

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Annual Financial Report  
*As of and for the Year Ended June 30, 2025  
with Independent Auditor's Report***



**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
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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 and each major fund of the City of Modesto Community Facilities District Number 2004-1 Village One #2 (the District), a component unit of the City of Modesto, California (the City), as of and for the year ended June 30, 2025, the budgetary comparison statement for the special revenue fund for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District'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 and each major fund of the District as of June 30, 2025, and the respective changes in financial position, and the budgetary comparison for the special revenue fund 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 District 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.

### ***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 District'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 District'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 District'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 on pages 6-21 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.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control over financial reporting and compliance.

*Vasquez & Company LLP*

**Glendale, California**

**November 12, 2025**

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2025**

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The City of Modesto Community Facilities District Number 2004-1 Village One #2 (the District) has issued its financial statements in the format prescribed by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, which requires the District to provide this overview of its financial activities for the fiscal year.

Please read this overview in conjunction with your reading of the accompanying basic financial statements.

#### **THE PURPOSE OF THE DISTRICT**

The District is a blended component unit of the City of Modesto, California (the City). It is controlled by the City, and the City Council is the District's governing body. City employees perform most of the duties and functions required of the District, but certain tasks are provided by third parties under contract.

The District's purpose under California law is to provide a funding mechanism for public facilities and services authorized by the District. The District is the vehicle that will be used to ensure that all landowners in the Specific Plan area contribute to the cost of the public facilities and services. Additional information on the District can be found below and in Note 1 to the accompanying financial statements.

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**BACKGROUND AND MANAGEMENT'S DISCUSSION**

In October of 1989, the City initiated planning of the area now known as Village One. The original Village One Specific Plan, adopted by the City Council on October 16, 1990 via Resolution No. 90-828A, contemplated a pedestrian-oriented, self-contained neighborhood concept that offered housing to accommodate various income levels. In addition, the original plan called for a number of landscaped areas, parks, as well as other amenities. Over the years, substantial revisions to the original plan occurred, including a reconfiguration of streets, a reduction of landscaped areas, and modification of the financing strategy. At the close of fiscal year 2003-2004, the Village One area was based on the Specific Plan, the Infrastructure Financing Plan, and the Facilities Master Plan adopted in April 2003.

On October 8, 1996 by Resolution No. 96-544, the City Council formed the City of Modesto Community Facilities District (CFD) No. 1996-1 to provide funding for the acquisition or construction of certain roads, storm drainage, and park improvements. In 2004, it was determined that the tax rates set forth in CFD No. 1996-1 would be insufficient to fund the required infrastructure. Therefore, on April 6, 2004 by Resolution No. 2004-199, the City Council formed CFD No. 2004-1 (Village One #2) to assist in the financing of the remaining required infrastructure to support the Village One Specific Plan Area. The District includes a one-time facilities special tax, an annual facilities special tax, and an annual maintenance special tax. The District, in conjunction with CFD No. 1996-1, will provide the funding needed to complete the District-funded core infrastructure needed for the area. The District was also authorized to issue debt in the form of land secured CFD bonds which are covered in more detail in the debt administration section of these financial statements.

In fiscal year 2024-2025, the District did not have funded infrastructure that was under design, construction or constructed/acquired for the Village One #2 area using tax monies and bond proceeds from the District.

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**FISCAL YEAR 2025 FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

*Government-Wide*

- At June 30, 2025, the District's net position was \$23.0 million.
- At June 30, 2025, total assets and deferred outflow of resources were \$46.6 million while total liabilities and total deferred inflow of resources were \$23.6 million.
- Total District revenues were \$4.6 million, and expenses were \$2.0 million.

*Fund Basis*

- Capital Projects Fund revenues increased from \$814K in the prior year to \$1.0 million for fiscal year 2025 and expenditures decreased from \$66 in the prior year to \$0 for fiscal year 2025. The increase in revenues is attributed to the increases in facilities special taxes and fair value of investments, while the decrease in expenditures is attributed to the decrease in activity in the development of capital projects.
- Capital Projects Fund ending fund balance for fiscal year 2025 increased from \$15.4 million to \$16.4 million. This increase is primarily attributed to the increase in revenues for the year.
- Special Revenue Fund revenues remained the same with \$1.4 million in the prior year and \$1.4 million for fiscal year 2025, and expenditures increased from \$985K in the prior year to \$1.0 million for fiscal year 2025. The increase in expenditure is due primarily to an increase in professional and other contractual services.
- Special Revenue Fund ending fund balance increased from \$1.3 million in the prior year to \$1.6 million in the current year.

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**FISCAL YEAR 2025 FINANCIAL HIGHLIGHTS (CONTINUED)**

- Debt Service Fund revenues increased from \$2.4 million to \$3.3 million in the fiscal year 2025, and expenditures increased by \$47K to \$2.1 million for fiscal year 2025. The increase in the revenue is due to an increase in the facilities special taxes, and the increase in expenditure is attributed to the increase in debt service payments as compared to the prior year.
- Debt Service Fund ending fund balance increased for fiscal year 2025 from \$3.6 million to \$4.8 million.

