

CITY OF
Modesto, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2000

CITY OF MODESTO
 June 30, 2000
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December 1, 2000

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Modesto:

The Comprehensive Annual Financial Report of the City of Modesto for the fiscal year ended June 30, 2000, prepared by the Finance Department, is hereby submitted. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentations, including all disclosures, rests with the City. We believe the data are accurate in all material respects and fairly represent the financial position and results of operations of the City as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to understand the City's financial affairs have been included.

The comprehensive annual financial report has three sections: introductory, financial, and statistical. The introductory section consists of this transmittal letter, an organization chart, and the Certificate of Achievement for Excellence in Financial Reporting presented by the Government Finance Officers Association for the City's June 30, 1999 report, the sixteenth consecutive year in which the City has been so recognized. The financial section includes the general-purpose financial statements, the combining and individual fund and account group statements and schedules, and the independent auditor's report on the financial statements and schedules. The notes to the general-purpose financial statements explain the basis of accounting used, define the various fund types and account groups, and provide required disclosure information. The statistical section includes selected demographic data, financial trends, and the fiscal capacity of the City, and is generally presented for more than one year. This section also includes continuing disclosure requirements information on bonds issued after July 3, 1995, as required by Securities and Exchange Commission Rule 15 (c)2-12.

This report includes all City funds and accounts. In addition, the following component units are included because, among other reasons, their governing boards consist of all seven members of the City Council: Modesto Municipal Sewer District No. 1, the Redevelopment Agency of the City of Modesto, and the Modesto Public Financing Authority. The Tuolumne River Regional Park, Stanislaus Drug Enforcement Agency, City-County Capital Improvements and Financing Agency, Stanislaus Waste-to-Energy Financing Agency, Criminal Justice Training Agency and Regional Fire Training Center are considered joint ventures or jointly governed organizations, and appropriate disclosures have been made in Note IV-G.

The City provides all services typically associated with a municipality. These include police and fire protection; highway, street, and other infrastructure construction and maintenance; sanitation; planning and zoning; recreational activities and cultural events; and administrative services. Parking and airport facilities, water, sewer, storm drainage, and bus services are also provided.

Local Economy and Outlook

Modesto is the retail, service and financial center of Stanislaus County. About 250 major industrial plants are located in the Modesto area, including some of the largest food and beverage processing facilities in the United States. Manufacturing accounts for about one-fifth of the County's wage and salary workers. The County has more than 800,000 acres of farmland and ranks in the top 10 counties nationwide in sales of agricultural products. Continued growth in the service and retail sectors has led toward a more diversified economy.

The local economy continued to improve during 1999-2000. Building permit valuation was up for the fifth consecutive year, increasing by 23 percent over the prior year. Permits issued for new construction, remodeling and expansion of commercial buildings totaled 2,081. The number of permits for new single family residences rose to 1,553, and increase of over 85% from the prior year.

Retail facilities and sales increased during the year. Several large retail facilities opened stores, including a major bookseller. Modest growth in the industrial sector resulted primarily from expansions of existing businesses. The economic growth has contributed to an improved employment picture. The State Employment Development Department reported that the Modesto area's average unemployment rate for calendar year 1999 was 10.6% compared to 12.3% in 1998. The most recent data available, for October 2000, shows the area's current unemployment rate to be 9.0%.

Major Initiatives

The new seven-level City-County administration building opened its doors to the public in November 1999. The building, known as Tenth Street Place, houses about 600 government employees and also contains retail and other private sector components. This project was made possible by a partnership between the public and private sectors, and the result is a unified center for retail, commercial and government services. Modesto Redevelopment Agency, the City of Modesto, Stanislaus County and Civic Partners Modesto, Inc., created the partnership and solved mutual office space requirements for the City and County, as well as adding needed private office and retail space.

Redevelopment continues to revitalize Modesto. It has helped to create new jobs, new entertainment and dining destinations downtown, and Tenth Street Place, demonstrating that the value of redevelopment is its ability to inspire alliances between various sectors of the community.

Work also neared completion on the new police headquarters building. This facility will house the Office of the Chief of Police, the Support Bureau, and the Investigative Service Division, alleviating current overcrowding of police personnel. The project also includes additional parking and expansion of the department's fleet maintenance shop. The existing police building will be renovated to accommodate the Field Operations Division.

Proposition 218 is a state voter approved initiative that changed the basis of certain government charges. During the fiscal year ended June 30, 1999, a lawsuit between the City and the Stanislaus County and Howard Jarvis Taxpayers Groups was settled. The settlement resulted in the curtailment of about \$3.4 million in annual transfers from the Water and Sewer Enterprise Funds to the General Fund.

Right on track, the Modesto Amtrak Station opened its doors on October 31, 1999. A four-year project from concept to completion, the new station features a 3,000 square-foot waiting area and ticket office complete with

baggage claim, restrooms and bicycle lockers, a 700-foot lighted platform, and parking for 150 automobiles. The City also provides transit service to the new station.

Financial Information

The City's accounting system has been developed and maintained with due consideration given to the adequacy of internal controls. These controls are designed to provide reasonable, but not absolute, assurance that assets are adequately safeguarded from waste, fraud and inefficient use. The system produces financial records which allow for the preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of a control should not exceed its benefits. The evaluation of costs and benefits requires estimates and judgments by management.

Budgetary control is maintained to ensure compliance with legal provisions of the annual appropriated budget as approved and modified by the City Council. As purchase orders are issued, corresponding amounts are encumbered for later payment so that appropriations may not be overspent. More specific information on the budgetary process may be found in the notes to the financial statements (Note II-A).

General Government Functions

Revenues for general governmental functions, as recorded in the general, special revenue, capital projects, and debt service funds, totaled \$105,765,437 for the year ended June 30, 2000, an increase of 10.5 percent over the prior year. The revenues from various sources and the increase or decrease from the prior year are summarized in the following table:

<u>Revenue Source</u>	<u>Year ended June 30, 2000</u>		<u>Increase/(Decrease) From Year ended June 30, 1999</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent</u>
Taxes	\$56,574,567	53.5%	\$4,249,259	8.1%
Licenses and permits	122,669	.1	(4,513)	(3.5)
Intergovernmental	25,643,557	24.2	987,047	4.0
Charges for services	16,627,710	15.7	4,876,538	41.5
Special assessments levied	284,317	.3	104,003	57.7
Interest and rent	4,411,006	4.2	(458,927)	(9.4)
Net decrease in fair value of investments	(737,453)	(.7)	(354,992)	(92.8)
Fines and forfeits	1,280,123	1.2	(49,645)	(3.7)
Miscellaneous	<u>1,558,941</u>	<u>1.5</u>	<u>659,073</u>	73.2
	<u>\$105,765,437</u>	<u>100.0%</u>	<u>\$10,007,844</u>	

Sales and use, utility users, general property, and other taxes produced 53.5 percent of general revenues, compared with 54.6 percent in fiscal year 1999. Tax revenues increased, primarily in the areas of sales and use tax and general property tax, as a result of the overall upswing in the local economy as well as a one-time reimbursement of \$410,000 of previous property tax takeaways by the State. The continuing improvement in building activity was responsible for the increase in charges for services. The decrease in interest and rent

was mostly attributable to the reduction in construction bond proceeds, due to payments related to the Tenth Street Place project. Miscellaneous revenue increased in several areas, including an environmental insurance settlement and increased state mandated cost recoveries.

Total expenditures for general governmental purposes, as recorded in the governmental fund types, were \$115,052,255, an increase of .2 percent over the prior year. Increases or decreases in levels of expenditures for major functions of the City from the preceding year were:

<u>1999</u>	<u>Year Ended June 30, 2000</u>		<u>Increase/(Decrease) From</u> <u>Year ended June 30,</u>	
	<u>Function</u>	<u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Amount</u>
General government	\$10,808,432	9.4%	\$ 206,563	1.9%
Highways and streets	14,150,611	12.3	1,861,758	15.1
Public works	4,444,216	4.0	(471,469)	(9.6)
Parks and recreation	10,661,706	9.3	659,789	6.6
Public safety	45,912,600	39.9	(557,951)	(1.2)
Capital outlay expenditures	22,018,742	19.0	(1,503,604)	(6.4)
Debt service	<u>7,055,948</u>	<u>6.1</u>	<u>(20,956)</u>	<u>(0.3)</u>
	<u>\$115,052,255</u>	<u>100.0%</u>	<u>\$174,130</u>	

The increase in highways and streets expenditures was primarily due to continuing activity during 2000 on the 9th Street railroad track relocation, as well as the Briggsmore Ave. pavement rehabilitation project and other street projects funded by gas tax and grants. A large expenditure by the Fire Department for breathing apparatus was made in fiscal year 1999, resulting in lower public safety expenditures for the current year. Most of the decrease in capital outlay expenditures was related to reduced expenditures incurred on the police administration building project.

Fund Balances

Fund balances in the major governmental funds were maintained at positive levels.

General Fixed Assets

Net capital additions (excluding transfers from construction in progress) during the year amounted to \$1,163,046 in the general fixed assets account group. Construction in progress at year end was valued at \$32,295,097. Net changes in capitalized assets for the year were as follows:

Land	\$ 689,872
Buildings	661
Improvements other than buildings	(96,311)
Furnishings and equipment	<u>568,824</u>
	<u>\$1,163,046</u>

Proprietary Fund Operations

Current year proprietary operations (airport, bus service, sewer, storm drain, water, parking, golf, community center, and the internal service funds) resulted in an increase of \$9,174,326 to retained earnings.

The following summary compares proprietary fund operations for the fiscal years ended June 30, 1999 and 2000:

	<u>Year Ended June 30</u>		Increase
	<u>2000</u>	<u>1999</u>	<u>(Decrease)</u>
Total operating revenues	\$ 91,878,228	\$ 93,054,165	\$(1,175,937)
Total operating expenses	<u>93,716,622</u>	<u>102,308,562</u>	<u>(8,591,940)</u>
Operating income	(1,838,394)	(9,254,397)	7,416,003
Nonoperating revenues/(expenses)	6,685,961	5,452,107	1,233,854
Net operating transfers in (out)	<u>(1,070,589)</u>	<u>(3,671,303)</u>	<u>2,600,714</u>
Net income (loss)	3,776,978	(7,473,593)	11,250,571
Add: Depreciation that reduces contributed capital	<u>5,397,348</u>	<u>5,456,729</u>	<u>(59,381)</u>
Net increase (decrease) in retained earnings	<u>\$ 9,174,326</u>	<u>\$ (2,016,864)</u>	<u>\$11,191,190</u>

Operating expenses decreased primarily in the Employee Benefits Management Fund, because of a large one-time expense in the prior year due to a change in the actuarial sick leave liability. In the same fund, premium assessments from operating departments, reported as operating revenue, and operating expenses both decreased due to lower rates paid to the Public Employees Retirement System. Bus fund operating grants increased, which accounts for the majority of the change in non-operating revenues/(expenses). Net operating transfers out were reduced, primarily due to the curtailment of certain transfers from the Water and Sewer Enterprise Funds to the General Fund.

Debt Administration

On June 30, 2000, \$3.2 million of special assessment debt with government commitment, \$32.8 million of certificates of participation, \$64.7 million of lease revenue bonds, and obligations under capital leases totaling \$1.1 million were outstanding in the General Long-Term Debt Account Group. Enterprise fund long-term debt consisted of \$44.0 million of sewer revenue bonds, \$21.5 million of water system improvement certificates of participation, and a loan payable to the State Department of Water Resources in the amount of \$3.1 million. A liability in the amount of \$2.8 million was outstanding for advances in aid of construction. Internal Service Funds owed \$.3 million on capital lease transactions.

Cash Management

Under Section 2-3.401 of the Modesto Municipal Code, the Finance Department is responsible for depositing and investing funds in accordance with sound treasury management principles and applicable laws. The City's investment policy is reviewed and approved annually by the City Council. Direct responsibility for managing the City's investment portfolio rests with the Finance Director. Investments are made in accordance with the following criteria, in order of priority: safety, liquidity, and yield.

The City is in compliance with all statutory provisions of the California State Code which regulates the financial affairs of cities. Investments are secured by the maximum collateral required under law, with maturities laddered at all times to ensure cash is available when needed. Investments of City funds are limited to the following:

- a) U.S. Government securities
- b) Certificates of deposit (or time deposits) with commercial banks and savings and loan institutions
- c) Bankers acceptances (prime only)
- d) Negotiable certificates of deposit
- e) Commercial paper (rated A-1 Moody's and P-1 Standard and Poor's)
- f) Local Agency Investment Fund
- g) Repurchase agreements
- h) Passbook savings account demand deposits
- i) Other investments as may be authorized by the State

Cash temporarily idle during the past year was invested primarily in U.S. Treasury securities, federal agency issues, and the State of California Local Agency Investment Fund. The rates of interest earned ranged from 5.27 to 7.33 percent and the amount of interest earned was \$5,272,372. Investments held on June 30, 2000 had maturities ranging from one day to five years, with 28 percent available with a one day notice from the Local Agency Investment Fund.

Risk Management

The City is self-insured against liability and workers' compensation claims. As protection against catastrophic loss, the City is a member of the Authority for California Cities Excess Liability (ACCEL). Members fund a pool to finance large losses. The City continues its proactive liability risk management role through careful monitoring of losses, working closely with ACCEL's third party claims administrator, and designing and implementing programs to minimize risks and reduce losses. In addition, the City's risk management division manages workers' compensation issues by inspecting work conditions and organizing safety training programs to reduce employee exposure to hazards.

OTHER INFORMATION

Independent Audit

The City of Modesto City Charter and Municipal Code require that a complete financial statement and report on the finances of the City be submitted to the City Council at the end of each fiscal year. The Charter also requires an annual audit of the books of account, financial records and transactions of all City departments by an independent certified public accountant selected by the City Council. The accounting firm of Macias, Gini & Company LLP was selected in 1999 to perform the City's annual financial audits for a period of three years. The auditor's report on the general purpose financial statements and combining and individual fund and account group statements and schedules is included in the financial section of this report. In addition to meeting the City Charter audit requirements, the audit was also designed to meet the

requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The auditor's reports related specifically to the Single Audit will be presented separately at a later date.

Awards

For the sixteenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Modesto for its comprehensive annual financial report for the fiscal year ended June 30, 1999. The City also received the Outstanding Award for Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the same report. To receive this recognition, the City must publish an easily readable and efficiently organized report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. Both awards are valid for a period of one year only. Staff believes that the current comprehensive annual financial report continues to meet the requirements of both programs, and it will be submitted to the GFOA and CSMFO to determine its eligibility.

Acknowledgments

The Comprehensive Annual Financial Report is the result of the cooperative work of many people. We wish to convey our appreciation to them and, in particular, commend the Accounting Division staff responsible for preparation of the report.

Respectfully submitted,

Jack R. Crist
City Manager

Robert V. Stout
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Modesto,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

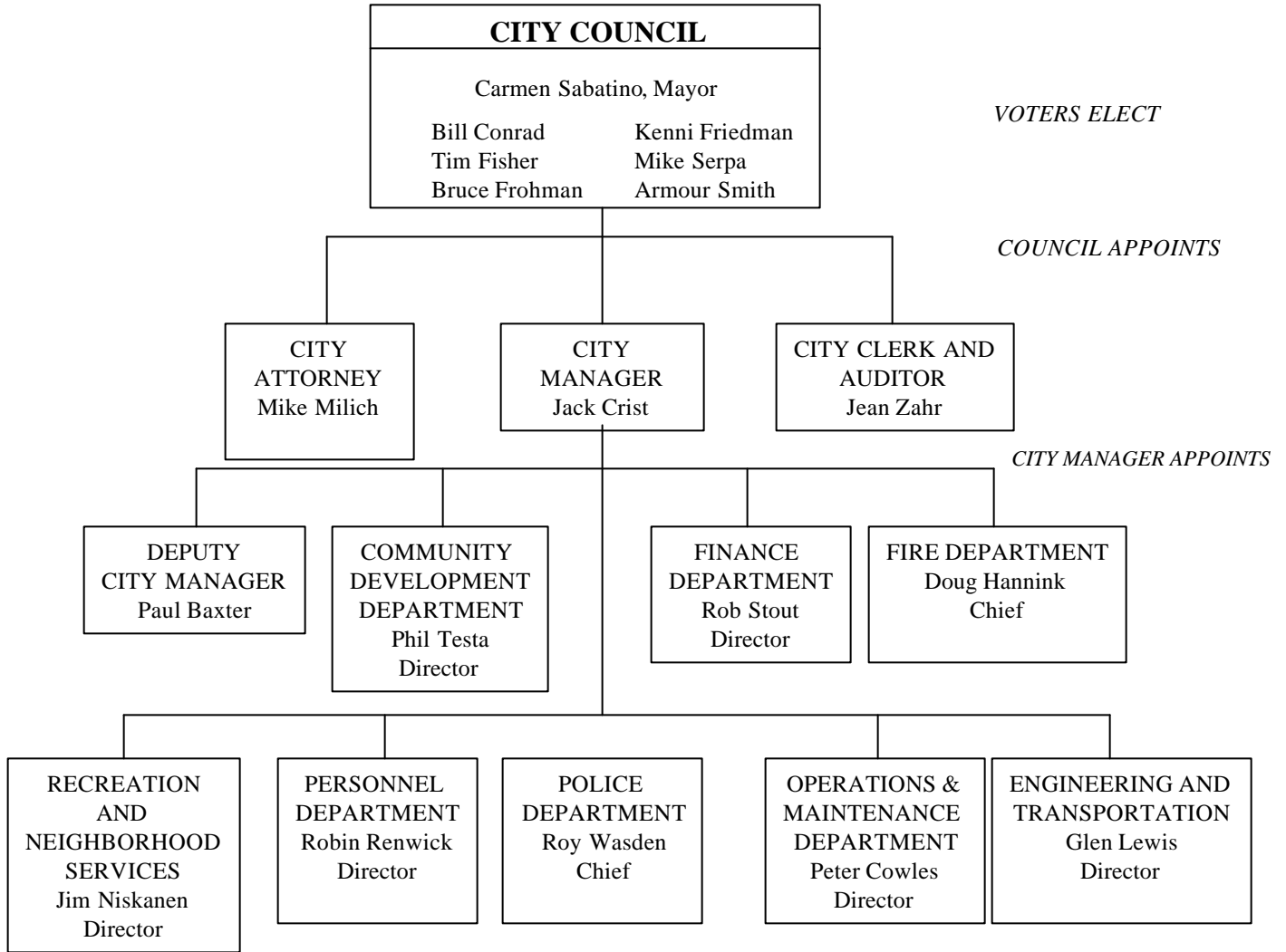
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinsey
President

Jeffrey L. Esser
Executive Director

CITY OF MODESTO



Advisory Boards, Commissions and Committees

Equal Opportunity/Disability Commission
 Airport Advisory Committee
 Board of Building Appeals
 Board of Zoning Adjustments
 Citizen Housing & Community Development
 Citizens Advisory Committee on Recycling
 Community Qualities Forum
 Culture Commission
 Disabled Access Appeals Board
 Downtown Improvement District Advisory Board

Economic Development Loan Committee
 Golf Course Committee
 Housing Maintenance & Counseling Committee
 Housing Rehabilitation Loan Committee
 Human Relations Commission
 Landmark Preservation Commission
 Planning Commission
 Tuolumne River Regional Park Citizens Advisory Committee
 Youth Commission

Prepared by
Finance Department

GENERAL- PURPOSE FINANCIAL STATEMENTS

These statements provide an overview of the financial position and the operating results of all fund types and account groups. They also serve as an introduction to the more detailed statements and schedules which follow. Separate columns are used for each fund type and account group.

CITY OF MODESTO
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2000
(With comparative totals for June 30, 1999)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>ASSETS AND OTHER DEBITS</u>				
Cash and cash equivalents (Note III-A)	\$ 16,657,847	\$ 1,247,480	\$ 16,974,930	\$ 337,498
Cash and cash equivalents with fiscal agent (Note III-A)		2,246,130	8,445,010	8,718,800
Receivables:				
Accounts	1,283,864	85,789	146,539	48,510
Taxes	3,757,709			27,195
Special assessments				1,106,603
Notes (Note III-J)	92,283	10,061,268	1,182,830	
Due from governments	55,715	3,926,696	434,549	
Due from other funds (Note III-F)	2,530,000		601,664	
Property held for resale			577,205	
Inventories				
Prepaid expenses/expenditures				
Restricted assets - cash and cash equivalents (Note III-A)				
Advances to other funds (Note III-F)	1,726,198	20,000	100,000	
Loans to other funds (Note III-F)	6,443,500	74,050	1,000,000	
Unamortized costs of issuance				
General fixed assets (Note III-B)				
Proprietary funds - land, buildings, and equipment, net of depreciation (Note III-B)				
Amount available for debt service				
Amount to be provided for payment of long-term debt				
Total assets and other debits	<u>\$ 32,547,116</u>	<u>\$ 17,661,413</u>	<u>\$ 29,462,727</u>	<u>\$ 10,238,606</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
\$ 28,735,091	\$ 25,456,259	\$ 574,420			\$ 89,983,525	\$ 82,228,808
7,463,164					26,873,104	46,576,757
5,844,742	167,307				7,576,751	7,620,496
2,439					3,787,343	3,289,998
	82,906				1,106,603	1,313,987
5,166,087					11,419,287	10,686,975
					9,583,047	8,727,370
					3,131,664	1,222,000
					577,205	577,205
	451,084				451,084	398,111
						49,318
3,313,404		1,342,204			4,655,608	6,619,215
					1,846,198	1,896,206
					7,517,550	7,517,550
1,074,281					1,074,281	1,140,346
			\$ 104,235,819		104,235,819	87,260,049
252,831,986	13,042,965				265,874,951	258,083,285
				\$ 8,532,074	8,532,074	11,291,213
				92,217,974	92,217,974	91,293,838
<u>\$ 304,431,194</u>	<u>\$ 39,200,521</u>	<u>\$ 1,916,624</u>	<u>\$ 104,235,819</u>	<u>\$ 100,750,048</u>	<u>\$ 640,444,068</u>	<u>\$ 627,792,727</u>

(Continued)

CITY OF MODESTO
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
June 30, 2000
(With comparative totals for June 30, 1999)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>				
Liabilities:				
Accounts payable and accrued expenses/expenditures	\$ 3,421,350	\$ 583,622	\$ 3,394,729	\$ 556
Approved loans payable (Note III-K)		357,292		
Interest payable				
Due to other funds (Note III-F)		1,900,000	325,000	601,664
Current portion - compensated absences (Note I-C 6)				
Current portion - claims liability (Note IV-A)				
Current portion - long-term debt (Notes III-C and III-D)				
Current portion - developer advances (Note III-E)				
Deferred revenues	1,142,545	608,706		1,104,312
Payable from restricted assets:				
Refundable deposits				
Advances from other funds (Note III-F)			303,898	
Loans from other funds (Note III-F)			7,517,550	
Special assessment debt with government commitment (Note III-C)				
Revenue bonds payable (Note III-C)				
Loans payable (Note III-C)				
Obligations under capital leases (Note III-D)				
Lease revenue bonds (Note III-C)				
Certificates of participation (Note III-C)				
Compensated absences (Note I-C 6)				
Claims liability (Note IV-A)				
Developer advances (Note III-E)				
Total liabilities	<u>4,563,895</u>	<u>3,449,620</u>	<u>11,541,177</u>	<u>1,706,532</u>
Equity and other credits:				
Contributed capital (Note III-G)				
Investment in general fixed assets				
Retained earnings-unreserved				
Fund balances (deficits): (Note III-H)				
Reserved	8,971,413	12,099,608	5,816,943	8,532,074
Unreserved/designated:				
For carryover projects		49,940	7,479,638	
For pending projects		2,062,245	10,183,217	
For subsequent year expenditures	5,955,952			
For departmental savings	3,310,407			
For future operations				
Unreserved/undesignated	<u>9,745,449</u>		<u>(5,558,248)</u>	
Total equity and other credits	<u>27,983,221</u>	<u>14,211,793</u>	<u>17,921,550</u>	<u>8,532,074</u>
Total liabilities, equity and other credits	<u>\$ 32,547,116</u>	<u>\$ 17,661,413</u>	<u>\$ 29,462,727</u>	<u>\$ 10,238,606</u>

See notes to general-purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
\$ 3,041,289	\$ 949,410				\$ 11,390,956	\$ 18,129,467
					357,292	14,531
749,598	14,085				763,683	785,068
305,000					3,131,664	1,222,000
	5,659,786				5,659,786	5,291,162
	3,844,987				3,844,987	3,793,221
1,778,672	177,743				1,956,415	1,885,661
132,674					132,674	132,448
3,225,472					6,081,035	5,936,577
845,567		\$ 1,342,204			2,187,771	2,131,539
1,079,300	463,000				1,846,198	1,896,206
					7,517,550	7,517,550
				\$ 3,160,000	3,160,000	3,395,000
44,009,341					44,009,341	44,974,022
3,056,370					3,056,370	3,220,042
	276,542			60,048	336,590	1,219,790
				64,730,000	64,730,000	64,835,000
21,518,612				32,800,000	54,318,612	55,481,701
	20,209,562				20,209,562	19,281,168
	5,492,131				5,492,131	6,020,815
2,761,861					2,761,861	2,894,535
<u>82,503,756</u>	<u>37,087,246</u>	<u>1,342,204</u>		<u>100,750,048</u>	<u>242,944,478</u>	<u>250,057,503</u>
106,833,400	7,229,686				114,063,086	115,849,392
			\$ 104,235,819		104,235,819	87,260,049
115,094,038	(5,116,411)				109,977,627	101,778,636
		574,420			35,994,458	44,590,290
					7,529,578	16,209,490
					12,245,462	6,161,105
					5,955,952	
					3,310,407	2,296,826
						7,496,726
					4,187,201	(3,907,290)
<u>221,927,438</u>	<u>2,113,275</u>	<u>574,420</u>	<u>104,235,819</u>		<u>397,499,590</u>	<u>377,735,224</u>
<u>\$ 304,431,194</u>	<u>\$ 39,200,521</u>	<u>\$ 1,916,624</u>	<u>\$ 104,235,819</u>	<u>\$ 100,750,048</u>	<u>\$ 640,444,068</u>	<u>\$ 627,792,727</u>

CITY OF MODESTO
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	General	Special Revenue
REVENUES:		
Taxes	\$ 51,458,287	\$ 3,307,140
Licenses and permits	122,669	
Intergovernmental	11,690,875	13,515,235
Charges for services	7,378,487	226,840
Special assessments levied	110,849	
Interest and rent	1,594,992	112,471
Net increase (decrease) in fair value of investments	(356,348)	(9,224)
Fines and forfeits	553,840	726,283
Miscellaneous	1,185,348	62,541
Total revenues	73,738,999	17,941,286
EXPENDITURES:		
Current:		
General government	10,705,035	103,397
Highways and streets	3,930,831	10,219,780
Public works	1,204,865	3,239,351
Parks and recreation	10,661,706	
Public safety	45,912,600	
Capital outlay		
Debt service:		
Principal retirement	805,003	
Interest	55,318	
Cost of issuance		
Other		
Total expenditures	73,275,358	13,562,528
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	463,641	4,378,758
OTHER FINANCING SOURCES (USES):		
Operating transfers in (Note III-I)	5,329,915	2,217,343
Operating transfers out (Note III-I)	(2,546,258)	(6,008,714)
Proceeds of community facilities district bonds		
Sale of assets	5,494,407	
TOTAL OTHER FINANCING SOURCES (USES)	8,278,064	(3,791,371)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,741,705	587,387
FUND BALANCES, July 1 (as restated)	19,394,216	13,634,270
Residual equity transfers out (Note III-I)	(152,700)	(9,864)
FUND BALANCES, June 30	\$ 27,983,221	\$ 14,211,793

See notes to general-purpose financial statements.

