

**City of Modesto**  
**Annual Financial Report**  
**Measure H Funds**  
**of the City of Modesto, California**  
***As of and for the Year Ended June 30, 2025***  
***With Independent Auditor's Report***



**City of Modesto, California**  
**Measure H Funds**  
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**City of Modesto, California**  
**Measure H Funds**  
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## Independent Auditor's Report

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

### **Report on the Audit of Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Measure H Funds of the City of Modesto, California (the City), as of and for the year ended June 30, 2025, the budgetary comparison statement for the general fund for the year ended June 30, 2025, and the related notes to the basic fund financial statements, which collectively comprise the Measure H Funds 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 major fund, and the aggregate remaining fund information of the Measure H Funds of the City of Modesto, California, as of June 30, 2025, the respective changes in financial position, the budgetary comparison for the general fund, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*).



Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Measure H Funds and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025, and changes in its financial position, the budgetary comparison for the general fund, and where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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.

***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 opinion. 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.

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***

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic fund 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 fund financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic fund financial statements are not affected by this missing information.

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

*Vasquez & Company LLP*

**Glendale, California**

**November 12, 2025**

**City of Modesto**  
**Measure H Funds**  
**Statement of Net Position**  
**June 30, 2025**

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$39,708,709
Accounts receivable	54,950
Taxes receivable	8,363,298
Interest receivable	201,929
Prepaid items	9,224,656
Capital assets, net of accumulated depreciation	1,464,729
Total Assets	59,018,271
<b>LIABILITIES</b>	
Accounts payable	1,038,622
Accrued payroll	388,701
Total Liabilities	1,427,323
<b>NET POSITION</b>	
Net investment in capital assets	1,464,729
Unrestricted	56,126,219
Total Net Position	\$57,590,948

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**  
**Statement of Activities**  
**Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues <hr/> Charges for Services	Net (Expense) Revenue and Changes in Net Position <hr/> Governmental Activities
<b>Governmental Activities</b>			
General government	\$1,411,002	\$2,141	\$(1,408,861)
Community development	1,648,946	2,502	(1,646,444)
Public safety	11,475,001	498,162	(10,976,839)
Parks and recreation	7,284,443	11,054	(7,273,389)
Public works	4,466,322	6,778	(4,459,544)
Total government activities	<hr/> \$26,285,714	<hr/> \$520,637	<hr/> (25,765,077)
<b>General Revenues</b>			
Sales taxes			47,211,026
Interest income			1,372,412
Investment earnings			931,315
Miscellaneous			761,987
Transfers, net			(8,452,354)
Total General Revenues and Transfers, net			<hr/> 41,824,386
Change in Net Position			<hr/> 16,059,309
Net Position, Beginning of Year			41,531,639
Net Position, End of Year			<hr/> <hr/> \$57,590,948

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**  
**Balance Sheet – Governmental Fund**  
**June 30, 2025**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and investments	\$39,668,270
Accounts receivable	54,950
Taxes receivable	8,363,298
Interest receivable	201,781
Prepaid items	9,224,656
Total Assets	\$57,512,955
<b>LIABILITIES</b>	
Accounts payable	\$1,038,622
Accrued payroll	388,701
Total Liabilities	1,427,323
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable revenues	38,501
Total Deferred Inflow of Resources	38,501
<b>FUND BALANCES</b>	
Nonspendable	9,224,656
Assigned	2,942,525
Unassigned	43,879,950
Total Fund Balances	56,047,131
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$57,512,955

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**

**Reconciliation of the Governmental Fund Balance Sheet to the  
Governmental Activities Statement of Net Position**

**June 30, 2025**

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Total Fund Balance - Governmental Fund	\$56,047,131
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Revenues not available for current-period expenditures are deferred in governmental funds but are considered earned in the Statement of Net Position.	38,501
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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.	99,150
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Internal service fund is used by management to charge the cost of fleet management to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service fund is included in governmental activities in the Statement of Net Position.	1,406,166
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Total Net Position - Governmental Activities	\$57,590,948
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**City of Modesto**  
**Measure H Funds**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance – Governmental Fund**  
**Year Ended June 30, 2025**

	<b>General Fund</b>
<b>REVENUES</b>	
Sales taxes	\$47,211,026
Charges for services	442,248
Interest income	1,371,834
Change in fair value of investments	931,194
Miscellaneous	761,987
Total Revenues	50,718,289
<b>EXPENDITURES</b>	
Current	
General government	1,405,677
Community development	1,642,724
Public safety	11,431,701
Parks and recreation	7,256,956
Public works	4,449,469
Capital outlay	1,467,584
Total Expenditures	27,654,111
Excess of revenues over expenditures	23,064,178
<b>OTHER FINANCING USES</b>	
Transfers out	\$(8,548,686)
Total Other Financing Uses	(8,548,686)
Net Change in Fund Balance	14,515,492
Fund Balance, Beginning of Year	41,531,639
Fund Balance, End of Year	\$56,047,131