**THE BASIC FINANCIAL STATEMENTS**

The basic financial statements comprise the government-wide financial statements and the fund financial statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

*Government-Wide Financial Statements*

The government-wide financial statements provide a long-term view of the District's activities as a whole and comprise the statement of net position and the statement of activities. The statement of net position provides information about the financial position of the District as a whole, including all its capital assets and long-term liabilities. The statement of activities provides information about the District's revenues and all its expenses. The statement of activities explains in detail the change in net position for the year.

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**THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

The Statement of Net Position and the Statement of Activities present information about the following:

**Governmental activities** - All of the District's basic services are considered to be governmental activities, including formation, financing, construction, and maintenance activities. These services are supported by formation deposits, special facilities taxes, and annual maintenance assessments.

Government-wide financial statements are prepared on the accrual basis of accounting, which means they measure the flow of all economic resources of the District as a whole, similar to that used by the private sector.

**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE**

This analysis focuses on the net position and changes in net position of the District's governmental activities in the government-wide financial Statement of Net Position and Statement of Activities that follow.

As of June 30, 2025, total assets and deferred outflow of resources of \$46.6 million were offset by total liabilities and deferred inflow of resources of \$23.6 million. The District's net position from governmental activities increased to \$23.0 million in 2025 from \$20.5 million in 2024. This increase was due to increases in special tax revenues and fair value of investments. The District's net position has restrictions as follows: \$16.9 million for acquisition or construction of infrastructure, \$4.5 million for debt service, and \$1.6 million for District maintenance.

**Community Facilities District**  
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**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2025**

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**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE (CONTINUED)**

The following summarizes the Statements of Net Position as of June 30, 2025 and 2024 and the related changes:

**Statements of Net Position – Governmental Activities**

<b>Description</b>	<b>2025</b>	<b>2024</b>	<b>Change</b>
<b>Assets</b>			
Cash and investments	<b>\$20,249,192</b>	\$17,958,331	\$2,290,861
Cash and investments with fiscal agent	<b>3,148,374</b>	2,986,410	161,964
Taxes receivable	<b>84,535</b>	94,798	(10,263)
Assessments receivable	<b>21,505,000</b>	22,540,000	(1,035,000)
Interest receivable	<b>89,861</b>	60,366	29,495
Prepaid expenses	<b>77</b>	624	(547)
Lease receivable	<b>382,642</b>	403,855	(21,213)
Nondepreciable capital asset	<b>477,126</b>	477,126	-
Total assets	<b>\$45,936,807</b>	\$44,521,510	\$1,415,297

(Continued)

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**FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE (CONTINUED)**

Description	2025	2024	Change
Deferred outflow of resources			
Loss on refunding of debt	<b>\$684,996</b>	\$746,339	\$(61,343)
Total deferred outflow of resources	<b>684,996</b>	746,339	(61,343)
Liabilities			
Current and other liabilities	<b>984,223</b>	1,059,639	(75,416)
Long-term debt	<b>22,249,360</b>	23,351,019	(1,101,659)
Total liabilities	<b>23,233,583</b>	24,410,658	(1,177,075)
Deferred inflow of resources			
Leases	<b>353,970</b>	379,523	(25,553)
Total deferred inflow of resources	<b>353,970</b>	379,523	(25,553)
Net position			
Restricted for:			
Capital projects	<b>16,919,905</b>	15,886,686	1,033,219
Debt service	<b>4,492,044</b>	3,265,353	1,226,691
District maintenance	<b>1,622,301</b>	1,325,629	296,672
Total net position	<b>\$23,034,250</b>	\$20,477,668	\$2,556,582

**FISCAL YEAR 2025 GOVERNMENTAL ACTIVITIES**

The District's fiscal year 2025 revenues came primarily from \$3.4 million in annual facilities and maintenance special taxes, along with investment earnings of \$1.2 million. District expenses of \$2.0 million were primarily for district maintenance, including professional services and utilities, and interest on long-term debt.

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**FISCAL YEAR 2025 GOVERNMENTAL ACTIVITIES (CONTINUED)**

The following summarizes the Statements of Activities for the years ended June 30, 2025 and 2024 and the related changes.

**Statements of Activities – Governmental Activities**

<b>Description</b>	<b>2025</b>	<b>2024</b>	<b>Change</b>
Revenues			
Program revenues			
Charges for services	\$-	\$9,500	\$(9,500)
General revenues			
Facilities special taxes	<b>2,140,897</b>	1,490,076	650,821
Maintenance special taxes	<b>1,241,173</b>	1,285,964	(44,791)
Lease revenue	<b>16,877</b>	17,308	(431)
Investment earnings	<b>1,195,643</b>	847,806	347,837
Interest income from leases	<b>4,114</b>	6,139	(2,025)
Others	<b>2,096</b>	-	2,096
Total revenues	<b>4,600,800</b>	3,656,793	944,007
Expenses			
Community development	<b>1,073,478</b>	1,010,842	62,636
Interest on long-term debt	<b>970,740</b>	1,019,895	(49,155)
Total expenses	<b>2,044,218</b>	2,030,737	13,481
Change in net position	<b>2,556,582</b>	1,626,056	\$930,526
Net position, beginning of year	<b>20,477,668</b>	18,851,612	
Net position, end of year	<b>\$23,034,250</b>	\$20,477,668	

**Community Facilities District  
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**THE DISTRICT'S FUND FINANCIAL STATEMENTS (CONTINUED)**

The fund financial statements report the District's operations in more detail than the government-wide financial statements and focus primarily on the short-term activities of the District's three funds. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

The fund financial statements provide detailed information about each of the District's most significant funds, called major funds. Major funds present the major activities of the District for the year and may change from year to year as a result of changes in the pattern of the District's activities. All of the District's funds are presented here as major funds; their purpose is explained in Note 1 to the basic financial statements. All of the District's funds are governmental funds; financial statements for these funds are prepared on the modified accrual basis of accounting, which means they measure only current financial resources and uses.