Capital Projects	Debt Service	Totals (Memorandum Only)	
		2000	1999
\$ 677,550	\$ 1,131,590	\$ 56,574,567	\$ 52,325,308
		122,669	127,182
393,291	44,156	25,643,557	24,656,509
9,022,383		16,627,710	11,751,172
	173,468	284,317	180,314
1,994,164	709,379	4,411,006	4,869,933
(373,871)	1,990	(737,453)	(382,461)
		1,280,123	1,329,768
<u>311,052</u>		<u>1,558,941</u>	<u>899,868</u>
<u>12,024,569</u>	<u>2,060,583</u>	<u>105,765,437</u>	<u>95,757,593</u>
		10,808,432	10,601,869
		14,150,611	12,288,853
		4,444,216	4,915,685
		10,661,706	10,001,917
		45,912,600	46,470,551
22,018,742		22,018,742	23,522,346
	1,030,000	1,835,003	1,841,619
	5,125,795	5,181,113	5,199,221
			1,749
	<u>39,832</u>	<u>39,832</u>	<u>34,315</u>
<u>22,018,742</u>	<u>6,195,627</u>	<u>115,052,255</u>	<u>114,878,125</u>
<u>(9,994,173)</u>	<u>(4,135,044)</u>	<u>(9,286,818)</u>	<u>(19,120,532)</u>
1,015,567	2,081,432	10,644,257	12,416,248
(313,169)	(705,527)	(9,573,668)	(8,744,945)
			2,025,000
		<u>5,494,407</u>	
<u>702,398</u>	<u>1,375,905</u>	<u>6,564,996</u>	<u>5,696,303</u>
(9,291,775)	(2,759,139)	(2,721,822)	(13,424,229)
27,313,890	11,291,213	71,633,589	85,234,966
<u>(100,565)</u>		<u>(263,129)</u>	<u>(177,148)</u>
<u>\$ 17,921,550</u>	<u>\$ 8,532,074</u>	<u>\$ 68,648,638</u>	<u>\$ 71,633,589</u>

CITY OF MODESTO
GENERAL, SPECIAL REVENUE, AND CAPITAL PROJECTS FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Taxes	\$ 49,530,611	\$ 51,458,287	\$ 1,927,676
Licenses and permits	124,248	122,669	(1,579)
Intergovernmental	12,179,547	11,690,875	(488,672)
Charges for services	6,981,934	7,378,487	396,553
Special assessments levied	86,743	110,849	24,106
Interest and rent	938,468	1,594,992	656,524
Net decrease in fair value of investments		(356,348)	(356,348)
Fines and forfeits	586,936	553,840	(33,096)
Miscellaneous	746,806	1,185,348	438,542
Total revenues	<u>71,175,293</u>	<u>73,738,999</u>	<u>2,563,706</u>
EXPENDITURES:			
Current:			
General government	11,180,836	10,705,035	475,801
Highways and streets	4,208,099	3,930,831	277,268
Public works	1,570,404	1,204,865	365,539
Parks and recreation	10,776,998	10,661,706	115,292
Public safety	47,628,967	45,912,600	1,716,367
Capital outlay			
Debt service:			
Principal retirement	805,006	805,003	3
Interest	66,434	55,318	11,116
Total expenditures	<u>76,236,744</u>	<u>73,275,358</u>	<u>2,961,386</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,061,451)</u>	<u>463,641</u>	<u>5,525,092</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	5,569,023	5,329,915	(239,108)
Operating transfers out	(2,726,466)	(2,546,258)	180,208
Sale of assets	5,500,000	5,494,407	(5,593)
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,342,557</u>	<u>8,278,064</u>	<u>(64,493)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>3,281,106</u>	<u>8,741,705</u>	<u>5,460,599</u>
FUND BALANCES, July 1 (as restated)	19,394,216	19,394,216	
Residual equity transfers out	(152,700)	(152,700)	
FUND BALANCES (DEFICITS), June 30	<u>\$ 22,522,622</u>	<u>\$ 27,983,221</u>	<u>\$ 5,460,599</u>

See notes to general-purpose financial statements.

Special Revenue Fund Types		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 3,062,490	\$ 3,307,140	\$ 244,650
43,665,564	13,515,235	(30,150,329)
263,144	226,840	(36,304)
65,837	112,471	46,634
	(9,224)	(9,224)
550,000	726,283	176,283
	62,541	62,541
<u>47,607,035</u>	<u>17,941,286</u>	<u>(29,665,749)</u>
328,276	103,397	224,879
35,728,578	10,219,780	25,508,798
9,370,625	3,239,351	6,131,274
<u>45,427,479</u>	<u>13,562,528</u>	<u>31,864,951</u>
<u>2,179,556</u>	<u>4,378,758</u>	<u>2,199,202</u>
2,238,174	2,217,343	(20,831)
(6,219,222)	(6,008,714)	210,508
<u>(3,981,048)</u>	<u>(3,791,371)</u>	<u>189,677</u>
(1,801,492)	587,387	2,388,879
13,634,270	13,634,270	
(9,864)	(9,864)	
<u>\$ 11,822,914</u>	<u>\$ 14,211,793</u>	<u>\$ 2,388,879</u>

Capital Projects Fund Types		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 866,720	\$ 677,550	\$ (189,170)
3,409,950	393,291	(3,016,659)
6,407,915	9,022,383	2,614,468
197,119	1,994,164	1,797,045
	(373,871)	(373,871)
52,334	311,052	258,718
<u>10,934,038</u>	<u>12,024,569</u>	<u>1,090,531</u>
45,646,606	22,018,742	23,627,864
<u>45,646,606</u>	<u>22,018,742</u>	<u>23,627,864</u>
<u>(34,712,568)</u>	<u>(9,994,173)</u>	<u>24,718,395</u>
1,115,340	1,015,567	(99,773)
(334,000)	(313,169)	20,831
<u>781,340</u>	<u>702,398</u>	<u>(78,942)</u>
(33,931,228)	(9,291,775)	24,639,453
33,675,787	27,313,890	(6,361,897)
(100,565)	(100,565)	
<u>\$ (356,006)</u>	<u>\$ 17,921,550</u>	<u>\$ 18,277,556</u>

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			2000	1999
OPERATING REVENUES:				
Charges for services	\$ 55,029,320	\$ 36,712,863	\$ 91,742,183	\$ 92,974,748
Sales		2,735,984	2,735,984	1,932,974
Cost of sales		(2,599,939)	(2,599,939)	(1,853,557)
Total operating revenues	<u>55,029,320</u>	<u>36,848,908</u>	<u>91,878,228</u>	<u>93,054,165</u>
OPERATING EXPENSES:				
Salaries and wages	6,876,547	2,370,203	9,246,750	8,773,095
Contractual services	10,340,569	783,255	11,123,824	10,566,874
Utilities	2,667,919	776,897	3,444,816	3,354,987
Maintenance and supplies	8,926,562	2,544,715	11,471,277	9,325,044
Water purchases	10,600,104		10,600,104	10,027,906
Insurance	242,384	5,680,737	5,923,121	6,000,241
Claims expense		3,524,147	3,524,147	5,782,601
Employee benefits	1,841,496	18,208,252	20,049,748	30,225,615
Administration services	5,011,641	404,306	5,415,947	5,099,955
Allocated indirect administrative costs	2,161,486	169,882	2,331,368	2,963,870
Other	238,683	136,393	375,076	355,733
Depreciation	8,230,084	1,980,360	10,210,444	9,832,641
Total operating expenses	<u>57,137,475</u>	<u>36,579,147</u>	<u>93,716,622</u>	<u>102,308,562</u>
OPERATING INCOME (LOSS)	<u>(2,108,155)</u>	<u>269,761</u>	<u>(1,838,394)</u>	<u>(9,254,397)</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	4,456,985		4,456,985	2,025,312
Loss on disposition of fixed assets	(176,138)	(371,062)	(547,200)	(617,411)
Taxes	2,197,278		2,197,278	2,333,013
Interest income	1,928,168	1,186,321	3,114,489	3,110,898
Net decrease in fair value of investments	(352,746)	(232,588)	(585,334)	(615,942)
Rental income	323,525		323,525	326,429
Interest expense	(2,141,663)	(29,911)	(2,171,574)	(1,007,474)
Amortization of bond discount	(36,143)		(36,143)	(36,143)
Amortization of costs of issuance	(66,065)		(66,065)	(66,575)
Total nonoperating revenues (expenses)	<u>6,133,201</u>	<u>552,760</u>	<u>6,685,961</u>	<u>5,452,107</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>4,025,046</u>	<u>822,521</u>	<u>4,847,567</u>	<u>(3,802,290)</u>
Operating transfers in (Note III-I)	790,649	158,005	948,654	1,231,898
Operating transfers out (Note III-I)	(1,148,254)	(870,989)	(2,019,243)	(4,903,201)
Total operating transfers in (out)	<u>(357,605)</u>	<u>(712,984)</u>	<u>(1,070,589)</u>	<u>(3,671,303)</u>
NET INCOME (LOSS)	<u>3,667,441</u>	<u>109,537</u>	<u>3,776,978</u>	<u>(7,473,593)</u>
Depreciation charged to contributed capital	4,871,343	526,005	5,397,348	5,456,729
Increase (decrease) in retained earnings	8,538,784	635,542	9,174,326	(2,016,864)
RETAINED EARNINGS (DEFICITS), July 1	<u>107,530,589</u>	<u>(5,751,953)</u>	<u>101,778,636</u>	<u>103,795,500</u>
Residual equity transfer out	(975,335)		(975,335)	
RETAINED EARNINGS (DEFICITS), June 30	<u>\$ 115,094,038</u>	<u>\$ (5,116,411)</u>	<u>\$ 109,977,627</u>	<u>\$ 101,778,636</u>

See notes to general-purpose financial statements.

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (2,108,155)	\$ 269,761	\$ (1,838,394)	\$ (9,254,397)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	8,230,084	1,980,360	10,210,444	9,832,641
Rental income	323,525		323,525	326,429
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(61,960)	509,756	447,796	324,195
(Increase) decrease in taxes receivable	1,256		1,256	(310)
(Increase) decrease in notes receivable		(4,734)	(4,734)	1,327
(Increase) decrease in due from governments	8,170		8,170	(33,284)
(Increase) in inventories		(52,973)	(52,973)	(62,425)
Decrease in prepaid expenses	8,368		8,368	1,039
Increase (decrease) in accounts payable and accrued expenses	(1,674,111)	139,180	(1,534,931)	671,204
Increase in due to other funds	305,000		305,000	
(Decrease) in deferred revenue	(900,000)		(900,000)	(759,000)
Increase in compensated absences		1,297,018	1,297,018	9,578,508
Increase (decrease) in claims liability		(476,918)	(476,918)	636,124
Increase in refundable deposits	108,697		108,697	54,007
Total adjustments	<u>6,349,029</u>	<u>3,391,689</u>	<u>9,740,718</u>	<u>20,570,455</u>
Net cash provided by operating activities	<u>4,240,874</u>	<u>3,661,450</u>	<u>7,902,324</u>	<u>11,316,058</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	1,180,064		1,180,064	2,264,018
Taxes received	3,874,288		3,874,288	2,771,668
Taxes paid	(205,380)		(205,380)	(167,173)
Operating transfers in	790,649	158,005	948,654	1,231,898
Operating transfers out	(1,148,254)	(870,989)	(2,019,243)	(4,903,198)
Residual equity transfers out	(145,040)	(126,861)	(271,901)	(42,042)
New advances from other funds				210,000
Net cash provided (used) by noncapital financing activities	<u>4,346,327</u>	<u>(839,845)</u>	<u>3,506,482</u>	<u>1,365,171</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	(15,734,443)	(2,398,870)	(18,133,313)	(25,079,485)
Proceeds from sale of fixed assets	10,000	30,635	40,635	
Principal repayments	(1,836,041)	(237,063)	(2,073,104)	(2,115,228)
Interest paid	(3,878,732)	(36,670)	(3,915,402)	(3,995,011)
Capital grants received	948,242		948,242	427,872
Residual equity transfers in	84,017	451,013	535,030	219,190
Connection fees for capital purposes	2,403,407		2,403,407	2,772,085
Costs of issuance paid				(11,500)
Net cash (used) by capital and related financing activities	<u>\$ (18,003,550)</u>	<u>\$ (2,190,955)</u>	<u>\$ (20,194,505)</u>	<u>\$ (27,782,077)</u>

See notes to general-purpose financial statements.

(continued)

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>	
			<u>2000</u>	<u>1999</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	\$ 2,197,541	\$ 1,160,227	\$ 3,357,768	\$ 3,317,865
Net (decrease) in the fair value of investments	(352,746)	(232,588)	(585,334)	(615,942)
Net cash provided by investing activities	<u>1,844,795</u>	<u>927,639</u>	<u>2,772,434</u>	<u>2,701,923</u>
Net increase (decrease) in cash and cash equivalents	(7,571,554)	1,558,289	(6,013,265)	(12,398,925)
CASH AND CASH EQUIVALENTS, JULY 1	<u>47,083,213</u>	<u>23,897,970</u>	<u>70,981,183</u>	<u>83,380,108</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 39,511,659</u>	<u>\$ 25,456,259</u>	<u>\$ 64,967,918</u>	<u>\$ 70,981,183</u>

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 2000

	<u>Enterprise</u>	<u>Internal Service</u>
Fixed asset additions accrued at year end	\$ 496,415	
Fixed assets transferred from other funds and General Fixed Assets	83,319	\$ 1,477,246
Capitalized interest expense on long-term debt accrued at year end	310,588	
Operating grants accrued at year end	4,018,976	
Capital grants accrued at year end	708,632	
Residual equity transfers out of fixed assets	(975,335)	

CITY OF MODESTO
INVESTMENT TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2000
(With comparative total for year ended June 30, 1999)

	Totals (Memorandum Only)	
	2000	1999
Additions to fund by external pool participants	\$ 843,694	\$ 1,846,078
Deductions from fund by external pool participants	(1,482,832)	(1,798,529)
Net change in investments by external pool participants	(639,138)	47,549
Net assets held in trust for external pool participants July 1	1,213,558	1,166,009
Net assets held in trust for external pool participants June 30	\$ 574,420	\$ 1,213,558

See notes to general-purpose financial statements.

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**NOTES TO
GENERAL- PURPOSE FINANCIAL STATEMENTS**

THESE NOTES ARE AN INTEGRAL PART OF THE
GENERAL - PURPOSE FINANCIAL STATEMENTS

CITY OF MODESTO
NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE FINANCIAL REPORTING ENTITY

The City of Modesto (the City) was incorporated in 1884 and operates under a Council-Manager form of government as authorized by its charter adopted in 1951. The City Council consists of seven elected members. The following services are provided by the City to its citizens: public safety (police and fire), highways and streets, drinking water, wastewater collection and treatment, storm drainage, public transit, recreation and social services, public improvements, community development, planning and zoning, and general administrative services.

These financial statements present the financial status of the City and its component units. The component units discussed in the following paragraphs are included in the City's reporting entity because the City is financially accountable for their operations.

1. The Redevelopment Agency of the City of Modesto (the Agency) was established by the City as a separate legal entity in accordance with state law. The purpose of the Agency is to encourage new investment and reinvestment within legally designated redevelopment areas in partnership with property owners.

2. The Modesto Public Financing Authority was established as a separate legal entity whose sole purpose is to provide financing for various City capital projects.

3. The Modesto Municipal Sewer District is a separate legal entity formed under the Municipal Sewer and Water Facilities Law of 1911. The purpose of the District is to provide financing for needed sewerage facilities in the Modesto urban area.

Although all three component units are legally separate from the City, they are reported on a blended basis as part of the primary government because their boards consist of all seven members of the City Council. Component unit financial statements may be obtained from the City's Finance Department.

The joint ventures and jointly governed organization described in Note IV - G are not considered part of the reporting entity because the City is not financially accountable for their operations.

B. BASIS OF PRESENTATION , BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The accounts of the City are organized on the basis of funds and account groups. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In the general-purpose financial statements in this report, the various funds are grouped into seven generic funds within three broad fund types, and a fourth category of accounting entities, the account groups. They are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than grants for major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations, capital acquisition, and construction that are financed in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. The City accounts for the operations of its sewer, storm drainage and water systems, parking, bus service, airport, golf courses, and community center on this basis.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one City department to other departments on a cost-reimbursement basis including purchasing (supplies), services from the equipment pool and stores inventory, mail services, records management, employee benefit payments, building maintenance, technology and information services, and insurance costs.

Fiduciary Funds

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity.

Agency Funds - Agency Funds are used to account for assets held by the City in an agent capacity. Agency Funds are custodial in nature (assets equal liabilities).

Account Groups

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain accounting control and accountability for the City's investment in land, buildings and equipment which is not accounted for in a Proprietary Fund.

General Long -Term Debt Account Group - Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds. Long-term liabilities directly related to Proprietary Funds are accounted for in those funds.

Basis of Accounting

All Governmental Funds and Agency Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance the expenditures of the current period (susceptible to accrual). Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, business license, transient occupancy, franchise fees and gas taxes), interest, special assessments levied, state and federal grants and charges for current services. Revenues from licenses, permits, fines and forfeits are recorded as received. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

All Proprietary Funds and the Investment Trust Fund are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled utility service receivables are recorded at year-end, using actual amounts billed in July for June services.

Measurement Focus

All Governmental Funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

All Proprietary Funds and the Investment Trust Fund are accounted for on a flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Management's Use of Estimates

Financial statement preparation in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

C. ASSETS, LIABILITIES AND EQUITY

1. Cash and Cash Equivalents

Cash and investments (including restricted assets) held in the City's investment pool are reported as cash and cash equivalents on the combined balance sheet because funds can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents because they are highly liquid. Investments are stated at fair value. Valuations are obtained by using quotations obtained from independent published sources.

2. Restricted Assets - Cash and Cash Equivalents

Proceeds of the Wastewater Revenue Bonds Series 1997, which are held by the City and are set aside for construction purposes, are classified as restricted assets - cash and cash equivalents on the balance sheet because their use is limited by bond covenants.

3. Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due from/due to other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable Governmental Funds to indicate they are not available for appropriation and are not expendable available financial resources.

All property taxes are collected and allocated by the County of Stanislaus to the various taxing entities. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of January 1.

Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The City participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the City based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The City considers property tax as available if it is received within 60 days after year end.

Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the Governmental Funds when they are both measurable and available, as required by Governmental Accounting Standards Board Statement 22. The City considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur. Historically, the majority of these charges are paid within 31 days of the fiscal year end; therefore, revenue from taxpayer-assessed taxes is accrued if it is received by July 31.

Grants, entitlements or shared revenues are recorded as receivables and revenues in the General, Special Revenue and Capital Projects Funds when they are received or susceptible to accrual. Grants awarded for Proprietary Fund operating purposes are recorded as receivables and nonoperating revenues when they are earned and are measurable. Grants awarded to Proprietary Funds which are restricted to the acquisition or construction of capital assets are recorded as contributed capital when earned. The total amount due from governments for grants, entitlements, and shared receivables and revenues at June 30, 2000 is \$9,583,047.

Utility service accounts receivable are reported net of \$470,202 allowance for doubtful collections.

4. Inventories

Inventories of material and supplies held by Proprietary Funds are stated at average cost. Materials and supplies used by Governmental Funds are recorded as an expenditure at the time they are purchased or obtained from the Internal Service Funds.

5. Land, Buildings and Equipment

Land, buildings and equipment owned by Enterprise and Internal Service Funds are stated at historical cost where available and at estimated historical cost when original cost was not available. Depreciation is recorded using the straight line method over the estimated useful lives of the assets, which are 75 years for pipelines, 30 years for buildings, 20 years for improvements, 12 years for buses, and 10 years for furnishings and equipment. Operating expenses include depreciation on all depreciable fixed assets. Depreciation recognized on assets acquired or constructed through external resources restricted to capital acquisition is closed to contributed capital. Interest is capitalized on Proprietary Fund assets acquired with tax-exempt debt. The amount of interest capitalized is determined by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest earned on invested proceeds over the same period. \$1,582,800 of net interest expense on tax-exempt debt was capitalized in the Enterprise Funds during the fiscal year ended June 30, 2000.

Land, buildings and equipment of the General Fixed Assets Account Group are stated at historical cost, except that estimated historical cost was used when original cost was not available. Donated assets are stated at estimated market value at date of donation.

Capital leases are recorded as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term.

Depreciation is not recorded for general fixed assets. Public domain fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the City are recognized as expenditures, but are not recorded in the General Fixed Assets Account Group.

Newly acquired real property expected to be resold is recorded as "property held for resale" in the Governmental Funds. The reason such assets are not reported in the General Fixed Assets Account Group is that they are expected to be converted to cash in the ordinary course of their life, rather than used to provide services. Property held for resale is reported at the lower of cost or market value. As of June 30, 2000, the Redevelopment Agency had completed the process of acquiring property used for a mixed-use retail/government office complex in the downtown area. Property valued at \$557,205 is recorded in the Redevelopment Agency Capital Projects Fund and is to be sold, at cost, to the City-County Capital Improvements and Financing Authority.

6. Compensated Absences

All earned vacation, holiday, and compensating time, and a portion of accumulated sick leave payable upon termination or retirement, are accrued in the Employee Benefits Management Fund as compensated absences. Estimated sick leave termination payments have been calculated using the Governmental Accounting Standards Board Statement 16 vesting method. Under this method, a liability is accrued for a portion of the sick leave balances of all employees who are currently eligible, or are assumed to become eligible in the future, to receive a payment for sick leave upon termination, as well as amounts set aside to pay future health care premiums. The City contracts with an actuary to calculate the sick leave portion of the compensated absences liability. As of June 30, 2000, the total estimated liability for all compensated absences, including sick leave, is \$25,869,348. The current portion of \$5,659,786 is funded by charges to all operating funds. The estimated long-term portion is \$20,209,562.

7. Fund Equity

Reserves of fund balances represent those amounts which are not available for appropriation in future periods or which are legally segregated for specific future uses. Fund designations indicate tentative plans for future utilization of financial resources. Reservations of retained earnings are limited to outside third-party restrictions.

Enterprise and Internal Service Funds record the following as contributed capital: cash transfers of equity from other funds, grants awarded for the acquisition of land, buildings and equipment, capital assets contributed from other funds, sewer and water connection fees and contributions from developers.

D. OTHER SIGNIFICANT ACCOUNTING POLICIES

1. Employee Benefits

The City established the Employee Benefits Management Internal Service Fund to account for all compensated absences and non-insurance benefits. Insurance benefits for current employees are paid from the Insurance Internal Service Fund. The Employee Benefits Management Fund is reimbursed based on actual benefits paid and leave taken, through payroll charges to the City's operating funds. Leave earned but not taken is being funded over time by budgeted charges to the operating funds.

2. Interfund Transactions

The City transfers resources among funds in the course of normal operations. Quasi-external transactions, such as equipment pool rental, are accounted for as revenues and expenditures or expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers of land, buildings and equipment into the Proprietary Funds (where the assets were originally purchased by the Governmental Funds) or between Proprietary Funds are recorded as contributed capital in the Proprietary Funds and as deletions from the General Fixed Assets Account Group. Other nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

3. Governmental Accounting Standards Board Statement 20

Pursuant to Governmental Accounting Standards Board (GASB) Statement 20, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989 are applied to Proprietary Funds unless they conflict with GASB pronouncements. The City has elected not to apply FASB statements issued subsequent to November 30, 1989.

4. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

5. Comparative Data

Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance.
4. During the fiscal year, changes to the adopted budget may be authorized, as follows:
 - a. Items requiring City Council action - appropriation of fund balance reserves; transfers of appropriations between funds; appropriation of any non-departmental revenue; new interfund loans or advances; and creation of new capital projects or increases to existing capital projects.
 - b. Items delegated to the City Manager - transfers between departments within funds; appropriation of unbudgeted departmental revenues; and approval of transfers which increase salary and benefit appropriations.
 - c. Items delegated to the Finance Director - approval authority over any changes in or transfers from budgeted allocations for Internal Service Fund charges.
 - d. Items delegated to Department Heads - allocation of departmental appropriations to line item level.
5. Formal budgetary accounting is employed as a management tool for all funds, except the Agency Funds which do not have revenues or expenditures. Annual budgets are legally adopted and amended as required for the General, Special Revenue, Capital Projects, Enterprise and Internal Service Funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the governmental funds are presented on this basis in this report. A debt service payment schedule for the Debt Service Funds is also approved as part of the budget process.
6. Budget amounts are reflected after all authorized amendments and revisions.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called "department". A "department" for legal appropriation purposes may be a single organization (e.g., City Attorney), or an entire department having multiple organizations within the same fund (e.g., Operations and Maintenance), or an entire fund (e.g., Downtown Improvement District). All departments and funds completed the year within their legally authorized expenditures. Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded to reserve the applicable appropriations, is employed in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. The City does, however, honor the contracts represented by year-end encumbrances and the subsequent year's appropriations provide authority to complete these transactions. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. DEFICIT FUND EQUITY

The Redevelopment Agency Capital Projects Fund deficit of \$3,543,384 exists because the operations of this fund were originally financed through loans from the General Fund, Housing and Community Development Fund, and Special Fund for Capital Outlays. The Agency is obligated to repay these loans from future tax increment and operating revenue.

