747
Noncurrent assets:				
Restricted assets - cash and investments	-	-	-	-
Restricted assets - cash from fiscal agent	-	-	-	580,927
Leases receivable	-	-	-	-
Land and construction in progress	7,865,520	-	-	-
Other capital assets, net of accumulated depreciation	35,082,111	-	2,325,991	-
Intangible assets, net of accumulated amortization	-	-	1,249,292	6,979
Total noncurrent assets	42,947,631	-	3,575,283	587,906
Total assets	50,730,533	3,982,291	9,264,070	19,556,653
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred OPEB	97,987	-	181,569	-
Deferred pensions	1,455,551	228,339	1,450,794	187,038
Total deferred outflows of resources	1,553,538	228,339	1,632,363	187,038
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	3,129,948	937,372	246,653	1,157,556
Accrued salaries and benefits	163,759	21,419	143,885	21,182
Interest payable	23,201	138	-	3,412
Due to other funds	-	2,837,583	-	-
Unearned revenue	-	-	-	35,627
Current portion - compensated absences	-	-	-	-
Current portion - claims liability	-	-	-	7,886,993
Current portion - leases and SBITA	-	-	143,336	-
Total current liabilities	3,316,908	3,796,512	533,874	9,104,770
Noncurrent liabilities:				
Compensated absences	-	-	-	-
Claims liability	-	-	-	25,309,185
Leases and SBITA	-	-	263,864	-
Net OPEB liability	509,265	-	645,481	-
Net pension liability	7,276,521	1,141,500	7,252,738	935,033
Total noncurrent liabilities	7,785,786	1,141,500	8,162,083	26,244,218
Total liabilities	11,102,694	4,938,012	8,695,957	35,348,988
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred OPEB	109,250	-	224,072	-
Deferred pensions	5,509	865	5,491	708
Deferred leases	-	-	-	-
Total deferred inflows of resources	114,759	865	229,563	708
<u>NET POSITION</u>				
Net investment in capital assets	42,947,631	-	3,168,083	6,979
Restricted	-	-	-	580,927
Unrestricted	(1,881,013)	(728,247)	(1,197,170)	(16,193,911)
Total net position	\$ 41,066,618	\$ (728,247)	\$ 1,970,913	\$ (15,606,005)

(Continued)

City of Modesto
Combining Statement of Net Position
Internal Service Fund (Continued)
June 30, 2025

	Employee Benefits Management	Building Services	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 4,744	\$ 2,454,959	\$ 25,949,051
Receivables:			
Accounts	35,398	-	726,249
Interest	39,148	11,226	167,189
Leases	-	5,488	5,488
Prepaid expenses	5,979	115	1,383,080
Due from governments	-	20,006	3,270,044
Inventories	-	-	7,498,689
Total current assets	85,269	2,491,794	38,999,790
Noncurrent assets:			
Restricted assets - cash and investments	8,417,921	-	8,417,921
Restricted assets - cash from fiscal agent	-	-	580,927
Leases receivable	-	11,226	11,226
Land and construction in progress	-	2,115,215	9,980,735
Other capital assets, net of accumulated depreciation	-	1,810,565	39,218,667
Intangible assets, net of accumulated amortization	-	-	1,256,271
Total noncurrent assets	8,417,921	3,937,006	59,465,747
Total assets	8,503,190	6,428,800	98,465,537
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred OPEB	-	-	279,556
Deferred pensions	62,484	252,259	3,636,465
Total deferred outflows of resources	62,484	252,259	3,916,021
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	41,376	109,128	5,622,033
Accrued salaries and benefits	6,647	29,368	386,260
Interest payable	-	-	26,751
Due to other funds	-	-	2,837,583
Unearned revenue	-	-	35,627
Current portion - compensated absences	6,642,839	-	6,642,839
Current portion - claims liability	-	-	7,886,993
Current portion - leases and SBITA	-	-	143,336
Total current liabilities	6,690,862	138,496	23,581,422
Noncurrent liabilities:			
Compensated absences	14,433,199	-	14,433,199
Claims liability	-	-	25,309,185
Leases and SBITA	-	-	263,864
Net OPEB liability	-	-	1,154,746
Net pension liability	312,365	1,261,083	18,179,240
Total noncurrent liabilities	14,745,564	1,261,083	59,340,234
Total liabilities	21,436,426	1,399,579	82,921,656
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred OPEB	-	-	333,322
Deferred pensions	236	955	13,764
Deferred leases	-	15,768	15,768
Total deferred inflows of resources	236	16,723	362,854
<u>NET POSITION</u>			
Net investment in capital assets	-	3,925,780	50,048,473
Restricted	8,417,921	-	8,998,848
Unrestricted	(21,288,909)	1,338,977	(39,950,273)
Total net position	\$ (12,870,988)	\$ 5,264,757	\$ 19,097,048

(Concluded)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Fiscal Year Ended June 30, 2025

	Fleet Management	Central Services	Information and Technology Services	Insurance
OPERATING REVENUES:				
Charges for services	\$ 22,598,656	\$ 7,927,284	\$ 10,984,397	\$ 42,931,414
Miscellaneous	37,908	2,367	-	294,771
Total operating revenues	<u>22,636,564</u>	<u>7,929,651</u>	<u>10,984,397</u>	<u>43,226,185</u>
OPERATING EXPENSES:				
Salaries and wages	3,685,910	403,488	3,446,100	480,232
Cost of goods sold	-	6,712,951	-	-
Contractual services	901,704	204,759	1,446,129	1,943,553
Utilities	190,716	-	140,520	1,391
Maintenance and supplies	11,442,011	190,907	3,063,059	276,973
Insurance	466,199	17,251	111,497	29,202,429
Claims	-	-	-	14,505,247
Employee benefits	1,476,344	338,084	1,215,036	281,710
Administration services	617,676	266,429	15,539	147,781
Allocated indirect administrative costs	307,575	-	-	-
Depreciation	4,015,919	-	1,768,887	21,113
Total operating expenses	<u>23,104,054</u>	<u>8,133,869</u>	<u>11,206,767</u>	<u>46,860,429</u>
OPERATING INCOME (LOSS)	<u>(467,490)</u>	<u>(204,218)</u>	<u>(222,370)</u>	<u>(3,634,244)</u>
NONOPERATING REVENUES (EXPENSES):				
Loss on disposition of capital assets	(174,014)	-	-	-
Interest income	66,369	313	160,499	452,231
Net increase (decrease) in fair value of investments	(266,580)	505	108,664	238,512
Rental income	37,800	-	-	-
Interest expense and amortization	-	-	(39,173)	(719)
Total nonoperating revenues (expenses)	<u>(336,425)</u>	<u>818</u>	<u>229,990</u>	<u>690,024</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(803,915)</u>	<u>(203,400)</u>	<u>7,620</u>	<u>(2,944,220)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions	1,843,063	-	-	-
Transfers in	4,328,657	-	-	-
Transfers out	-	(24,000)	(144,048)	-
Total capital contributions and transfers	<u>6,171,720</u>	<u>(24,000)</u>	<u>(144,048)</u>	<u>-</u>
CHANGES IN NET POSITION	5,367,805	(227,400)	(136,428)	(2,944,220)
NET POSITION (DEFICIT), JULY 1	35,698,813	(500,847)	2,107,341	(12,661,785)
Restatements (Note 19)	-	-	-	-
NET POSITION (DEFICIT), JUNE 30	<u>\$ 41,066,618</u>	<u>\$ (728,247)</u>	<u>\$ 1,970,913</u>	<u>\$ (15,606,005)</u>

(Continued)

City of Modesto
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2025

	Employee Benefits Management	Building Services	Total
OPERATING REVENUES:			
Charges for services	\$ 40,135,613	\$ 4,407,310	\$ 128,984,674
Miscellaneous	177,081	18,522	530,649
Total operating revenues	<u>40,312,694</u>	<u>4,425,832</u>	<u>129,515,323</u>
OPERATING EXPENSES:			
Salaries and wages	3,213,728	622,213	11,851,671
Cost of goods sold	-	-	6,712,951
Contractual services	259,797	1,712,364	6,468,306
Utilities	1,241	264,901	598,769
Maintenance and supplies	22,528	999,393	15,994,871
Insurance	3,780	32,038	29,833,194
Claims	3,104	-	14,508,351
Employee benefits	36,174,613	272,173	39,757,960
Administration services	312,674	107,625	1,467,724
Allocated indirect administrative costs	-	-	307,575
Depreciation	-	249,530	6,055,449
Total operating expenses	<u>39,991,465</u>	<u>4,260,237</u>	<u>133,556,821</u>
OPERATING INCOME (LOSS)	<u>321,229</u>	<u>165,595</u>	<u>(4,041,498)</u>
NONOPERATING REVENUES (EXPENSES):			
Loss on disposition of capital assets	-	-	(174,014)
Interest income	273,922	76,386	1,029,720
Net increase (decrease) in fair value of investments	187,317	50,599	319,017
Rental income	-	5,406	43,206
Interest expense and amortization	-	-	(39,892)
Total nonoperating revenues (expenses)	<u>461,239</u>	<u>132,391</u>	<u>1,178,037</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>782,468</u>	<u>297,986</u>	<u>(2,863,461)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	-	1,843,063
Transfers in	-	-	4,328,657
Transfers out	(1,212,508)	(56,687)	(1,437,243)
Total capital contributions and transfers	<u>(1,212,508)</u>	<u>(56,687)</u>	<u>4,734,477</u>
CHANGES IN NET POSITION	(430,040)	241,299	1,871,016
NET POSITION (DEFICIT), JULY 1	(7,043,290)	5,023,458	22,623,690
Restatements (Note 19)	(5,397,658)	-	(5,397,658)
NET POSITION (DEFICIT), JUNE 30	<u>\$ (12,870,988)</u>	<u>\$ 5,264,757</u>	<u>\$ 19,097,048</u>