The following summarizes the Balance Sheets and the Statements of Revenues, Expenditures, and Changes in Fund Balances for the Capital Projects Fund, the Special Revenue Fund and the Debt Service Fund for the years ended June 30, 2025 and 2024, and the respective changes:

**Community Facilities District**  
**Number 2004-1 Village One #2**  
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**THE DISTRICT'S FUND FINANCIAL STATEMENTS (CONTINUED)**

**Balance Sheets – Capital Project Fund**

<b>Description</b>	<b>2025</b>	2024	Change
<b>Assets</b>			
Cash and investments	<b>\$16,368,045</b>	\$15,356,305	\$1,011,740
Interest receivable	<b>74,734</b>	53,255	21,479
Total assets	<b>\$16,442,779</b>	\$15,409,560	\$1,033,219
<b>Fund balances</b>			
Restricted for:			
Capital projects	<b>\$16,442,779</b>	\$15,409,560	\$1,033,219
Total fund balances	<b>\$16,442,779</b>	\$15,409,560	\$1,033,219

**Community Facilities District**  
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**THE DISTRICT'S FUND FINANCIAL STATEMENTS (CONTINUED)**

**Balance Sheets – Special Revenue Fund**

<b>Description</b>	<b>2025</b>	<b>2024</b>	<b>Change</b>
<b>Assets</b>			
Cash and investments	<b>\$1,650,685</b>	\$1,357,034	\$293,651
Taxes receivable	<b>22,416</b>	30,951	(8,535)
Interest receivable	<b>7,020</b>	4,303	2,717
Prepaid expenditures	<b>77</b>	-	77
Lease receivable	<b>382,642</b>	403,855	(21,213)
Total assets	<b>\$2,062,840</b>	\$1,796,143	\$266,697
<b>Liabilities</b>			
Accounts payable	<b>\$63,497</b>	\$68,705	\$(5,208)
Total liabilities	<b>63,497</b>	68,705	(5,208)
<b>Deferred inflows of resources</b>			
Leases	<b>353,970</b>	379,523	(25,553)
Unavailable revenues	<b>11,471</b>	23,072	(11,601)
Total deferred inflows of resources	<b>365,441</b>	402,595	(37,154)
<b>Fund balances</b>			
Nonspendable	<b>77</b>	-	77
Restricted for:			
District maintenance	<b>1,633,825</b>	1,324,843	308,982
Total fund balances	<b>1,633,902</b>	1,324,843	309,059
Total liabilities, deferred inflows of resources, and fund balances	<b>\$2,062,840</b>	\$1,796,143	\$266,697

**Community Facilities District**  
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**THE DISTRICT'S FUND FINANCIAL STATEMENTS (CONTINUED)**

**Balance Sheets – Debt Service Fund**

<b>Description</b>	<b>2025</b>	<b>2024</b>	<b>Change</b>
<b>Assets</b>			
Cash and investments	<b>\$2,230,462</b>	\$1,244,992	\$985,470
Cash and investments with fiscal agent	<b>3,148,374</b>	2,986,410	161,964
Taxes receivable	<b>62,119</b>	63,847	(1,728)
Assessments receivable	<b>21,505,000</b>	22,540,000	(1,035,000)
Interest receivable	<b>8,107</b>	2,808	5,299
Prepaid expenditures	-	624	(624)
Total assets	<b>\$26,954,062</b>	\$26,838,681	\$115,381
<b>Liabilities</b>			
Accounts payable	<b>\$1,462</b>	\$836	\$626
Unearned revenues	<b>598,347</b>	651,931	(53,584)
Total liabilities	<b>599,809</b>	652,767	(52,958)

(Continued)

**Community Facilities District  
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**THE DISTRICT'S FUND FINANCIAL STATEMENTS (CONTINUED)**

<b>Description</b>	<b>2025</b>	2024	Change
Deferred inflow of resources			
Unavailable revenues	<b>\$21,537,488</b>	\$22,590,865	\$(1,053,377)
Total deferred inflow of resources	<b>21,537,488</b>	22,590,865	(1,053,377)
Fund balance			
Nonspendable	-	624	(624)
Restricted for:			
Debt service	<b>4,816,765</b>	3,594,425	1,222,340
Total fund balances	<b>4,816,765</b>	3,595,049	1,221,716
Total deferred inflow of resources and fund balances	<b>\$26,954,062</b>	\$26,838,681	\$115,381

**Statements of Revenues, Expenditures, and Changes in Fund Balance –  
Capital Projects Fund**

<b>Description</b>	<b>2025</b>	2024	Change
Revenues	<b>\$1,033,219</b>	\$814,208	\$219,011
Expenditures	-	(66)	66
Net change in fund balance	<b>1,033,219</b>	814,142	\$219,077
Fund balance, beginning of year	<b>15,409,560</b>	14,595,418	
Fund balance, end of year	<b>\$16,442,779</b>	\$15,409,560	