The Airport Enterprise Fund has a deficit retained earnings of \$112,433, as a result of debt service requirements for the terminal building project. This debt has now been repaid in full. To eliminate the deficit, the City continues to pursue greater operating revenue, more rental income, and reduced expenses. During the fiscal year ended June 30, 2000, it was reduced by \$184,630.

The Insurance Internal Service fund has deficit retained earnings of \$676,163 due to higher workers compensation and liability claims expenses than expected during the prior fiscal year. The City has increased the premiums charged to operating funds to reduce this deficit.

The Employee Benefits Management Internal Service Fund has a retained earnings deficit of \$18,313,193. It exists because the total compensated absences balance previously reported in the General Long-Term Debt Account Group was included in this fund at its inception seven years ago, and has not yet been fully funded. In addition, the City performed an actuarial valuation of the sick leave liability during 1999, which increased the deficit. The City is planning to reduce this deficit over time by increasing the benefit rates charged to the operating funds, and by continuing to deposit in this Fund portions of one-time revenues related to employee benefits.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. The City also maintains "cash and cash equivalents with fiscal agent" which represent monies held by fiscal agents for payment of various City debt capital projects costs. The fiscal agents invest these monies in investments authorized by the City. The assets of the Agency Funds, certain deposits held in trust in other funds, and proceeds of the Wastewater Revenue Bonds, Series 1997, held by the City under the bond indenture for construction purposes are displayed on the balance sheet as "restricted assets - cash and cash equivalents".

Each fund type's portion of the City's cash and investment pool is displayed on the combined balance sheet as "cash and cash equivalents". Each fund is allocated interest on average monthly cash balances held by the funds throughout the year. Interest from the Fleet Management and Central Services Internal Service Funds is credited to the General Fund.

Cash and investments are reported on the combined balance sheet as follows:

Cash and cash equivalents	\$ 89,983,525	
Cash and cash equivalents with fiscal agent	26,873,104	
Restricted assets - cash and cash equivalents	<u>4,655,608</u>	
Total cash and investments		<u>\$121,512,237</u>

Deposits

All deposits are entirely insured and/or collateralized. At year-end, the reconciled book balance of the City's deposits was \$3,853,207 and the bank balance was \$5,745,627. Of the bank balance, \$400,000 was covered by federal depository insurance and \$5,345,627 was covered by collateral held in the pledging bank's trust department in the City's name.

Investments

Statutes authorize the City to invest in obligations of U.S. Government agencies and in U.S. Government securities, certificates of deposit, bankers' acceptances, mutual funds, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and Local Agency Investment Fund demand deposits. Investments are stated at fair value. The City's investment in the Local Agency Investment Fund (LAIF) is \$25,765,898, which is the same as the value of the pool shares. The total amount invested by all public agencies in LAIF is \$43,030,301,594. Of that amount, 93.8 percent is invested in non-derivative financial products, and 6.2 percent in derivative financial products. The state treasurer has regulatory oversight over the pool .

The City's investments are categorized in the following table to give an indication of the level of risk associated with each investment at year-end. Category one includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category two includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the City's name. Category three includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent but not in the City's name. The table also includes investments not subject to categorization, and deposits.

	<u>Category</u>			<u>Not Required to be Categorized</u>	<u>Carrying Amount at Fair Value</u>
	<u>One</u>	<u>Two</u>	<u>Three</u>		
Amounts invested in City pool:					
Deposits				\$ 3,853,207	\$ 3,853,207
U.S. Government agencies	\$62,883,930				62,883,930
Local Agency Investment Fund				<u>25,765,898</u>	<u>25,765,898</u>
Total investments and cash controlled by City Treasurer	<u>62,883,930</u>			<u>29,619,105</u>	<u>92,503,035</u>
Investments controlled by fiscal agents:					
Money market funds				16,419,959	16,419,959
Repurchase agreements		\$1,977,050			1,977,050
U. S. Government agencies	<u>4,967,837</u>				<u>4,967,837</u>
Total investments by fiscal agents	<u>4,967,837</u>	<u>1,977,050</u>		<u>16,419,959</u>	<u>23,364,846</u>
Other pooled investments:					
California Asset Management Program				2,467,837	2,467,837
Other government pooled investments				<u>3,176,519</u>	<u>3,176,519</u>
Total other pooled investments				<u>5,644,356</u>	<u>5,644,356</u>
Total cash and investments	<u>\$67,851,767</u>	<u>\$1,977,050</u>	<u>\$</u>	<u>\$51,683,420</u>	<u>\$121,512,237</u>

A summary of the investments held by the City Treasurer is as follows:

<u>Investments</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
U.S. Government agencies	\$62,883,930	\$64,996,649	5.64% - 7.33%	2/04/03 - 1/04/05
Local Agency Investment Fund	<u>25,765,898</u>	<u>25,795,158</u>	NA	NA
	<u>\$88,649,828</u>	<u>\$90,791,807</u>		

Statutes require that securities underlying repurchase agreements must have a fair value of at least 102 percent of the cost of the repurchase agreement. The City's investment policy allows investment in repurchase agreements provided the collateral is an allowable security under current statutes and the City's policy. The securities underlying repurchase agreements met the required fair value level and were allowable securities under current statutes and the City's investment policy.

The following are condensed statements of net assets, and changes in net assets, for the City Treasurer's investment pool as of June 30, 2000:

Statement of Net Assets

Net assets held for pool participants	<u>\$92,503,035</u>
Equity of internal pool participants	\$91,928,615
Equity of external pool participants	<u>574,420</u>
Total equity	<u>\$92,503,035</u>

Statement of Changes in Net Assets

Net assets, July 1, 1999	\$84,941,718
Net change in investments by pool participants	<u>7,561,317</u>
Net assets, June 30, 2000	<u>\$92,503,035</u>

The Finance Director/Treasurer prepares and submits a comprehensive investment report to the City Council on a quarterly basis. The City determines and adjusts to the fair value at the end of each fiscal year. The pool values participants' shares on an amortized cost basis. Specifically, the pool distributes income to participants on a monthly basis based on their relative participation during the month that is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis; (2) interest income based on stated rates (both paid and accrued); (3) amortization of discounts and premiums on a straight-line basis; and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pool's investments.

The City has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2000 to support the value of shares in the Treasurer's investment pool.

B. LAND, BUILDINGS AND EQUIPMENT

A summary of changes in general fixed assets is presented below:

	Balance July 1, 1999, as restated	Additions	Deletions	Transfers	Balance June 30, 2000
Land	\$14,683,342	\$ 1,408,501	\$ (718,629)		\$ 15,373,214
Buildings	8,303,490	887,352	(886,691)	\$ 3,101,754	11,405,905
Improvements other than buildings	24,576,734	455,932	(552,243)	8,643,228	33,123,651
Furnishings and equipment	11,321,632	1,137,706	(568,882)		11,890,456
Equipment pool	147,496	284,408	(284,408)		147,496
Construction in progress	<u>28,227,355</u>	<u>15,812,724</u>	<u> </u>	<u>(11,744,982)</u>	<u>32,295,097</u>
	<u>\$87,260,049</u>	<u>\$19,986,623</u>	<u>\$(3,010,853)</u>	<u>\$ </u>	<u>\$104,235,819</u>

The beginning balance of land has been restated by \$421,426 due to expenditures recorded in the prior year, but not capitalized. In addition, the beginning balance of construction in progress has been increased by \$6,381,897 as a result of capital outlay expenditures incurred, but not reported, in the prior year, as described in Note IV - K.

Land buildings, equipment, and other fixed assets of Proprietary Fund types at June 30, 2000 include:

	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$22,163,660	\$ 270,692
Buildings	66,026,377	752,867
Improvements other than buildings	118,434,879	2,313,988
Equipment pool		18,727,819
Furnishings and equipment	5,493,614	3,431,423
Buses and fareboxes	8,225,628	
Pipelines	98,201,880	
Construction in progress	<u>17,046,972</u>	<u>85,975</u>
	\$335,593,010	\$25,582,764
Less: accumulated depreciation	<u>(82,761,024)</u>	<u>(12,539,799)</u>
	<u>\$252,831,986</u>	<u>\$13,042,965</u>

C. LONG-TERM DEBT

Loan Payable-Water Enterprise Fund:

Loan payable to the State of California Department of Water Resources, assumed from Del Este Water Company at acquisition, for purposes of upgrading the water delivery system; interest at 3.2%; semi-annual installments on April 1 and October 1 of \$132,350, including interest, through October 1, 2015.

\$3,220,042

Less: Current portion

(163,672)

Water Fund loan payable - long-term portion

\$3,056,370

Special Assessment Debt with Government Commitment - General Long-Term Debt Account Group:

1915 Act Special Assessment Bonds; interest rates range from 5.75% to 9.70%, maturities range through 2006. The general credit of the City is obligated only to the extent that liens foreclosed against the properties in the special assessment districts are insufficient to retire outstanding bonds.

\$1,135,000

Community Facilities District No. 1998-1 Special Tax Bonds; variable interest rate, to a maximum of 12%, mature in 2023. The general credit of the City is obligated only to the extent that liens foreclosed against the properties in the community facilities district are insufficient to retire outstanding bonds. The bonds are also secured by an irrevocable letter of credit in favor of the trustee.

2,025,000

Total General Long-Term Debt Account Group special assessment debt

\$3,160,000

Certificates of Participation

General Long-Term Debt Account Group:

1993 Refunding Certificates of Participation (Community Center Project); serial certificates with annual maturities on November 1, in amounts from \$350,000 to \$1,040,000; interest rates from 4.6% - 5.6%; term certificates at 5.6% in the amount of \$4,740,000 maturing November 1, 2014, and in the amount of \$12,235,000 at 5.0% maturing November 1, 2023, with annual payments of \$1,090,000 to \$1,610,000 beginning in 2011.

\$25,905,000

1993 Refunding Certificates of Participation (Golf Course Project); serial certificates with annual maturities on November 1, in amounts from \$145,000 to \$235,000; interest rates from 4.6% to 5.5%; term certificates at 5.6% in the amount of \$1,390,000 due November 1, 2014, and in the amount of \$3,585,000 at 5.0% due November 1, 2023, with annual payments ranging from \$250,000 to \$480,000 beginning in 2010.

6,895,000

General Long-Term Debt Account Group certificates of participation

\$32,800,000

Certificates of Participation-Water Enterprise Fund:

1997 Refunding Certificates of Participation (Water Utility System Project); serial certificates with annual maturities on October 1, in amounts from \$545,000 to \$1,050,000; interest rates from 4.5% to 5.0%; term certificates at 5.4% in the amount of \$6,145,000 maturing on October 1, 2017, and in the amount of \$7,965,000 at 5.43% maturing on October 1, 2022, with annual payments from \$1,015,000 to \$1,765,000 beginning in 2013.	\$24,355,000
Less: Current portion	(570,000)
Unamortized bond discount	(518,601)
Deferred amount on refunding	<u>(1,747,787)</u>
Water Fund certificates of participation - long-term portion	<u>21,518,612</u>
Total certificates of participation	<u>\$54,318,612</u>

Lease Revenue Bonds - General Long-Term Debt Account Group

1997 Lease Revenue Bonds (John Thurman Field Renovation Project); term certificates bearing interest at 6.125% maturing November 1, 2016, with mandatory annual redemption of amounts from \$105,000 to \$305,000 on November 1.	\$ 3,300,000
1998 Lease Revenue Bonds (Capital Improvements and Refinancing Project); serial certificates totaling \$6,125,000 with annual maturities beginning September 1, 2001, in amounts from \$245,000 to \$910,000; interest payments beginning September 1, 1998, at 4.0% to 4.8%; term certificates totaling \$55,305,000, maturing in 2016, 2020, 2024, 2029, and 2033, bearing interest rates of 4.75% to 5.125%, with annual payments beginning in 2014. Of the total principal, \$18,490,000 is payable through a reimbursement agreement with the Redevelopment Agency.	<u>61,430,000</u>
Total lease revenue bonds	<u>\$64,730,000</u>

Revenue Bonds-Sewer Enterprise Fund

Wastewater Treatment Facility Revenue Bonds, Series 1997; interest payable on May 1 and November 1; serial certificates with annual maturities on November 1 beginning in 2000, in amounts from \$5,000 to \$1,335,000, with interest rates from 4.6% to 6.0%; term certificates in the amount of \$10,955,000 at 5.625% maturing November 1, 2017, and in the amount of \$15,435,000 at 5.75% maturing November 1, 2022, with annual payments ranging from \$1,410,000 to \$3,450,000 beginning in 2013.	\$32,400,000
Wastewater Treatment Facility Refunding Revenue Bonds, Series 1996; interest payable on May 1 and November 1; serial certificates with annual maturities on November 1, in amounts from \$680,000 to \$815,000, with interest rates from 4.5% to 5.3%; term certificates at 5.5% in the amount of \$1,920,000 maturing November 1, 2007 with annual payments of \$935,000 to \$985,000 beginning in 2006.	6,500,000
Wastewater Revenue Bonds, Series 1993; interest rates from 4.0% to 5.1% payable semi-annually on May 1 and November 1; principal amounts from \$320,000 to \$660,000, final payment on November 1, 2013; bonds maturing on or after November 1, 2004 are subject to call.	6,880,000
Less: Current portion	1997 Bonds \$(5,000)
	1996 Bonds (710,000)
	1993 Bonds <u>(330,000)</u>
	(1,045,000)
Unamortized bond discount	1997 Bonds (227,882)
	1996 Bonds <u>(26,775)</u>
	(254,657)
Deferred amount on refunding	1996 Bonds <u>(471,002)</u>
	<u>(471,002)</u>
Total revenue bonds - long-term portion	<u>\$44,009,341</u>

The following is a summary of changes in the General Long-Term Debt Account Group for the fiscal year ended June 30, 2000:

	<u>July 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2000</u>
Special assessment debt	\$ 3,395,000		\$235,000	\$ 3,160,000
Certificates of participation	33,490,000		690,000	32,800,000
Lease revenue bonds	64,835,000		105,000	64,730,000
Obligations under capital leases	<u>865,051</u>	<u> </u>	<u>805,003</u>	<u>60,048</u>
	<u>\$102,585,051</u>	<u>\$ </u>	<u>\$1,835,003</u>	<u>\$100,750,048</u>

Debt service requirements to maturity of all long-term debt, including total interest of \$160,920,014, are summarized below (see Note III-D for capital leases):

<u>Year Ending June 30</u>	<u>Loan Payable</u>	<u>Special Assessment Debt</u>	<u>Certificates of Participation</u>	<u>Lease Revenue Bonds</u>	<u>Revenue Bonds</u>	<u>Total Debt Service</u>
2001	\$ 264,699	\$ 500,219	\$ 4,236,248	\$ 3,354,889	\$ 3,549,180	\$ 11,905,235
2002	264,699	496,670	4,236,235	3,592,793	3,550,019	12,140,416
2003	264,699	497,697	4,242,093	3,595,136	3,551,960	12,151,585
2004	264,699	435,076	4,238,965	3,601,419	3,550,119	12,090,278
2005	264,699	433,490	4,246,192	3,626,144	3,522,633	12,093,158
Later years	<u>2,779,337</u>	<u>6,404,878</u>	<u>76,404,601</u>	<u>125,048,585</u>	<u>63,946,983</u>	<u>274,584,384</u>
Total requirements	4,102,832	8,768,030	97,604,334	142,818,966	81,670,894	\$334,965,056
Less: interest	<u>(882,790)</u>	<u> </u>	<u>(40,449,334)</u>	<u>(78,088,966)</u>	<u>(35,890,894)</u>	<u>(160,920,014)</u>
		<u>(5,608,030)</u>				
Principal balances	3,220,042	3,160,000	57,155,000	64,730,000	45,780,000	174,045,042
Less:						
Current portion	(163,672)		(570,000)		(1,045,000)	(1,778,672)
Unamortized bond discount			(518,601)		(254,657)	(773,258)
Deferred amount on refunding	<u> </u>	<u> </u>	<u>(1,747,787)</u>	<u> </u>	<u>(471,002)</u>	<u>(2,218,789)</u>
Long-term debt	<u>\$3,056,370</u>	<u>\$3,160,000</u>	<u>\$54,318,612</u>	<u>\$64,730,000</u>	<u>\$44,009,341</u>	<u>\$169,274,323</u>

D. LEASES

The City leases ballfield parking lot lighting under a capital lease agreement. The related liability is included in obligations under capital leases in the general long-term debt account group. The following is a schedule of the future minimum lease payments on the capital lease as of June 30, 2000:

Year ending	
<u>June 30</u>	
2001	\$ 10,977
2002	10,977
2003	10,977
2004	10,977
2005	10,977
Later Years	<u>21,039</u>
Total	75,924
Less interest	<u>(15,876)</u>
Present value of future minimum lease payments	<u>\$ 60,048</u>

Assets subject to the above capital lease valued at \$77,331 have been recorded in the General Fixed Assets Account Group. Rental expenses incurred under operating leases are not material.

Leases - Internal Service Funds

The City leases copiers valued at \$42,568, net of \$12,101 accumulated depreciation, recorded in the Central Services Internal Service Fund. Leased computer equipment with a net value of \$597,783, net of accumulated depreciation of \$162,217, and a printer valued at \$226,516, net of accumulated depreciation of \$4,926, are recorded in the Technology and Information Services Internal Service Fund. The following is a schedule of the future minimum lease payments on Internal Service Fund capital leases as of June 30, 2000:

Year ending	
<u>June 30</u>	
2001	\$209,591
2002	209,591
2003	28,006
2004	28,006
2005	28,006
Later Years	<u>21,001</u>
Total	524,201
Less interest	<u>(69,916)</u>
Present value of future minimum lease payments	454,285
Less current portion	<u>(177,743)</u>
Long-term portion of capital leases	<u>\$276,542</u>

E. DEVELOPER ADVANCES

The Del Este Water Company (Del Este) entered into various agreements with developers under which infrastructure components were either constructed on behalf of Del Este or cash was advanced to the company to construct the infrastructure. Agreements in existence at the time of the City’s acquisition of Del Este were assumed by the City. The terms of repayment call for no interest, with principal paid over a 40 year period. As of June 30, 2000, the total outstanding balance due under the agreements is \$2,894,535. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 2000, the amount of \$132,674, due during fiscal year 2000, has been reported as “current portion-developer advances” on the Enterprise Funds balance sheet. The remaining \$2,761,861 of outstanding principal has been reported under other liabilities, as “developer advances”.

F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances as of June 30, 2000 consist of the following:

Due from/due to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Local Transportation	\$1,300,000
	Special Gas Tax Street Improvement	600,000
	State Parks and Recreation	325,000
	Airport	305,000
Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	<u>601,664</u>
Total		<u>\$3,131,664</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Facilities Fees	\$ 233,898
	Redevelopment Agency Capital Projects	50,000
	Airport	237,300
	Golf	742,000
	Central Services	463,000
Strategic Planning	Community Facilities Districts	20,000
Special Fund for Capital Outlays	Airport	<u>100,000</u>
Total		<u>\$1,846,198</u>

Loans to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Redevelopment Agency Capital Projects	\$6,443,500
Housing and Community Development	Redevelopment Agency Capital Projects	74,050
Special Fund for Capital Outlays	Redevelopment Agency Capital Projects	<u>1,000,000</u>
Total		<u>\$7,517,550</u>

G. CONTRIBUTED CAPITAL

The following schedule shows changes in contributed capital during the fiscal year ended June 30, 2000:

Enterprise Funds

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Airport</u>	<u>Bus</u>	<u>Golf</u>	<u>Community Center</u>	<u>Total</u>
Balance July 1, 1999	<u>\$1,023.99</u>	<u>\$14,921,753</u>	<u>\$50,151,632</u>	<u>\$6,263,241</u>	<u>\$11,971,994</u>	<u>\$4,575,639</u>	<u>\$19,352,118</u>	<u>\$108,260,374</u>
	7							
Additions:								
Capital grants				1,105,370	265,907			1,371,277
Equity transfers			9,017				75,000	84,017
Fixed asset donations	51,238	25,114	3,947		1,570	1,450		83,319
Connection fees		<u>1,433,492</u>	<u>969,915</u>					<u>2,403,407</u>
	<u>51,238</u>	<u>1,458,606</u>	<u>982,879</u>	<u>1,105,370</u>	<u>267,477</u>	<u>1,450</u>	<u>75,000</u>	<u>3,942,020</u>
Deductions:								
Equity transfers	(256)	(64,926)	(55,648)	(1,667)	(18,215)	(2,342)	(1,986)	(145,040)
Depreciation	(67,516)	(533,344)	(2,290,503)	(316,103)	(634,963)	(309,372)	(719,542)	(4,871,343)
Fixed asset returns	<u>(352,611)</u>							<u>(352,611)</u>
	<u>(420,383)</u>	<u>(598,270)</u>	<u>(2,346,151)</u>	<u>(317,770)</u>	<u>(653,178)</u>	<u>(311,714)</u>	<u>(721,528)</u>	<u>(5,368,994)</u>
Balance June 30, 2000	<u>\$ 654,852</u>	<u>\$15,782,089</u>	<u>\$48,788,360</u>	<u>\$7,050,841</u>	<u>\$11,586,293</u>	<u>\$4,265,375</u>	<u>\$18,705,590</u>	<u>\$106,833,400</u>

Internal Service Funds

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology and Information Services</u>	<u>Insurance</u>	<u>Building Services</u>	<u>Total</u>
Balance July 1, 1999	<u>\$4,228,399</u>	<u>\$66,615</u>	<u>\$1,454,397</u>	<u>\$ 3,812</u>	<u>\$1,835,795</u>	<u>\$7,589,018</u>
Additions:						
Equity transfers	1,048,782		377,566			1,426,348
Fixed asset donations	<u>445,494</u>		<u>52,199</u>		<u>4,218</u>	<u>501,911</u>
	<u>1,494,276</u>		<u>429,765</u>		<u>4,218</u>	<u>1,928,259</u>
Deductions:						
Equity transfers	(6,118)				(120,743)	(126,861)
Depreciation	(387,562)	(251)	(89,851)		(48,341)	(526,005)
Fixed asset returns			<u>(21,607)</u>		<u>(1,613,118)</u>	<u>(1,634,725)</u>
	<u>(393,680)</u>	<u>(251)</u>	<u>(111,458)</u>		<u>(1,782,202)</u>	<u>(2,287,591)</u>
Balance June 30, 2000	<u>\$5,328,995</u>	<u>\$66,364</u>	<u>\$1,772,704</u>	<u>\$3,812</u>	<u>\$ 57,811</u>	<u>\$7,229,686</u>

The net book value of all assets related to the old City Hall block were returned from the Parking Enterprise Fund, and the Technology and Information Services and Building Services Internal Services Funds, to the General Fixed Assets Account Group. These assets were originally purchased by Governmental Funds and transferred to the Proprietary Funds. Proceeds of the City Hall block sale are recorded in the General Fund during the fiscal year ended June 30, 2000. The net book value is included as additions and deletions in Note IIIB.

H. RESERVES AND DESIGNATIONS OF FUND BALANCES

The City's reserves and designations at June 30, 2000 are comprised of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Trust and Agency Funds</u>
<u>Reserves:</u>					
Encumbrances	\$ 704,552	\$ 2,301,582	\$ 2,883,918		
Interfund loans	6,443,500	74,050	1,000,000		
Petty cash	4,880				
Loan programs	92,283	9,703,976	1,182,830		
Interfund advances	1,726,198	20,000	100,000		
Redevelopment Agency set-aside requirement			650,195		
Debt service				\$8,532,074	
External investment pool participants					\$574,420
Total reserves	<u>\$8,971,413</u>	<u>\$12,099,608</u>	<u>\$ 5,816,943</u>	<u>\$8,532,074</u>	<u>\$574,420</u>
<u>Designations:</u>					
Carryover projects		\$ 49,940	\$ 7,479,638		
Pending projects		2,062,245	10,183,217		
Subsequent year expenditures	\$5,955,952				
Departmental savings	<u>3,310,407</u>				
Total designations	<u>\$9,266,359</u>	<u>\$2,112,185</u>	<u>\$17,662,855</u>		

1. Reserve for encumbrances - Amounts reserved for encumbrances represent the total of outstanding purchase orders and contracts which are scheduled for reappropriation in the next fiscal year.
2. Reserve for interfund loans - The City reserves an amount in each fund which has made loans to other funds.
3. Reserve for petty cash - An amount equal to the City's petty cash account is reserved in the General Fund because it is available only for petty cash purposes.
4. Reserve for loan programs - Amounts equal to the outstanding housing program and small business notes receivable are reserved in the Housing and Community Development Fund Special Revenue Fund, General Fund and the Redevelopment Agency Capital Projects Fund.
5. Reserve for prepaid expenditures - An amount equal to prepaid expenditures has been reserved to indicate that such assets do not represent available expendable financial resources.
6. Reserve for interfund advances - The City reserves an amount in each fund equal to the advances to other funds.
7. Reserve for Redevelopment Agency set-aside requirement - The portion of fund balance relating to State required low-to-moderate income housing set-aside, has been reserved in the Redevelopment Agency Capital Projects Fund.
8. Reserve for debt service - The total fund balances of the debt service funds are reserved for future debt service requirements.
9. Reserve for external investment pool participants - The total fund balance of the Investment Trust Fund is reserved for use by the Tuolumne River Regional Park joint powers agency.
10. Designation for carryover projects - Designations for carryover projects represent capital projects appropriated in the current fiscal year which have not been completed and are to be carried forward to the following year.
11. Designation for pending projects - Designations for pending projects are established to fund projects approved but not yet appropriated.

12. Designation for subsequent year expenditures - Designations for subsequent year expenditures represent that portion of fund balance set aside for fiscal year 2000/01.