(Concluded)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2025

	Fleet Management	Central Services	Information and Technology Services	Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 22,624,757	\$ 7,929,651	\$ 10,984,397	\$ 47,316,191
Payments to suppliers	(13,421,973)	(7,208,227)	(5,717,414)	(43,464,565)
Payments to employees	(5,531,290)	(698,316)	(5,070,868)	(729,936)
Net cash provided by operating activities	<u>3,671,494</u>	<u>23,108</u>	<u>196,115</u>	<u>3,121,690</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	4,232,325	-	-	-
Transfers out	-	(24,000)	(144,048)	-
Net cash provided by (used in) noncapital financing activities	<u>4,232,325</u>	<u>(24,000)</u>	<u>(144,048)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(7,717,008)	-	(102,089)	(28,092)
Proceeds from the sale of capital assets	185,888	-	-	-
Capital contributions received	474,629	-	-	-
Interest paid	-	-	(39,173)	(719)
Net cash used in capital and related financing activities	<u>(7,056,491)</u>	<u>-</u>	<u>(141,262)</u>	<u>(28,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	57,328	387	155,351	421,141
Net increase (decrease) in the fair value of investments	(266,580)	505	108,664	238,512
Rental income received	37,800	-	-	-
Net cash provided by (used in) investing activities	<u>(171,452)</u>	<u>892</u>	<u>264,015</u>	<u>659,653</u>
Net increase in cash and investments	675,876	-	174,820	3,752,532
CASH AND INVESTMENTS, JULY 1	<u>-</u>	<u>-</u>	<u>4,442,181</u>	<u>15,024,866</u>
CASH AND INVESTMENTS, JUNE 30	<u>\$ 675,876</u>	<u>\$ -</u>	<u>\$ 4,617,001</u>	<u>\$ 18,777,398</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 675,876	\$ -	\$ 4,617,001	\$ 18,196,471
Restricted cash and investments	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	580,927
TOTAL CASH AND INVESTMENTS	<u>\$ 675,876</u>	<u>\$ -</u>	<u>\$ 4,617,001</u>	<u>\$ 18,777,398</u>

(Continued)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2025

	Employee Benefits Management	Building Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 34,879,638	\$ 4,422,701	\$ 128,157,335
Payments to suppliers	(586,915)	(3,005,311)	(73,404,405)
Payments to employees	(32,011,979)	(976,434)	(45,018,823)
Net cash provided by operating activities	2,280,744	440,956	9,734,107
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	4,232,325
Transfers out	(1,212,508)	(56,687)	(1,437,243)
Net cash provided by (used in) noncapital financing activities	(1,212,508)	(56,687)	2,795,082
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	-	(7,847,189)
Proceeds from the sale of capital assets	-	-	185,888
Capital contributions received	-	-	474,629
Interest paid	-	-	(39,892)
Net cash used in capital and related financing activities	-	-	(7,226,564)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	262,059	72,058	968,324
Net increase (decrease) in the fair value of investments	187,317	50,599	319,017
Rental income received	-	10,813	48,613
Net cash provided by (used in) investing activities	449,376	133,470	1,335,954
Net increase in cash and investments	1,517,612	517,739	6,638,579
CASH AND INVESTMENTS, JULY 1	6,905,053	1,937,220	28,309,320
CASH AND INVESTMENTS, JUNE 30	\$ 8,422,665	\$ 2,454,959	\$ 34,947,899
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash and investments	\$ 4,744	\$ 2,454,959	\$ 25,949,051
Restricted cash and investments	8,417,921	-	8,417,921
Restricted cash and investments with fiscal agent	-	-	580,927
TOTAL CASH AND INVESTMENTS	\$ 8,422,665	\$ 2,454,959	\$ 34,947,899

(Concluded)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2025

	Fleet Management	Central Services	Information and Technology Services	Insurance
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (467,490)	\$ (204,218)	\$ (222,370)	\$ (3,634,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	4,015,919	-	1,768,887	21,113
(Increase) decrease in:				
Accounts receivable	(11,807)	-	-	4,090,006
Due from governments	(581,904)	-	-	-
Prepaid expenses	1,915	(315,199)	(89,392)	1,635,585
Inventories	(567,615)	(303,254)	-	-
Deferred outflows of resources - OPEB	(27,080)	-	(18,655)	-
Deferred outflows of resources - pensions	816,483	91,380	828,318	76,109
Increase (decrease) in:				
Accounts payable	2,033,989	689,016	90,156	(3,746,779)
Accrued salaries and benefits	49,744	(1,836)	13,840	1,389
Interest payable	3,369	138	-	(7,393)
Due to other funds	(435,590)	115,205	-	-
Compensated absences	-	-	-	-
OPEB liability	42,757	-	45,027	-
Net pension liability	(1,162,435)	(46,023)	(1,212,510)	(42,369)
Deferred inflows of resources - OPEB	(23,188)	-	(36,255)	-
Deferred inflows of resources - pensions	(15,573)	(2,101)	(15,657)	(1,734)
Deferred inflows of resources - leases	-	-	-	(5,932)
Unearned revenue	-	-	(955,274)	-
Lease liability	-	-	-	4,735,939
Claims liability	-	-	-	-
Total adjustments	4,138,984	227,326	418,485	6,755,934
Net cash provided (used) by operating activities	\$ 3,671,494	\$ 23,108	\$ 196,115	\$ 3,121,690
NONCASH FINANCING ACTIVITIES:				
Contributions of capital assets	\$ 1,464,766	\$ -	\$ -	\$ -
TOTAL NONCASH FINANCING ACTIVITIES	\$ 1,464,766	\$ -	\$ -	\$ -

(Continued)

City of Modesto
Combining Statement of Cash Flows
Internal Service Funds (Continued)
Fiscal Year Ended June 30, 2025

	<u>Employee Benefits Management</u>	<u>Building Services</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 321,229	\$ 165,595	\$ (4,041,498)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	-	249,530	6,055,449
(Increase) decrease in:			
Accounts receivable	(35,398)	2,275	4,045,076
Due from governments	-	51,841	(530,063)
Prepaid expenses	(5,979)	(115)	1,226,815
Inventories	-	-	(870,869)
Deferred outflows of resources - OPEB	-	-	(45,735)
Deferred outflows of resources - pensions	33,572	148,624	1,994,486
Increase (decrease) in:			
Accounts payable	24,810	53,661	(855,147)
Accrued salaries and benefits	(2,622)	5,623	66,138
Interest payable	-	-	(3,886)
Due to other funds	-	-	(320,385)
Compensated absences	1,990,202	-	1,990,202
OPEB liability	-	-	87,784
Net pension liability	(44,415)	(227,907)	(2,735,659)
Deferred inflows of resources - OPEB	-	-	(59,443)
Deferred inflows of resources - pensions	(655)	(2,765)	(38,485)
Deferred inflows of resources - leases	-	(5,406)	(5,406)
Unearned revenue	-	-	(5,932)
Lease liability	-	-	(955,274)
Claims liability	-	-	4,735,939
Total adjustments	<u>1,959,515</u>	<u>275,361</u>	<u>13,775,605</u>
Net cash provided (used) by operating activities	<u>\$ 2,280,744</u>	<u>\$ 440,956</u>	<u>\$ 9,734,107</u>
NONCASH FINANCING ACTIVITIES:			
Contributions of capital assets	\$ -	\$ -	\$ 1,464,766
TOTAL NONCASH FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,464,766</u>

(Concluded)

City of Modesto
Description of Private-Purpose Trust Funds and Investment Trust Funds
Fiscal Year Ended June 30, 2025

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 and Stanislaus County. 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, 2025

	Redevelopment Successor Agency	Special Districts	Total Private-Purpose Trust Funds
ASSETS			
Cash and investments	\$ 236,750	\$ 2,660,980	\$ 2,897,730
Cash and investments held with fiscal agent	-	3,346,988	3,346,988
Interest receivable	2,704	9,823	12,527
Taxes receivable	1,528,103	72,877	1,600,980
Assessments receivable	-	24,555,000	24,555,000
Due from primary governments	-	26,974	26,974
Total assets	1,767,557	30,672,642	32,440,199
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	-	766,250	766,250
Total deferred outflows of resources	-	766,250	766,250
LIABILITIES			
Accounts payables and other liabilities	36,315	2,018	38,333
Unearned revenues	-	598,347	598,347
Due to local governments	1,192,004	-	1,192,004
Interest payable	-	362,600	362,600
Long-term liabilities:			
Due within one year	1,344,600	1,391,659	2,736,259
Due in more than one year	9,498,950	23,907,701	33,406,651
Total liabilities	12,071,869	26,262,325	38,334,194
NET POSITION			
Restricted for other governments	-	5,176,567	5,176,567
Unrestricted	(10,304,312)	-	(10,304,312)
Total net position (deficit)	\$ (10,304,312)	\$ 5,176,567	\$ (5,127,745)

City of Modesto
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Private-Purpose Trust Funds
Fiscal Year Ended June 30, 2025

	<u>Redevelopment Successor Agency</u>	<u>Special Districts</u>	<u>Total Private-Purpose Trust Funds</u>
ADDITIONS:			
Contributions:			
Collections on behalf of other governments:			
Special assessments	\$ -	\$ 2,204,199	\$ 2,204,199
Property taxes	1,801,473	-	1,801,473
Total collections on behalf of other governments	<u>1,801,473</u>	<u>2,204,199</u>	<u>4,005,672</u>
Interest and investment earnings:			
Interest earnings	25,174	280,404	305,578
Net increase in fair value of investments	22,212	28,251	50,463
Total interest and investment earnings	<u>47,386</u>	<u>308,655</u>	<u>356,041</u>
Total additions	<u>1,848,859</u>	<u>2,512,854</u>	<u>4,361,713</u>
DEDUCTIONS:			
Distribution of property taxes to other taxing entities	148,074	-	148,074
Obligation retirements:			
Interest expense	-	1,100,892	1,100,892
Trustee fees	-	3,760	3,760
City administrative expenses	130,060	51,171	181,231
Other expenses	<u>-</u>	<u>73,861</u>	<u>73,861</u>
Total deductions	<u>278,134</u>	<u>1,229,684</u>	<u>1,507,818</u>
Net increase in fiduciary net position	1,570,725	1,283,170	2,853,895
Net position (deficit), July 1	<u>(11,875,037)</u>	<u>3,893,397</u>	<u>(7,981,640)</u>
Net position (deficit), June 30	<u>\$ (10,304,312)</u>	<u>\$ 5,176,567</u>	<u>\$ (5,127,745)</u>