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**

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

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Net Change in Fund Balance - Governmental Fund \$14,515,492

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

Revenues earned in the Statement of Activities in the previous year that did not provide current financial resources in that year were not reported as revenue in the governmental fund until they provided current financial resources this year. 38,501

Governmental fund reports capital outlay expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. (This amount is presented net of the \$1,368,434 capital contributions to the internal service fund, as disclosed in Note 6.) 99,150

The internal service fund is used by management to charge the costs of fleet management to individual funds. The net revenue or increase in net position of internal service fund is reported with governmental fund. 1,406,166

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Change in Net Position - Governmental Activities \$16,059,309

*See notes to basic fund financial statements.*

City of Modesto  
Measure H Funds

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

Description	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Sales taxes	\$42,809,800	\$42,809,800	\$47,211,026	\$4,401,226
Charges for services	201,713	201,713	442,248	240,535
Fines and forfeitures	100,000	100,000	-	(100,000)
Interest income	-	-	1,371,834	1,371,834
Change in fair value of investments	-	-	931,194	931,194
Miscellaneous	-	-	761,987	761,987
Total Revenues	43,111,513	43,111,513	50,718,289	7,606,776

(Continued)

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**

**Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual – General Fund (Continued)  
Year Ended June 30, 2025**

<b>Description</b>	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>EXPENDITURES</b>				
Current				
General government	\$2,405,156	\$1,420,275	\$1,405,677	\$14,598
Community development	4,125,870	4,848,729	1,642,724	3,206,005
Public safety				
Fire protection	1,987,117	11,357,265	2,035,770	9,321,495
Police protection	11,833,581	12,684,517	9,395,931	3,288,586
Parks and recreation				
Operations service and maintenance	16,339,913	16,315,522	7,256,956	9,058,566
Public works				
Streets	6,015,950	4,921,671	4,449,469	472,202
Capital outlay	2,875,852	3,406,683	1,467,584	1,939,099
Total Expenditures	<u>48,583,439</u>	<u>54,954,662</u>	<u>27,654,111</u>	<u>27,300,551</u>
Excess (deficiency) of revenues over (under) expenditures	(2,471,926)	(11,843,149)	23,064,178	34,907,327

*See notes to basic fund financial statements.*

Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual – General Fund (Continued)

Year Ended June 30, 2025

Description	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$8,802,000	\$10,997,550	\$ -	\$(10,997,550)
Transfers out	(9,185,702)	(12,131,252)	(8,548,686)	3,582,566
Total Other Financing				
Sources (Uses)	(383,702)	(1,133,702)	(8,548,686)	(7,414,984)
Net Change in Fund				
Balance	\$(2,855,628)	\$(12,976,851)	14,515,492	\$27,492,343
Fund Balance, Beginning of				
Year			41,531,639	
Fund Balance, End of Year			\$56,047,131	

See notes to basic fund financial statements.

**City of Modesto**  
**Measure H Funds**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2025**

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	<b>Governmental Activities</b>
	<b>Fleet Management Fund</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets	
Cash and investments	\$40,439
Interest receivable	148
Total Current Assets	40,587
 Noncurrent Assets	
Capital assets being depreciated, net	1,365,579
Total Noncurrent Assets	1,365,579
Total Assets	1,406,166
 <b>NET POSITION</b>	
Net investment in capital assets	1,365,579
Unrestricted	40,587
Total Net Position	\$1,406,166

*See notes to basic fund financial statements.*

City of Modesto  
Measure H Funds

**Statement of Revenues, Expenses, and Changes in Net Position**

**Proprietary Fund**  
**Year Ended June 30, 2025**

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	<b>Governmental Activities</b>
	<b>Fleet Management Fund</b>
	<b>Internal Service Fund</b>
Operating Revenues	
Charges for services	\$39,888
Total Operating Revenue	39,888
Operating Expenses	
Depreciation expense	99,187
Total Operating Expense	99,187
Operating Loss	(59,299)
Other Nonoperating Revenues	
Capital contributions from the General Fund	1,368,434
Interest income	578
Investment earnings	121
Transfers in	96,332
Total Other Nonoperating Revenues	1,465,465
Increase in Net Position	1,406,166
Net Position, Beginning of Year	-
Net Position, End of Year	\$1,406,166