**Community Facilities District**  
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**THE DISTRICT'S FUND FINANCIAL STATEMENTS (CONTINUED)**

**Statements of Revenues, Expenditures, and Changes in Fund Balance –**  
**Special Revenue Fund**

<b>Description</b>	<b>2025</b>	<b>2024</b>	<b>Change</b>
Revenues	<b>\$1,351,634</b>	\$1,354,878	\$(3,244)
Expenditures	<b>(1,042,575)</b>	(984,833)	(57,742)
Net change in fund balance	<b>309,059</b>	370,045	\$(60,986)
Fund balance, beginning of year	<b>1,324,843</b>	954,798	
Fund balance, end of year	<b>\$1,633,902</b>	\$1,324,843	

**Statements of Revenues, Expenditures, and Changes in Fund Balance –**  
**Debt Service Fund**

<b>Description</b>	<b>2025</b>	<b>2024</b>	<b>Change</b>
Revenues	<b>\$3,280,925</b>	\$2,428,999	\$851,926
Expenditures	<b>(2,059,209)</b>	(2,011,904)	(47,305)
Net change in fund balance	<b>1,221,716</b>	417,095	\$804,621
Fund balance, beginning of year	<b>3,595,049</b>	3,177,954	
Fund balance, end of year	<b>\$4,816,765</b>	\$3,595,049	

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**THE DISTRICT'S FUND FINANCIAL STATEMENTS (CONTINUED)**

The District's fiscal year 2025 revenues primarily came from facilities special taxes in the amount of \$3.2 million and maintenance special taxes in the amount of \$1.3 million.

District expenditures of \$3.1 million in fiscal year 2025 consisted of \$1.0 million in Special Revenue Fund expenditures for maintenance of District facilities and ongoing administrative expenditures, and \$2.1 million in Debt Service Fund expenditures.

At June 30, 2025, the District's governmental funds reported combined fund balances of \$22.9 million, an increase of \$2.6 million from last year. This increase was primarily due to a combination of increases in special taxes and fair value of investments.

**CAPITAL ASSETS**

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the District is required to record all its capital assets, including infrastructure, at their historical cost, and to depreciate these assets over their estimated useful lives. However, title to all infrastructure assets acquired or constructed by the District is turned over to the City upon completion and acceptance. Accordingly, capital outlay expenditures are reported in both the District's fund and government-wide financial statements. The District reports \$477K of nondepreciable capital assets related to the construction of a self-storage facility as of June 30, 2025.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2025**

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## **LEASES**

Under GASB Statement No. 87, the District is required to record all leases that meet the definition of a lease as defined in GASB Statement No. 87. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District recognized a lease receivable of \$383K and a deferred inflow of resources of \$354K in both the District's fund and government-wide financial statements as of June 30, 2025.

## **DEBT ADMINISTRATION**

The District issued Special Tax Bonds, Series 2006 in the principal amount of \$31.1 million in March 2006. The proceeds have been and will continue to be used to reimburse developers for the infrastructure they install pursuant to the Acquisition & Shortfall Agreements entered into between developers and the District as well as to fund authorized facilities installed by the District.

The District issued Refunding Special Tax Bonds, Series 2014 in the principal amount of \$29.3 million with a premium of \$1.5 million in July 2014 to refund the outstanding Special Tax Bonds, Series 2006.

The balance of the long-term debt at June 30, 2025, is \$22.2 million. Additional details can be found in Note 4 to the basic financial statements.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

These basic financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this report should be directed to the City of Modesto, Administrator, Infrastructure Financing Programs, P.O. Box 642, Modesto, California 95353.

## **STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire District's financial activities and financial position. They are prepared on the same basis of accounting as that used by most businesses, which means they include all the District's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis of accounting, the effect of all the District's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between District funds have been eliminated.

The Statement of Net Position reports the difference between the District's total assets and deferred outflows of resources, and the District's total liabilities and deferred inflows of resources, including all the District's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of the District in a single column.

The Statement of Activities reports increases and decreases in the District's net position. It is also prepared on the full accrual basis of accounting, which means it includes all the District's revenues and all its expenses, regardless of when cash changes hands. This differs from the modified accrual basis of accounting used in the fund financial statements, which reflect only current assets, current liabilities, available revenues, and measurable expenditures.

The format of the Statement of Activities presents the District's expenses, which are listed by program, first. Program revenues that are generated directly by these programs are deducted from program expenses to arrive at the change in net position and reconciled with the Statement of Net Position. General revenues that are not generated directly by these programs are then added to arrive at the change in net position and reconciled with the Statement of Net Position.

