

City of

Sandy

Mokelumne

California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

COLOR MODESTO

Color Modesto is a community project coordinated by the city of Modesto and the Modesto Garden Club. The program's objective is to improve the visual appearance of our city, including the downtown area, Briggsmore corridor, the airport gateway, highway 99, and the parks by the planting of one million flowers, four thousand trees and over a thousand vines by the end of the year 2000. Additional aspects of the program include a flower clock that will be installed in the downtown, a plant and flower marquee on highway 99, grants of trees, shrubs and flowers to elementary schools and the planting of trees for every baby born in the year 2000.

CITY OF
Modesto, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 1999

Prepared by
Finance Department

CITY OF MODESTO

June 30, 1999

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City of Modesto Introduction

INTRODUCTION





CITY of MODESTO

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November 10, 1999

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, 1999, 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, 1998 report, the fifteenth 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. Required supplementary information includes required disclosures regarding the City's efforts addressing potential computer-related problems with the year 2000. 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 showed solid improvement during the year. Building activity increased substantially for the fourth consecutive year, with permit valuation up 37 percent over the prior year. Over 2,800 permits were issued for the commercial and retail sector, primarily for remodeling and expansion of existing facilities. The residential sector generated 836 single family residential lots, an increase of 47 percent 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 1998 was 12.2% compared to 12.9% in 1997. September 1999, the most recent available data, reflects an unemployment rate of 7.2%, the lowest level in more than 15 years.

Major Initiatives

Efforts to revitalize the downtown area continued to progress during the year. A multi-screen cinema and retail complex opened and patronage has been excellent. A 700-space parking structure to serve the cinema and surrounding facilities was completed. A new seven-level City-County administration building is scheduled for occupation in November 1999. The building, known as Tenth Street Place, will hold about 600 government employees and also contain retail components. This first-of-its-kind collaboration has resulted in an outstanding joining of city and county operations, with like departments using the same space creating one-stop public service centers to better serve our customers.

The City financed its portion of the administration building through the issuance of \$61.4 million of lease revenue bonds in March 1998. Proceeds from the bonds are also being used to construct a new police headquarters building and to renovate a former AT&T building to be used as a communications center. The communications center will be occupied by the Stanislaus County Emergency Dispatch Center (911), the Modesto Police Department Northeast Area Command and the Stanislaus County Consolidated Fire administration office.

During the year, a Proposition 218 lawsuit between the City and the Stanislaus County and Howard Jarvis Taxpayers Groups was settled. Proposition 218 is a recent state voter approved initiative that changed the basis of certain government charges. The settlement resulted in the curtailment of annual transfers of about \$3.4 million from the Water and Sewer Enterprise Funds to the General Fund. These payments were repayments of costs the General Fund had contributed to formulation of these enterprises.

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 \$95,757,393 for the year ended June 30, 1999, an increase of 14.7 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, 1999</u>		<u>Increase/(Decrease) From Year ended June 30, 1998</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent</u>
Taxes	\$52,325,308	54.6%	\$ 4,336,858	9.0%
Licenses and permits	127,182	.1	(5,477)	(4.1)
Intergovernmental	24,656,509	25.7	5,023,014	25.6
Charges for services	11,751,172	12.3	2,477,729	26.7
Special assessments levied	180,314	.2	(55,244)	(23.5)
Interest and rent	4,869,933	5.1	1,759,333	56.6
Net decrease in fair value of investments	(382,461)	(.4)	(672,068)	(232.1)
Fines and forfeits	1,329,768	1.4	363,827	37.7
Miscellaneous	<u>899,868</u>	<u>1.0</u>	<u>(989,981)</u>	<u>(52.4)</u>
	<u>\$95,757,593</u>	<u>100.0%</u>	<u>\$12,237,991</u>	

Sales and use, utility users, general property, and other taxes produced 54.6 percent of general revenues, compared with 57.4 percent in fiscal year 1998. The increase in intergovernmental revenue was largely due to increased grant revenues received for the 9th Street track relocation project, the Carpenter/Kansas/Sisk and other road projects, and Housing and Community Development Special Revenue fund capital projects. Charges for services increased primarily because of the continuing improvement in building activity. Interest and rent increased because the majority of construction and reserve bond proceeds for the Tenth Street Place project were on deposit at the trustee bank for a full year as opposed to only three months of the fiscal year ended June 30, 1998. The increase in fines and forfeits was primarily due to a change in the distribution method of motor vehicle fines by the state. Miscellaneous revenue decreased in several areas, with a large portion attributable to the one-time sale of a portion of a park site to the school district in the previous year.