City of Modesto
Combining Statement of Fiduciary Net Position
Fiduciary Funds – Investment Trust Funds
June 30, 2025

	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	Total Investment Trust Funds
ASSETS			
Cash and investments	\$ 2,610,828	\$ 239,887	\$ 2,850,715
Interest receivable	3,138	2,840	5,978
Taxes receivable	-	110,846	110,846
Prepaid expenses	229	-	229
Leases receivable	1,108,752	-	1,108,752
Due from governments	265,426	-	265,426
Land and construction in progress	5,634,159	-	5,634,159
Other capital assets, net of accumulated depreciation	5,137,575	-	5,137,575
Total assets	<u>14,760,107</u>	<u>353,573</u>	<u>15,113,680</u>
LIABILITIES			
Accounts payables and other liabilities	<u>382,419</u>	<u>353,573</u>	<u>735,992</u>
Total liabilities	<u>382,419</u>	<u>353,573</u>	<u>735,992</u>
DEFERRED INFLOW OF RESOURCES			
Leases	<u>1,025,284</u>	<u>-</u>	<u>1,025,284</u>
Total deferred inflow of resources	<u>1,025,284</u>	<u>-</u>	<u>1,025,284</u>
NET POSITION			
Restricted for other governments	<u>13,352,404</u>	<u>-</u>	<u>13,352,404</u>
Total net position	<u>\$ 13,352,404</u>	<u>\$ -</u>	<u>\$ 13,352,404</u>

City of Modesto
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Investment Trust Funds
Fiscal Year Ended June 30, 2025

	Tuolumne River Regional Park	Modesto-Ceres Fire Protection Agency	Total Investment Trust Funds
ADDITIONS:			
Contributions:			
Members investment pool	\$ 849,312	\$ -	\$ 849,312
Total contributions	<u>849,312</u>	<u>-</u>	<u>849,312</u>
Collections on behalf of other governments:			
Special assessments	-	254,158	254,158
Property taxes	-	464,280	464,280
Grants	1,455,015	-	1,455,015
Other	235,243	43,475	278,718
Total collections on behalf of other governments	<u>1,690,258</u>	<u>761,913</u>	<u>2,452,171</u>
Interest and investment earnings:			
Interest and rent earnings	161,521	11,847	173,368
Net increase in fair value of investments	80,398	10,447	90,845
Total interest and investment earnings	<u>241,919</u>	<u>22,294</u>	<u>264,213</u>
Other additions:			
Gain on disposition of capital assets	461,074	-	461,074
Total other additions	<u>461,074</u>	<u>-</u>	<u>461,074</u>
Total additions	<u>3,242,563</u>	<u>784,207</u>	<u>4,026,770</u>
DEDUCTIONS:			
Distribution of property taxes to other taxing entities	-	796,599	796,599
City administrative expenses	170,602	6,411	177,013
Other expenses	-	8,540	8,540
Depreciation expense	434,128	-	434,128
Insurance expenses	14,216	2,020	16,236
Operating expenses	1,118,641	-	1,118,641
Total deductions	<u>1,737,587</u>	<u>813,570</u>	<u>2,551,157</u>
SPECIAL ITEMS:			
Insurance recoveries	453,744	-	453,744
Recovery of previously written-off capital asset	180,011	-	180,011
Total special items	<u>633,755</u>	<u>-</u>	<u>633,755</u>
Net increase (decrease) in fiduciary net position	2,138,731	(29,363)	2,109,368
Net position, July 1	11,213,673	29,363	11,243,036
Net position, June 30	<u>\$ 13,352,404</u>	<u>\$ -</u>	<u>\$ 13,352,404</u>

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

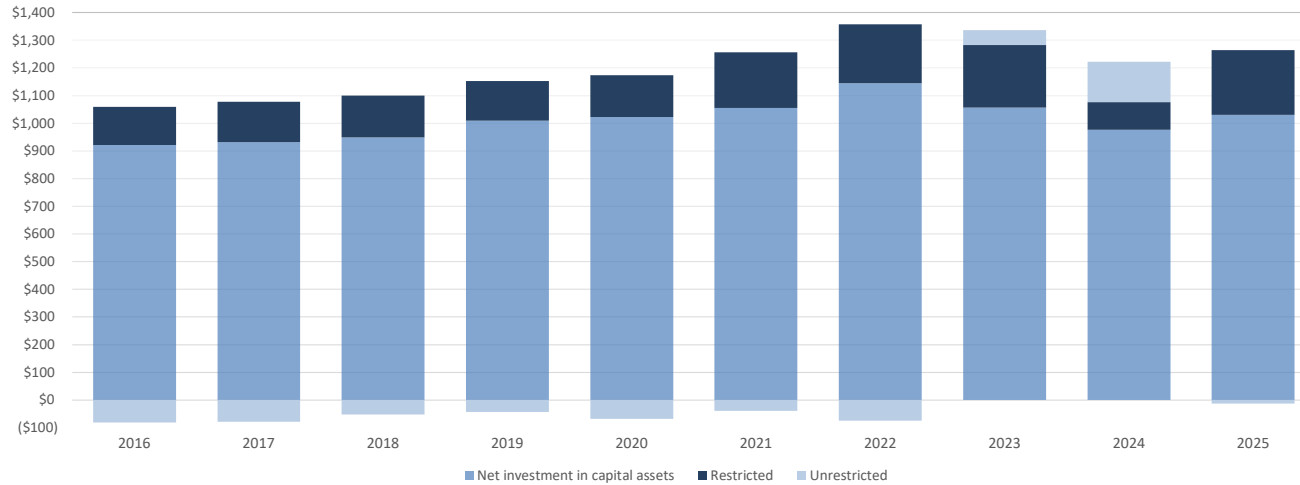
Operating Information

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)



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	\$ 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	\$ 348,311,958
Restricted ⁽²⁾	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	230,262,278
Unrestricted	(173,275,294)	(191,483,628)	(182,197,396)	(191,345,565)	(206,772,243)	(217,114,643)	(189,907,446)	(187,041,193)	(83,427,817)	(236,829,097)
Total governmental activities net position	\$ 324,231,802	\$ 309,111,010	\$ 325,524,120	\$ 338,056,027	\$ 303,665,151	\$ 373,589,871	\$ 463,506,357	\$ 489,433,701	\$ 348,314,009	\$ 341,745,139
Business-type activities										
Net investment in capital assets	\$ 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	\$ 682,392,297
Restricted ⁽²⁾	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	3,817,595
Unrestricted	92,324,550	113,595,981	130,146,975	148,005,231	138,508,360	178,262,877	115,746,227	241,640,663	229,643,218	223,982,881
Total business-type activities net position	\$ 654,198,320	\$ 690,285,159	\$ 723,029,635	\$ 771,387,599	\$ 802,061,369	\$ 843,876,401	\$ 819,305,292	\$ 847,728,789	\$ 873,751,083	\$ 910,192,773
Primary government										
Net investment in capital assets	\$ 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	\$ 1,030,704,255
Restricted ⁽²⁾	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	234,079,873
Unrestricted	(80,950,744)	(77,887,647)	(52,050,421)	(43,340,334)	(68,263,883)	(38,851,766)	(74,161,219)	54,599,470	146,215,401	(12,846,216)
Total primary government net position	\$ 978,430,122	\$ 999,396,169	\$ 1,048,553,755	\$ 1,109,443,626	\$ 1,105,726,520	\$ 1,217,466,272	\$ 1,282,811,649	\$ 1,337,162,490	\$ 1,222,065,092	\$ 1,251,937,912

(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) 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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government	\$ 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	\$ 19,507,887
Community development	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	50,662,150
Highways and streets	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	36,489,700
Public works	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	15,001,365
Parks and recreation	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	26,118,626
Public safety	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	184,103,949
Interest on long-term debt	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	1,122,442
Total governmental activities expenses	\$ 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	\$ 333,006,119
Business-type activities:										
Water	\$ 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	\$ 92,737,199
Sewer	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	64,696,457
Other Enterprise Funds ⁽¹⁾	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	31,940,883
Total business-type activities expenses	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	189,374,539
Total primary government expenses	\$ 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	\$ 522,380,658
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 9,458,727
Community development	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	8,011,784
Highway and streets	1,154,290	1,101,813	758,952	748,319	909,580	651,061	651,082	1,077,458	1,293,908	1,889,103
Public works	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	5,049,886
Parks and recreation	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	2,253,950
Public safety	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	7,572,030
Operating grants and contributions	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	16,658,746
Capital grants and contributions	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	8,827,153
Total government activities program revenues	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	59,721,379
Business-type activities:										
Charges for services:										
Water	\$ 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	\$ 90,925,358
Sewer	47,859,680	49,905,078	52,799,102	57,562,619	58,168,552	63,614,677	65,367,417	64,518,164	68,673,479	71,724,921
Other enterprise funds ⁽¹⁾	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	36,590,220
Operating grants and contributions	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	2,561,079
Capital grants and contributions	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	7,222,643
Total business-type activities program revenues	143,889,533	177,181,752	175,920,095	189,830,773	186,243,257	212,702,619	178,678,791	179,826,840	193,127,805	209,024,221
Total primary government program revenues	\$ 173,917,866	\$ 213,284,296	\$ 217,248,949	\$ 234,229,228	\$ 250,820,676	\$ 316,902,943	\$ 247,456,637	\$ 239,938,493	\$ 250,318,218	\$ 268,745,600
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (273,284,740)
Business-type activities	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	19,649,682
Total primary government net expense	\$ (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)	\$ (253,635,058)

(continued)

(1) Effective July 1, 2021 bus fund operations seized at the City of Modesto, due to the formation of the regionalized transit agency, Stanislaus Regional Transit Authority (StanRTA).