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Statement of Net Position – Governmental Activities**  
**June 30, 2025**

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**ASSETS**

Cash and investments	\$20,249,192
Cash and investments with fiscal agent	3,148,374
Taxes receivable	84,535
Assessments receivable	21,505,000
Interest receivable	89,861
Prepaid expenses	77
Lease receivable	382,642
Nondepreciable capital asset	477,126
Total Assets	45,936,807

**DEFERRED OUTFLOW OF RESOURCES**

Loss on refunding of debt	684,996
Total Deferred Outflow of Resources	684,996

**LIABILITIES**

Accounts payable	64,959
Unearned revenues	598,347
Interest payable	320,917
Long-term debt	
Due in one year	1,196,659
Due in more than one year	21,052,701
Total Liabilities	23,233,583

(Continued)

*See notes to basic financial statements.*

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California**

**Statement of Net Position – Governmental Activities (Continued)**  
**June 30, 2025**

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**DEFERRED INFLOW OF RESOURCES**

Leases	\$353,970
Total Deferred Inflow of Resources	<u>353,970</u>

**NET POSITION**

Restricted for:	
Capital projects	16,919,905
Debt service	4,492,044
District maintenance	1,622,301
Total Net Position	<u>\$23,034,250</u>

*See notes to basic financial statements.*

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Statement of Activities – Governmental Activities**  
**Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues  Charges for Services	Net (Expense) Revenue and Changes in Net Position  Governmental Activities
Community development	\$1,073,478	\$-	\$(1,073,478)
Interest on long-term debt	970,740	-	(970,740)
	\$2,044,218	\$-	(2,044,218)
 General Revenues			
Facilities special taxes			2,140,897
Maintenance special taxes			1,241,173
Lease revenue			16,877
Investment earnings			1,195,643
Interest income from leases			4,114
Others			2,096
Total General Revenues			4,600,800
Change in Net Position			2,556,582
Net Position, Beginning of Year			20,477,668
Net Position, End of Year			\$23,034,250

*See notes to basic financial statements.*

## **FUND FINANCIAL STATEMENTS**

Major funds are defined generally as having significant activities or balances in the current year.

The District determined all its funds to be major funds. They are:

The **Capital Projects Fund** accounts for all financial resources and uses related to acquisition, construction, and formation/annexation activities.

The **Special Revenue Fund** accounts for all financial resources and uses related to the maintenance of parkways and open space within the District.

The **Debt Service Fund** accounts for the payment of principal and interest on the 2014 Refunding Special Tax bonds.

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Balance Sheet – Governmental Funds**  
**June 30, 2025**

	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and investments	\$16,368,045	\$1,650,685	\$2,230,462	\$20,249,192
Cash and investments with fiscal agent	-	-	3,148,374	3,148,374
Taxes receivable	-	22,416	62,119	84,535
Assessments receivable	-	-	21,505,000	21,505,000
Interest receivable	74,734	7,020	8,107	89,861
Prepaid expenditures	-	77	-	77
Lease receivable	-	382,642	-	382,642
Total Assets	<u>\$16,442,779</u>	<u>\$2,062,840</u>	<u>\$26,954,062</u>	<u>\$45,459,681</u>
<b>LIABILITIES</b>				
Accounts payable	\$-	\$63,497	\$1,462	\$64,959
Unearned revenues	-	-	598,347	598,347
Total Liabilities	<u>-</u>	<u>63,497</u>	<u>599,809</u>	<u>663,306</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Leases	-	353,970	-	353,970
Unavailable revenues	-	11,471	21,537,488	21,548,959
Total Deferred Inflows of Resources	<u>-</u>	<u>365,441</u>	<u>21,537,488</u>	<u>21,902,929</u>

(Continued)

*See notes to basic financial statements.*

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Balance Sheet – Governmental Funds (Continued)**  
**June 30, 2025**

	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>FUND BALANCES</b>				
Nonspendable	\$-	\$77	\$-	\$77
Restricted for:				
Capital projects	16,442,779	-	-	16,442,779
District maintenance	-	1,633,825	-	1,633,825
Debt service	-	-	4,816,765	4,816,765
Total Fund Balances	<u>16,442,779</u>	<u>1,633,902</u>	<u>4,816,765</u>	<u>22,893,446</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$16,442,779</u>	<u>\$2,062,840</u>	<u>\$26,954,062</u>	<u>\$45,459,681</u>

*See notes to basic financial statements.*

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Reconciliation of the Governmental Funds Balance Sheet to**  
**the Governmental Activities Statement of Net Position**  
**June 30, 2025**

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Total Fund Balances - Governmental Funds	\$22,893,446
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Other long-term assets are not available to pay for the current period expenditures and therefore are deferred in the funds.	21,505,000
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Revenues not available for current-period expenditures are deferred in governmental funds but are considered earned in the Statement of Net Position.	43,959
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Capital assets used in governmental activities are not current assets or financial resources and, therefore, are not reported in the governmental funds.	477,126
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Long-term debt	(22,249,360)
Loss on refunding of debt	684,996
Interest payable	(320,917)

Total Net Position - Governmental Activities	\$23,034,250
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*See notes to basic financial statements.*