13. Designation for departmental savings - The City designates 50% of net General Fund appropriation savings to be carried over for use by the saving departments in the subsequent fiscal year

I. INTERFUND TRANSFERS

The following is a schedule of interfund transfers. Residual equity transfers to proprietary funds represent capital contributions.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Operating transfers:		
General Fund	\$ 5,329,915	\$ 2,546,258
Special Revenue Funds:		
Local Transportation	40,169	2,949,664
Traffic Safety		521,560
Special Gas Tax Street Improvements	2,109,424	2,496,960
Downtown Improvement District	12,500	
Housing and Community Development		40,530
Strategic Planning	55,250	
Capital Projects Funds:		
Special Fund for Capital Outlays	120,509	
Capital Facility Fees		313,169
Parks	331,108	
State Parks and Recreation	105,000	
Redevelopment Agency	458,950	
Debt Service Funds:		
Redevelopment Agency	299,548	705,527
Public Financing Authority	1,781,884	
Enterprise Funds:		
Parking	69,140	
Water		236,420
Sewer	4,509	276,617
Storm Drain		16,485
Airport		55,145
Bus		8,627
Golf		485,820
Community Center	717,000	69,140
Internal Service Funds:		
Technology and Information Services	34,779	31,822
Insurance	30,791	728,966
Employee Benefits Management	92,435	105,201
Building Services		5,000
Total operating transfers	<u>\$11,592,911</u>	<u>\$11,592,911</u> <i>(continued)</i>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
INTERFUND TRANSFERS (<i>continued</i>):		
Residual equity transfers:		
General Fund		\$ 152,700
Special Revenue Funds:		
Housing and Community Development		9,864
Capital Projects Funds:		
Special Fund for Capital Outlays		94,306
Capital Facilities Fees		5,634
Parks		625
Enterprise Funds:		
Water		459,647
Sewer		400,490
Storm Drain		115,198
Residual equity transfers closed to contributed capital (Note III G):		
Enterprise Funds:		
Parking		256
Water		64,926
Sewer	\$ 9,017	55,648
Airport		1,667
Bus		18,215
Golf		2,342
Community Center	75,000	1,986
Internal Service Funds:		
Fleet Management	1,048,782	6,118
Technology and Information Services	377,566	
Building Services		<u>120,743</u>
Total residual equity transfers	<u>1,510,365</u>	<u>1,510,365</u>
Total interfund transfers	<u>\$13,103,276</u>	<u>\$13,103,276</u>

J. NOTES RECEIVABLE

The notes receivable in the Housing and Community Development Special Revenue Fund of \$10,061,268, net of \$130,108 allowance for doubtful accounts, consist of loans made for low income housing rehabilitation, property improvement and small business origination. The loans are collateralized by deeds of trust on the improved properties, are generally interest free with the exception of a small number of direct loans bearing annual interest at 3 or 5 percent and, with a few exceptions, require no repayment of principal until the loans reach maturity.

The General Fund notes receivable of \$92,283 consist of small business loans. These notes were determined to be ineligible for federal grant funds; therefore, the General Fund purchased them from the Housing and Community Development Special Revenue Fund.

The \$1,182,830 of notes receivable reported in the Redevelopment Agency Capital Projects fund consist of loans made for down payment assistance to low-income first time home buyers, and for building and rehabilitating affordable housing. The loans are collateralized by second deeds of trust. All payments are deferred until the property is sold.

Loans to employees for computer acquisition make up the \$82,906 notes receivable balance in the Employee Benefits Management Fund. The maximum loan period is 3 years, with payment deducted from paychecks.

K. APPROVED LOANS PAYABLE

The approved loans payable in the Housing and Community Development Special Revenue Fund of \$357,292 consist of amounts being held for rehabilitation of properties using funds provided by federal grants. The liability is expected to be liquidated within one year.

IV. OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss. Under this program, the City is self-insured for the following risks up to the maximum amount per claim as follows: workers' compensation \$400,000; liability \$1,000,000; employee disability \$123,000; and dental care \$1,200. The maximum allowed per covered employee under the self-insured vision plan is \$1,000 over a two year period. In July 1995, the City dropped its self-insured health plan, and now offers a variety of commercial plans to its employees. The City purchases commercial insurance for property loss, airport liability, and for claims in excess of the preceding self-insured coverage amounts.

For liability claims, the City is one of twelve members of the Authority for California Cities Excess Liability (ACCEL) risk pool. This pool covers City claims between \$1,000,000 and \$10,000,000. The purpose of the pool is to spread the adverse effect of losses among the member agencies. The City contributes its pro rata share of anticipated losses to the pool. Should actual losses among participants be greater than anticipated, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. Commercial insurance covers claims over \$10,000,000, up to an additional \$10,000,000 per claim. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

All operating funds participate in the program and make payments to the Insurance Fund based on historical cost and/or actuarial estimates of the amounts needed to pay prior and current year claims, and to allow accrual of estimated incurred but not reported claims. Insurance premiums to commercial insurers are also processed through the Insurance Fund. The total claims liability at June 30, 2000 is \$9,337,118 consisting of \$5,890,345 workers' compensation, \$3,073,055 general liability, \$270,717 dental, \$48,661 disability, and \$54,340 vision. The current portion of the total claims liability is estimated to be \$3,844,987 and the balance of \$5,492,131 is reported as a long-term liability on the balance sheet. These claim estimates are based on the requirements of Governmental Accounting Standards Board Statement 10, and include estimated claims incurred but not yet reported as of June 30, 2000. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 1999 and June 30, 2000 were:

	<u>Claims Liability July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claim Payments</u>	<u>Balance June 30</u>
1998-99	\$9,177,912	\$5,782,601	\$(5,146,477)	\$9,814,036
1999-00	9,814,036	3,524,147	(4,001,065)	9,337,118

B. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>	<u>Airport</u>	<u>Bus</u>	<u>Golf</u>	<u>Community Center</u>	<u>Total</u>
Operating revenues	\$434,262	\$26,758,031	\$17,901,762	\$4,516,040	\$ 635,656	\$1,988,836	\$2,073,676	\$ 721,057	\$55,029,320
Depreciation	67,516	1,996,317	3,768,654	414,492	316,104	634,963	312,496	719,542	8,230,084
Operating income (loss)	(199,312)	2,198,624	1,834,367	816,967	(253,969)	(5,560,930)	188,505	(1,132,407)	(2,108,155)
Operating grants			255,453			4,201,532			4,456,985
Taxes	(1,521)	(121,760)	(82,099)		145,793	2,256,865			2,197,278
Operating transfers in	69,140		4,509					717,000	790,649
Operating transfers out		(236,420)	(276,617)	(16,485)	(55,145)	(8,627)	(485,820)	(69,140)	(1,148,254)
Net income (loss)	(83,887)	1,371,698	1,343,786	900,482	(131,473)	1,065,589	(330,923)	(467,831)	3,667,441
Current capital contributions	51,238	1,458,606	982,879		1,105,370	267,477	1,450	75,000	3,942,020
Land, buildings, and equipment: Net changes	(324,015)	4,119,670	7,957,558	2,637,516	1,263,079	200,587	41,010	59,808	15,955,213
Net working capital	937,355	20,324,701	12,499,794	1,156,208	226,440	2,223,287	(31,661)	642,694	37,978,818
Total assets	3,188,704	86,658,540	151,727,317	13,041,776	7,608,520	17,511,854	5,329,610	19,364,873	304,431,194
Bonds and other long-term liabilities		27,336,843	44,009,341						71,346,184
Total equity	3,179,010	56,924,888	105,049,263	12,509,974	6,938,408	13,525,870	4,471,584	19,328,441	221,927,438

C. PRIOR-YEAR DEFEASANCE OF DEBT

Certificates of Participation

In 1993, the Modesto Public Financing Authority issued refunding Community Center Certificates of Participation to refund 1991 certificates. The proceeds were used to purchase U.S. government securities, which were deposited in an irrevocable trust to provide for all future debt service requirements of the 1991 Certificates of Participation. As of June 30, 2000, certificates of participation in the amount of \$19,970,000 are considered defeased, and are not included in the general long-term debt account group.

In 1997, the Modesto Public Financing Authority issued Water Utility System Project Refunding Revenue Certificates of Participation to refund 1992 certificates. The proceeds were used to purchase U.S. government securities, which were placed in an irrevocable trust to provide for all future debt service payments on the refunded certificates. Accordingly, as of June 30, 2000, the \$22,585,000 liability for the defeased certificates is excluded from the general long-term debt account group.

D. CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, health care, and multiple-family housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from developer payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

As of June 30, 2000 there were eight series of conduit revenue bonds outstanding. The aggregate principal amount payable for the eight multiple-family housing and health care facility bond issues, issued between 1991 and 1998 was \$66,180,000.

E. COMMITMENTS AND CONTINGENCIES

The City is involved in litigation relating to tort claims, workers' compensation claims and other claims such as contract actions and inverse condemnation actions for which the City is self-insured. Management and the City's legal counsel anticipate there will be no material effect on the financial statements beyond the amounts accrued in the Insurance Internal Service Fund (Note IV-A).

The City receives funding from a number of federal, state and local grant programs, principally the Federal Highway Administration, Community Development Block Grants, and Federal Transit Administration grants. These programs are subject to financial and compliance review by the grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the general purpose financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

The City has commitments of \$9,483,540 as of June 30, 2000 for contracts awarded but not completed and other outstanding purchase orders. This amount consists of \$704,552 in the General Fund, \$2,301,582 in the Special Revenue Funds, \$2,883,918 in the Capital Projects Funds, \$2,121,132 in the Enterprise Funds, and \$1,472,356 in the Internal Service Funds. Commitments of the Governmental Funds are recorded as fund balance reserve for encumbrances on the balance sheet. Major contracts and other purchase orders outstanding are for the 9th Street bridge replacement, Pelandale/Snyder road improvements, new police headquarters building, various wastewater and street improvement projects, and fleet vehicle purchases.

Proposition 218, which was approved by the voters in November 1996, provides certain limitations over the ability of local governments within the State of California to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that taxes, assessments and fees are subject to the voter initiative process and may, in some circumstances, be rescinded in the future by the voters. As a result, the ability of local governments to finance the services for which the taxes, assessments and fees were imposed could be significantly impaired. Significant taxes, fees, and assessments that may be subject to the provisions of Proposition 218 which the City of Modesto currently imposes for its own benefit or as an agent for a special district, or receives from other governmental agencies, potentially include business license tax, landscape and lighting district assessments, water, sewer, and storm drain utility fees, utility users tax, and Village One community facilities district taxes. The City's management believes that language in the initiative is unclear as to the scope and impact of the proposition. Future court rulings or state legislation may clarify these issues. At this time, management is uncertain as to the total effect Proposition 218 will have on the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees. Also unclear is the extent to which Proposition 218 is impacted by a 1995 California Supreme Court ruling (the *Guardino* case) that upheld the voter approval requirements of a previously enacted state initiative (Proposition 62), particularly with regard to taxes imposed or increased between November 5, 1986 and December 11, 1995.

F. SIGNIFICANT TRANSACTIONS

During a prior year, a lawsuit was filed against the City challenging certain interfund payments from the Water and Sewer Enterprise Funds to the General Fund, asserting that the City was attempting to circumvent limitations imposed by Proposition 218. Without admitting any liability, the City settled the lawsuit in the prior year by agreeing to phase out these payments of approximately \$3.4 million per year over a three-year period. In the current period, the City Council elected to cease all payments effective October 1, 1999.

G. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Tuolumne River Regional Park

The City participates with Stanislaus County and the City of Ceres in the operation and development of the Tuolumne River Regional Park (TRRP). The governing body consists of 2 members from the County Board of Supervisors, 2 members from the Modesto City Council, and 1 member from the Ceres City Council. The TRRP board prepares the annual budget, which must be approved by both cities' councils and the board of supervisors. Each participant has an equity interest in the fixed assets of TRRP based on the percentage of cumulative contributions paid. The City's contribution to TRRP was \$151,110 for the fiscal year ended June 30, 2000. As of June 30, 2000 the City's equity interest in fixed assets was \$1,318,032, and is included in the General Fixed Assets Account Group. Financial statements for TRRP are prepared by the City of Modesto Finance Department.

Stanislaus Drug Enforcement Agency

Stanislaus County (County) and the cities of Modesto, Oakdale, Ceres, Patterson, Turlock, Riverbank and Newman are the participants in the Stanislaus Drug Enforcement Agency (SDEA). The purpose of the SDEA is to maintain a specially trained police unit to assist each of the participating agencies in the enforcement of drug control laws, and to study, plan, and set priorities for effective enforcement of such laws throughout Stanislaus County. The governing board consists of the sheriff of Stanislaus County and the chief of police of each participating city. All participants contribute to the funding of the SDEA budgeted expenditures, based on population and assessed property value. The City's contribution to the SDEA for the fiscal year ended June 30, 2000 was \$545,761. The City's equity interest in the fixed assets of the SDEA was \$778,825 as of June 30, 2000. This amount is reported in the General Fixed Assets Account Group. The City also has an interest in the financial assets of the SDEA due to a pass through grant. The receivable amount of \$31,834 is reported as part of due from governments in the General Fund. During the fiscal year ended June 30, 2000, administrative and accounting responsibilities for SDEA were transferred from the City to the County. Financial statements of the SDEA are now prepared by Stanislaus County.

City-County Capital Improvements and Financing Agency

The City and Stanislaus County formed the City-County Capital Improvements and Financing Agency (Agency) to provide for the design, construction, ownership, operation, management and financing of a City-County administration center located in Modesto's downtown redevelopment area. The governing body is a commission consisting of 2 members of the City Council, 2 members of the County Board of Supervisors, the County Chief Executive Officer, and the City Manager. The commission is responsible for developing an annual budget and determining the annual contribution rates, subject to approval by both the City and the County. Proportionate share of project costs, as well as the equity interests in fixed assets, will be developed by the commission in connection with the project and annual budgets of the Agency. The City's contribution during the fiscal year ended June 30, 2000 was \$11,334,005. The amount of \$1,443,557 is reported as a payable to the Agency. Financial statements of the Agency are prepared by Stanislaus County.

Stanislaus Waste-to-Energy Financing Agency

The City participates with Stanislaus County in the Stanislaus Waste-to-Energy Financing Agency (Agency). The Agency was created to provide financing for a facility which generates power from solid waste. The costs of

operating the Agency, if any, are shared equally by the participants. The governing body consists of 2 members each from the County Board of Supervisors and the Modesto City Council. Stanislaus County Treasurer's office prepares the Agency's financial statements.

Regional Fire Training Center

The City has entered into an agreement with the Yosemite Community College District (YCCD) and Stanislaus County for the use and management of the regional fire training center at Modesto Junior College. The executive board consists of the YCCD chancellor, the president of Modesto Junior College, the city manager of the City of Modesto, and the chief executive officer of Stanislaus County. The YCCD is responsible for accounting and for monitoring the center's budget. All three entities share in the operating costs. Initial construction costs were paid by the YCCD from borrowed funds, with the City and County reimbursing a portion of these costs in exchange for future use of the center. The City has paid its share of the construction costs in full. Title to the constructed asset is held by the YCCD.

Criminal Justice Training Agency

The City has entered into an agreement with the Yosemite Community College District (YCCD) and Stanislaus County (County) to provide Modesto Junior College Criminal Justice Courses at the regional training center or other locations as approved by the Agency. The agency is administered by a four-member commission consisting of the Chief Executive Officer of the YCCD, the Chief Executive Officer of the County, the President of Modesto Junior College, and the City Manager of Modesto. Stanislaus County is responsible for accounting and for monitoring the budget. All three entities share in the operating costs, and the City's contributions of cash and/or in-kind contributions of staff or guest lecturers are currently set at \$125,000 annually. The City's actual cash contribution for fiscal year ended June 30, 2000 was \$48,200. Construction costs of the training center were paid by Stanislaus County, and the County holds title to the center. Upon termination of the joint powers agreement, any other property acquired by the Agency will be distributed based on contributions made. As of June 30, 2000, the City has no equity interest. Financial statements of the Agency are available from Stanislaus County.

H. TREATMENT AND DELIVERY AGREEMENT

In 1992, the City entered into a treatment and delivery agreement with the Modesto Irrigation District (MID) and the Del Este Water Company (Del Este). The City assumed Del Este's interest and obligations under the agreement when it acquired Del Este in July 1995. Under the agreement, MID built and operates a surface water treatment plant on the Tuolumne River for the purpose of providing a long-term source of domestic treated water for the City. MID is the sole owner of the project, and has all management and operations responsibility. In exchange for the treated water, the City has agreed to pay: all debt service on bonds issued by MID for the construction of the project; a raw water charge as set forth in the agreement; project operation, administration, and maintenance costs; and insurance on the project. Gross revenues of the City's Water Fund are irrevocably pledged for the punctual payment of the MID debt service and all obligations of the City under any parity debt. Current parity debt of the City consists of the 1997 Water System Improvement Project Refunding Certificates of Participation, and the California Safe Drinking Water Act loan (Note III-C). The minimum annual amount payable to MID, consisting of the debt service component only, is \$7,082,635. The treatment plant completed all tests and began commercial operations on May 15, 1995, at which time the City began paying for raw water and operations. The total amount paid to MID during the fiscal year ended June 30, 2000 was \$10,600,104, and is reported as "water purchases" on the Enterprise Funds Statement of Revenues, Expenses and Changes in Retained Earnings.

I. POST- RETIREMENT HEALTH CARE BENEFITS

In addition to the pension benefits described below in Note IV-K, the City provides health care benefits to employees who retire from the City, under contractual agreements with all employee groups. All full-time employees, except firefighters who receive a cash payout, are eligible to set aside a percentage of accumulated sick leave upon retirement, to be used for payment of future health care premiums to a choice of four insurance plans. The City

has no obligation to pay premiums for retirees with no accumulated sick leave. The liability for current retirees' future premiums is \$4,021,537 as of June 30, 2000. The current portion of \$450,978 is fully funded. The long-term portion of \$3,570,559 is partially funded, with the balance being funded over time by charges to the City's operating funds. The current and long-term portions are reported in the Employee Benefits Management Fund as part of the compensated absences liability balances.

J. DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan, which acts as a common investment and administrative agent for participating public entities in California. CALPERS provides retirement and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary, of which the City pays the majority on behalf of the employees. The City is required to contribute at an actuarially determined rate; the current rate is 0% for non-safety employees and 6.170% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For 2000, the City's annual pension cost of \$1,407,029 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1997 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual merit or seniority salary increases that vary by length of service, and (c) no post-retirement benefit increases. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of the City's CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). The City's CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 1999 was 12 years for the safety plan.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/98	4,368,069	100%	0
6/30/99	4,393,031	100%	0
6/30/00	1,407,029	100%	0

SCHEDULE OF FUNDING PROGRESS FOR PERS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(B-A) / C]
6/30/97:						
Misc.	\$133,393,543	\$109,017,293	\$ (24,376,250)	122.4%	\$27,381,679	(89.024)%
Safety	<u>135,999,204</u>	<u>127,680,758</u>	<u>(8,318,446)</u>	<u>106.5%</u>	<u>20,741,804</u>	<u>(40.105)%</u>
Total	<u>\$269,392,747</u>	<u>\$236,698,051</u>	<u>\$(32,694,696)</u>	<u>113.8%</u>	<u>\$48,123,483</u>	<u>(67.939)%</u>
6/30/98:						
Misc.	\$159,034,449	\$117,531,823	\$ (41,502,626)	135.3%	\$27,994,683	(148.252)%
Safety	<u>162,838,959</u>	<u>149,162,484</u>	<u>(13,676,475)</u>	<u>109.2%</u>	<u>22,412,337</u>	<u>(61.022)%</u>
Total	<u>\$321,873,408</u>	<u>\$266,694,307</u>	<u>\$(55,179,101)</u>	<u>120.7%</u>	<u>\$50,407,020</u>	<u>(109.467)%</u>
6/30/99:						
Misc.	\$185,644,453	\$135,001,258	\$ (50,643,195)	137.5%	\$29,581,339	(171.200)%
Safety	<u>186,134,042</u>	<u>158,167,937</u>	<u>(27,966,105)</u>	<u>117.7%</u>	<u>22,808,490</u>	<u>(122.613)%</u>
Total	<u>\$371,778,495</u>	<u>\$293,169,195</u>	<u>\$(78,609,300)</u>	<u>126.8%</u>	<u>\$52,389,829</u>	<u>(150.047)%</u>

K. PRIOR PERIOD ADJUSTMENT

Prior period adjustments to the Capital Projects Funds totaling \$6,361,897 resulted from the City posting capital outlay expenditures incurred, but not paid, during the year ended June 30, 1999, to the year ended June 30, 2000. Fund balances for Capital Projects Funds have been restated, as follows:

	<u>Parks Capital Projects Fund</u>	<u>Special Fund for Capital Outlays Capital Projects Fund</u>	<u>Redevelopment Agency Capital Projects Fund</u>
Fund balance (deficit), July 1, 1999		\$23,593,612	\$ (259,663)
Prior period adjustment - capital outlay	<u>(96,421)</u>	<u>(4,259,270)</u>	<u>(2,006,206)</u>
Fund balance (deficit) July 1, 1999, as restated	<u>\$1,006,718</u>	<u>\$19,334,342</u>	<u>\$(2,265,869)</u>

A similar restatement of the General Fixed Assets - Construction in Progress beginning balance is reflected in Note III - B.

L. SUBSEQUENT EVENT

On September 13, 2000, an incident occurred while a Modesto Police Department SWAT unit was serving a federal arrest warrant at the request of federal law enforcement officials, resulting in the unfortunate loss of a life. No claim has yet been filed. However, in the event of litigation, an unfavorable result is possible. At this point in time, it is impossible to estimate the potential liability to the City.

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GENERAL FUND

The General Fund is used to account for all financial transactions not restricted for specific uses by resolution, ordinance, or general laws and accounted for in another fund.

Among the revenues included in this fund are general property taxes, sales tax, licenses, fees, permits, penalties, fines, and charges for special services.

Expenditures include the operating costs for most City services. These services include fire and police protection, park and recreation activities, various public works activities, and general government functions.

**CITY OF MODESTO
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2000 and 1999**

	<u>2000</u>	<u>1999</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 16,657,847	\$ 9,192,436
Receivables:		
Accounts	1,283,864	829,909
Taxes	3,757,709	3,252,883
Notes	92,283	92,283
Due from governments	55,715	406,320
Due from other funds	2,530,000	1,222,000
Advances to other funds	1,726,198	1,776,206
Loans to other funds	<u>6,443,500</u>	<u>6,443,500</u>
 Total assets	 <u>\$ 32,547,116</u>	 <u>\$ 23,215,537</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable and accrued expenditures	\$ 3,421,350	\$ 3,128,322
Deferred revenues	<u>1,142,545</u>	<u>692,999</u>
Total liabilities	<u>4,563,895</u>	<u>3,821,321</u>
 Fund balances:		
Reserved:		
For encumbrances	704,552	1,283,795
For interfund loans	6,443,500	6,443,500
For petty cash	4,880	4,880
For loan programs	92,283	92,283
For interfund advances	1,726,198	1,776,206
Unreserved:		
Designated:		
For subsequent year expenditures	5,955,952	
For departmental savings	3,310,407	2,296,826
For future operations		7,496,726
Unreserved/undesignated	<u>9,745,449</u>	
Total fund balances	<u>27,983,221</u>	<u>19,394,216</u>
 Total liabilities and fund balances	 <u>\$ 32,547,116</u>	 <u>\$ 23,215,537</u>

**CITY OF MODESTO
GENERAL FUND
SCHEDULE OF REVENUES, COMPARED TO BUDGET (GAAP BASIS)
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)**

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
<u>TAXES:</u>				
Sales tax	\$ 19,799,515	\$ 20,881,338	\$ 1,081,823	\$ 19,168,225
Utility users tax	11,426,746	11,628,593	201,847	11,494,102
Property tax	7,935,277	7,911,820	(23,457)	7,043,752
Transient occupancy tax	1,697,694	1,837,962	140,268	1,821,398
Franchise tax	2,612,377	2,427,833	(184,544)	2,214,418
Business license	6,059,002	6,770,741	711,739	6,672,182
Total taxes	<u>49,530,611</u>	<u>51,458,287</u>	<u>1,927,676</u>	<u>48,414,077</u>
<u>LICENSES AND PERMITS:</u>	<u>124,248</u>	<u>122,669</u>	<u>(1,579)</u>	<u>127,182</u>
<u>INTERGOVERNMENTAL:</u>				
Moter vehicle license fees	8,145,625	9,023,910	878,285	8,042,247
State	1,390,146	1,323,125	(67,021)	1,928,095
County	322,720	282,349	(40,371)	333,825
Federal	1,940,001	654,804	(1,285,197)	207,240
Other intergovernmental	381,055	406,687	25,632	329,370
Total intergovernmental	<u>12,179,547</u>	<u>11,690,875</u>	<u>(488,672)</u>	<u>10,840,777</u>
<u>CHARGES FOR SERVICES:</u>				
General government	2,356,764	2,816,702	459,938	2,397,593
Highways and streets	106,302	110,028	3,726	116,880
Public works	142,266	146,684	4,418	99,119
Parks and recreation	612,202	557,424	(54,778)	474,759
Public safety	1,191,887	1,295,844	103,957	588,894
Other current charges for services	135,125	5,885	(129,240)	203,000
Indirect cost recovery	2,437,388	2,445,920	8,532	3,072,576
Total charges for services	<u>6,981,934</u>	<u>7,378,487</u>	<u>396,553</u>	<u>6,952,821</u>
<u>SPECIAL ASSESSMENT</u>	<u>86,743</u>	<u>110,849</u>	<u>24,106</u>	<u>35,670</u>
<u>INTEREST AND RENT</u>	<u>938,468</u>	<u>1,594,992</u>	<u>656,524</u>	<u>1,027,592</u>
<u>NET DECREASE IN FAIR VALUE OF INVESTMENTS</u>		<u>(356,348)</u>	<u>(356,348)</u>	<u>(207,107)</u>
<u>FINES AND FORFEITURES</u>	<u>586,936</u>	<u>553,840</u>	<u>(33,096)</u>	<u>697,996</u>
<u>MISCELLANEOUS:</u>				
Mandated cost recovery	85,500	257,784	172,284	366,787
Other	661,306	927,564	266,258	433,932
Total miscellaneous	<u>746,806</u>	<u>1,185,348</u>	<u>438,542</u>	<u>800,719</u>
Total revenues	<u>\$ 71,175,293</u>	<u>\$ 73,738,999</u>	<u>\$ 2,563,706</u>	<u>\$ 68,689,727</u>

**CITY OF MODESTO
GENERAL FUND
SCHEDULE OF EXPENDITURES BY FUNCTION, COMPARED TO BUDGET (GAAP BASIS)
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)**

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
General government:				
City council	\$ 219,797	\$ 212,589	\$ 7,208	\$ 212,010
Personnel/training	862,849	831,222	31,627	794,538
City manager	1,249,898	1,171,226	78,672	1,256,951
City attorney	814,422	789,808	24,614	747,965
City clerk/auditor	665,460	642,396	23,064	355,749
Finance	3,033,584	2,822,704	210,880	3,015,561
Community development	4,334,826	4,235,090	99,736	4,105,240
Total general government	<u>11,180,836</u>	<u>10,705,035</u>	<u>475,801</u>	<u>10,488,014</u>
Highways and streets:				
Engineering and Transportation Dept:				
Administration	615,898	538,874	77,024	400,852
Electrical division	1,600,338	1,464,092	136,246	1,524,353
Operations and Maintenance Dept:				
Traffic operations	689,016	659,537	29,479	599,949
Streets division	1,302,847	1,268,328	34,519	1,219,198
Total highways and streets	<u>4,208,099</u>	<u>3,930,831</u>	<u>277,268</u>	<u>3,744,352</u>
Public works:				
Engineering and Transportation Dept:				
Engineering design	102,530	110,493	(7,963)	51,744
Construction administration/permits	339,007	217,283	121,724	71,273
Engineering administration	341,025	347,001	(5,976)	256,458
Franchise management	436,141	358,046	78,095	353,491
Operations and Maintenance Dept:				
Administration	351,701	172,042	179,659	159,799
Total public works	<u>1,570,404</u>	<u>1,204,865</u>	<u>365,539</u>	<u>892,765</u>
Parks and recreation:				
Operations and Maintenance Dept:				
Service and maintenance	3,776,721	3,874,294	(97,573)	3,484,052
Community forestry	2,879,340	2,839,938	39,402	2,714,108
Community Services & Neighborhood Connection:				
Administration	575,461	579,034	(3,573)	528,060
Culture	481,145	470,240	10,905	417,607
Recreation division	2,912,318	2,746,187	166,131	2,710,816
Facilities	152,013	152,013		147,274
Total parks and recreation	<u>10,776,998</u>	<u>10,661,706</u>	<u>115,292</u>	<u>10,001,917</u>
Public safety:				
Fire protection	14,617,836	14,299,167	318,669	14,789,711
Police protection	33,011,131	31,613,433	1,397,698	31,680,840
Total public safety	<u>47,628,967</u>	<u>45,912,600</u>	<u>1,716,367</u>	<u>46,470,551</u>
Total expenditures by department	<u>75,365,304</u>	<u>72,415,037</u>	<u>2,950,267</u>	<u>71,597,599</u>
Debt service:				
Principal retirement	805,006	805,003	3	921,621
Interest	66,434	55,318	11,116	118,513
Total debt service	<u>871,440</u>	<u>860,321</u>	<u>11,119</u>	<u>1,040,134</u>
Total general fund	<u>\$ 76,236,744</u>	<u>\$ 73,275,358</u>	<u>\$ 2,961,386</u>	<u>\$ 72,637,733</u>

SPECIAL REVENUE FUNDS

Special Revenue Funds include funds which are restricted as to use by the Federal or State governments, and special purpose funds established by authority of the City Council. Special Revenue Funds include:

LOCAL TRANSPORTATION FUND - To account for revenues and expenditures of Local Transportation Fund allocations for streets, urban trails, and non-motorized facilities. Allocations for the City bus system are reported directly in the Bus Enterprise Fund.