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Utility users tax	\$ 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	\$ 23,446,327
Property taxes, levied for general purposes ⁽¹⁾	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	24,284,092
Transient occupancy tax	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	3,488,165
Franchise tax	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	7,661,231
Cannabis tax ⁽²⁾	-	-	-	352,208	3,201,364	5,379,402	4,022,799	3,185,203	3,408,455	3,279,809
Business license tax, levied for general purposes	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	16,334,395
Business license tax, levied for downtown improvement district	186,123	192,540	189,070	202,014	190,543	225,051	205,995	211,645	209,236	208,399
Special assessments, levied	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	5,487,466
Grants and contributions not restricted to specific programs:										
Sales tax (state appropriation)	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	36,595,971
Sales tax Measure H ⁽⁴⁾	-	-	-	-	-	-	-	11,116,219	47,954,202	47,211,026
Motor vehicle license fee	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	23,850,552
Transportation tax funding	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	26,022,667
Community facilities district fees	3,829	1,830	274,494	8,432	16,567	14,628	-	-	-	-
Other	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	20,820,173
Unrestricted investment earnings	582,565	362,856	726,199	5,753,083	6,044,156	(287,088)	(3,911,830)	3,403,539	10,274,601	23,589,103
Miscellaneous	2,440,696	515,206	818,542	3,421,783	3,660,429	2,184,677	1,643,071	923,411	1,156,335	2,212,563
Transfers	(567,177)	(1,750,401)	(354,287)	(1,675,373)	479,917	824,609	21,077,584	66,244	1,975,368	2,223,931
Total government activities	<u>122,655,595</u>	<u>124,589,379</u>	<u>137,299,727</u>	<u>154,440,151</u>	<u>174,545,238</u>	<u>193,487,236</u>	<u>233,543,426</u>	<u>215,201,397</u>	<u>259,031,974</u>	<u>266,715,870</u>
Business-type activities:										
Taxes:										
Property taxes, generated by and allocated to the airport	206,854	199,124	207,849	201,931	190,995	266,272	212,978	291,711	359,122	406,150
Unrestricted investment earnings	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	16,712,360
Miscellaneous	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	1,897,429
Settlements	-	-	-	-	-	-	-	-	3,620,125	-
Transfers, net	567,177	1,750,401	354,287	1,675,373	(479,917)	(824,609)	(21,077,584)	(66,244)	(1,975,368)	(2,223,931)
Special item ⁽³⁾	-	-	-	-	-	-	(19,461,712)	-	-	-
Total business-type activities	<u>4,389,853</u>	<u>4,139,261</u>	<u>3,082,549</u>	<u>10,696,833</u>	<u>9,184,229</u>	<u>935,841</u>	<u>(47,149,219)</u>	<u>4,495,379</u>	<u>16,493,141</u>	<u>16,792,008</u>
Total primary government	<u>\$ 127,045,448</u>	<u>\$ 128,728,640</u>	<u>\$ 140,382,276</u>	<u>\$ 165,136,984</u>	<u>\$ 183,729,467</u>	<u>\$ 194,423,077</u>	<u>\$ 186,394,207</u>	<u>\$ 219,696,776</u>	<u>\$ 275,525,115</u>	<u>\$ 283,507,878</u>
Change in Net Position										
Governmental activities	\$ 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	\$ (6,568,870)
Business-type activities	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	36,441,690
Total primary government	<u>\$ 13,729,076</u>	<u>\$ 20,966,047</u>	<u>\$ 24,417,541</u>	<u>\$ 61,040,696</u>	<u>\$ 40,281,791</u>	<u>\$ 120,984,162</u>	<u>\$ 82,661,652</u>	<u>\$ 59,497,555</u>	<u>\$ 38,258,494</u>	<u>\$ 29,872,820</u>

(concluded)

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

(2) 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.

(3) 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.

(4) 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>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>	<u>2025</u>
General Fund										
Nonspendable	\$ 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	\$ 11,445,797
Restricted	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	1,621,755
Committed	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	18,397,817
Assigned	6,503,769	4,854,307	1,096,566	509,751	309,114	349,022	579,390	1,149,259	4,535,259	2,679,948
Unassigned ⁽¹⁾	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	54,106,955
Total General Fund	\$ 27,065,721	\$ 29,649,768	\$ 26,745,582	\$ 25,582,870	\$ 25,755,949	\$ 30,899,092	\$ 39,419,125	\$ 53,570,568	\$ 83,058,620	\$ 88,252,272
All Other Governmental Funds										
Nonspendable	\$ 86,242	\$ 81,007	\$ 23,816	\$ 13,290	\$ 101,173	\$ 543,554	\$ 32,734	\$ 27,828	\$ 274,550	\$ 242,592
Restricted	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	192,209,222
Assigned	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	4,087,997
Unassigned	(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)	(5,272,139)
Total all other governmental funds	\$ 89,988,033	\$ 90,431,604	\$ 107,213,696	\$ 105,718,844	\$ 124,020,989	\$ 141,617,551	\$ 155,582,963	\$ 170,335,324	\$ 172,068,683	\$ 191,267,672

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.

(2) During fiscal year 2024-2025, Non-spendable fund balance increased as compared to prior years due to the prepayment of five (5) firetrucks and two (2) drawn aerials totaling \$9.2 million. Firetrucks and aerials are currently being built and the City expects delivery in the upcoming years.

City of Modesto
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	\$ 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	\$ 78,702,418
Licenses and permits	186,624	201,445	153,226	344,855	408,645	473,693	434,118	409,082	399,698	344,834
Intergovernmental	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	206,581,980
Charges for services	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	32,280,429
Special assessments levied	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	5,487,466
Interest and rent	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	17,462,701
Net increase (decrease) in fair value of investments	102,422	(572,616)	(645,593)	1,294,543	1,728,158	(985,713)	(4,317,623)	(487,727)	3,807,834	4,144,945
Fines and forfeits	904,802	1,263,407	1,127,877	1,143,506	666,120	660,110	832,510	880,252	576,173	1,610,217
Donations and Contribution	-	-	-	-	-	370,958	44,338	-	-	-
Miscellaneous	2,286,597	516,844	818,542	722,662	989,858	1,392,784	1,461,307	927,525	1,102,519	2,155,068
Total Revenues	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	348,770,058
Expenditures										
Current:										
General government	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	17,949,967
Community development	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	48,024,246
Highways and streets	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	23,203,685
Public works	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	6,975,832
Parks and recreation	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	24,349,411
Public safety	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	173,714,370
Capital outlay	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	23,067,120
Debt service:										
Principal retirement	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	5,504,467
Interest	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	1,302,044
Other	697,405	430,779	396,686	506,333	307,928	51,814	48,610	113,633	473,170	489,488
Total Expenditures	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	324,580,630
Excess of revenues over (under) expenditures	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	24,189,428
Other Financing Sources (Uses)										
Transfers in	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	27,968,242
Transfers out	(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)	(28,635,725)
Capital leases and SBITAs	330,947	5,883,756	-	-	39,204	-	3,741,926	1,772,045	4,042,674	813,201
Sale of assets	106,582	31,239	154,458	87,608	132,485	1,934	32,551	10,540	53,816	57,495
Total other financing sources (uses)	(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	203,213
Change in fund balances	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	24,392,641
FUND BALANCES, July 1	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
Restatements	993,395	-	(2,046,381)	(59,750)	1,452,683	(4,273,849)	(346,163)	(9,770)	(682,323)	-
FUND BALANCES, June 30	\$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	\$279,519,944
Debt service as a percentage of noncapital expenditures ⁽¹⁾	3.22%	3.30%	3.50%	2.87%	2.65%	2.73%	2.55%	2.59%	2.45%	2.26%

(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, 2025)

Ten Largest Customers of Water Utility System, Year Ended June 30, 2025

<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	405,660	1.94%	1.64%	\$ 1,351,889
2) Modesto City Schools	370,224	1.77%	1.44%	1,184,361
3) Stanislaus Food Products	467,344	2.23%	1.32%	1,091,072
4) Foster Farms	468,665	2.24%	1.25%	1,031,431
5) Sunopta	281,695	1.35%	0.77%	633,982
6) E & J Gallo	186,846	0.89%	0.68%	560,709
7) Stanislaus Housing Authority	142,031	0.68%	0.61%	503,748
8) Yosemite Community College	123,898	0.59%	0.47%	385,716
9) STANCO	84,543	0.40%	0.42%	347,998
10) Modesto Irrigation District	112,562	0.54%	0.41%	333,896
Total Top Ten	<u>2,643,468</u>	<u>12.63%</u>	<u>9.00%</u>	<u>\$ 7,424,802</u>

Water Sales Revenue, Year Ended June 30, 2025

Residential - Flat Rates	\$ 1,542
Commercial, Industrial and Municipal - Metered Rates	82,364,776
Total Flat/Metered Revenues (Water Sales) ⁽²⁾	<u>\$ 82,366,318</u>

Water Rates and Charges as of July 1, 2024

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

Commercial Accounts:	<u>Meter Size</u>	
	3/4"	\$ 26.43
	1"	38.55
	1 1/2"	68.85
	2"	105.21
	3"	220.35
	4"	390.03
	6"	796.05
	8"	1,462.65
	10"	2,311.05
	12"	3,038.25

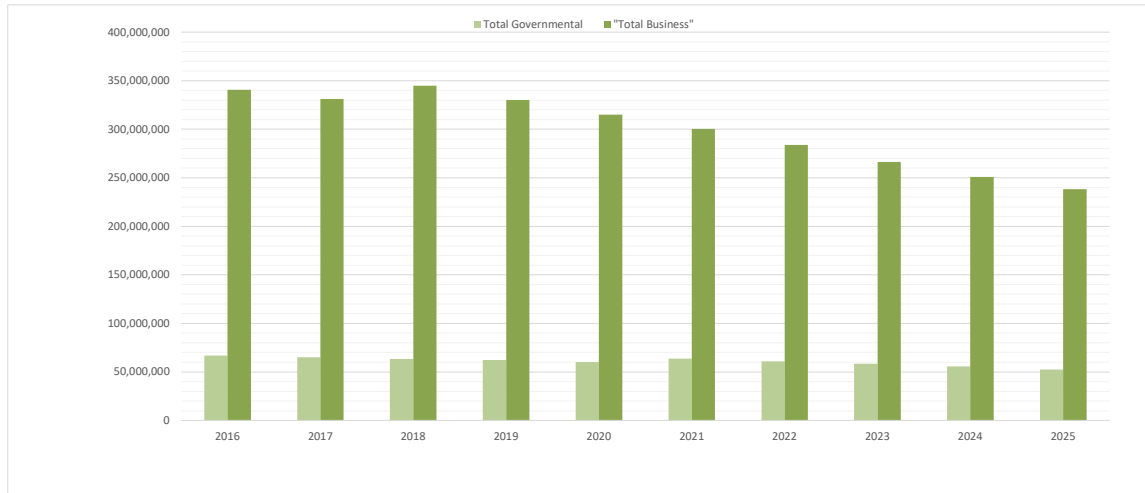
In addition to these minimum charges, commercial accounts are charged \$2.11 per 100 cubic feet of water used.