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2025**

	<b>Capital Projects Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>REVENUES</b>				
Facilities special taxes	\$131,825	\$-	\$3,062,449	\$3,194,274
Maintenance special taxes	-	1,252,774	-	1,252,774
Lease revenue	-	16,877	-	16,877
Interest income	526,028	42,310	195,307	763,645
Interest income from leases	-	4,114	-	4,114
Change in fair value of investments	375,366	33,463	23,169	431,998
Others	-	2,096	-	2,096
Total Revenues	<u>1,033,219</u>	<u>1,351,634</u>	<u>3,280,925</u>	<u>5,665,778</u>
<b>EXPENDITURES</b>				
Community Development				
Services – professional and other	-	777,836	30,903	808,739
Utilities	-	264,739	-	264,739
Debt service				
Principal	-	-	1,035,000	1,035,000
Interest and fiscal charges	-	-	993,306	993,306
Total Expenditures	<u>-</u>	<u>1,042,575</u>	<u>2,059,209</u>	<u>3,101,784</u>
Net Change in Fund Balances	<u>1,033,219</u>	<u>309,059</u>	<u>1,221,716</u>	<u>2,563,994</u>
Fund Balances, Beginning of Year	15,409,560	1,324,843	3,595,049	20,329,452
Fund Balances, End of Year	<u><u>\$16,442,779</u></u>	<u><u>\$1,633,902</u></u>	<u><u>\$4,816,765</u></u>	<u><u>\$22,893,446</u></u>

*See notes to basic financial statements.*

Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California

**Reconciliation of the Governmental Fund Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the  
Governmental Activities Statement of Activities  
Year Ended June 30, 2025**

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Net Change in Fund Balances - Governmental Funds \$2,563,994

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Revenues previously recognized in the Statement of Activities  
that did not provide current financial resources and therefore  
were not reported as revenues in the funds are reported as  
revenues in the funds when received. (1,035,000)

Revenues that are considered earned in the Statement of  
Activities that did not provide current financial resources  
in the current year were not reported as revenues in the  
governmental funds. (29,978)

The issuance of long-term debt provides current financial  
resources to governmental funds, while the repayment  
of the principal of long-term debt and the payment to  
refund escrow consumes current financial resources  
of governmental funds. Neither transaction, however,  
has any effect on net position:

Repayment of the principal of long-term debt. 1,035,000

(Continued)

*See notes to basic financial statements.*

**Community Facilities District**

**Number 2004-1 Village One #2**

**City of Modesto, California**

**Reconciliation of the Governmental Fund Statement of Revenues,**

**Expenditures, and Changes in Fund Balances to the**

**Governmental Activities Statement of Activities (Continued)**

**Year Ended June 30, 2025**

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Amortization of bond premium	\$66,659
Amortization of deferred loss on refunding of debt	(61,343)
Interest payable	17,250
Change in Net Position - Governmental Activities	<u>\$2,556,582</u>

*See notes to basic financial statements.*

Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California

**Statement of Revenues, Expenditures, and Changes in  
Fund Balance – Special Revenue Fund – Budget and Actual  
Year Ended June 30, 2025**

	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>				
Maintenance special taxes	\$1,352,000	\$1,352,000	\$1,252,774	\$(99,226)
Lease revenue	-	-	16,877	16,877
Interest income	-	-	42,310	42,310
Interest income from leases	-	-	4,114	4,114
Change in fair value of investments	-	-	33,463	33,463
Others	-	-	2,096	2,096
Total Revenues	<u>1,352,000</u>	<u>1,352,000</u>	<u>1,351,634</u>	<u>(366)</u>
<b>EXPENDITURES</b>				
Community development				
Services – professional and other	722,484	727,984	777,836	(49,852)
Utilities	317,100	320,700	264,739	55,961
Total Expenditures	<u>1,039,584</u>	<u>1,048,684</u>	<u>1,042,575</u>	<u>6,109</u>
Net Change in Fund Balance	<u>\$312,416</u>	<u>\$303,316</u>	309,059	<u>\$5,743</u>
Fund Balance, Beginning of Year			1,324,843	
Fund Balance, End of Year			<u>\$1,633,902</u>	

*See notes to basic financial statements.*

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description and Reporting Entity**

The Community Facilities District Number 2004-1 Village One #2 (the District) was formed on April 6, 2004, by City Council Resolution No. 2004-199 following a vote of the property owners within the proposed district. The District, a separate legal entity, was formed to provide a funding and reimbursement mechanism for public facilities and services required by the Village One Specific Plan. The District is the vehicle used to ensure that all landowners in the Specific Plan area contribute to the cost of public improvements. The District encompasses approximately 1,840 gross acres of land on which a pedestrian-oriented, mixed-use, planned community is anticipated to be developed. The District is located in the North Eastern portion of the City of Modesto, California (the City), bordered by Sylvan Avenue to the North, Claus Road to the East, Briggsmore to the South, and Oakdale Road to the West. The District was proposed to yield 6,186 residential dwelling units at buildout; in addition to 15 acres of commercial property and 220 acres of industrial property.

The District is an integral part of the City and the accompanying financial statements are included as a blended component unit of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

Program revenues include grants and contributions that are restricted to meeting the operational requirements of the community development function. Investment earnings, and other items that are not properly included among program revenues, are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied.

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 collectible within the current period or soon enough thereafter to pay liabilities to the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Substantially, all taxes and interest, including the net increase (decrease) in the fair value of investments, are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. However, principal and interest expenditures are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments early in the following year.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Substantially all taxes and interest, including the net increase (decrease) in the fair value of investments, are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *Capital Projects Fund* accounts for all financial resources and uses related to acquisition, construction, and formation/annexation activities.

The *Special Revenue Fund* accounts for all financial resources and uses related to maintenance of infrastructure within the District.