TRAFFIC SAFETY FUND - To account for receipts and expenditures of traffic safety fines.

SPECIAL GAS TAX STREET IMPROVEMENT FUND - To account for State-collected, locally-shared gas tax monies. These funds may be used for all street purposes including construction, purchase of rights-of-way, and maintenance.

DOWNTOWN IMPROVEMENT DISTRICT FUND - To account for the fiscal activities of Business Improvement Area A of the City of Modesto.

HOUSING AND COMMUNITY DEVELOPMENT FUND - To account for grants and other monies received and disbursed for projects developed and administered under the Housing and Community Development Act of 1974.

STRATEGIC PLANNING AND DEVELOPMENT FUND - Established to provide a funding source for future village planning, general plan update and other large expenses related to planning and development. This fund was originally financed with an apportionment of the PERS rebate related to AB702. Subsequent funding has been provided by transfers from the General Fund. Future funding will be provided by fees imposed on private development.

**CITY OF MODESTO
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2000
(With comparative totals for June 30, 1999)**

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Special Gas Tax Street Improvement</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 118,560	\$ 566,677	\$ 29,257
Cash and cash equivalents with fiscal agent	1,745,472		3,074
Receivables:			
Accounts	7,905		25,273
Notes			
Due from governments	15,208		3,113,739
Prepaid expenditures			
Advances to other funds			
Loans to other funds			
Total assets	<u>\$ 1,887,145</u>	<u>\$ 566,677</u>	<u>\$ 3,171,343</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued expenditures			\$ 383,735
Approved loans payable			
Due to other funds	\$ 1,300,000		600,000
Deferred revenues	579,515		29,191
Total liabilities	<u>1,879,515</u>		<u>1,012,926</u>
Fund balances:			
Reserved:			
For encumbrances	2,472		2,158,417
For interfund loans			
For loan programs			
For prepaid expenditures			
For interfund advances			
Unreserved:			
Designated:			
For carryover projects			
For pending projects	5,158	\$ 566,677	
Total fund balances	<u>7,630</u>	<u>566,677</u>	<u>2,158,417</u>
 Total liabilities and fund balances	 <u>\$ 1,887,145</u>	 <u>\$ 566,677</u>	 <u>\$ 3,171,343</u>

Downtown Improvement District	Housing and Community Development	Strategic Planning and Development	Totals	
			2000	1999
\$ 78,715	\$ 130,451 497,584	\$ 323,820	\$ 1,247,480 2,246,130	\$ 704,866 584,444
2,339	45,952 10,061,268 797,749	4,320	85,789 10,061,268 3,926,696	168,982 9,797,867 6,323,791
	74,050	20,000	20,000 74,050	40,950 20,000 74,050
<u>\$ 81,054</u>	<u>\$ 11,607,054</u>	<u>\$ 348,140</u>	<u>\$ 17,661,413</u>	<u>\$ 17,714,950</u>
\$ 1,159	\$ 185,412 357,292	\$ 13,316	\$ 583,622 357,292 1,900,000 608,706	\$ 1,980,364 14,531 1,222,000 863,785
<u>1,159</u>	<u>542,704</u>	<u>13,316</u>	<u>3,449,620</u>	<u>4,080,680</u>
5,000	30,853 74,050 9,703,976	104,840	2,301,582 74,050 9,703,976	1,420,330 74,050 9,786,336 40,950
		20,000	20,000	20,000
		49,940	49,940	1,268,669
<u>74,895</u>	<u>1,255,471</u>	<u>160,044</u>	<u>2,062,245</u>	<u>1,023,935</u>
<u>79,895</u>	<u>11,064,350</u>	<u>334,824</u>	<u>14,211,793</u>	<u>13,634,270</u>
<u>\$ 81,054</u>	<u>\$ 11,607,054</u>	<u>\$ 348,140</u>	<u>\$ 17,661,413</u>	<u>\$ 17,714,950</u>

**CITY OF MODESTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)**

	Local Transportation	Traffic Safety	Special Gas Tax Street Improvement
REVENUES:			
Taxes	\$ 3,156,480		
Intergovernmental	927,052		\$ 9,885,705
Charges for services			95,792
Interest and rent	23,055		(63,634)
Net decrease in fair value of investments	(4,152)		
Fines and forfeits		\$ 726,283	
Miscellaneous			59,823
Total revenues	<u>4,102,435</u>	<u>726,283</u>	<u>9,977,686</u>
EXPENDITURES:			
Current expenditures:			
General government			
Highways and streets	1,192,940		9,026,840
Public works			
Total expenditures	<u>1,192,940</u>	<u> </u>	<u>9,026,840</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,909,495</u>	<u>726,283</u>	<u>950,846</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	40,169		2,109,424
Operating transfers out	(2,949,664)	(521,560)	(2,496,960)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,909,495)</u>	<u>(521,560)</u>	<u>(387,536)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		204,723	563,310
FUND BALANCES, JULY 1	7,630	361,954	1,595,107
Residual equity transfer out			
FUND BALANCES, JUNE 30	<u>\$ 7,630</u>	<u>\$ 566,677</u>	<u>\$ 2,158,417</u>

Downtown Improvement District	Housing and Community Development	Strategic Planning and Development	Totals	
			2000	1999
\$ 150,660	\$ 2,702,478		\$ 3,307,140	\$ 2,330,798
			13,515,235	13,229,854
5,122	131,895	\$ 131,048	226,840	24,701
(1,065)		16,033	112,471	245,696
		(4,007)	(9,224)	(9,121)
	2,718		726,283	631,772
			62,541	74,149
<u>154,717</u>	<u>2,837,091</u>	<u>143,074</u>	<u>17,941,286</u>	<u>16,527,849</u>
		103,397	103,397	113,855
205,855	3,033,496		10,219,780	8,544,501
<u>205,855</u>	<u>3,033,496</u>	<u>103,397</u>	<u>3,239,351</u>	<u>4,022,920</u>
			<u>13,562,528</u>	<u>12,681,276</u>
<u>(51,138)</u>	<u>(196,405)</u>	<u>39,677</u>	<u>4,378,758</u>	<u>3,846,573</u>
12,500		55,250	2,217,343	1,675,660
	(40,530)		(6,008,714)	(4,856,218)
<u>12,500</u>	<u>(40,530)</u>	<u>55,250</u>	<u>(3,791,371)</u>	<u>(3,180,558)</u>
(38,638)	(236,935)	94,927	587,387	666,015
118,533	11,311,149	239,897	13,634,270	12,988,947
	(9,864)		(9,864)	(20,692)
<u>\$ 79,895</u>	<u>\$ 11,064,350</u>	<u>\$ 334,824</u>	<u>\$ 14,211,793</u>	<u>\$ 13,634,270</u>

CITY OF MODESTO
LOCAL TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000			1999
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Taxes - sales taxes	\$ 2,902,000	\$ 3,156,480	\$ 254,480	\$ 2,193,010
Intergovernmental	1,557,264	927,052	(630,212)	773,999
Interest and rent - interest	12,000	23,055	11,055	22,256
Net decrease in fair value of investments		(4,152)	(4,152)	(5,042)
Total revenues	4,471,264	4,102,435	(368,829)	2,984,223
 EXPENDITURES - highways and streets				
Engineering and transportation	1,636,995	1,192,940	444,055	1,149,025
 EXCESS OF REVENUES OVER EXPENDITURES	<u>2,834,269</u>	<u>2,909,495</u>	<u>75,226</u>	<u>1,835,198</u>
 OTHER FINANCING SOURCES (USES):				
Operating transfers in	61,000	40,169	(20,831)	
Operating transfers out	(3,011,664)	(2,949,664)	62,000	(1,835,198)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,950,664)</u>	<u>(2,909,495)</u>	<u>41,169</u>	<u>(1,835,198)</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(116,395)</u>		<u>116,395</u>	
FUND BALANCES, JULY 1	<u>7,630</u>	<u>7,630</u>		<u>7,630</u>
 FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (108,765)</u>	<u>\$ 7,630</u>	<u>\$ 116,395</u>	<u>\$ 7,630</u>

CITY OF MODESTO
TRAFFIC SAFETY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES - fines and forfeits:				
Motor vehicle fines	\$ 550,000	\$ 726,283	\$ 176,283	\$ 631,772
OTHER FINANCING USES:				
Operating transfers out	(670,068)	(521,560)	148,508	(496,274)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)				
OTHER USES	(120,068)	204,723	324,791	135,498
FUND BALANCES, JULY 1	361,954	361,954		226,456
FUND BALANCES, JUNE 30	\$ 241,886	\$ 566,677	\$ 324,791	\$ 361,954

CITY OF MODESTO
SPECIAL GAS TAX STREET IMPROVEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
State grants	\$ 14,034,913	\$ 3,560,891	\$ (10,474,022)	\$ 3,399,737
County grants	50,656		(50,656)	
Federal grants	<u>19,898,367</u>	<u>6,324,814</u>	<u>(13,573,553)</u>	<u>4,416,122</u>
Total intergovernmental revenues	<u>33,983,936</u>	<u>9,885,705</u>	<u>(24,098,231)</u>	<u>7,815,859</u>
Charges for services	183,144	95,792	(87,352)	25,670
Interest and rent - interest	35,000	(63,634)	(98,634)	48,531
Miscellaneous		<u>59,823</u>	<u>59,823</u>	<u>1,674</u>
Total revenues	<u>34,202,080</u>	<u>9,977,686</u>	<u>(24,224,394)</u>	<u>7,891,734</u>
EXPENDITURES:				
Highway and streets	<u>34,091,583</u>	<u>9,026,840</u>	<u>25,064,743</u>	<u>7,395,476</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>110,497</u>	<u>950,846</u>	<u>840,349</u>	<u>496,258</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	2,109,424	2,109,424		1,600,660
Operating transfers out	<u>(2,496,960)</u>	<u>(2,496,960)</u>		<u>(2,472,370)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(387,536)</u>	<u>(387,536)</u>		<u>(871,710)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
	(277,039)	563,310	840,349	(375,452)
FUND BALANCES, JULY 1	1,595,107	1,595,107		1,991,251
Residual equity transfer out				<u>(20,692)</u>
FUND BALANCES, JUNE 30	<u>\$ 1,318,068</u>	<u>\$ 2,158,417</u>	<u>\$ 840,349</u>	<u>\$ 1,595,107</u>

CITY OF MODESTO
DOWNTOWN IMPROVEMENT DISTRICT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Taxes - business license tax	\$ 160,490	\$ 150,660	\$ (9,830)	\$ 137,788
Interest and rent - interest	8,591	5,122	(3,469)	7,503
Net decrease in fair value of investments		(1,065)	(1,065)	(1,492)
Total revenues	169,081	154,717	(14,364)	143,799
EXPENDITURES - public works:				
Downtown improvement district administration:				
Professional and contractual services	162,937	173,220	(10,283)	166,043
Materials and supplies	4,360	4,158	202	5,829
Other	18,400	19,375	(975)	12,552
Downtown improvements	25,300	9,102	16,198	6,559
Total expenditures	210,997	205,855	5,142	190,983
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(41,916)	(51,138)	(9,222)	(47,184)
OTHER FINANCING SOURCES:				
Operating transfers in	12,500	12,500		25,000
DEFICIENCY OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES	(29,416)	(38,638)	(9,222)	(22,184)
FUND BALANCES, JULY 1	118,533	118,533		140,717
FUND BALANCES, JUNE 30	\$ 89,117	\$ 79,895	\$ (9,222)	\$ 118,533

CITY OF MODESTO
HOUSING AND COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - federal grants	\$ 8,124,364	\$ 2,702,478	\$ (5,421,886)	\$ 4,639,996
Interest and rent - interest		131,895	131,895	153,826
Miscellaneous		2,718	2,718	72,475
Total revenues	8,124,364	2,837,091	(5,287,273)	4,866,297
EXPENDITURES - public works:				
Housing program	7,837,198	2,447,393	5,389,805	2,512,943
Removal of architectural barriers	839,664	573,788	265,876	206,419
Miscellaneous improvements	482,766	12,315	470,451	1,112,575
Total expenditures	9,159,628	3,033,496	6,126,132	3,831,937
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,035,264)	(196,405)	838,859	1,034,360
OTHER FINANCING USES:				
Operating transfers out	(40,530)	(40,530)		(52,376)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,075,794)	(236,935)	838,859	981,984
FUND BALANCES, JULY 1	11,311,149	11,311,149		10,329,165
Residual equity transfer out	(9,864)	(9,864)		
FUND BALANCES, JUNE 30	\$ 10,225,491	\$ 11,064,350	\$ 838,859	\$ 11,311,149

CITY OF MODESTO
STRATEGIC PLANNING AND DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 80,000	\$ 131,048	\$ 51,048	\$ (969)
Interest and rent - interest	10,246	16,033	5,787	13,580
Net decrease in fair value of investments		(4,007)	(4,007)	(2,587)
Total revenues	90,246	143,074	52,828	10,024
EXPENDITURES - general government:				
Professional and contractual services	328,276	103,397	224,879	113,855
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(238,030)	39,677	277,707	(103,831)
OTHER FINANCING SOURCES:				
Operating transfers in	55,250	55,250		50,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(182,780)	94,927	277,707	(53,831)
FUND BALANCES, JULY 1	239,897	239,897		293,728
 FUND BALANCES, JUNE 30	 \$ 57,117	 \$ 334,824	 \$ 277,707	 \$ 239,897

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CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Capital Projects Funds include:

SPECIAL FUND FOR CAPITAL OUTLAYS - To account for capital outlay authorized by the City Council. No monies placed in this fund are to be disbursed except for this purpose unless authorized by a vote of the people.

CAPITAL FACILITY FEES FUND - To account for special fees collected on new building permits to be used for construction of certain growth related projects. The fees and related capital projects include police department expansion, fire department expansion, expressway loop, street lights, parks, new traffic signals, City hall expansion, wastewater treatment, streets, public transportation, and air quality improvement.

PARKS FUND - To account for a discretionary transfer of General Fund property tax revenue to provide for the development of parks within the City, as directed by the City Council.

PARKS AND RECREATION FACILITIES FUND - To account for proceeds from a special tax collected for each dwelling unit constructed. Final transactions in this fund took place during fiscal year 1999. A Capital Facilities Fee has taken the place of this tax.

STATE PARKS AND RECREATION FUND - To account for monies used for acquisition and development of neighborhood, community, and regional park facilities.

McHENRY MANSION RESTORATION FUND - To account for donations and other revenues received and appropriated for the purpose of restoring the McHenry Mansion.

REDEVELOPMENT AGENCY FUND - To account for the construction of capital projects financed by the Redevelopment Agency of the City of Modesto.

IMPROVEMENT DISTRICTS FUND - To account for the construction of public improvements deemed to benefit properties against which special assessments are levied.

COMMUNITY FACILITIES DISTRICTS FUND - To account for the construction of public improvements deemed to benefit properties against which special taxes are levied.

PUBLIC FINANCING AUTHORITY FUND - To account for the financing of various projects authorized by the Modesto Public Financing Authority.

**CITY OF MODESTO
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2000
(With comparative totals for June 30, 1999)**

	Special Fund for Capital Outlays	Capital Facility Fees	Parks	State Parks and Recreation
<u>ASSETS</u>				
Cash and cash equivalents	\$ 917,466	\$ 9,019,445	\$ 662,307	\$ 5,685
Cash and cash equivalents with fiscal agent	6,757,213			
Receivables:				
Accounts	2,466	132,131	3,148	414
Notes				
Due from governments		41,258		393,291
Due from other funds				
Property held for resale				
Advances to other funds	100,000			
Loans to other funds	1,000,000			
Total assets	<u>\$ 8,777,145</u>	<u>\$ 9,192,834</u>	<u>\$ 665,455</u>	<u>\$ 399,390</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenditures	\$ 1,593,755	\$ 498,132	\$ 50,204	\$ 5,455
Due to other funds				325,000
Advances from other funds		233,898		
Loans from other funds				
Total liabilities	<u>1,593,755</u>	<u>732,030</u>	<u>50,204</u>	<u>330,455</u>
Fund balances (deficits):				
Reserved:				
For encumbrances	1,091,180	1,531,488	77,411	2,000
For interfund loans	1,000,000			
For loan programs				
For interfund advances	100,000			
For set-aside requirement				
Unreserved:				
Designated:				
For carryover projects	4,449,718	1,848,560	241,483	66,935
For pending projects	542,492	5,080,756	296,357	
Undesignated				
Total fund balances (deficits)	<u>7,183,390</u>	<u>8,460,804</u>	<u>615,251</u>	<u>68,935</u>
Total liabilities and fund balances	<u>\$ 8,777,145</u>	<u>\$ 9,192,834</u>	<u>\$ 665,455</u>	<u>\$ 399,390</u>

McHenry Mansion Restoration	Redevelopment Agency	Improvement Districts	Community Facilities Districts	Public Financing Authority	Totals	
					2000	1999
\$ 5,239	\$ 2,350,743	\$ 27,596	\$ 3,986,449		\$ 16,974,930	\$ 13,171,174
	546,024		1,099,721	\$ 42,052	8,445,010	26,979,557
103	4,788		3,489		146,539	148,963
	1,182,830				1,182,830	718,653
	601,664				434,549	106,343
	577,205				601,664	577,205
					577,205	577,205
					100,000	100,000
					1,000,000	1,000,000
<u>\$ 5,342</u>	<u>\$ 5,263,254</u>	<u>\$ 27,596</u>	<u>\$ 5,089,659</u>	<u>\$ 42,052</u>	<u>\$ 29,462,727</u>	<u>\$ 42,801,895</u>

	\$ 1,239,088		\$ 8,095		\$ 3,394,729	\$ 7,616,549
	50,000		20,000		325,000	
	7,517,550				303,898	353,906
	8,806,638		28,095		7,517,550	7,517,550
					11,541,177	15,488,005

	181,839				2,883,918	8,533,617
	1,182,830				1,000,000	1,000,000
	650,195				1,182,830	718,653
					100,000	100,000
					650,195	790,919
			872,942		7,479,638	14,940,821
\$ 5,342		\$ 27,596	4,188,622	\$ 42,052	10,183,217	5,137,170
	(5,558,248)				(5,558,248)	(3,907,290)
<u>5,342</u>	<u>(3,543,384)</u>	<u>27,596</u>	<u>5,061,564</u>	<u>42,052</u>	<u>17,921,550</u>	<u>27,313,890</u>
<u>\$ 5,342</u>	<u>\$ 5,263,254</u>	<u>\$ 27,596</u>	<u>\$ 5,089,659</u>	<u>\$ 42,052</u>	<u>\$ 29,462,727</u>	<u>\$ 42,801,895</u>

CITY OF MODESTO
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	Special Fund for Capital Outlays	Capital Facility Fees	Parks	State Parks and Recreation
REVENUES:				
Taxes				
Intergovernmental				\$ 393,291
Charges for services		\$ 5,638,710	\$ 29,707	
Interest and rent	\$ 1,014,845	405,267	77,246	
Net decrease in fair value of investments	(153,498)	(83,076)	(7,773)	
Miscellaneous	249,742		9,207	
Total revenues	<u>1,111,089</u>	<u>5,960,901</u>	<u>108,387</u>	<u>393,291</u>
EXPENDITURES:				
Capital outlay:				
General government	11,114,551	404,912		
Highways and streets	214,406	1,967,777		
Parks and recreation	102,406	1,602,187	830,337	496,660
Public safety	1,856,881	1,212		
Debt service:				
Cost of issuance				
Total expenditures	<u>13,288,244</u>	<u>3,976,088</u>	<u>830,337</u>	<u>496,660</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,177,155)</u>	<u>1,984,813</u>	<u>(721,950)</u>	<u>(103,369)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	120,509		331,108	105,000
Operating transfers out		(313,169)		
Proceeds of capital facilities district bonds				
TOTAL OTHER FINANCING SOURCES (USES)	<u>120,509</u>	<u>(313,169)</u>	<u>331,108</u>	<u>105,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(12,056,646)	1,671,644	(390,842)	1,631
FUND BALANCES (DEFICITS), July 1 (as restated)	19,334,342	6,794,794	1,006,718	67,304
Residual equity transfers out	<u>(94,306)</u>	<u>(5,634)</u>	<u>(625)</u>	
FUND BALANCES (DEFICITS), June 30	<u>\$ 7,183,390</u>	<u>\$ 8,460,804</u>	<u>\$ 615,251</u>	<u>\$ 68,935</u>

McHenry Mansion Restoration	Redevelopment Agency	Improvements Districts	Community Facilities Districts	Public Financing Authority	Totals	
					2000	1999
	\$ 486,162		\$ 191,388		\$ 677,550	\$ 549,766
					393,291	544,150
			3,353,966		9,022,383	4,773,650
\$ 320	286,073		207,917	\$ 2,496	1,994,164	2,675,577
(65)	(81,295)		(47,941)	(223)	(373,871)	(149,125)
	52,103				311,052	25,000
<u>255</u>	<u>743,043</u>		<u>3,705,330</u>	<u>2,273</u>	<u>12,024,569</u>	<u>8,419,018</u>
	2,479,508		947,905		14,946,876	13,738,540
					2,182,183	1,822,219
					3,031,590	1,399,216
					1,858,093	6,562,371
						1,749
	<u>2,479,508</u>		<u>947,905</u>		<u>22,018,742</u>	<u>23,524,095</u>
<u>255</u>	<u>(1,736,465)</u>		<u>2,757,425</u>	<u>2,273</u>	<u>(9,994,173)</u>	<u>(15,105,077)</u>
	458,950				1,015,567	1,898,127
					(313,169)	(1,347,072)
						2,025,000
	<u>458,950</u>				<u>702,398</u>	<u>2,576,055</u>
255	(1,277,515)		2,757,425	2,273	(9,291,775)	(12,529,022)
5,087	(2,265,869)	27,596	2,304,139	39,779	27,313,890	39,857,368
					(100,565)	(14,456)
<u>\$ 5,342</u>	<u>\$ (3,543,384)</u>	<u>\$ 27,596</u>	<u>\$ 5,061,564</u>	<u>\$ 42,052</u>	<u>\$ 17,921,550</u>	<u>\$ 27,313,890</u>

CITY OF MODESTO
SPECIAL FUND FOR CAPITAL OUTLAYS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Charges for services				\$ 19,747
Interest and rent - interest	\$ 30,000	\$ 1,014,845	\$ 984,845	1,608,111
Net decrease in fair value of investments		(153,498)	(153,498)	(12,554)
Miscellaneous	32,134	249,742	217,608	25,000
Total revenues	<u>62,134</u>	<u>1,111,089</u>	<u>1,048,955</u>	<u>1,640,304</u>
EXPENDITURES:				
Capital outlay:				
General government	12,681,770	11,114,551	1,567,219	5,204,127
Highways and streets	321,605	214,406	107,199	447,255
Parks and recreation	214,769	102,406	112,363	87,413
Public safety	8,877,629	1,856,881	7,020,748	6,386,613
Total expenditures	<u>22,095,773</u>	<u>13,288,244</u>	<u>8,807,529</u>	<u>12,125,408</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(22,033,639)</u>	<u>(12,177,155)</u>	<u>9,856,484</u>	<u>(10,485,104)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	220,282	120,509	(99,773)	766,974
Operating transfers out				(11,219)
TOTAL OTHER FINANCING SOURCES (USES)	<u>220,282</u>	<u>120,509</u>	<u>(99,773)</u>	<u>755,755</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(21,813,357)</u>	<u>(12,056,646)</u>	<u>9,756,711</u>	<u>(9,729,349)</u>
FUND BALANCES, JULY 1 (as restated)	23,593,612	19,334,342	(4,259,270)	29,064,383
Residual equity transfers out	<u>(94,306)</u>	<u>(94,306)</u>		<u>(692)</u>
FUND BALANCES, JUNE 30	<u>\$ 1,685,949</u>	<u>\$ 7,183,390</u>	<u>\$ 5,497,441</u>	<u>\$ 19,334,342</u>