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**June 30, 2025**

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	<b>Governmental Activities</b>
	<b>Fleet Management Fund</b>
	<b>Internal Service Fund</b>
Cash Flow from Operating Activity	
Cash received from users	\$40,009
Cash Provided by Operating Activity	40,009
Cash Flow from Investing Activity	
Interest received	430
Cash Provided by Investing Activity	430
Net Increase in Cash and Investments	40,439
Cash and Investments, Beginning of Year	-
Cash and Investments, End of Year	\$40,439

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**  
**Statement of Cash Flows**  
**Proprietary Fund (Continued)**  
**June 30, 2025**

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Reconciliation of Operating Loss to Net Cash Provided by Operating Activity

Operating loss	\$(59,299)
Adjustments to reconcile operating loss to net cash provided by operating activity	
Depreciation expense	99,187
Unrealized gain on investments	121
Total Adjustments	99,308
Net Cash Provided by Operating Activity	\$40,009

*See notes to basic fund financial statements.*

**City of Modesto**  
**Measure H Funds**  
**Notes to Basic Fund Financial Statements**  
**Year Ended June 30, 2025**

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**NOTE 1      GENERAL**

On November 8, 2022, the City of Modesto, California (the City) voters approved Measure H, a one-cent sales tax for general City services. Measure H is expected to provide the City an approximately \$39 million annually in additional sales tax revenues into its General Fund. Measure H funding seeks to improve City services over public safety, blight, and homelessness and to fund citywide deferred maintenance across multiple City departments.

Measure H specifies that the rate of the transactions tax shall be one-cent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in the City and that the rate of the transactions and use tax shall be one-cent of the sales price of tangible personal property stored, used, or otherwise consumed in the City. The tax shall be in effect until it is repealed by the voters. The California Department of Tax and Fee Administration collects the tax from retailers subject to the tax and remits the funds to the City.

Measure H Funds are part of the City and are not separate legal entities. These financial statements present the fund financial statements and the government-wide financial statements of Measure H Funds. The Measure H Funds are presented as part of the General Fund, the Special Fund for Capital Outlay Capital Projects Fund, and the Fleet Management Internal Service Fund in the City's Annual Comprehensive Financial Report (ACFR). These financial statements are intended to reflect only the financial position and changes in financial position of the City's Measure H Funds in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report on all the Funds' activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by intergovernmental revenues. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are identifiable with a specific function or segment.

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.

The Statement of Activities demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are identifiable with the functions. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the City. Revenues that are not classified as program revenues, including investment earnings and other revenues, are reported as general revenues. Separate financial statements are provided for governmental funds.

Separate financial statements are provided for governmental funds and proprietary funds.

Governmental fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 180 days of the end of the current fiscal period. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual 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.

Major individual governmental funds are reported as separate columns in the fund financial statements. 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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Measure H reports one major governmental fund:

The *General Fund* is the primary operating fund and accounts for all financial resources of the Measure H Funds.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The City created an internal service fund for Measure H during the fiscal year 2024/25. The Fleet Replacement Internal Service Fund is used to report assets acquired using Measure H funds that are used to provide services to other departments of the City.

The Measure H Funds' internal service fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activities are included in the Statement of Net Position. Proprietary fund-type operating statement presents increases (revenues) and decreases (expenses) in total net position.

Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the internal service fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as a reduction of the related liability, rather than as an expenditure.

**Budget**

The City is required by its Charter to adopt an annual budget. On or before the first day of June each year, the City Manager shall submit to the City Council a proposed budget for all departments. The said budget shall include estimates for all revenues and expenditures for the ensuing year. From the effective date of the budget, the amounts stated therein, proposed expenditures become appropriations to various City departments. The City adopts annual appropriated budgets for its General Fund and major Special Revenue Funds.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Budget (Continued)

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The budgetary comparison statement is presented on a budgetary basis which differs from U.S. GAAP in the method of accounting for accruals and encumbrances.

Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents the fund's equity share of the City's cash and investment pool, as the City places no restrictions on the deposit account for the participating funds.

Interest income earned from pooled cash and investments is allocated monthly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

Deferred Outflows and Inflows of Resources

Pursuant to Governmental Accounting Standards Board (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 Measure H Funds recognize deferred outflows and inflows of resources.

In addition to assets, the Statements of Net Position and Fund Balance Sheet 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 Measure H Funds that is applicable to a future reporting period.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and Fund Balance Sheet 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 Measure H Funds that is applicable to a future reporting period. Deferred inflows reported by the Measure H Funds consist of receivables that are not expected to be collected within the available period.