(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	Subscription-Based IT Arrangements	Total
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	6,210,878	5,136,686	51,177,564
2025	500,000	35,995,000	-	5,339,567	3,512,616	45,347,183

Business-Type Activities

Fiscal Year	Loans Payable	Certificates of Participation ⁽²⁾	Reimbursement Agreement related to MID ⁽³⁾	Finance Purchase Revenue Bonds ⁽¹⁾⁽²⁾⁽³⁾	Finance Purchase Obligations and Leases ⁽⁴⁾	Subscription-Based IT Arrangements ⁽⁵⁾	Total	Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita
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	40,024,030	88,915,000	97,054,701	92,317	128,861	251,002,678	302,180,242	4.31%	1,380
2025	23,850,939	37,619,528	84,460,000	89,725,262	2,619,203	89,027	238,363,959	283,711,142	3.95%	1,291

(1) See Demographic and Economic Statistics for personal income and population data.
(2) Starting in fiscal year 2016, the amounts presented include net of unamortized premiums or discounts.
(3) 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.
(4) In fiscal year 2022 the City adopted GASB Statement No. 87, Leases
(5) 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, 2025

Jurisdiction	Net Debt Outstanding ⁽¹⁾	Percentage Applicable to City of Modesto ⁽²⁾	Amount Applicable to City of Modesto
Direct debt:			
City of Modesto	<u>\$45,347,183</u>	100%	<u>\$45,347,183</u>
Overlapping General Obligation debt - school districts:			
Ceres Unified School District	120,689,256	6.76%	8,157,331
Hart-Ransom Union School District	3,017,135	31.56%	952,070
Modesto Elementary School District ⁽³⁾	146,253,911	77.23%	112,945,861
Modesto High School District	200,079,139	67.02%	134,102,084
Paradise Elementary School District	120,000	0.00%	-
Salida Union Elementary District	12,950,000	29.31%	3,795,117
Stanislaus Union School District	45,365,000	76.20%	34,569,476
Sylvan School District	25,881,178	78.20%	20,239,772
Yosemite Community College District	229,290,110	33.12%	75,934,060
Total overlapping debt	<u>783,645,729</u>		<u>390,695,771</u>
Total direct and overlapping debt	<u>\$828,992,912</u>		<u>\$436,042,954</u>

(1) Gross debt (Principal) 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, 2025

Net assessed value ⁽¹⁾⁽³⁾	\$	22,874,163,771
Plus homeowners' exemption ⁽¹⁾⁽³⁾	\$	192,554,941
Gross assessed value ⁽¹⁾⁽³⁾	<u>\$</u>	<u>23,066,718,712</u>
Debt limit - 15% of gross assessed value ⁽²⁾	\$	3,460,007,807
Legal debt margin	<u>\$</u>	<u>3,460,007,807</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
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%
2025	3,460,007,807	-	3,460,007,807	0%

(1) Source: Stanislaus County Auditor.

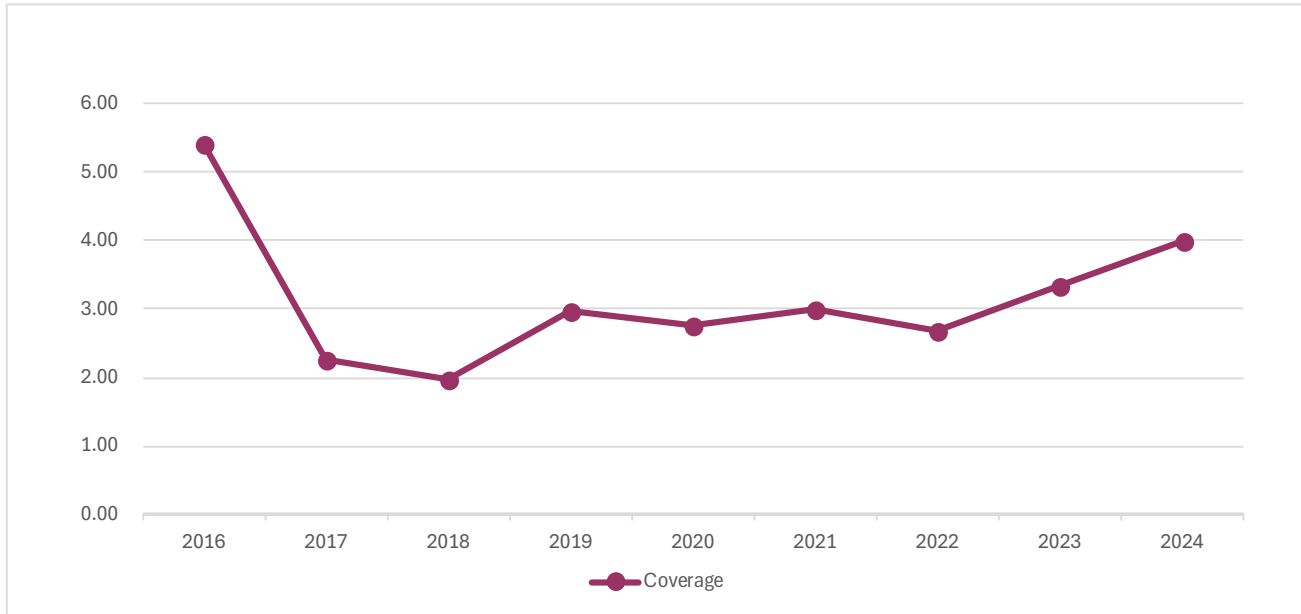
(2) Section 43605 California Government Code.

(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**

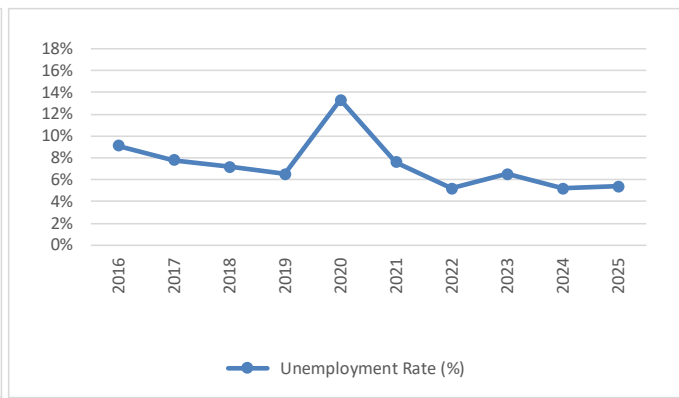
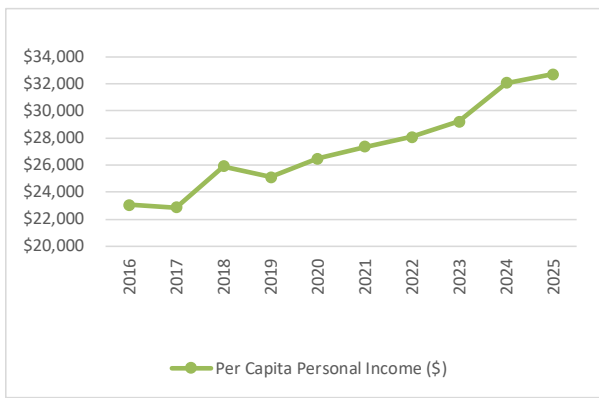
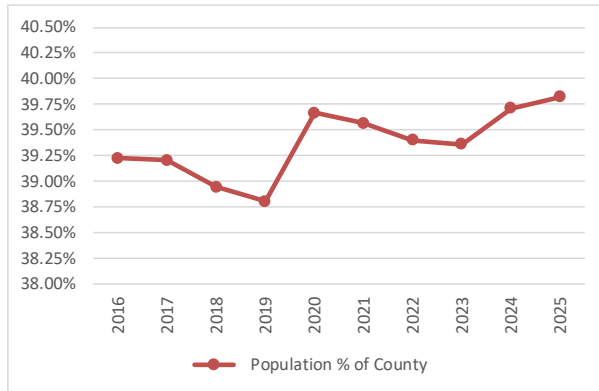


Fiscal Year	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
2016	50,207,559	25,418,140	24,789,419	4,570,286	5.42
2017	50,907,228	25,212,214	25,695,014	11,311,098	2.27
2018	53,770,230	27,227,948	26,542,282	13,536,703	1.96
2019	62,618,527	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	68,423,045	27,468,119	40,954,926	12,246,146	3.34
2024	78,858,367	37,243,977	41,614,390	10,412,754	4.00
2025	80,224,049	45,182,314	35,041,735	10,364,998	3.38

(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⁾⁽⁴⁾	City Population	Total Personal Income (\$)	Per Capita Personal Income (\$)	Unemployment Rate (%)	Stanislaus County Population	City Population % of County
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	5.20%	551,430	39.71%
2025	219,765	7,187,414,325	32,705	5.40%	551,838	39.82%