CITY OF MODESTO
CAPITAL FACILITY FEES CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - county grants and apportionments	\$ 2,659,950		\$ (2,659,950)	\$ 544,150
Charges for services	3,865,705	\$ 5,638,710	1,773,005	3,819,807
Interest and rent - interest	131,339	405,267	273,928	349,198
Net decrease in fair value of investments		(83,076)	(83,076)	(85,772)
Total revenues	6,656,994	5,960,901	(696,093)	4,627,383
EXPENDITURES:				
Capital outlay:				
General government	3,994,226	404,912	3,589,314	342,366
Highways and streets	3,640,447	1,967,777	1,672,670	1,374,964
Parks and recreation	3,299,570	1,602,187	1,697,383	757,724
Public safety	28,123	1,212	26,911	175,758
Total expenditures	10,962,366	3,976,088	6,986,278	2,650,812
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,305,372)	1,984,813	6,290,185	1,976,571
OTHER FINANCING SOURCES:				
Operating transfers out	(334,000)	(313,169)	20,831	(448,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,639,372)	1,671,644	6,311,016	1,528,571
FUND BALANCES, JULY 1	6,794,794	6,794,794		5,279,987
Residual equity transfers out	(5,634)	(5,634)		(13,764)
FUND BALANCES, JUNE 30	\$ 2,149,788	\$ 8,460,804	\$ 6,311,016	\$ 6,794,794

CITY OF MODESTO
PARKS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000			1999
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Charges for services	\$ 21,400	\$ 29,707	\$ 8,307	\$ 23,515
Interest and rent - interest	35,780	77,246	41,466	81,199
Net decrease in fair value of investments		(7,773)	(7,773)	(14,083)
Miscellaneous	9,200	9,207	7	
Total revenues	<u>66,380</u>	<u>108,387</u>	<u>42,007</u>	<u>90,631</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>1,379,964</u>	<u>830,337</u>	<u>549,627</u>	<u>552,354</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,313,584)</u>	<u>(721,950)</u>	<u>591,634</u>	<u>(461,723)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>331,108</u>	<u>331,108</u>		<u>655,202</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(982,476)	(390,842)	591,634	193,479
FUND BALANCES, JULY 1 (as restated)	1,103,139	1,006,718	(96,421)	813,239
Residual equity transfer out	<u>(625)</u>	<u>(625)</u>		
FUND BALANCES, JUNE 30	<u>\$ 120,038</u>	<u>\$ 615,251</u>	<u>\$ 495,213</u>	<u>\$ 1,006,718</u>

CITY OF MODESTO
PARKS AND RECREATION FACILITIES CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		1999
	Budget	Actual	Actual
		Variance Favorable (Unfavorable)	
OTHER FINANCING USES:			
Operating transfers out			\$ (46,527)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			(46,527)
FUND BALANCES, JULY 1			46,527
FUND BALANCES, JUNE 30	\$	\$	\$

CITY OF MODESTO
STATE PARKS AND RECREATION CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - state grants and apportionments	\$ 750,000	\$ 393,291	\$ (356,709)	
Net decrease in fair value of investments				\$ (859)
Total revenues	750,000	393,291	(356,709)	(859)
EXPENDITURES - capital outlay:				
Parks and recreation	921,805	496,660	425,145	1,725
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(171,805)	(103,369)	(68,436)	(2,584)
OTHER FINANCING SOURCES:				
Operating transfers in	105,000	105,000		15,998
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(66,805)	1,631	68,436	13,414
FUND BALANCES, JULY 1	67,304	67,304		53,890
FUND BALANCES, JUNE 30	\$ 499	\$ 68,935	\$ 68,436	\$ 67,304

CITY OF MODESTO
MCHENRY MANSION RESTORATION CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000			1999
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Interest and rent - interest		\$ 320	\$ 320	\$ 284
Net decrease in fair value of investments		(65)	(65)	(59)
Total revenues		255	255	225
 FUND BALANCES, JULY 1	\$ 5,087	5,087		4,862
FUND BALANCES, JUNE 30	\$ 5,087	\$ 5,342	\$ 255	\$ 5,087

CITY OF MODESTO
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Taxes - property taxes	\$ 441,337	\$ 486,162	\$ 44,825	\$ 444,244
Interest and rent - interest		286,073	286,073	543,014
Net decrease in fair value of investments		(81,295)	(81,295)	(23,623)
Miscellaneous	11,000	52,103	41,103	
Total revenues	452,337	743,043	290,706	963,635
EXPENDITURES - capital outlay:				
General government	6,131,925	2,479,508	3,652,417	7,371,658
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(5,679,588)	(1,736,465)	3,943,123	(6,408,023)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	458,950	458,950		449,953
Operating transfers out				(700,000)
TOTAL OTHER FINANCING SOURCES (USES)	458,950	458,950		(250,047)
DEFICIENCY OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	(5,220,638)	(1,277,515)	3,943,123	(6,658,070)
FUND BALANCES (DEFICITS), JULY 1 (as restated)	(259,663)	(2,265,869)	(2,006,206)	4,392,201
FUND DEFICITS, JUNE 30	\$ (5,480,301)	\$ (3,543,384)	\$ 1,936,917	\$ (2,265,869)

CITY OF MODESTO
IMPROVEMENT DISTRICTS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
OTHER FINANCING USES:				
Operating transfers out				\$ (40,076)
FUND BALANCES, JULY 1	\$ 27,596	\$ 27,596		67,672
FUND BALANCES, JUNE 30	\$ 27,596	\$ 27,596	\$	\$ 27,596

CITY OF MODESTO
COMMUNITY FACILITIES DISTRICTS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		Variance Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUES:				
Taxes	\$ 425,383	\$ 191,388	\$ (233,995)	\$ 105,522
Charges for services	2,520,810	3,353,966	833,156	910,581
Interest and rent - interest		207,917	207,917	91,014
Net decrease in fair value of investments		(47,941)	(47,941)	(12,063)
Total revenues	2,946,193	3,705,330	759,137	1,095,054
EXPENDITURES - capital outlay:				
General government	4,154,773	947,905	3,206,868	820,389
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,208,580)	2,757,425	3,966,005	274,665
OTHER FINANCING SOURCES (USES):				
Operating transfers in				10,000
Operating transfers out				(101,250)
Proceeds of capital facilities district bonds				2,025,000
TOTAL OTHER FINANCING SOURCES (USES)				1,933,750
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,208,580)	2,757,425	3,966,005	2,208,415
FUND BALANCES, JULY 1	2,304,139	2,304,139		95,724
FUND BALANCES, JUNE 30	\$ 1,095,559	\$ 5,061,564	\$ 3,966,005	\$ 2,304,139

CITY OF MODESTO
PUBLIC FINANCING AUTHORITY CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	2000		1999
	Budget	Actual	Actual
		Variance Favorable (Unfavorable)	
REVENUES:			
Interest and rent - interest	\$	2,496	\$ 2,757
Net decrease in fair value of investments		(223)	(112)
Total revenues	2,273	2,273	2,645
EXPENDITURES:			
Cost of issuance			1,749
EXCESS OF REVENUES OVER EXPENDITURES		2,273	896
FUND BALANCES, JULY 1	\$ 39,779	39,779	38,883
FUND BALANCES, JUNE 30	\$ 39,779	\$ 42,052	\$ 39,779

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DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Debt Service Funds include:

REDEVELOPMENT AGENCY DEBT SERVICE FUND - To account for certificates of participation issued to finance the acquisitions and construction of the Modesto Centre Plaza.

IMPROVEMENT DISTRICTS DEBT SERVICE FUND - To account for payment of bonded debt issued to finance Improvement District capital projects.

COMMUNITY FACILITIES DISTRICTS DEBT SERVICE FUND - To account for payment of bonded debt issued to finance Community Facilities District capital projects.

PUBLIC FINANCING AUTHORITY DEBT SERVICE FUND - To account for payment of debt issued to finance projects authorized by the Modesto Public Financing Authority.

**CITY OF MODESTO
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2000
(With comparative totals for June 30, 1999)**

	Redevelopment Agency	Improvement Districts
<u>ASSETS</u>		
Cash and cash equivalents	\$	\$ 337,186
Cash and cash equivalents with fiscal agent	1,977,454	244,420
Receivables:		
Accounts	41,846	6,612
Taxes	27,195	
Special assessments		1,106,603
	\$ 2,046,495	\$ 1,694,821
Total assets		
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable and accrued expenditures		\$ 556
Due to other funds	\$ 601,664	
Deferred revenues		1,104,312
Total liabilities	601,664	1,104,868
Fund balances:		
Reserved for debt service	1,444,831	589,953
Total liabilities and fund balances	\$ 2,046,495	\$ 1,694,821

Community Facilities Districts	Public Financing Authority	Totals	
		2000	1999
\$ 312	\$ 6,368,304	\$ 337,498	\$ 526,455
128,622		8,718,800	10,676,438
37	15	48,510	50,250
		27,195	33,420
		1,106,603	1,313,987
<u>\$ 128,971</u>	<u>\$ 6,368,319</u>	<u>\$ 10,238,606</u>	<u>\$ 12,600,550</u>
		\$ 556	
		601,664	
		1,104,312	\$ 1,309,337
		1,706,532	1,309,337
<u>\$ 128,971</u>	<u>\$ 6,368,319</u>	<u>8,532,074</u>	<u>11,291,213</u>
<u>\$ 128,971</u>	<u>\$ 6,368,319</u>	<u>\$ 10,238,606</u>	<u>\$ 12,600,550</u>

**CITY OF MODESTO
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)**

	Redevelopment Agency	Improvement Districts
REVENUES:		
Taxes	\$ 1,045,047	
Intergovernmental - state	44,156	
Special assessments levied		\$ 173,468
Interest and rent	190,916	98,276
Net increase (decrease) in fair value of investments	3,443	(1,606)
Total revenues	1,283,562	270,138
EXPENDITURES - debt service:		
Principal retirement	350,000	235,000
Interest	1,357,194	88,735
Other	8,812	11,150
Total expenditures	1,716,006	334,885
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(432,444)	(64,747)
OTHER FINANCING SOURCES (USES):		
Operating transfers in	299,548	
Operating transfer out	(705,527)	
TOTAL OTHER FINANCING SOURCES (USES)	(405,979)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(838,423)	(64,747)
FUND BALANCES, JULY 1	2,283,254	654,700
FUND BALANCES, JUNE 30	\$ 1,444,831	\$ 589,953

Community Facilities Districts	Public Financing Authority	Totals	
		2000	1999
\$ 86,543		\$ 1,131,590	\$ 1,030,667
		44,156	41,728
		173,468	144,644
196	\$ 419,991	709,379	921,068
153		1,990	(17,108)
<u>86,892</u>	<u>419,991</u>	<u>2,060,583</u>	<u>2,120,999</u>
	445,000	1,030,000	919,998
64,961	3,614,905	5,125,795	5,080,708
	19,870	39,832	34,315
<u>64,961</u>	<u>4,079,775</u>	<u>6,195,627</u>	<u>6,035,021</u>
<u>21,931</u>	<u>(3,659,784)</u>	<u>(4,135,044)</u>	<u>(3,914,022)</u>
	1,781,884	2,081,432	1,648,268
		(705,527)	(119,488)
	<u>1,781,884</u>	<u>1,375,905</u>	<u>1,528,780</u>
21,931	(1,877,900)	(2,759,139)	(2,385,242)
<u>107,040</u>	<u>8,246,219</u>	<u>11,291,213</u>	<u>13,676,455</u>
\$ <u><u>128,971</u></u>	\$ <u><u>6,368,319</u></u>	\$ <u><u>8,532,074</u></u>	\$ <u><u>11,291,213</u></u>

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ENTERPRISE FUNDS

Enterprise Funds are established to account for the financing of self-supporting activities of governmental units which render services on a user-charge basis to the general public. Enterprise Funds include:

PARKING FUND - Revenues in this fund consist of charges for off-street parking and the downtown parking garage, as well as in-lieu parking fees. The revenue is used to develop and maintain parking facilities.

WATER FUND - Accounted for within this fund are all revenues collected by the City for the purpose of financing the construction, operation, and maintenance of the City water distribution system. Revenues are derived from water service charges and various installation fees.

SEWER FUND - Accounted for within this fund are amounts collected by the City for the purpose of financing the construction, operation, and maintenance of the City sewer system. Revenues include, but are not limited to, sewer service charges and sewer lateral charges.

STORM DRAIN FUND - To account for storm drain improvements, operations and maintenance previously financed in the Sewer Fund. The activities of the fund include street cleaning, rock well maintenance, and compliance with Federal and State water quality standards on storm water discharge.

AIRPORT FUND - To account for all airport operations as stipulated in the City-Stanislaus County agreement of January 1968. Amounts received from the Federal government, State of California, and Stanislaus County, requiring matching amounts by the City, are recorded in this fund and are appropriated to finance approved capital projects.

BUS FUND - Pursuant to the terms of a Federal grant agreement, the City has agreed to provide mass transportation service. All operating, maintenance, and capital expenditures are appropriated in this fund. Buses are operated by a private contractor under the terms of a supervisory agreement with the City. A separate contract agreement provides Dial-a-Ride service for the elderly and handicapped.

GOLF FUND - Revenues in this fund consist of fees charged for using the City's golf courses. The revenue is used to improve, operate, and maintain the courses.

COMMUNITY CENTER FUND - Accounted for within this fund are all amounts collected for the purpose of operating and maintaining the Modesto Centre Plaza Community Center. Revenues include room rental, catering fees, ticket sales, and other charges for using the center.

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2000
(With comparative totals for June 30, 1999)**

<u>ASSETS</u>	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
Current assets:				
Cash and cash equivalents	\$ 935,696	\$ 18,453,387	\$ 7,007,433	\$ 1,153,166
Cash and cash equivalents with fiscal agent		444,967	5,752,996	
Receivables:				
Accounts	201	3,132,142	2,124,022	530,306
Taxes		2,439		
Due from governments	11,152		127,064	4,538
Prepaid expenses				
Total current assets	<u>947,049</u>	<u>22,032,935</u>	<u>15,011,515</u>	<u>1,688,010</u>
Restricted assets-cash and cash equivalents:				
Cash deposits		688,575	156,992	
Revenue bond construction account			<u>2,467,837</u>	
Total restricted assets-cash and cash equivalents		<u>688,575</u>	<u>2,624,829</u>	
Other assets:				
Unamortized costs of issuance		<u>323,647</u>	<u>750,634</u>	
Land, buildings and equipment:				
Land	1,277,703	1,368,662	11,534,879	626,597
Buildings	2,121,462	3,920,485	28,558,006	
Improvements other than buildings	425,527	29,748,358	64,724,950	9,253,070
Furnishings and equipment	69,333	1,009,741	2,655,846	151,326
Buses and fareboxes				
Pipelines		40,045,956	56,542,907	1,613,017
Construction in progress		2,493,794	12,040,806	1,173,803
Accumulated depreciation	<u>(1,652,370)</u>	<u>(14,973,613)</u>	<u>(42,717,055)</u>	<u>(1,464,047)</u>
Total land, buildings and equipment	<u>2,241,655</u>	<u>63,613,383</u>	<u>133,340,339</u>	<u>11,353,766</u>
 Total assets	 <u>\$ 3,188,704</u>	 <u>\$ 86,658,540</u>	 <u>\$ 151,727,317</u>	 <u>\$ 13,041,776</u>

Airport	Bus	Golf	Community Center	Totals	
				2000	1999
\$ 4,174	\$ 501,586 1,265,201	\$ 39,986	\$ 639,663	\$ 28,735,091 7,463,164	\$ 33,522,349 8,336,318
6,082		12,526	39,463	5,844,742 2,439	5,771,423 3,695
548,996	4,442,484	31,853		5,166,087	1,890,916
<u>559,252</u>	<u>6,209,271</u>	<u>84,365</u>	<u>679,126</u>	<u>47,211,523</u>	<u>49,533,069</u>
				845,567	736,870
				<u>2,467,837</u>	<u>4,487,676</u>
				<u>3,313,404</u>	<u>5,224,546</u>
				1,074,281	1,140,346
929,891	2,483,167	275,741	3,667,020	22,163,660	22,484,233
3,480,565	3,986,018	1,102,879	22,856,962	66,026,377	50,676,675
6,426,869	825,690	6,465,243	565,172	118,434,879	114,666,296
593,545	608,650	89,991	315,182	5,493,614	4,523,576
	8,225,628			8,225,628	8,201,298
				98,201,880	86,334,906
952,217	385,662	690		17,046,972	32,750,813
(5,333,819)	(5,212,232)	(2,689,299)	(8,718,589)	(82,761,024)	(74,583,602)
<u>7,049,268</u>	<u>11,302,583</u>	<u>5,245,245</u>	<u>18,685,747</u>	<u>252,831,986</u>	<u>245,054,195</u>
\$ <u>7,608,520</u>	\$ <u>17,511,854</u>	\$ <u>5,329,610</u>	\$ <u>19,364,873</u>	\$ <u>304,431,194</u>	\$ <u>300,952,156</u> (continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET (continued)
June 30, 2000
(With comparative totals for June 30, 1999)**

<u>LIABILITIES AND EQUITY</u>	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
Current liabilities:				
Accounts payable and accrued expenses	\$ 9,694	\$ 513,580	\$ 1,045,431	\$ 531,802
Interest payable		328,308	421,290	
Due to other funds				
Current portion - long-term debt		733,672	1,045,000	
Current portion - developer advances		132,674		
Deferred revenues				
Total current liabilities	<u>9,694</u>	<u>1,708,234</u>	<u>2,511,721</u>	<u>531,802</u>
Other liabilities:				
Payable from restricted assets - refundable deposits		688,575	156,992	
Advances from other funds				
Revenue bonds payable			44,009,341	
Loans payable		3,056,370		
Certificates of participation		21,518,612		
Developer advances		2,761,861		
Total other liabilities		<u>28,025,418</u>	<u>44,166,333</u>	
Total liabilities	<u>9,694</u>	<u>29,733,652</u>	<u>46,678,054</u>	<u>531,802</u>
Equity:				
Contributed capital	654,852	15,782,089	48,788,360	
Retained earnings (deficits)-unreserved	<u>2,524,158</u>	<u>41,142,799</u>	<u>56,260,903</u>	<u>12,509,974</u>
Total equity	<u>3,179,010</u>	<u>56,924,888</u>	<u>105,049,263</u>	<u>12,509,974</u>
Total liabilities and equity	<u>\$ 3,188,704</u>	<u>\$ 86,658,540</u>	<u>\$ 151,727,317</u>	<u>\$ 13,041,776</u>

<u>Airport</u>	<u>Bus</u>	<u>Golf</u>	<u>Community Center</u>	<u>Totals</u>	
				<u>2000</u>	<u>1999</u>
\$ 27,812	\$ 760,512	\$ 116,026	\$ 36,432	\$ 3,041,289	\$ 4,594,002
				749,598	764,224
305,000				305,000	
				1,778,672	1,703,593
				132,674	132,448
	3,225,472			3,225,472	3,070,456
<u>332,812</u>	<u>3,985,984</u>	<u>116,026</u>	<u>36,432</u>	<u>9,232,705</u>	<u>10,264,723</u>
				845,567	736,870
337,300		742,000		1,079,300	1,079,300
				44,009,341	44,974,022
				3,056,370	3,220,042
				21,518,612	21,991,701
				2,761,861	2,894,535
<u>337,300</u>	<u> </u>	<u>742,000</u>	<u> </u>	<u>73,271,051</u>	<u>74,896,470</u>
<u>670,112</u>	<u>3,985,984</u>	<u>858,026</u>	<u>36,432</u>	<u>82,503,756</u>	<u>85,161,193</u>
7,050,841	11,586,293	4,265,375	18,705,590	106,833,400	108,260,374
(112,433)	1,939,577	206,209	622,851	115,094,038	107,530,589
<u>6,938,408</u>	<u>13,525,870</u>	<u>4,471,584</u>	<u>19,328,441</u>	<u>221,927,438</u>	<u>215,790,963</u>
\$ <u>7,608,520</u>	\$ <u>17,511,854</u>	\$ <u>5,329,610</u>	\$ <u>19,364,873</u>	\$ <u>304,431,194</u>	\$ <u>300,952,156</u>

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)**

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
OPERATING REVENUES:				
Charges for services	\$ 434,262	\$ 26,758,031	\$ 17,901,762	\$ 4,516,040
OPERATING EXPENSES:				
Salaries and wages	147,464	1,284,983	3,433,864	839,325
Contractual services	146,546	1,289,414	1,860,528	481,740
Utilities	42,642	1,359,448	969,153	16,008
Maintenance and supplies	66,424	3,662,068	3,054,553	986,251
Water purchases		10,600,104		
Insurance	9,050	50,490	121,092	12,284
Employee benefits	15,723	535,337	803,166	218,165
Administration services	132,471	2,983,743	1,035,383	550,262
Allocated indirect administrative costs	5,599	741,850	928,333	167,384
Other	139	55,653	92,669	13,162
Depreciation	67,516	1,996,317	3,768,654	414,492
Total operating expenses	<u>633,574</u>	<u>24,559,407</u>	<u>16,067,395</u>	<u>3,699,073</u>
OPERATING INCOME (LOSS)	<u>(199,312)</u>	<u>2,198,624</u>	<u>1,834,367</u>	<u>816,967</u>
NONOPERATING REVENUES (EXPENSES)				
Operating grants			255,453	
Loss on disposition of fixed assets		(6,881)	(105,281)	(8,845)
Taxes	(1,521)	(121,760)	(82,099)	
Interest income	47,806	1,193,934	568,926	124,907
Net decrease in fair value of investments		(235,567)	(94,467)	(16,062)
Rental income		12,413	50,221	
Interest expense		(1,396,631)	(745,032)	
Amortization of bond discount		(22,175)	(13,968)	
Amortization of costs of issuance		(13,839)	(52,226)	
Total nonoperating revenues (expenses)	<u>46,285</u>	<u>(590,506)</u>	<u>(218,473)</u>	<u>100,000</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(153,027)</u>	<u>1,608,118</u>	<u>1,615,894</u>	<u>916,967</u>
Operating transfers in	69,140		4,509	
Operating transfers out		(236,420)	(276,617)	(16,485)
Total operating transfers in (out)	<u>69,140</u>	<u>(236,420)</u>	<u>(272,108)</u>	<u>(16,485)</u>
NET INCOME (LOSS)	(83,887)	1,371,698	1,343,786	900,482
Depreciation charged to contributed capital	67,516	533,344	2,290,503	
Increase (decrease) in retained earnings	(16,371)	1,905,042	3,634,289	900,482
RETAINED EARNINGS (DEFICITS), July 1	2,540,529	39,697,404	53,027,104	11,724,690
Residual equity transfers out		(459,647)	(400,490)	(115,198)
RETAINED EARNINGS (DEFICITS), June 30	<u>\$ 2,524,158</u>	<u>\$ 41,142,799</u>	<u>\$ 56,260,903</u>	<u>\$ 12,509,974</u>

Airport	Bus	Golf	Community Center	Totals	
				2000	1999
\$ 635,656	\$ 1,988,836	\$ 2,073,676	\$ 721,057	\$ 55,029,320	\$ 54,936,378
252,636	437,335		480,940	6,876,547	6,466,226
19,407	5,066,645	1,402,685	73,604	10,340,569	9,706,797
43,325	33,675	73,846	129,822	2,667,919	2,715,751
117,357	772,479	2,843	264,587	8,926,562	7,174,375
				10,600,104	10,027,906
15,561	9,436	3,862	20,609	242,384	270,858
58,736	106,265	7,074	97,030	1,841,496	1,925,297
10,813	243,874	4,346	50,749	5,011,641	4,675,888
38,854	208,810	70,656		2,161,486	2,655,651
16,832	36,284	7,363	16,581	238,683	209,357
316,104	634,963	312,496	719,542	8,230,084	7,864,829
889,625	7,549,766	1,885,171	1,853,464	57,137,475	53,692,935
(253,969)	(5,560,930)	188,505	(1,132,407)	(2,108,155)	1,243,443
	4,201,532			4,456,985	2,025,312
(24,097)	(29,989)		(1,045)	(176,138)	(437,489)
145,793	2,256,865			2,197,278	2,333,013
(10,365)	26,807	(41,608)	17,761	1,928,168	2,019,719
	(6,650)			(352,746)	(419,436)
66,310	186,581	8,000		323,525	326,429
				(2,141,663)	(971,979)
				(36,143)	(36,143)
				(66,065)	(66,575)
177,641	6,635,146	(33,608)	16,716	6,133,201	4,772,851
(76,328)	1,074,216	154,897	(1,115,691)	4,025,046	6,016,294
			717,000	790,649	1,231,898
(55,145)	(8,627)	(485,820)	(69,140)	(1,148,254)	(4,822,863)
(55,145)	(8,627)	(485,820)	647,860	(357,605)	(3,590,965)
(131,473)	1,065,589	(330,923)	(467,831)	3,667,441	2,425,329
316,103	634,963	309,372	719,542	4,871,343	4,889,448
184,630	1,700,552	(21,551)	251,711	8,538,784	7,314,777
(297,063)	239,025	227,760	371,140	107,530,589	100,215,812
				(975,335)	
\$ (112,433)	\$ 1,939,577	\$ 206,209	\$ 622,851	\$ 115,094,038	\$ 107,530,589

CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (199,312)	\$ 2,198,624	\$ 1,834,367
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	67,516	1,996,317	3,768,654
Rental income		12,413	50,221
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		5,898	(54,823)
(Increase) in taxes receivable		1,256	
(Increase) decrease in due from governments	(11,152)		
(Increase) decrease in prepaid expenses			
Increase (decrease) in accounts payable and accrued expenses	4,151	(1,584,799)	(470,836)
Increase in due to other funds			
(Decrease) in deferred revenue			
Increase in refundable deposits		53,837	54,860
Total adjustments	<u>60,515</u>	<u>484,922</u>	<u>3,348,076</u>
Net cash provided (used) by operating activities	<u>(138,797)</u>	<u>2,683,546</u>	<u>5,182,443</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received			255,453
Taxes received			
Taxes paid	(1,521)	(121,760)	(82,099)
Operating transfers in	69,140		4,509
Operating transfers out		(236,420)	(276,617)
Residual equity transfers out	(256)	(64,926)	(55,648)
New advances from other funds			
Net cash provided (used) by noncapital financing activities	<u>67,363</u>	<u>(423,106)</u>	<u>(154,402)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets		(4,776,692)	(6,649,402)
Proceeds from sale of fixed assets		10,000	
Principal repayments		(836,041)	(1,000,000)
Interest paid		(1,329,287)	(2,549,445)
Capital grants received			
Residual equity transfers in			9,017
Connection fees for capital purposes		1,433,492	969,915
Costs of issuance paid			
Net cash provided (used) by capital and related financing activities	<u> </u>	<u>(5,498,528)</u>	<u>(9,219,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	47,605	1,188,424	844,814
Net (decrease) in the fair value of investments		(235,567)	(94,467)
Net cash provided (used) by investing activities	<u>47,605</u>	<u>952,857</u>	<u>750,347</u>
Net increase (decrease) in cash and cash equivalents	(23,829)	(2,285,231)	(3,441,527)
CASH AND CASH EQUIVALENTS, JULY 1	<u>959,525</u>	<u>21,872,160</u>	<u>18,826,785</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 935,696</u>	<u>\$ 19,586,929</u>	<u>\$ 15,385,258</u>

Storm Drain	Airport	Bus	Golf	Community Center	Totals	
					2000	1999
\$ 816,967	\$ (253,969)	\$ (5,560,930)	\$ 188,505	\$ (1,132,407)	\$ (2,108,155)	\$ 1,243,443
414,492	316,104 66,310	634,963 186,581	312,496 8,000	719,542	8,230,084 323,525	7,864,829 326,429
(37,625)	903	3,755	(12,326)	32,258	(61,960)	847,142
		19,322			1,256	(310)
	8,368				8,170	(33,284)
347,059	15,949	(87,921)	111,084	(8,798)	8,368	1,039
	305,000				(1,674,111)	279,090
		(900,000)			305,000	
					(900,000)	(759,000)
					108,697	54,007
<u>723,926</u>	<u>712,634</u>	<u>(143,300)</u>	<u>419,254</u>	<u>743,002</u>	<u>6,349,029</u>	<u>8,579,942</u>
<u>1,540,893</u>	<u>458,665</u>	<u>(5,704,230)</u>	<u>607,759</u>	<u>(389,405)</u>	<u>4,240,874</u>	<u>9,823,385</u>
		924,611			1,180,064	2,264,018
	145,793	3,728,495			3,874,288	2,771,668
				717,000	(205,380)	(167,173)
					790,649	1,231,898
(16,485)	(55,145)	(8,627)	(485,820)	(69,140)	(1,148,254)	(4,822,860)
	(1,667)	(18,215)	(2,342)	(1,986)	(145,040)	(42,042)
						210,000
<u>(16,485)</u>	<u>88,981</u>	<u>4,626,264</u>	<u>(488,162)</u>	<u>645,874</u>	<u>4,346,327</u>	<u>1,445,509</u>
(2,684,408)	(1,287,177)	(231,474)	(39,559)	(65,731)	(15,734,443)	(23,364,329)
					10,000	
					(1,836,041)	(1,943,871)
					(3,878,732)	(3,953,233)
	561,652	386,590			948,242	427,872
				75,000	84,017	88,764
					2,403,407	2,772,085
						(11,500)
<u>(2,684,408)</u>	<u>(725,525)</u>	<u>155,116</u>	<u>(39,559)</u>	<u>9,269</u>	<u>(18,003,550)</u>	<u>(25,984,212)</u>
123,996	(10,368)	26,807	(41,535)	17,798	2,197,541	2,198,152
(16,062)		(6,650)			(352,746)	(419,436)
<u>107,934</u>	<u>(10,368)</u>	<u>20,157</u>	<u>(41,535)</u>	<u>17,798</u>	<u>1,844,795</u>	<u>1,778,716</u>
(1,052,066)	(188,247)	(902,693)	38,503	283,536	(7,571,554)	(12,936,602)
<u>2,205,232</u>	<u>192,421</u>	<u>2,669,480</u>	<u>1,483</u>	<u>356,127</u>	<u>47,083,213</u>	<u>60,019,815</u>
\$ <u>1,153,166</u>	\$ <u>4,174</u>	\$ <u>1,766,787</u>	\$ <u>39,986</u>	\$ <u>639,663</u>	\$ <u>39,511,659</u>	\$ <u>47,083,213</u>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 2000**

PARKING FUND

Fixed assets transferred from other funds and General Fixed Assets	\$	51,238
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WATER FUND

Fixed asset additions accrued at year end		70,071
Fixed assets transferred from other funds and General Fixed Assets		25,114
Residual equity transfers out of fixed assets		(459,647)

SEWER FUND

Fixed asset additions accrued at year end		327,425
Fixed assets transferred from other funds and General Fixed Assets		3,947
Capitalized interest expense on revenue bonds accrued at year end		310,588
Residual equity transfers out of fixed assets		(400,490)

STORM DRAIN FUND

Fixed asset additions accrued at year end		98,919
Residual equity transfers out of fixed assets		(115,198)

AIRPORT FUND

Capital grants accrued at year end		548,996
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BUS FUND

Fixed assets transferred from other funds and General Fixed Assets		1,570
Operating grants accrued at year end		4,018,976
Capital grants accrued at year end		159,636

GOLF FUND

Fixed assets transferred from other funds and General Fixed Assets		1,450
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INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and commodities furnished by a designated agency of a governmental unit to other departments of the same governmental unit. Since the services and commodities are supplied exclusively to other departments of a governmental jurisdiction, they are distinguishable from those public services which are rendered to the public in general and which are accounted for in General, Special Revenue, or Enterprise Funds. Internal Service Funds include:

FLEET MANAGEMENT FUND - To provide the maintenance necessary for the City's equipment pool, which serves the needs of all City departments.

CENTRAL SERVICES FUND - To provide office supplies, various maintenance and construction materials, records storage, and mail services to all City departments.

TECHNOLOGY AND INFORMATION SERVICES FUND - To finance and account for the replacement, upgrade and maintenance of the City's network and technology infrastructure, and to develop and implement a coordinated City-wide information technology plan.

INSURANCE FUND - To finance and account for the City's insurance and risk management programs.

EMPLOYEE BENEFITS MANAGEMENT FUND - To account for all compensated absences and other employee benefits. Insurance benefits for current employees are accounted for in the Insurance Fund.

BUILDING SERVICES FUND - To account for the true cost of occupying and maintaining office space, to better reflect the value of that space, and to accumulate amounts for future building repair costs.

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 2000
(With comparative totals for June 30, 1999)**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology & Information Services</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 7,813,541	\$ 162,860	\$ 657,039
Receivables:			
Accounts	24,930		
Notes			
Inventories		451,084	
Total current assets	<u>7,838,471</u>	<u>613,944</u>	<u>657,039</u>
Land, buildings and equipment:			
Land	270,692		
Buildings	695,066		
Improvements other than buildings	1,639,875	13,694	168,189
Equipment pool	18,727,819		
Furnishings and equipment	326,123	171,826	2,701,615
Construction in progress	85,975		
Accumulated depreciation	<u>(11,319,011)</u>	<u>(56,813)</u>	<u>(813,906)</u>
Total land, buildings and equipment	<u>10,426,539</u>	<u>128,707</u>	<u>2,055,898</u>
 Total assets	 <u>\$ 18,265,010</u>	 <u>\$ 742,651</u>	 <u>\$ 2,712,937</u>
 <u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 164,093	\$ 73,671	\$ 90,904
Interest payable		913	13,172
Current portion - compensated absences			
Current portion - claims liability			
Current portion - long-term debt		<u>10,501</u>	<u>167,242</u>
Total current liabilities	<u>164,093</u>	<u>85,085</u>	<u>271,318</u>
Other liabilities:			
Advances from other funds		463,000	
Obligations under capital leases		11,118	265,424
Compensated absences			
Claims liability			
Total other liabilities	<u> </u>	<u>474,118</u>	<u>265,424</u>
 Total liabilities	 <u>164,093</u>	 <u>559,203</u>	 <u>536,742</u>
Equity:			
Contributed capital	5,328,995	66,364	1,772,704
Retained earnings (deficits)-unreserved	<u>12,771,922</u>	<u>117,084</u>	<u>403,491</u>
Total equity	<u>18,100,917</u>	<u>183,448</u>	<u>2,176,195</u>
 Total liabilities and equity	 <u>\$ 18,265,010</u>	 <u>\$ 742,651</u>	 <u>\$ 2,712,937</u>

<u>Insurance</u>	<u>Employee Benefits Management</u>	<u>Building Services</u>	<u>Totals</u>	
			<u>2000</u>	<u>1999</u>
\$ 8,937,471	\$ 7,452,653	\$ 432,695	\$ 25,456,259	\$ 23,897,970
120,226	21,625	526	167,307	650,969
	82,906		82,906	78,172
			451,084	398,111
<u>9,057,697</u>	<u>7,557,184</u>	<u>433,221</u>	<u>26,157,556</u>	<u>25,025,222</u>
			270,692	653,856
		57,801	752,867	4,514,269
		492,230	2,313,988	2,872,872
			18,727,819	16,236,969
125,497	31,956	74,406	3,431,423	4,413,692
(18,635)	(9,660)	(321,774)	85,975	85,975
<u>106,862</u>	<u>22,296</u>	<u>302,663</u>	<u>13,042,965</u>	<u>13,029,090</u>
<u>\$ 9,164,559</u>	<u>\$ 7,579,480</u>	<u>\$ 735,884</u>	<u>\$ 39,200,521</u>	<u>\$ 38,054,312</u>
\$ 499,792	\$ 23,325	\$ 97,625	\$ 949,410	\$ 810,230
	5,659,786		14,085	20,844
3,844,987			5,659,786	5,291,162
			3,844,987	3,793,221
			177,743	182,068
<u>4,344,779</u>	<u>5,683,111</u>	<u>97,625</u>	<u>10,646,011</u>	<u>10,097,525</u>
			463,000	463,000
			276,542	354,739
	20,209,562		20,209,562	19,281,168
5,492,131			5,492,131	6,020,815
<u>5,492,131</u>	<u>20,209,562</u>		<u>26,441,235</u>	<u>26,119,722</u>
<u>9,836,910</u>	<u>25,892,673</u>	<u>97,625</u>	<u>37,087,246</u>	<u>36,217,247</u>
3,812		57,811	7,229,686	7,589,018
(676,163)	(18,313,193)	580,448	(5,116,411)	(5,751,953)
<u>(672,351)</u>	<u>(18,313,193)</u>	<u>638,259</u>	<u>2,113,275</u>	<u>1,837,065</u>
<u>\$ 9,164,559</u>	<u>\$ 7,579,480</u>	<u>\$ 735,884</u>	<u>\$ 39,200,521</u>	<u>\$ 38,054,312</u>

CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 2000
(With comparative totals for year ended (June 30, 1999))

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology & Information Services</u>
OPERATING REVENUES:			
Charges for services	\$ 6,135,530	\$ 360,258	\$ 2,183,234
Sales		2,735,984	
Cost of sales		<u>(2,599,939)</u>	
Total operating revenues	<u>6,135,530</u>	<u>496,303</u>	<u>2,183,234</u>
OPERATING EXPENSES:			
Salaries and wages	705,213	187,793	454,241
Contractual services	104,541	79,272	300,419
Utilities	4,585	1,459	327,135
Maintenance and supplies	1,747,407	73,667	324,120
Insurance	26,488	3,727	7,120
Claims expense			
Employee benefits	203,455	44,380	93,522
Administration services	36,674	12,795	
Allocated indirect administrative costs	169,882		
Other	20,636	558	49,044
Depreciation	<u>1,614,840</u>	<u>13,897</u>	<u>272,275</u>
Total operating expenses	<u>4,633,721</u>	<u>417,548</u>	<u>1,827,876</u>
OPERATING INCOME (LOSS)	<u>1,501,809</u>	<u>78,755</u>	<u>355,358</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposition of fixed assets	18,587	(2,596)	(354,762)
Interest income	45,854	8,885	17,449
Net decrease in fair value of investments	(12,700)	(1,298)	(5,882)
Interest expense		<u>(1,432)</u>	<u>(28,479)</u>
Total nonoperating revenues (expenses)	<u>51,741</u>	<u>3,559</u>	<u>(371,674)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>1,553,550</u>	<u>82,314</u>	<u>(16,316)</u>
Operating transfers in			34,779
Operating transfers out			<u>(31,822)</u>
Total operating transfers in (out)			<u>2,957</u>
NET INCOME (LOSS)	1,553,550	82,314	(13,359)
Depreciation charged to contributed capital	<u>387,562</u>	<u>251</u>	<u>89,851</u>
Increase (decrease) in retained earnings	1,941,112	82,565	76,492
RETAINED EARNINGS (DEFICITS), July 1	<u>10,830,810</u>	<u>34,519</u>	<u>326,999</u>
RETAINED EARNINGS (DEFICITS), June 30	<u>\$ 12,771,922</u>	<u>\$ 117,084</u>	<u>\$ 403,491</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			2000	1999
\$ 10,417,264	\$ 15,684,954	\$ 1,931,623	\$ 36,712,863	\$ 38,038,370
			2,735,984	1,932,974
			(2,599,939)	(1,853,557)
<u>10,417,264</u>	<u>15,684,954</u>	<u>1,931,623</u>	<u>36,848,908</u>	<u>38,117,787</u>
250,145	40,696	732,115	2,370,203	2,306,869
87,757	7,658	203,608	783,255	860,077
1,052		442,666	776,897	639,236
17,645	34,175	347,701	2,544,715	2,150,669
5,632,871	516	10,015	5,680,737	5,729,383
3,524,147			3,524,147	5,782,601
59,611	17,616,093	191,191	18,208,252	28,300,318
295,868	24,926	34,043	404,306	424,067
			169,882	308,219
45,473	18,231	2,451	136,393	146,376
15,344	2,813	61,191	1,980,360	1,967,812
<u>9,929,913</u>	<u>17,745,108</u>	<u>2,024,981</u>	<u>36,579,147</u>	<u>48,615,627</u>
<u>487,351</u>	<u>(2,060,154)</u>	<u>(93,358)</u>	<u>269,761</u>	<u>(10,497,840)</u>
(1,358)	(1,293)	(29,640)	(371,062)	(179,922)
607,813	473,323	32,997	1,186,321	1,091,179
(113,001)	(94,360)	(5,347)	(232,588)	(196,506)
			(29,911)	(35,495)
<u>493,454</u>	<u>377,670</u>	<u>(1,990)</u>	<u>552,760</u>	<u>679,256</u>
<u>980,805</u>	<u>(1,682,484)</u>	<u>(95,348)</u>	<u>822,521</u>	<u>(9,818,584)</u>
30,791	92,435		158,005	
(728,966)	(105,201)	(5,000)	(870,989)	(80,338)
<u>(698,175)</u>	<u>(12,766)</u>	<u>(5,000)</u>	<u>(712,984)</u>	<u>(80,338)</u>
282,630	(1,695,250)	(100,348)	109,537	(9,898,922)
		48,341	526,005	567,281
282,630	(1,695,250)	(52,007)	635,542	(9,331,641)
<u>(958,793)</u>	<u>(16,617,943)</u>	<u>632,455</u>	<u>(5,751,953)</u>	<u>3,579,688</u>
\$ <u>(676,163)</u>	\$ <u>(18,313,193)</u>	\$ <u>580,448</u>	\$ <u>(5,116,411)</u>	\$ <u>(5,751,953)</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 2000
(With comparative totals for year ended June 30, 1999)

	Fleet Management	Central Services	Technology & Information Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,501,809	\$ 78,755	\$ 355,358
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,614,840	13,897	272,275
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(13,337)		
(Increase) decrease in notes receivable			
(Increase) in inventories		(52,973)	
Increase (decrease) in accounts payable and accrued expenses	64,233	(4,841)	5,073
Increase in compensated absences			
Increase (decrease) in claims liability			
Total adjustments	<u>1,665,736</u>	<u>(43,917)</u>	<u>277,348</u>
Net cash provided (used) by operating activities	<u>3,167,545</u>	<u>34,838</u>	<u>632,706</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in			34,779
Operating transfers out			(31,822)
Residual equity transfers out	(6,118)		
Net cash provided (used) by noncapital financing activities	<u>(6,118)</u>		<u>2,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(1,838,094)	(25,059)	(471,517)
Proceeds from sale of fixed assets	29,885		750
Principal repayments		(9,919)	(227,144)
Interest paid		(1,851)	(34,819)
Residual equity transfers in	73,447		377,566
Net cash (used) by capital and related financing activities	<u>(1,734,762)</u>	<u>(36,829)</u>	<u>(355,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	34,261	8,885	17,449
Net (decrease) in the fair value of investments	(12,700)	(1,298)	(5,882)
Net cash provided by investing activities	<u>21,561</u>	<u>7,587</u>	<u>11,567</u>
Net increase (decrease) in cash and cash equivalents	1,448,226	5,596	292,066
CASH AND CASH EQUIVALENTS, JULY 1	<u>6,365,315</u>	<u>157,264</u>	<u>364,973</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 7,813,541</u>	<u>\$ 162,860</u>	<u>\$ 657,039</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			2000	1999
\$ 487,351	\$ (2,060,154)	\$ (93,358)	\$ 269,761	\$ (10,497,840)
15,344	2,813	61,191	1,980,360	1,967,812
523,093	(4,734)		509,756	(522,947)
			(4,734)	1,327
			(52,973)	(62,425)
59,683	12,281	2,751	139,180	392,114
	1,297,018		1,297,018	9,578,508
(476,918)			(476,918)	636,124
<u>121,202</u>	<u>1,307,378</u>	<u>63,942</u>	<u>3,391,689</u>	<u>11,990,513</u>
<u>608,553</u>	<u>(752,776)</u>	<u>(29,416)</u>	<u>3,661,450</u>	<u>1,492,673</u>
30,791	92,435		158,005	
(728,966)	(105,201)	(5,000)	(870,989)	(80,338)
		(120,743)	(126,861)	
<u>(698,175)</u>	<u>(12,766)</u>	<u>(125,743)</u>	<u>(839,845)</u>	<u>(80,338)</u>
(4,132)	(5,938)	(54,130)	(2,398,870)	(1,715,156)
			30,635	
			(237,063)	(171,357)
			(36,670)	(41,778)
			451,013	130,426
<u>(4,132)</u>	<u>(5,938)</u>	<u>(54,130)</u>	<u>(2,190,955)</u>	<u>(1,797,865)</u>
593,118	473,806	32,708	1,160,227	1,119,713
(113,001)	(94,360)	(5,347)	(232,588)	(196,506)
<u>480,117</u>	<u>379,446</u>	<u>27,361</u>	<u>927,639</u>	<u>923,207</u>
386,363	(392,034)	(181,928)	1,558,289	537,677
<u>8,551,108</u>	<u>7,844,687</u>	<u>614,623</u>	<u>23,897,970</u>	<u>23,360,293</u>
\$ <u>8,937,471</u>	\$ <u>7,452,653</u>	\$ <u>432,695</u>	\$ <u>25,456,259</u>	\$ <u>23,897,970</u>

(Continued)

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 2000**

FLEET MANAGEMENT FUND

Fixed assets transferred from other funds and General Fixed Assets	\$ 1,420,829
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TECHNOLOGY AND INFORMATION SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets	52,199
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BUILDING SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets	4,218
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FIDUCIARY FUNDS

The City maintains an Investment Trust Fund which is used to account for the external portion of the City's investment pool. The City, in a fiduciary capacity, also maintains Agency Funds to account for assets held for others by the City.

INVESTMENT TRUST FUND - To account for the transactions of the external portion of the City's cash and investment pool. The assets of this fund belong to the Tuolumne River Regional Park joint powers agency.

AGENCY FUND:

REFUNDABLE DEPOSITS - To account for customer deposits for business and dog licenses, contract bids and other purposes.

**CITY OF MODESTO
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
June 30, 2000
(With comparative totals for June 30, 1999)**

	<u>Trust Fund Investment Trust Fund</u>	<u>Agency Fund Refundable Deposits</u>	<u>Totals (Memorandum Only)</u>	
			<u>2000</u>	<u>1999</u>
<u>ASSETS</u>				
Cash and cash equivalents in City investment pool	\$ 574,420		\$ 574,420	\$ 1,213,558
Restricted assets:				
Cash deposits	<u> </u>	\$ 1,342,204	<u>1,342,204</u>	<u>1,394,669</u>
Total assets	\$ <u>574,420</u>	\$ <u>1,342,204</u>	\$ <u>1,916,624</u>	\$ <u>2,608,227</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Payable from restricted assets:				
Refundable deposits	<u> </u>	\$ 1,342,204	\$ 1,342,204	\$ 1,394,669
Total liabilities	<u> </u>	<u>1,342,204</u>	<u>1,342,204</u>	<u>1,394,669</u>
Fund balance:				
Reserved for external investment pool participants	\$ 574,420	<u> </u>	<u>574,420</u>	<u>1,213,558</u>
Total liabilities and fund balance	\$ <u>574,420</u>	\$ <u>1,342,204</u>	\$ <u>1,916,624</u>	\$ <u>2,608,227</u>

**CITY OF MODESTO
INVESTMENT TRUST FUND
STATEMENT OF NET ASSETS
June 30, 2000
(With comparative totals for June 30, 1999)**

	Totals (Memorandum Only)	
<u>ASSETS</u>	2000	1999
Cash and cash equivalents in City investment pool	\$ 574,420	\$ 1,213,558
Net assets held in trust for external pool participants	\$ 574,420	\$ 1,213,558

CITY OF MODESTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2000

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2000</u>
<u>REFUNDABLE DEPOSITS</u>				
<u>ASSETS</u>				
Restricted assets - cash deposits	\$ <u>1,394,669</u>	\$ <u>652,998</u>	\$ <u>705,463</u>	\$ <u>1,342,204</u>
<u>LIABILITIES</u>				
Refundable deposits	\$ <u>1,394,669</u>	\$ <u>652,998</u>	\$ <u>705,463</u>	\$ <u>1,342,204</u>

GENERAL FIXED ASSETS

The General Fixed Assets Account Group is used to maintain accounting control and accountability for the City's investment in fixed assets which is not accounted for in a proprietary fund.

CITY OF MODESTO
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
June 30, 2000

	Total	Land	Buildings	Improvements Other Than Buildings	Furnishings and Equipment	Equipment Pool
General government:						
City council	\$ 19,521				\$ 19,521	
City manager	106,427				106,427	
Personnel	47,676			\$ 3,878	43,798	
City attorney	101,131				101,131	
City clerk/auditor	27,659				27,659	
Finance	707,790			56,973	650,817	
Community development	1,354,285	\$ 666,847	\$ 39,231	15,763	632,444	
Parking and traffic	1,140,293	424,038	325,000	3,961	387,294	
Total general government	<u>3,504,782</u>	<u>1,090,885</u>	<u>364,231</u>	<u>80,575</u>	<u>1,969,091</u>	
Public safety:						
Fire	8,542,627	197,063	2,460,083	536,981	5,348,500	
Police	14,124,627	1,304,982	983,571	8,401,548	3,287,030	\$ 147,496
Total public safety	<u>22,667,254</u>	<u>1,502,045</u>	<u>3,443,654</u>	<u>8,938,529</u>	<u>8,635,530</u>	<u>147,496</u>
Public works	<u>4,423,719</u>	<u>506,711</u>	<u>2,993,951</u>	<u>128,161</u>	<u>794,896</u>	
Highways and streets	<u>140,238</u>			<u>19,406</u>	<u>120,832</u>	
Parks and recreation	<u>41,204,729</u>	<u>12,273,573</u>	<u>4,604,069</u>	<u>23,956,980</u>	<u>370,107</u>	
Total general fixed assets allocated to functions	<u>71,940,722</u>	<u>\$ 15,373,214</u>	<u>\$ 11,405,905</u>	<u>\$ 33,123,651</u>	<u>\$ 11,890,456</u>	<u>\$ 147,496</u>
Construction in progress	<u>32,295,097</u>					
Total general fixed assets	<u>\$ 104,235,819</u>					

CITY OF MODESTO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
Year ended June 30, 2000

	General Fixed Assets July 1, 1999	Additions	Deductions	General Fixed Assets June 30, 2000
General government	\$ 3,321,786	\$ 2,671,926	\$ 2,488,930	\$ 3,504,782
Public safety	14,435,049	8,634,009	401,804	22,667,254
Public works	1,055,341	3,949,961	581,583	4,423,719
Highways and streets	212,613	27,317	99,692	140,238
Parks and recreation	40,007,905	1,362,307	165,483	41,204,729
Construction in progress	<u>28,227,355</u>	<u>15,812,724</u>	<u>11,744,982</u>	<u>32,295,097</u>
Total changes by function	<u>\$ 87,260,049</u>	<u>\$ 32,458,244</u>	<u>\$ 15,482,474</u>	<u>\$ 104,235,819</u>

CITY OF MODESTO
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 2000

GENERAL FIXED ASSETS:

Land	\$ 15,373,214
Buildings	11,405,905
Improvements	33,123,651
Furnishing and equipment	11,890,456
Equipment pool	147,496
Construction in progress	<u>32,295,097</u>
Total general fixed assets	<u>\$ 104,235,819</u>

INVESTMENT IN GENERAL FIXED ASSETS FROM:

City funding	\$ 90,887,774
State grants	2,524,578
Federal grants	8,271,583
Contributions/donations	<u>2,551,884</u>
Total investment in general fixed assets	<u>\$ 104,235,819</u>

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STATISTICAL TABLES

Statistical tables present socioeconomic data, financial trends, and the fiscal capacity of the City. They usually cover more than two fiscal years and may present nonaccounting data. The Statistical Section is not an integral part of the audited financial statements.