The *Debt Service Fund* accounts for the payment of principal and interest on the 2014 Refunding Special Tax Bonds.

**Facilities and Maintenance Special Taxes**

The facilities and maintenance special taxes are collected by the County of Stanislaus on the property tax bill. The special taxes are due November 1<sup>st</sup> and February 1<sup>st</sup> and are delinquent if not paid by December 10th and April 10th, respectively. The County of Stanislaus bills and collects the special taxes and remits them to the District. The Rate and Method of Apportionment of Special Tax (RMA), set forth in the District's Public Report, describes how the special taxes will be allocated among properties in the District. The Public Report was established during the formation of the District. A cost-of-living adjustment is applied to the special taxes annually.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Management's Use of 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. Actual results could differ from these estimates.

**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 District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact. The District reported \$77 in nonspendable resources as of June 30, 2025.
- *Restricted* – 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 or enabling legislation. The District reported \$22,893,369 in restricted resources as of June 30, 2025.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

- *Committed* - Amounts constrained to specific purposes by the District itself, using the District's highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The District did not have any committed resources as of June 30, 2025.
- *Assigned* - Amounts the District intends to use for a specific purpose. Intent can be expressed by the District at either the highest level of decision-making or by an official or body to which the District delegates the authority. The District did not have any assigned resources as of June 30, 2025.
- *Unassigned* - The residual classification for the District that includes amounts not contained in the 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 District did not have any unassigned resources as of June 30, 2025.

The District establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption or amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the District through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the committed, assigned, and unassigned resources as they are needed.

**Net Position**

Net position represents the residual interest in the District's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the equity section on the Statement of Net Position was combined to report the total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition “net investment in capital assets” or “restricted” net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Lease Receivable**

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net assets by the District that applies to a future reporting period. The deferred outflow of resources reported by the District consists of deferred loss on refunding of debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net assets by the District that applies to a future reporting period. Deferred inflows of resources reported by the District consist of deferred assessments that have been billed as of year-end but not yet collected, deferred leases, and prepayment of special taxes related to the issued bonds.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Accounting Standards Update**

During the year ended June 30, 2025, the District implemented the following Governmental Accounting Standards Board (GASB) standards with no impact to the financial statements:

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**

Cash and investments of the District, with the exception of cash and investments with fiscal agents, are pooled with other City funds. Interest earned on pooled cash and investments is credited to each participant in the pool based on each participant's average monthly cash balance. Credit quality ratings are not available for the District's investments as all cash is invested as part of the common cash and investment pool of the City.

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2025**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

Cash and investments in the pool are considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form. The District does not have any deposits with financial institutions as of June 30, 2025.

The District is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Government Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers. The District reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share.

Cash and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

Statement of Net Position - Governmental Activities:

<b>Description</b>	<b>Amount</b>
Cash and investments	\$20,249,192
Cash and investments with fiscal agent	3,148,374
Total cash and investments	\$23,397,566
Deposits with the City	
Cash and investment pool	\$20,249,192
Deposits with fiscal agents	
CAMP	3,148,374
Total cash and investments	\$23,397,566

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

The District is required to disclose investments that represent a concentration of five percent (5%) or more of investments in any one issuer held by individual funds in the securities of issuers other than U.S. Treasury securities, mutual funds, and external investment pools. At June 30, 2025, no investments represented a concentration of five percent (5%) or more of investments in any one issuer held by the District in the securities of issuers other than U.S. Treasury securities, mutual funds, and external investment pools.

**Fair Value Hierarchy**

The District categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The District's investment in the pool and CAMP are exempt from fair value measurement disclosures.

Detailed information concerning the City's pooled cash and investments, including information regarding the fair value of investments, may be found in the City's Annual Comprehensive Financial Report. As of June 30, 2025, the fair value of the District's position in the pool is the same as the value of its pool shares.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 3      LEASE RECEIVABLE**

On December 16, 2021, the District, lessor, and New Cingular Wireless PSC, LLC, lessee, entered into a land lease agreement to install, operate, and maintain a communication facility and other improvements. The initial term of the lease is five years and will automatically be renewed for four additional five-year terms. The lessee will pay the District a base rent of \$1,600 with an increase of 3% each year on the anniversary of the rent commencement date, including throughout the extension terms. Upon execution of the agreement, a one-time fee of \$10,000 was paid in full by the lessee for the Camera Fee to enable the District to purchase and install a live-feed security camera. Lease revenue recognized under the lease agreement was \$9,970 for the year ended June 30, 2025. Interest revenue recognized under the lease agreement was \$3,650 for the year ended June 30, 2025.

On July 8, 2014, the District, lessor, and Sacramento-Valley Limited Partnership d/b/a Verizon Wireless, lessee, entered into a land lease agreement in which the lessee is granted the right and option to lease the premises, including a right-of-way for access. The initial term of the lease is five years with a total annual rent of \$14,000 to be paid by the lessee in equal monthly installments on the first day of the month. The lease will be automatically extended for five additional five-year terms. Annual rent for each additional five-year term will increase by 10% at the beginning of each five-year term. Lease revenue recognized under the lease agreement was \$6,904 for the year ended June 30, 2025. Interest revenue recognized under the lease agreement was \$464 for the year ended June 30, 2025.