- (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.
- (4) The fiscal year 2023-2024 unemployment rate was misstated as 7.10% ; the correct rate is 5.20%

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	2024/25			2016/17		
	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment	Number of ⁽¹⁾ Employees	Rank	Percentage of Total City Employment
Kaiser Permanente Modesto Medical Center	3,800	1	1.52%			
E&J Gallo ⁽²⁾	3,700	2	1.48%	2,000	4	0.87%
Modesto City School	3,200	3	1.28%			
Memorial Medical Center	3,018	4	1.21%	2,056	3	0.90%
Doctors Medical	2,600	5	1.04%	2,260	2	0.99%
Modesto Junior College	1,500	6	0.60%	1,007	7	0.44%
City of Modesto	1,456	7	0.58%	1,219	6	0.53%
Stanislaus County Office of Education	1,224	8	0.49%			
Save Mart Supermarkets	1,000	9	0.40%			
Sylvan Union School District	900	10	0.36%			
Gallo Vineyards, Inc				3,000	1	1.31%
Del Monte Foods, Inc				1,500	5	0.65%
Copperidge Winery				1,001	8	0.44%
Community Services Agency				1,000	9	0.44%
Modesto Bee				651	10	0.28%
Subtotal	<u>22,398</u>		<u>8.96%</u>	<u>15,694</u>		<u>6.85%</u>
Total Labor Force	249,500					
Total City Population	219,765					

Source: Stanislaus Economic Development & Workforce Alliance

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

(2) E. & J. Gallo Winery's employment figures for FY 2023-2024 reflect active full-time and part-time employees within Modesto city limits only. Prior year data included broader operations, accounting for the variance.

**City of Modesto
Principal Property Taxpayers**

Employer	2024/25			2016/17		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value ⁽²⁾	Rank	Percentage of Total City Taxable Assessed Value
Pacific Gas & Electric Company	\$ 626,897,192	1	2.72%	\$ 327,477,112	2	2.20%
Frito Lay Inc	\$ 603,756,840	2	2.62%			
E & J Gallo Winery	\$ 579,256,968	3	2.51%	\$ 440,613,920	1	2.96%
Gallo Glass Company	\$ 485,126,397	4	2.10%	\$ 291,025,616	4	1.96%
G3 Enterprises Inc	\$ 285,072,479	5	1.24%	\$ 124,503,970	9	0.84%
Hunt Wesson Foods Inc	\$ 235,019,499	6	1.02%			
California Dairies Inc	\$ 200,644,877	7	0.87%			
Doctors Medical Center	\$ 193,712,133	8	0.84%	\$ 228,032,370	5	1.53%
Qr Amz Turlock Propco LLC	\$ 161,851,232	9	0.70%			
Bronco Wine Company	\$ 161,170,576	10	0.70%			
World International ⁽¹⁾				\$ 22,040,608	3	0.15%
Excel Monte Vista LP				\$ 138,921,002	6	0.93%
WR Griffin Patterson LLC				\$ 100,198,114	8	0.67%
Beard Land IMP CO				\$ 100,970,754	7	0.68%
Fresno Farming LLC				\$ 102,771,626	10	0.69%
Subtotal	<u>\$ 3,532,508,193</u>		<u>15.32%</u>	<u>\$ 1,876,555,092</u>		<u>12.61%</u>
Total assessed value of \$	\$ 23,066,718,712			\$ 14,880,280,611		

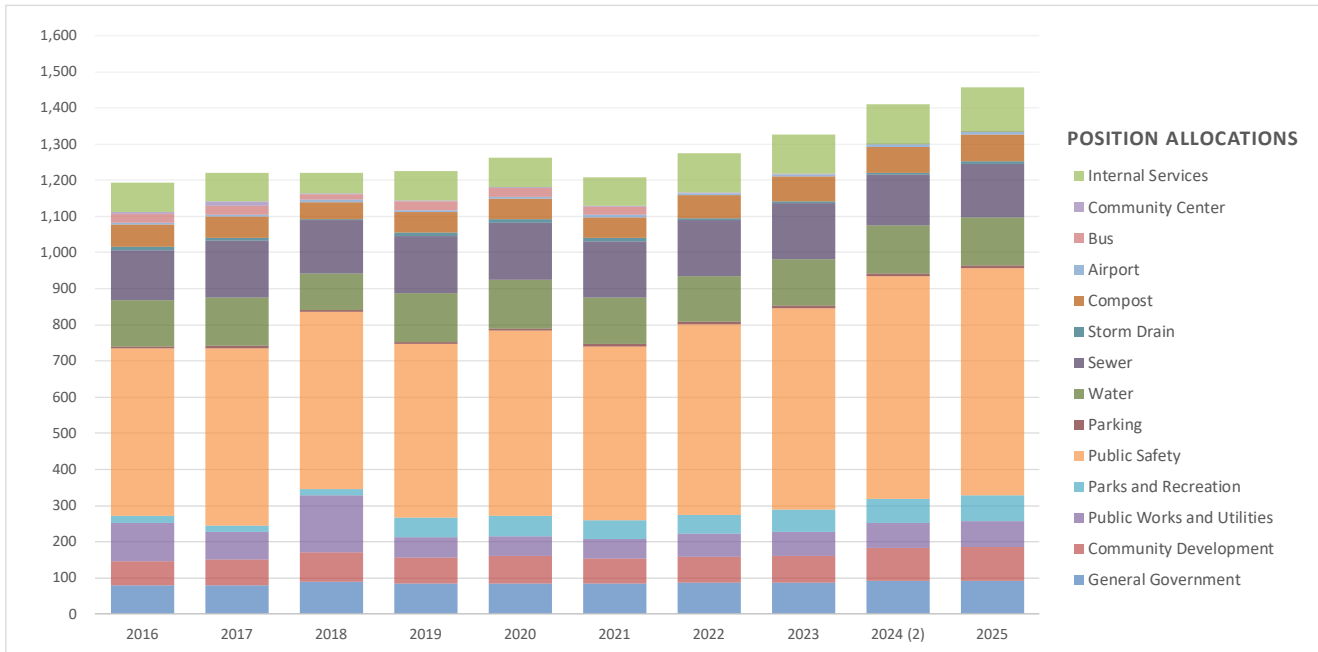
(1) Formerly World International LLC; should utilize AV in combination with "taxes" paid, if so taxpayer is not in the top 10. Not top 10 in relation to ad valorem taxes.

(2) In fiscal year 2017-2018, the methodology for taxable assessed value was updated. The prior year comparison amounts are also presented using the new methodology.

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



	2016	2017	2018	2019	2020	2021	2022	2023	2024 ⁽²⁾	2025
Function										
General Government	79.00	80.00	90.00	84.00	84.00	85.00	86.00	88.00	91.75	91.75
Community Development	67.00	70.00	81.00	72.00	76.00	69.00	73.00	74.00	91.00	95.00
Public Works and Utilities	107.00	78.00	157.00	56.00	56.00	53.00	63.00	65.00	70.00	70.00
Parks and Recreation	18.50	17.50	17.50	54.75	56.75	51.75	51.75	62.75	66.75	71.75
Public Safety	462.50	490.50	490.50	480.50	510.50	482.00	528.00	557.00	614.50	627.50
Parking	6.00	6.00	6.00	6.00	6.00	7.00	7.00	7.00	7.00	7.00
Water	128.00	134.00	101.00	135.00	136.00	127.00	126.00	127.00	135.00	135.00
Sewer	139.00	157.00	146.80	158.00	158.00	157.00	155.00	156.00	139.00	148.00
Storm Drain	8.00	8.00	2.00	8.00	8.00	8.00	6.00	6.00	6.00	6.00
Compost	61.80	58.80	48.00	57.80	57.80	58.00	63.00	68.00	72.00	75.00
Airport	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Bus ⁽¹⁾	24.00	24.00	16.00	24.00	24.00	24.00	-	-	-	-
Community Center	5.00	11.00	3.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Internal Services	82.00	79.00	56.00	81.00	81.00	79.00	108.00	108.00	110.00	122.00
Total	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	1,456.00

(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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public safety:										
Fire:										
Fire calls for service	21,135	26,288	28,444	30,341	31,415	30,741	32,618	33,305	33,825	34,375
Primary fire inspections conducted	764	1,060	1,509	2,011	2,687	1,993	2,167	1,818	1,945	2,192
Police:										
Communication Center calls answered										
Police calls for service	129,439	129,802	194,931	181,430	178,649	165,126	148,710	134,513	138,514	166,007
Law violations: ⁽⁴⁾										
Part I and Part II crimes	53,609	53,142	53,543	47,141	36,898	33,067	28,204	18,494	20,104	19,646
Physical arrests (adult and juvenile)	12,303	11,760	13,247	12,388	13,302	12,360	10,962	5,611	5,952	8,106
Traffic violations	11,451	15,428	16,930	17,098	16,263	13,767	7,978	6,914	7,538	13,108
Parking violations ⁽¹²⁾	6,139	10,841	9,414	7,443	3,781	477	429	1,020	1,010	1,813
Public works										
Streets:										
Street resurfacing (Slurry Seal lane miles)	4	12	4	8	1	123	118	160	195	177
Potholes repaired (Total # of repairs) ⁽¹³⁾	24,059	8,745	25,004	36,709	2,831	21,863	9,230	16,672	11,944	16,990
Crack sealing (lane miles)	37	29	48	29	23	43	32	34	36	49
Airport:										
Number of tenant aircraft	173	162	153	167	160	164	156	165	159	157
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	443,272	582,602	580,383	631,891	511,928	540,226	647,631	683,330	761,410	689,325
Bus service: ⁽³⁾										
Number of buses	60	59	57	61	61	69	-	-	-	-
Number of routes	21	21	17	17	17	19	-	-	-	-
Total route miles	362	362	245	245	245	338	-	-	-	-
Average weekday number of passengers	12,441	10,523	9,354	8,869	7,475	6,686	-	-	-	-
Total number of passengers carried	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⁾	56,493	71,155	62,701	60,947	62,617	60,332	17,008	3,409	9,384	9,564
Organic Waste ⁽⁸⁾	-	-	-	-	-	-	29,111	20,116	35,400	31,710
Green Waste ⁽²⁾	58,730	62,859	64,873	66,017	82,866	46,373	14,691	18,932	14,153	16,698
Commercial food waste ⁽⁵⁾	845	914	1,550	1,145	1,192	2,783	3,368	-	-	-
Waste tires	4,497	4,931	4,285	4,320	5,089	4,501	4,883	6,236	3,597	4,511
Community development										
Building safety & NPU:										
Permits issued	4,939	4,973	5,033	4,335	4,146	4,808	4,690	4,790	4,809	4,585
Estimated cost of construction ⁽¹⁰⁾	\$ 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	\$ 241,208,491
Building Inspections made ⁽¹¹⁾	23,187	36,158	42,891	39,086	34,218	34,730	21,064	17,720	25,038	34,390
Traffic electrical:										
Street lights	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,764	13,923	13,923
Traffic signals	151	153	155	155	156	156	156	160	159	159
Lighted ped walks	28	28	24	26	26	26	26	34	40	42
Beacons	11	11	3	4	4	4	4	15	16	16
Four way flashers	10	10	5	3	3	3	3	6	8	9
School flashers	23	24	16	13	14	14	14	44	62	81
CCTV	41	41	30	24	24	24	24	24	10	10
Hubs	6	6	2	6	6	6	6	8	8	17
Culture and recreation:										
Recreation class participants ^{(1) (9)}	150,091	150,500	154,000	160,656	116,131	28,240	58,426	88,103	132,313	134,735