Fund Balance

In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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* – Amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact. The Measure H Funds have nonspendable fund balances of \$9,224,656 as of June 30, 2025.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The Measure H Funds did not have any restricted resources as of June 30, 2025.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Fund Balance (Continued)

- *Committed* – Amounts constrained to specific purposes by the City, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint. The Measure H Funds did not have any committed resources as of June 30, 2025.
- *Assigned* – Amounts the Measure H Funds intend to use for a specific purpose. Intent can be expressed by the Measure H Funds or by an official or body to which the City Council delegates authority. The Measure H Funds have assigned resources of \$2,942,525 as of June 30, 2025.
- *Unassigned* – Amounts that are available for any purpose. The Measure H Funds unassigned resources as of June 30, 2025 amounted to \$43,879,950.

The Measure H Funds establish, and modify or rescind fund balance commitments by passage of an ordinance or policy. This is typically done through the adoption and 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 contracts. The assigned fund balance is established by the City through the adoption or amendment of the budget or future budget plan as intended for a specific purpose. The City's policy is to first apply restricted, committed or assigned resources when an expense is incurred for purposes for which restricted, committed or assigned and unassigned fund balances are available.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Net Position

Net position represents the residual interest in the Measure H Funds' 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 presented 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 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 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Governmental Accounting Standards Update**

During the year ended June 30, 2025, the Measure H Funds implemented the following GASB standards with no impact on 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.

**City of Modesto**  
**Measure H Funds**  
**Notes to Basic Fund Financial Statements**  
**Year Ended June 30, 2025**

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**NOTE 3 CASH AND INVESTMENTS**

Unspent funds received for the Measure H Funds are pooled with the City’s other cash and investments. The Measure H Funds’ share of the interest earned from the cash and investment pool is allocated monthly based on each fund’s respective average monthly cash balance. Credit quality ratings are not available for Measure H Funds’ investments as all cash is invested as part of the common cash and investment pool of the City. Cash in the pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form. Measure H Funds do not have any deposits with financial institutions as of June 30, 2025.

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

Statement of Net Position	
Cash and investments	\$39,708,709
Total cash and investments	<u>\$39,708,709</u>
Deposits with City of Modesto	
Cash and investments pool	\$39,708,709
Total cash and investments	<u>\$39,708,709</u>

Detailed information concerning the City of Modesto’s pooled cash and investments, including information regarding the fair value of investments, may be found in the City’s ACFR. As of June 30, 2025, the fair value of Measure H Funds’ position in the pool is the same as the value of its pool shares.

**City of Modesto**  
**Measure H Funds**  
**Notes to Basic Fund Financial Statements**  
**Year Ended June 30, 2025**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Constructions in progress	\$-	\$99,150	\$-	\$99,150
Total capital assets not being depreciated	-	99,150	-	99,150
Capital assets, being depreciated:				
Equipment pool	-	1,464,766	-	1,464,766
Total capital assets being depreciated	-	1,464,766	-	1,464,766
Less accumulated depreciation for:				
Equipment pool	-	(99,187)	-	(99,187)
Total accumulated depreciation	-	(99,187)	-	(99,187)
Total capital assets, being depreciated, net	-	1,365,579	-	1,365,579
Capital assets, net	\$-	\$1,464,729	\$-	\$1,464,729

Depreciation expense for the year ended June 30, 2025 amounted to \$99,187.

**NOTE 5      CAPITAL CONTRIBUTION FROM GENERAL FUND TO INTERNAL SERVICE FUND**

During the fiscal year, the General Fund transferred \$1,368,434 of capital assets to the Internal Service Fund to enhance fleet management operations. The transaction is reported as a capital outlay expenditure in the General Fund and as a capital contribution in the Internal Service Fund. In accordance with GASB Statement No. 34, transfers of capital assets between governmental and proprietary funds that are nonreciprocal in nature and intended for capital purposes are recognized as capital contributions by the receiving proprietary fund. Although the General Fund does not retain ownership of the assets, the expenditure classification appropriately reflects the use of governmental resources to invest in long-term internal service capacity.

**NOTE 6      SUBSEQUENT EVENTS**

The City has evaluated events or transactions subsequent to June 30, 2025, to assess the need for potential recognition or disclosure in the financial statement. Such events were evaluated through November 12, 2025, the date the financial statement was 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, the major fund, and the aggregate remaining fund information of the Measure H Funds of the City of Modesto, California (the City) as of and for the year ended June 30, 2025, the budgetary comparison statement for the general fund for the year then ended June 30, 2025, and the related notes to the basic fund financial statements, which collectively comprise the Measure H Funds 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 City’s internal control over the Measure H Funds’ financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 entity'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 City's Measure H Funds 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 City's Measure H Funds 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 City'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 City'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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