**Community Facilities District**  
**Number 2004-1 Village One #2**  
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**Notes to Basic Financial Statements**  
**Year Ended June 30, 2025**

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**NOTE 3 LEASE RECEIVABLE (CONTINUED)**

Future minimum lease and interest payments to be received are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$11,622	\$5,660	\$ 17,282
2027	12,073	5,483	17,556
2028	12,543	5,298	17,841
2029	13,032	5,107	18,139
2030	13,932	4,907	18,839
2031-2035	79,969	21,098	101,067
2036-2040	95,712	14,535	110,247
2041-2045	109,854	6,707	116,561
2046-2047	33,905	534	34,439
	\$382,642	\$ 69,329	\$451,971

**NOTE 4 LONG-TERM DEBT**

On July 30, 2014, the District issued Refunding Special Tax Bonds (refunding bonds) with a par amount of \$29,320,000 to refund the District's \$29,925,000 outstanding Special Tax Bonds (refunded bonds) issued on March 8, 2006, which were issued primarily to finance various public improvements needed to develop property located within the District. Interest on the refunding bonds is payable semiannually on March 1<sup>st</sup> and September 1<sup>st</sup> through September 1, 2036. The refunding bonds were issued with interest rates varying from 2% to 5% and are payable solely from revenues derived from the assessment of annual special taxes to be levied on the taxable property within the District and from certain other funds pledged under the Trust Indenture. The principal of these bonds is not subject to acceleration.

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2025**

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**NOTE 4      LONG-TERM DEBT (CONTINUED)**

Any one or more of the following events shall constitute an “event of default” for these bonds:

- (a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise.
- (b) Default on the due and punctual payment of the interest on any bond when and as the same shall become due and payable.
- (c) Except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions, or covenants for a period of thirty (30) days after the District has been given notice in writing of such default by the Trustee or the owners of twenty-five percent (25%) in aggregate principal amount of the outstanding bonds.

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
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
Total	<u>\$23,351,019</u>	<u>\$-</u>	<u>\$(1,101,659)</u>	<u>\$22,249,360</u>	<u>\$1,196,659</u>

**Community Facilities District**  
**Number 2004-1 Village One #2**  
**City of Modesto, California**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2025**

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**NOTE 4      LONG-TERM DEBT (CONTINUED)**

Annual debt service requirements for the bonds are shown below:

Year Ending June 30	Principal	Interest
2026	\$1,130,000	\$934,500
2027	1,230,000	875,500
2028	1,335,000	811,375
2029	1,455,000	741,625
2030	1,570,000	666,000
2031-2035	3,535,000	2,430,125
2036-2037	11,250,000	1,125,000
	\$21,505,000	\$7,584,125

Interest expense for the year ended June 30, 2025 was \$970,740.

**NOTE 5      RESTRICTED FUND BALANCES**

**Fund Balances**

Fund balances are all presented in the restricted category (see Note 1 for a description of fund balance categories). As of June 30, 2025, restrictions included:

*Restricted for Capital Projects* – the portion of fund balance legally restricted for the acquisition, construction, and formation/annexation activities.

*Restricted for District Maintenance* – the portion of fund balance legally restricted for the maintenance of parkways and open space within the District.

*Restricted for Debt Service* – the portion of fund balance legally restricted to the payment of principal and interest on long-term liabilities.

**Community Facilities District  
Number 2004-1 Village One #2  
City of Modesto, California  
Notes to Basic Financial Statements  
Year Ended June 30, 2025**

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**NOTE 6 DELINQUENCIES AND FORECLOSURES**

The District has made a covenant under the Trust Indenture of the Special Tax Bonds discussed in Note 4 that it will initiate foreclosure proceedings against delinquent parcels as follows:

- (a) Any parcel that is delinquent for three consecutive payments. Foreclosure against these parcels is to be initiated within 120 days after the third delinquency.
- (b) All parcels delinquent at June 30<sup>th</sup> when the District received Special Taxes totaling less than 95% of the total Special Tax levied for that fiscal year. Foreclosure against these parcels is to be initiated by September 1<sup>st</sup> following the end of the fiscal year.

At June 30, 2025, the District had 15 delinquent parcels for a total of \$11,471, three of which are delinquent for more than two consecutive payments.

The District received 99.42% of the Special Revenue Fund and Debt Service Fund facilities and maintenance special taxes levied during the year ended June 30, 2025. The delinquencies total of \$11,471 at June 30, 2025 is included in taxes receivable on the Statement of Net Position and Balance Sheet.

**NOTE 7 EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations for the year ended June 30, 2025 was as follows:

Expenditures	Amount
Special Revenue Fund	
Community development	
Services - professional and other	\$(49,852)

**Community Facilities District  
Number 2004-1 Village One #2  
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Year Ended June 30, 2025**

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**NOTE 8      SUBSEQUENT EVENTS**

The District has evaluated events or transactions subsequent to June 30, 2025, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 12, 2025, the date the financial statements were available to be issued, and determined that no subsequent events required recognition or disclosure in the accompanying financial statements.



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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the City of Modesto Community Facilities District Number 2004-1 Village One #2 (the District), as of and for the year ended June 30, 2025, the budgetary comparison statement for the special revenue fund for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 12, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vasquez & Company LLP*

**Glendale, California**

**November 12, 2025**



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