(1) Fiscal year 2020-2021 Recreation class participants had decreased due to 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 incorrectly 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.

(11) The increase in inspections is due to larger projects like multifamily developments, proactive follow-up on inactive permits, and the continued expansion of the Rental Housing Safety Program, which now includes daily inspections by two dedicated staff.

(12) The increase in parking violations is attributed to a higher number of Community Service Officer's (CSOs), which has expanded enforcement capacity and coverage.

(13) The year-over-year increase in pothole repairs is attributed to fluctuations in available manpower, equipment, and volume of service requests from both internal departments and the public.

Additionally, pothole patching is often conducted as part of slurry seal preparation, contributing to the overall repair count.

Source: City of Modesto - Various Departments

City of Modesto
Capital Asset Statistics by Function/Program

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Public safety:										
Fire stations	11	11	11	11	11	11	11	11	11	11
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	105	104	104	100	105	100	105	105	103	106
Public works										
Streets:										
Miles of streets ⁽¹⁾	692	692	692	693	693	694	700	700	700	701
Water:										
Miles of water mains	887	887	908	908	914	916	914	914	914	918
Fire hydrants	7,845	7,859	7,921	7,974	8,026	8,043	8,077	8,262	8,435	8,506
Storage capacity (gallons)	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	22,545,000
Wastewater:										
Miles of sanitary sewers	639	655	656	656	656	657	650	650	650	649
Miles of storm sewers	183	170	170	170	170	170	165	165	165	164
Number of treatment plants ⁽²⁾	2	2	2	2	2	2	2	2	2	2
Treatment capacity (millions of gallons) ⁽³⁾	70	19	19	19	19	19	19	19	19	19
Community services:										
City parks	76	76	76	76	76	76	76	76	75	75
City parks acreage	1,240	1,240	1,240	1,240	1,240	1,246	1,246	1,249	1,245	1,245
Playgrounds ⁽⁴⁾	58	58	58	58	54	55	55	55	54	54
City trails	6	6	6	6	6	9	9	9	9	9
City trails miles	15	15	16	16	17	17	17	17	17	17
Regional park acreage	375	375	375	375	375	653	653	634	641	641
Regional park facilities:										
Golf courses (18 holes)	2	2	2	2	2	2	2	2	2	2
Golf courses (9 holes) ⁽⁵⁾	1	1	1	1	1	1	1	-	-	-
Clubhouse and banquet facility ⁽⁶⁾⁽⁶⁾	8	8	8	8	8	8	8	4	4	4
Historic house ⁽³⁾	3	3	3	3	3	3	3	3	3	3
Museums ⁽⁷⁾	-	-	-	-	-	-	-	1	1	1
Community gardens	2	1	1	1	1	1	1	1	1	1
Community centers ⁽⁸⁾	7	7	7	7	7	7	7	4	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	1	1	1	1	1	1	1	1	1
Tennis courts	37	37	37	37	37	37	37	33	33	33
Pickleball courts	-	-	-	-	-	-	-	12	12	12
Baseball/softball diamonds	24	24	24	24	24	29	29	29	28	28
Soccer/football fields	29	29	29	29	29	31	31	31	31	31
Splash play in Existing parks	10	10	10	9	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 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.

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

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

(6) 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.

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

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

Source: City of Modesto - Various Departments

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CONTINUING DISCLOSURE TAB

CONTINUING DISCLOSURE SECTION

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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 Revenue Bonds, Series 2007F

City of Modesto
Continuing Disclosure Requirements Information
Fiscal Year Ended June 30, 2025

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	59,499	94.9%	59.48%
Commercial	3,104	5.0%	17.18%
Industrial	50	0.1%	23.34%
Total	62,653	100.00%	100.00%

Ten Largest Users of Sewer Facilities, Year Ended June 30, 2025

<u>User</u>	<u>Sewer Fee Revenue</u>	<u>% of Sewer Fee Operating Revenue</u>
1) Foster Farms	\$ 2,944,610	4.47%
2) E & J Gallo	\$ 2,869,240	4.36%
3) Stanislaus Food Products	\$ 2,786,816	4.23%
4) City of Ceres	\$ 1,706,494	2.59%
5) Frito Lay, Inc	\$ 1,302,704	1.98%
6) Sunopta	\$ 1,264,318	1.92%
7) Del Monte Foods	\$ 860,563	1.31%
8) Nestle Food Company	\$ 845,221	1.28%
9) Modesto City Schools	\$ 394,863	0.60%
10) Memorial Hospital	\$ 356,618	0.54%
Total (Top Ten Customers)	\$ 15,331,447	23.28%
Total (All Customers)	\$ 65,862,904	

The average single-family residence monthly sewer charge is: \$46.26

<u>Commercial Group</u>	<u>Charge Per 1,000 Gallons</u>	<u>Fixed Charge</u>
Group 1 (no food, just toilets or working facilities)		\$4.12
Group 2 (commercial laundromats, service stations, hotels without food)		\$5.41
Group 3 (industrial laundromats, hotels with food)		\$6.74
Group 4 (restaurants, bakeries, auto steam, markets)		\$8.34

Industrial users pay a minimum account charge of \$5.22 with additional charges of: \$4006.12 per million gallons of flow, \$298.65 per 1,000 pounds of biochemical oxygen demand (BOD), and \$556.83 per 1,000 pounds of Total Suspended Solids (TSS).

Industrial users on the Cannery Segregation line pay a minimum account charge of \$5.22 with additional charges of: \$2,996.74 per million gallons of flow, \$19.98 per 1,000 pounds of biochemical oxygen demand (BOD), and \$39.36 per 1,000 pounds of Total Suspended Solids (TSS) while in production during the months of July, August and September.

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

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

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

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>
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%
2024-25	3.5%

Comparative Monthly Wastewater Service Charges.

The City's residential charges as of July 1, 2024 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, 2024

<u>City</u>	<u>Monthly Residential Charge</u>
Fresno	\$ 25.75
Lodi	50.18
Modesto	46.26
Stockton (1)	57.36
Tracy	58.14
Turlock	47.25

(1) The monthly sewer charge for residential services was inaccurately represented on fiscal year 2023-2024 ACFR for the city of Stockton. The correct number should have been \$55.00.

(2) The monthly sewer charge for residential services was inaccurately represented on fiscal year 2023-2024 ACFR for the city of Turlock. The correct number should have been \$45.47.

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

Comparative Monthly Wastewater Service Charges.

The City's residential charges as of July 1, 2024 are set forth below with a comparison to other Central Valley and Northern California cities.

As of July 1, 2024

City	Monthly Sewer Charge Comparison Residential Service	Wastewater Connection Fees Comparison
Fresno ⁽¹⁾	\$25.75	2,119.00
Lodi ⁽²⁾	50.18	3,655.00
Modesto	46.26	2,643.00
Stockton	57.36	2,332.34
Tracy	58.14	2,269.00
Turlock	47.25	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, 2025

Water Revenue Refinancing Certificates of Participation, 2008 Series A

Reserve Account Requirement as of June 30, 2025	\$ 4,011,410
Surety Policy Value:	2,082,513
Balance in Parity Reserve Account as of June 30, 2025	<u>2,496,142</u>
Shortfall/(Excess) Reserve Coverage:	<u>\$ (567,245)</u>

Ten Largest Customers of Water Utility System, Year Ended June 30, 2025

<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	405,660	1.94%	\$ 1,351,889	1.64%
2) Modesto City Schools	Education	370,224	1.77%	1,184,361	1.44%
3) Stanislaus Foods Products	Cannery	467,344	2.23%	1,091,072	1.32%
4) Foster Farms	Dairy Processor	468,665	2.24%	1,031,431	1.25%
5) Sunopta	Cannery	281,695	1.35%	633,982	0.77%
6) E & J Gallo	Processor	186,846	0.89%	560,709	0.68%
7) Stanislaus Housing Authority	Housing Authority	142,031	0.68%	503,748	0.61%
8) Yosemite Community College	Education	123,898	0.59%	385,716	0.47%
9) STANCO	Local Government	84,543	0.40%	347,998	0.42%
10) Modesto Irrigation District	Power Company	112,562	0.54%	333,896	0.41%
Total Top Ten		<u>2,643,468</u>	<u>12.63%</u>	<u>\$ 7,424,802</u>	<u>9.01%</u>