The statistical schedules presented are:

General Governmental Expenditures by Function - Last Ten Fiscal Years

General Revenues by Source - Last Ten Fiscal Years

Property Tax Levies and Collections - Last Ten Fiscal Years

Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years

Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years

Special Assessment Billings and Collections - Last Ten Fiscal Years

Computation of Legal Debt Margin

Computation of Direct and Overlapping Debt

Continuing Disclosure Requirements Information

Revenue Bond Coverage - Wastewater Treatment Facility Revenue Bonds - Last Ten Fiscal Years

Property Value, Construction and Bank Deposits - Last Ten Fiscal Years

Principal Payers of Property Tax

Schedule of Insurance Policies in Force

Salaries and Surety Bonds of Principal Officials

Demographic and Miscellaneous Statistical Data

CITY OF MODESTO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years

Year Ended June 30,	General Government	Highways and Streets	Public Works	Parks and Recreation	Public Safety	Debt Service	Total
1991	\$ 9,139,128	\$ 6,918,337	\$ 4,835,945	\$ 7,689,001	\$ 32,516,550	\$ 2,808,246	\$ 63,907,207
1992	8,886,327	9,764,198	4,733,627	8,083,421	34,262,451	2,771,007	68,501,031
1993	7,271,082	6,572,923	4,325,616	8,888,326	35,622,785	7,429,553	70,110,285
1994	7,934,854	6,796,845	2,371,923	9,868,996	35,466,318	3,809,045	66,247,981
1995	8,869,195	7,894,106	3,066,056	9,172,517	37,028,679	3,967,695	69,998,248
1996	9,471,466	9,519,874	3,414,399	8,713,861	38,886,484	3,783,059	73,789,143
1997	9,229,119	10,756,336	3,658,718	9,269,256	41,269,058	3,804,752	77,987,239
1998	9,959,685	7,522,651	3,583,622	9,783,260	45,377,215	4,871,263	81,097,696
1999	10,601,869	12,288,853	4,915,685	10,001,917	46,470,551	7,075,155	91,354,030
2000	10,808,432	14,150,611	4,444,216	10,661,706	45,912,600	7,055,948	93,033,513

NOTE: (1) Includes General, Special Revenue, and Debt Service Funds.

**CITY OF MODESTO
GENERAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years**

Year Ended June 30	Taxes (2)	Licenses and Permits	Inter- governmental	Charges for Services	Special Assess- ments	Interest and Rent	Fines and Forfeits	Miscel- laneous	Total
1991	\$ 40,844,673	\$ 150,154	\$ 12,028,990	\$ 2,138,057	\$ 357,842	\$ 2,520,958	\$ 1,213,741	\$ 340,482	\$ 59,594,897
1992	43,049,530	230,777	11,278,494	2,833,358	337,231	3,205,903	692,355	2,850,520	64,478,168
1993	41,481,499	232,184	10,878,298	2,465,147	296,426	2,451,516	559,142	2,532,316	60,896,528
1994	43,555,431	287,596	14,181,288	2,421,953	285,538	2,276,970	594,274	771,841	64,374,891
1995	42,731,968	216,368	16,026,019	2,091,784	127,623	2,018,667	780,576	460,046	64,453,051
1996	44,607,144	207,969	18,837,062	4,291,429	251,880	2,126,551	661,675	2,349,333	73,333,043
1997	44,796,523	178,291	20,842,290	5,852,125	285,408	1,987,852	761,451	1,482,358	76,186,298
1998	47,574,649	132,659	19,405,954	6,660,069	235,558	2,205,536	965,941	1,102,410	78,282,776
1999	51,775,542	127,182	24,112,359	6,977,522	180,314	1,961,020	1,329,768	874,868	87,338,575
2000	55,897,017	122,669	25,250,266	7,605,327	284,317	2,053,260	1,280,123	1,247,889	93,740,868

NOTE: (1) Includes General, Special Revenue, and Debt Service Funds.
(2) Includes the following taxes (with percent of total taxes for 2000):

Sales Tax -	37%
Utility Users Tax -	21%
Property Tax -	14%
Business License Tax -	12%
Other -	16%
	100%

CITY OF MODESTO
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections As Percent of Current Levy (2)</u>	<u>Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
1991	\$ 7,160,672	\$ 6,671,180	93.16%	\$ 381,000	\$ 7,052,180	98.48%	\$ 200,000	2.71%
1992	8,285,031	8,063,832	97.33	279,516	8,343,348	100.70	308,955	3.72
1993	7,490,321	7,206,490	96.21	338,930	7,545,420	100.74	163,416	2.18
1994	6,790,666	6,693,479	98.57		6,693,479	98.57		
1995	6,839,476	6,781,170	99.15		6,781,170	99.15		
1996	6,860,591	6,830,585	99.56		6,830,585	99.56		
1997	6,874,632	6,805,779	99.00	(9,055)	6,796,724	98.87		
1998	6,802,072	6,761,188	99.40	22,718	6,783,906	99.73		
1999	6,901,321	6,822,805	98.86	60,368	6,883,173	99.74		
2000	7,185,664	7,192,544	100.09	13,267	7,205,811	100.28		

NOTES: (1) Source of Data: Stanislaus County Assessor, includes exempt organizations.
(2) Total collections include taxes resulting from "escape assessments". These are comprised of assessments to property not known to exist when the original roll was compiled and other adjustments to the roll.

CITY OF MODESTO
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
Last Ten Fiscal Years

Year Ended June 30	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1991	\$ 5,573,207,132	\$ 5,573,207,132	\$ 258,501,366	\$ 258,501,366	\$ 5,831,708,498	\$ 5,831,708,498	100%
1992	6,054,344,047	6,054,344,047	297,783,395	297,783,395	6,352,127,442	6,352,127,442	100
1993	6,392,682,769	6,392,682,769	297,641,740	297,641,740	6,690,324,509	6,690,324,509	100
1994	6,572,565,297	6,572,565,297	303,066,969	303,066,969	6,875,632,266	6,875,632,266	100
1995	6,636,430,713	6,636,430,713	303,108,156	303,108,156	6,939,538,869	6,939,538,869	100
1996	6,658,660,668	6,658,660,668	312,116,805	312,116,805	6,970,777,473	6,970,777,473	100
1997	6,696,422,127	6,696,422,127	301,314,838	301,314,838	6,997,736,965	6,997,736,965	100
1998	6,733,847,244	6,733,847,244	314,105,845	314,105,845	7,047,953,089	7,047,953,089	100
1999	6,814,118,056	6,814,118,056	364,091,322	364,091,322	7,178,209,378	7,178,209,378	100
2000	7,113,017,315	7,113,017,315	374,764,312	374,764,312	7,487,781,627	7,487,781,627	100

NOTES: (1) Source of Information: Stanislaus County Assessor; Last Equalized Roll.

CITY OF MODESTO
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
Last Ten Fiscal Years

<u>Year Ended June 30</u>	<u>Stanislaus County</u>	<u>School Bonds (1)</u>	<u>Total</u>
1991	1.00	.1226	1.1226
1992	1.00	.1211	1.1211
1993	1.00	.1058	1.1058
1994	1.00	.1212	1.1212
1995	1.00	.0729	1.0729
1996	1.00	.0964	1.0964
1997	1.00	.1009	1.1009
1998	1.00	.1044	1.1044
1999	1.00	.0581	1.0581
2000	1.00	.0920	1.0920

Source of Data: Stanislaus County Auditor.
(1) Modesto School Districts Only

CITY OF MODESTO
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Current Assessments Billed</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Outstanding Assessments</u>
1991	\$ 167,154	\$ 130,290	78	\$ 2,290,258
1992	171,995	166,522	97	3,035,601
1993	204,871	196,501	96	2,806,517
1994	213,842	211,765	99	2,567,978
1995	220,959	220,585	99	2,330,764
1996	234,634	227,308	97	2,092,386
1997	256,195	251,065	98	1,868,041
1998	195,534	190,925	98	1,621,381
1999	190,789	190,789	100	1,309,337
2000	169,936	168,438	99	1,104,311
	(1)	(2)		(3)

- (1) Principal levied on prior year tax roll in 1999/00
(2) Total received on current year tax roll
(3) Total of Assessment Receivable

CITY OF MODESTO
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2000

Net assessed value (1)		\$ 7,261,438,489
Plus homeowners' exemption (1)		<u>226,343,138</u>
Gross assessed value (1)		\$ 7,487,781,627
Debt limit - 15% of gross assessed value (2)		\$ 1,123,167,244
Amount of debt applicable to debt limit:		
Total general bonded debt, including special assessment debt	\$ 3,160,000	
Less: Assets in debt service funds available for payment of principal	\$ 761,740	
Other deductions: Special assessment debt	<u>3,160,000</u>	
Total deductions		3,921,740
Total amount of debt applicable to debt limit		<u>0</u>
Legal debt margin		<u><u>\$ 1,123,167,244</u></u>

Notes: (1) Source of Data: Stanislaus County Auditor; Last Equalized Roll (AC4701, including aircraft)
(2) Section 43605 California Government Code.

CITY OF MODESTO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2000

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Modesto (2)</u>	<u>Amount Applicable to City of Modesto</u>
City of Modesto	\$ 1,481,196	100%	\$ 1,481,196
School Districts:			
Ceres Unified District		10.0	
Empire Union School District		35.0	
Modesto Elementary School District	16,816,954	72.5	12,192,292
Modesto High School District	25,539,201	68.5	17,494,353
Sylvan School District	11,643,670	85.0	9,897,120
Salida Union Elementary District	2,110,295	27.0	569,780
Stanislaus Union School District	<u>5,037,118</u>	33.0	<u>1,662,249</u>
 Total	 <u>\$ 62,628,434</u>		 <u>\$ 43,296,990</u>

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

- (1) Gross debt outstanding less applicable amounts in debt service funds.
- (2) Determined by ratio of assessed valuation of property subject to taxation in overlapping portion to valuation of all property subject to taxation in the jurisdiction.

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION
Year Ended June 30, 2000

Wastewater Treatment Facility Refunding Revenue Bonds Series 1996 and Revenue Bonds Series 1997

Connection charge information:

The Sewer Enterprise imposes connection fees on a one-time basis to new users of the sewer system and to users who significantly expand their usage. The fees have three components:

- Connection charge: \$500 per Equivalent Dwelling Unit for residential units
\$2,000 per acre for commercial and industrial property
- Sub-trunk sewer charge: \$645 per acre
- Connection (lateral) charge: \$33 per linear foot of lot frontage adjacent to the sewer line.

Customer Base of the Enterprise, Year Ended 6/30/00

<u>Category</u>	<u>Number of Accounts</u>	<u>% of Total Accounts</u>	<u>% of Total Revenues</u>
Residential	51,489	95.57	44.5
Commercial	2,314	4.30	18.4
Industrial	70	0.13	37.1

Ten Largest Users of Sewer Facilities, Year Ended 6/30/00

<u>User</u>	<u>% of Sewer Operating Revenue</u>
1) Tri-Valley Growers	9.87
2) Stanislaus Foods	9.36
3) Frito Lay	3.52
4) Foster Farms	1.82
5) Del Monte	1.63
6) City of Ceres	1.39
7) Modesto Tallow	1.32
8) E & J Winery	1.08
9) Nestle Foods Co.	0.88
10) General Foods	0.42

There was no sewer rate increase during the fiscal year ended 6/30/00

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

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

Statement of Revenues, Expenses and Changes in Retained Earnings	Page 92	
General Fund Revenues, Expenditures and Changes in Fund Balance	Page 10	
Principal Amount of Bonds and Other Parity Debt	Page 31	(Note III-C)
Historical Debt Service Coverage	Page 128	
Property Tax Levies and Collections	Page 118	
Assessed Value of Taxable Property, Last 5 Fiscal Years	Page 119	
Property Value and Construction Activity, Last 5 Fiscal Years	Page 129	

(continued)

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 2000

Modesto Public Financing Authority Lease Revenue Bonds, Series 1997
John Thurman Field Renovation Project

Update of Stadium and Insurance Information

In connection with its agreement with the Modesto A's minor league professional baseball team to continue playing baseball in Modesto, the City renovated and improved the John Thurman Field stadium. This project was partially funded by the Series 1997 Lease Revenue Bonds. The improvements meet or exceed the requirements of the Professional Baseball Agreement between Major League Baseball and the National Association of Professional Baseball Leagues, which governs minor league baseball. Stadium improvements included expansion of seating from 2,500 to 4,000; expanded parking capacity, with improved lighting and security; renovation to the club house for both the Modesto A's and visiting teams; expansion of outfield dimensions; and addition of a state-of-the-art public address and speaker system. The Modesto A's began playing their home games in the renovated stadium on May 7, 1997.

All insurance required by the Lease Revenue Bond legal documents is currently in full effect. Coverage includes public liability, property damage, fire and extended coverage, and rental interruption insurance.

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

(contin

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 2000

1997 Water Utility System Refinancing Project, Refunding Revenue Certificates of Participation, and Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 1998D (1)

Reserve Fund Requirement as of 6/30/00	\$0 (covered by surety bond, issued by Federal Guaranty Insurance Company)
Balance in Parity Reserve Fund as of 6/30/00	\$0
Balance in Rate Stabilization Fund as of 6/30/00	\$3,000,000

Ten Largest Customers of Water Utility System, Year Ended 6/30/00

<u>Customer</u>	<u>Business Type</u>	<u>% of Total Water Sales Revenue</u>
1) Tri-Valley Growers	Cannery	4.35
2) Stanislaus Foods	Cannery	2.59
3) Frito-Lay, Inc.	Snack Food Processor	0.82
4) E & J Gallo Winery	Winery	0.75
5) Foster Farms	Dairy Processor	0.69
6) Nestle Food Company	Food Processor	0.53
7) Del Monte Foods	Cannery	0.45
8) Memorial Hospital	Hospital	0.30
9) Doctor's Hospital	Hospital	0.27
10) General Foods Corp.	Food Processor	0.17

Water Sales Revenue, Year Ended 6/30/00

Residential - flat rates	\$15,964,645
Commercial, industrial and municipal - metered rates	10,021,180
Total Water Sales	<u>\$25,985,825</u>

Average Monthly Water Service Charges as of 6/30/00 - Residential Accounts

Zone 1	\$20.60
Zone 2	28.58
Zone 3	18.20

Current Water Rates and Charges as of 6/30/00 - Commercial Accounts

<u>Meter Size</u>	<u>Per Meter (1)</u>
3/4"	\$13.64
1"	18.15
1 1/2"	22.55
2"	27.20
3"	36.28
4"	47.17
6"	70.90
8"	90.56
10"	109.17
12"	127.84

Meter rate shown is for first 1,680 cubic feet per month. There is also a volume charge of \$.82 per hundred cubic feet used over 1,680 per month.

(1) Water Fund parity debt obligation, issued by the Modesto Irrigation District Financing Authority, on behalf of the City, and pursuant to the 1992 Treatment and Delivery Agreement between the District and the City. Balance of these bonds as of 6/30/00 is \$91,610,000. (continued)

Year Ended June 30, 2000

1997 Water Utility System Refinancing Project, Refunding Revenue Certificates of Participation, and Modesto Irrigation District Financing Authority Domestic Water Project Refunding Revenue Bonds, Series 1998D (1)

Water Utility System - Debt Service Coverage
Fiscal Year 2000

Gross Operating Revenues:	
Charges for services	\$26,546,819
DBCP settlement	211,212
Connection charges	1,433,492
Interest and rental income	<u>1,084,615</u>
Total Gross Operating Revenues	<u>29,276,138</u>
Operating Expenses:	
Total operating expenses	24,559,407
Less: Depreciation	(1,996,317)
T&DA debt service component paid to MID	(7,082,635)
Plus: property taxes	<u>121,760</u>
Total Operating Expenses	<u>15,602,215</u>
Net Operating Revenues	<u><u>\$13,673,923</u></u>
Total Debt Service:	
1997 Refunding Certificates of Participation	1,768,180
Treatment & Delivery Agreement	7,611,000
CDWR Loan	<u>264,699</u>
Total Debt Service	<u><u>\$9,643,879</u></u>
Debt Service Coverage (Net Operating Revenues/Total Debt Service)	1.42

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

Water Utility System Balance Sheet	Pages 88-91
Water Utility System Revenues and Expenses	Pages 92-93
Principal Amount of Certificates Outstanding	Page 31 (Note III-C)

CITY OF MODESTO
REVENUE BOND COVERAGE
WASTEWATER TREATMENT FACILITY REVENUE BONDS
Last Ten Fiscal Years

Year Ended June 30,	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Total Debt Service (3)	Coverage (4)
1991	\$ 12,407,613	\$ 7,566,310	\$ 4,841,303	\$ 1,155,303	4.19
1992	13,643,802	7,011,203	6,632,599	1,151,050	5.76
1993	15,429,482	7,281,669	8,147,813	1,146,945	7.10
1994	16,411,093	7,480,437	8,930,656	1,729,435	5.16
1995	17,396,410	8,349,453	9,046,957	1,793,798	5.04
1996	18,753,549	9,615,007	9,138,542	1,793,798	5.09
1997	19,239,545	11,068,264	8,171,281	1,721,999	4.75
1998	20,191,250	11,192,431	8,998,819	3,637,239	2.47
1999	20,192,478	11,204,247	8,988,231	3,551,320	2.53
2000	19,490,824	12,380,840	7,109,984	3,549,445	2.00

Notes: (1) Gross revenue consists of charges for services, interest and rental income, and connection fees of the Sewer Fund.

(2) Total Sewer Fund operating expenses exclusive of depreciation. Beginning with fiscal year 1996 this figure also includes allocated indirect costs and in-lieu property taxes paid to the General Fund.

(3) Includes total principal and interest of Wastewater Treatment Facility Revenue Bonds, Series 1993 and 1997, and Refunding Revenue Bonds, Series 1987 and 1996. The 1987 Refunding Bonds were refunded and called on November 1, 1996.

(4) Calculation of debt service coverage beginning with fiscal year 1996 is based on the calculation method recommended for continuing disclosure under the Series 1996 Refunding Revenue Bonds and the Series 1997 Revenue Bonds. Previous years have not been changed to agree with new calculation method.

CITY OF MODESTO
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years

Year Ended June 30,	Construction		Residential Construction		Property Value (2)		Bank Deposits (3)
	# Units (1)	Value	# Units (1)	Value	Total	Nontaxable	
1991	66	22,624,801	676	36,793,055	5,831,708,498	354,012,918	1,282,447,000
1992	59	28,048,835	779	50,009,172	6,352,127,442	371,362,035	1,381,772,000
1993	25	14,098,213	573	48,157,880	6,690,324,509	386,169,908	1,894,814,000
1994	37	12,630,070	371	28,438,513	7,061,439,622	409,747,488	1,339,853,000
1995	24	10,875,094	262	23,249,474	7,146,448,918	434,451,094	1,342,070,000
1996	32	6,724,177	380	30,083,213	7,187,220,462	445,585,075	1,383,751,000
1997	45	10,535,229	342	33,969,698	7,220,036,341	450,211,445	1,629,186,000
1998	50	24,797,092	709	75,798,048	7,296,729,257	477,617,315	1,367,241,000
1999	75	58,547,153	841	97,787,802	7,462,151,063	519,931,885	1,451,027,000
2000	77	73,649,309	1558	206,898,633	7,799,561,770	548,087,273	N/A

Source of Data: (1) City of Modesto, Building Inspection Division, Community Development Department.

(2) Stanislaus County Assessor.

(3) Source-Findley Reports, Inc., Anaheim, CA. Latest information available is for 1999.

CITY OF MODESTO
PRINCIPAL PAYERS OF PROPERTY TAX
Year Ended June 30, 2000

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percent of Total</u>
National Medical Hospitals	Medical	\$ 109,783,845	1.42 %
Macerich Vintage Faire Associates	Shopping Center	72,843,530	1.04
Phenix Management Corp.	Food Processing	51,055,035	0.73
Foster Farms Dairy	Food Processing	45,158,515	0.52
Liljenquist Modesto Co.	Real Estate	29,958,722	0.51
Stanislaus Partners	Real Estate	28,826,573	0.33
Basic Vegetable Products	Food Processing	22,239,910	0.32
McClatchy Newspapers	Publishing	25,552,347	0.27
McHenry-Modesto	Medical Building	17,082,055	0.24
Hamilton Meredith Co.	Real Estate	16,903,942	0.24
All others			<u>94.38</u>
			<u>100.00 %</u>

Source of Data: Stanislaus County Tax Collector, Assesor, and Auditor.

CITY OF MODESTO
SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 2000

Coverage	Company	Policy Number(s)	Limits of Liability	Term	Premium	Retention or Deductible
Airport Comprehensive Gen. Liability Hangerkeepers Legal Liability Contractual Liability	Westchester Fire Ins. Co.	Apl669656	\$30,000,000	6/30/00 - 6/30/01	\$ 13,126	\$ 0
Gen. Liability Auto Liability Errors & Omissions (excludes Airport)	ACCEL	ACC 0001	\$ 19,000,000	7/1/00 -6/30/01	\$336,971	\$500,000 (SIR)
City Property (buildings & contents) Fire Trucks-(Collison) All vehicles Flood (\$1 million)	PEPIP	Various	\$50,000,000 per location \$1,000,000 per occurrence	5/15/00 - 5/15/01	\$118,912	\$ 5,000 \$ 25,000 Flood
Boiler & Machinery	CNA	BM107709612	\$ 50,000,000	5/15/00 - 5/15/01	Included in PEPIP Premium	\$ 5,000 all objects except: \$50,000 all objects over 350 hp or 2500 kw/kva/amps or 10,000 sq. ft. \$250,000 all objects over 750 hp or 10,000 kw/kva/amps or 75,000 sq. ft. \$375,000 all objects over 25,000 HP or 25,000 kw/kva/amps or 250,000 sq. ft.
Tuolumne River Regional Park Errors and Omissions	Reliance National Ins. Co.	TBD	\$ 5,000,000	7/1/00- 7/1/01	\$ 2,256	\$ 0
Workers' Compensation	Reliance National Ins. Co.	TBD	\$ 5,000,000	5/1/00 - 5/1/01	\$ 30,307	\$ 400,000 (SIR)
Faithful Performance and Crime Bond (All Officers & Employees)	Great American Insurance Co.	GVT124-37-03-03	\$ 1,000,000	4/1/00 - 4/1/03	\$ 13,119 3-Yr Prepaid Net Premium	\$ 5,000

Source of data: City of Modesto Risk Manager

CITY OF MODESTO
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
June 30, 2000

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Jack Crist, City Manager	\$ 134,944	\$ 25,000
Jean Zahr, City Clerk/Auditor	65,182	50,000
Judy Hall, Assistant City Clerk/Auditor	44,684	50,000
Robert Stout, Director of Finance	97,335	500,000
All Other Employees		25,000

Source of data: City of Modesto City Clerk/Auditor

CITY OF MODESTO
DEMOGRAPHIC AND MISCELLANEOUS STATISTICAL DATA
June 30, 2000

Date of incorporation	August 6, 1884
Date of adoption of present City charter	January 14, 1963
Form of government (March 12, 1951)	Council-Manager
Elevation	91 feet
Area in square miles	36.07

Demographic statistics:

Population (1):	
1910	4,034
1920	9,241
1930	13,842
1940	16,379
1950	17,389
1960	36,585
1970	61,712
1980	106,963
1990	164,730
01/01/00	188,286

Housing units:

1980 (2)	42,570
1990 (3)	60,878
1998 (9)	65,406

Median housing unit value (3)	\$130,700.00
Median monthly rent (3)	\$448.00
Median age (3)	29
Median family income (3)	\$34,500.00

Education level of population 25 or older (3):

Elementary	25.3%
High School	58.9%
College	15.8%

Election Information:

Registered voters, last general municipal election	86,002
Votes cast, last municipal election	24,348
Percentage of voter balloting	28.30

(Continued)

Sources of data: (1) State of California Department of Finance
(2) 1980 U.S. Census.
(3) 1990 U.S. Census.

CITY OF MODESTO
DEMOGRAPHIC AND MISCELLANEOUS STATISTICAL DATA (continued)
June 30, 2000

Permanent employees authorized	1,190
Fire Protection: Underwriter's Classification - Class 2	
Fire Stations	10
Positions authorized	155
Number of fire hydrants	6,350
Police Protection:	
Police Station	1
Area command offices	4
Positions authorized	361
Number of vehicles	218
Recreational Areas (acres):	
Developed Parks	
56 fully or partially developed	425.41
1 Regional Park (TRRP developed)	74.00
Undeveloped Parks	
7 Neighborhood	37.74
2 Community	62.00
2 Area	450.30
Total: 11 Undeveloped Parks	550.04
Special Facilities	
1 Baseball stadium	20.00
3 Golf courses	363.29
Total: 4 Special Facilities	383.29
Total Recreational Areas	1,432.74
Building Permits:	
Permits issued in 1999-2000	5,766
Estimated cost of construction	\$366,115,417
Streets:	
Streets, paved or oiled (miles)	570
Street lights	11,666
Traffic signals	187
Parking Facilities:	
Number of parking lots (incl. garages)	14
Number of off-street parking spaces	2,503

(Continued)

CITY OF MODESTO
DEMOGRAPHIC AND MISCELLANEOUS STATISTICAL DATA (continued)
June 30, 2000

Elderly and handicapped van service:	
Number of vehicles	6
Seating capacity vans	12
Average daily number of passengers	260
Average miles per month	40,750

Airport:	
For year ended June 30, 2000	
Number of passengers enplaned	25,263
Number of passengers deplaned	23,785
Total aircraft movements	77,983
Annual fuel consumption in gallons	812,645
Total number of tenant aircraft	183
Total acreage	450
Parking apron acreage	9
Aircraft tie down acreage	26
Automobile parking acreage	10
Length of longest runway in feet	5,911
Number of hangars	25
Number of air carriers scheduled per day	5
Number of runways	2

Bus Service:	
Number of buses	36
Number of routes	17
Miles of routes	229
Seating capacity per bus	36
Average daily number of passengers	10,733
Average miles per month	118,519
Frequency of service	30 min. & 60 min.

Sewer Service:	
Plant capacity in gallons per day	56,700,000
Miles of storm sewers	101.1
Miles of sanitary laterals	440.80
Miles of sanitary trunks and industrial	79.57

Water Service:	
Average daily consumption in gallons	66,916,495
Number of wells	115
Miles of water mains	1,331

Sources of data: Various City departments