Total Flat/Metered Revenues (Water Sales) \$ 82,366,318

(1) Grover Landscaping maintains City parks

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

Water Sales Revenue, Year Ended June 30, 2025

Residential - flat rates	\$ 1,542
Commercial, industrial and municipal - metered rates	<u>\$ 82,364,776</u>
Total Water Sales	<u>\$ 82,366,318</u>

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

\$ 69.44

Current Water Rates as of July 1, 2024 - Commercial Accounts

<u>Meter Size</u>	
3/4"	\$ 26.43
1"	38.55
1 1/2"	68.85
2"	105.21
3"	220.35
4"	390.03
6"	796.05
8"	1,462.65
10"	2,311.05
12"	3,038.25

In addition to these minimum charges, commercial accounts are charged \$2.11 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										
	2016 ⁽⁶⁾	2017	2018 ⁽¹⁰⁾	2019 ⁽¹¹⁾	2020 ⁽¹³⁾	2021	2022 ⁽¹⁴⁾⁽¹⁵⁾	2023	2024	2025
Charges for services	\$ 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	\$ 85,032,612
Connection charges	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	1,599,147
Refunds, damages & recoveries	511,063	57,533	(121,929)	95,591	92,786	(801,155)	(4,141,774)	53,974	80,714	87,251
Interest and rental income	535,823	574,899	689,500	999,269	1,086,126	864,989	971,868	890,334	5,469,458	6,678,745
Service credits	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	4,127,355
Miscellaneous ⁽⁹⁾	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	1,922,860
Total gross operating revenues	\$ 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	\$ 99,447,970
Operating expenses ⁽¹⁾⁽⁴⁾	\$ 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	\$ 60,293,176
Operating transfers ⁽²⁾⁽¹²⁾	765,954	765,000	1,239,943	3,129,583	2,241,135	3,283,246	689,875	799,091	1,197,857	810,992
Total operating expenses ⁽²⁾	\$ 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	\$ 61,104,168
Net operating revenues	\$ 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	\$ 38,343,802
2008 Revenue Certificates of Participation	\$ 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	\$ 3,698,625
MID Treatment & Delivery Agreement ⁽³⁾	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	8,572,575
CDWR Loan	131,322	-	-	-	-	-	-	-	-	-
ARRA Grant	36,089	36,084	36,080	37,123	39,350	37,540	37,343	37,756	37,443	38,920
Total debt service	\$ 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	\$ 12,310,120
Debt service coverage ⁽⁷⁾⁽⁸⁾	1.58	2.56	3.10	2.96	3.46	3.30	2.88	3.06	3.14	3.11

(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 2026-30. 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 2026	Fiscal Year Projected 2027	Fiscal Year Projected 2028	Fiscal Year Projected 2029	Fiscal Year Projected 2030
Charges for services	\$ 86,075,250	\$ 89,948,636	\$ 93,996,325	\$ 96,064,703	\$ 96,064,703
Connection charges	1,303,560	1,329,631	1,356,224	1,383,348	1,411,015
Refunds, damages & recoveries	11,730	11,965	12,204	12,448	12,697
Interest and rental income	1,545,000	1,591,350	1,639,091	1,688,263	1,738,911
Service credits	4,741,378	4,836,206	4,932,930	5,031,588	5,132,220
Miscellaneous	59,078	60,259	61,464	62,694	63,947
6-year Loan Repayment from fund 4893 (Carpenter Road Landfill)	663,710	649,140	634,570	634,570	634,570
Total gross operating revenues	<u>\$ 94,399,706</u>	<u>\$ 98,427,187</u>	<u>\$ 102,632,808</u>	<u>\$ 104,877,614</u>	<u>\$ 105,058,063</u>
Operating expenses	\$ 66,131,723	\$ 69,438,309	\$ 72,910,224	\$ 76,555,736	\$ 80,383,522
Operating transfers	765,000	765,000	765,000	765,000	765,000
Total operating expenses	<u>\$ 66,896,723</u>	<u>\$ 70,203,309</u>	<u>\$ 73,675,224</u>	<u>\$ 77,320,736</u>	<u>\$ 81,148,522</u>
Net operating revenues	<u>\$ 27,502,983</u>	<u>\$ 28,223,878</u>	<u>\$ 28,957,584</u>	<u>\$ 27,556,878</u>	<u>\$ 23,909,541</u>
2008 Revenue Certificates of Participation	\$ 3,828,547	\$ 3,375,765	\$ 3,424,772	\$ 3,424,772	\$ 3,424,772
MID Treatment & Delivery Agreement	8,405,500	8,409,206	8,409,207	8,409,208	8,409,209
ARRA Grant	39,117	39,117	39,117	36,600	36,600
Total debt service	<u>\$ 12,273,164</u>	<u>\$ 11,824,088</u>	<u>\$ 11,873,096</u>	<u>\$ 11,870,580</u>	<u>\$ 11,870,581</u>
Debt service coverage	2.24	2.39	2.44	2.32	2.01

Source: City of Modesto.

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2025

CITY WATER UTILITY SYSTEM STATISTICS
(Calendar Years 2016 through 2025)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Number of Service Accounts	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	74,795.00
Total Water Production ^(MG)	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	16,679.55
Capacity ^(MGD) ⁽¹⁾	175.20	175.20	168.00	168.20	170.30	135.00	130.00	135.00	135.00	135.00
Peak Daily Distribution ^(MGD)	74.70	84.25	77.50	83.50	75.14	75.90	73.63	69.99	64.78	72.61
Average Daily Distribution ^(MGD)	41.52	41.97	45.98	44.00	46.96	48.13	46.62	42.89	42.77	45.70

"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 2016 through 2025)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Well Water ^(BG)	9.22	8.63	9.82	5.45	7.71	7.12	8.81	7.68	7.56	7.82
Surface Water ^(BG)	5.02	5.86	6.23	9.86	8.76	9.56	8.21	7.98	8.05	8.86
Total ^(BG)	14.24	14.49	16.05	15.31	16.47	16.68	17.02	15.66	15.61	16.68

"BG" means billion gallons.

CITY WATER UTILITY SYSTEM
Average Monthly Water Rates Comparison
Flat Rate (1" Service)
As of July 1, 2024

City	Flat Rate Typical Home
Fresno ⁽¹⁾	\$17.90
Lodi ⁽²⁾	37.03
Modesto	69.44
Stockton ⁽¹⁾	36.54
Tracy ⁽²⁾	30.90
Turlock ⁽¹⁾	43.87

(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, 2025

The following table sets forth connection fees for all users except multi-family units by meter size for fiscal year 2024-2025:

CITY WATER UTILITY SYSTEM
Connection Fees Comparison
Except Multiple Family Units
(Fiscal Year 2024-2025)

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

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

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

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

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

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2025

Sale of Water
(Year Ended June 30, 2025)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 ⁽²⁾
Revenues										
Residential (Flat Rates)	\$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	\$1,542
Commercial, Industrial and Municipal (Metered)	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	82,364,776
Total Water Sales	\$47,562,589	\$58,728,175	\$65,619,235	\$67,318,644	\$73,626,381	\$78,702,292	\$76,482,992	\$74,788,785	\$76,501,930	\$82,366,318

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
0-5,000 sq. ft. lot	\$40.81	\$47.38	\$48.77	\$52.97	\$56.11	\$59.48	\$60.66	\$60.66	\$60.66	\$60.66
5,001-7,000 sq. ft. lot	46.38	54.72	56.23	60.89	64.23	68.08	69.44	69.44	69.44	69.44
7,001-11,000 sq. ft. lot	55.04	69.22	70.98	76.52	80.26	85.08	86.78	86.78	86.78	86.78
11,001-17,000 sq. ft. lot	58.43	90.88	93.00	99.87	104.22	110.47	112.68	112.68	112.68	112.68
over 17,000 sq. ft. lot	68.69	101.80	104.10	111.65	116.3	123.28	125.75	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.

(2) In FY 2025, the City of Modesto completed the conversion to metered billing for the whole City. All residential accounts are now metered.

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

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2025

The following table sets forth the adopted monthly service charge and volume charge for commercial accounts through fiscal year 2024-25.

CITY WATER UTILITY SYSTEM
Water Rates and Charges
Commercial Accounts

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Volume-based Rate (\$/hcf)	\$ 1.40	\$ 1.79	\$ 1.82	\$ 1.93	\$ 1.98	\$ 1.98	\$ 2.02	\$ 2.02	\$ 2.11	\$ 2.20
Fixed Monthly Meter Charge (in addition to volume-based charges)										
5/8"-3/4" meter	\$ 15.03	\$ 20.79	\$ 21.47	\$ 23.34	\$ 24.94	\$ 24.94	\$ 25.44	\$ 25.44	\$ 26.43	\$ 27.62
1" meter	21.33	29.30	30.39	33.48	36.11	36.11	36.83	36.83	38.55	40.28
1-1/2" meter	36.90	50.58	52.71	58.83	64.04	64.04	65.32	65.32	68.85	71.95
2" meter	55.68	76.11	79.49	89.25	97.55	97.55	99.50	99.50	105.21	109.94
3" meter	105.80	156.98	164.30	185.59	203.66	203.66	207.73	207.73	220.35	230.27
4" meter	162.13	276.14	289.28	327.55	360.04	360.04	367.24	367.24	390.03	407.58
6" meter	318.47	561.28	588.33	667.24	734.22	734.22	748.90	748.90	796.05	831.87
8" meter	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	1,528.47
10" meter	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	2,415.05
12" meter	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	3,174.97

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

City of Modesto
Continuing Disclosure Requirements Information (Continued)
Fiscal Year Ended June 30, 2025

BOND RATINGS

<u>Bonds</u>	<u>Moody's Rating</u>	<u>Standard & Poor's Rating</u>	<u>Fitch Rating</u>
2008 Lease Revenue Bonds	Aa3	A+/A-1	AA+
2008 Water Certificates of Participation	Aa2	AA/A-1	
Wastewater Revenue Bonds, Series 2018A		AA	
Wastewater Revenue Bonds, Series 2020A		AA	
Wastewater Revenue Bonds, Series 2020B		AA	

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