Total expenditures for general governmental purposes, as recorded in the governmental fund types, were \$108,516,228, an increase of 9.9 percent over the prior year. Increases or decreases in levels of expenditures for major functions of the City from the preceding year were:

Function	Year Ended June 30, 1999		Increase/(Decrease) From Year ended June 30, 1998	
	Amount	Percent of Total	Amount	Percent
General government	\$10,601,869	9.8%	\$ 642,184	6.4%
Highways and streets	12,288,853	11.3	4,766,202	63.4
Public works	4,915,685	4.6	1,332,063	37.2
Parks and recreation	10,022,015	9.2	238,755	2.4
Public safety	46,470,551	42.8	1,093,336	2.4
Capital expenditures	17,160,449	15.8	1,043,937	6.5
Debt service	<u>7,056,806</u>	<u>6.5</u>	<u>664,144</u>	10.4
	<u>\$108,516,228</u>	<u>100.0%</u>	<u>\$9,780,621</u>	

The increase in highways and streets expenditures was primarily due to increased activity during 1999 on the 9th Street railroad track relocation and other grant funded street projects. Higher spending on grant funded housing projects accounted for the majority of the increase in public works expenditures. Most of the increase in capital expenditures was related to continued spending on the Tenth Street Place project. A long-term loan for construction of the fire training center was repaid in full during the fiscal year ended June 30, 1999, which resulted in higher debt service expenditures.

Fund Balances

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

General Fixed Assets

Net capital reductions (excluding transfers from construction in progress) during the year amounted to \$(143,761) in the general fixed assets account group. Construction in progress at year end was valued at \$21,865,458. Net capitalized asset increases (decreases) for the year were as follows:

Land	\$ 409,827
Buildings	5,371
Improvements other than buildings	(8,233)
Furnishings and equipment	(570,416)
Equipment pool	<u>19,690</u>
	<u>\$(143,761)</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 a decrease of \$2,016,864 to retained earnings.

The following summary compares proprietary fund operations for the fiscal years ended June 30, 1998 and 1999:

	<u>Year Ended June 30</u>		Increase (Decrease)
	1999	1998	
Total operating revenues	\$ 93,054,165	\$91,170,997	\$1,883,168
Total operating expenses	<u>102,308,562</u>	<u>90,274,047</u>	<u>12,034,515</u>
Operating income (loss)	(9,254,397)	896,950	(10,151,347)
Nonoperating revenues/(expenses)	5,452,107	7,062,032	(1,609,925)
Net operating transfers in (out)	<u>(3,671,303)</u>	<u>(4,862,011)</u>	<u>1,190,708</u>
Net income (loss)	(7,473,593)	3,096,971	(10,570,564)
Add: Depreciation that reduces contributed capital	<u>5,456,729</u>	<u>5,765,102</u>	<u>(308,373)</u>
Net increase (decrease) in retained earnings	<u>\$(2,016,864)</u>	<u>\$ 8,862,073</u>	<u>\$(10,878,937)</u>

The increase in operating revenues was due to increased water revenues. The largest portion of the operating expense increase was due to a change in the estimated sick leave compensated absences liability because of an actuarial study. Increased repair and maintenance of existing Water Fund infrastructure, particularly in the former Del Este areas, also added significantly to operating expenses. Nonoperating revenues/(expenses) showed a negative change due to a decrease in the fair market value of the City's investment pool as measured on June 30, 1999, as well as higher interest expense recognized in the Sewer Fund because interest on the 1993 Wastewater Revenue Bonds was no longer being capitalized. The decrease in net operating transfers in (out) was caused by a one time \$1,000,000 transfer out from the Parking Fund to the General Fund last year to assist in payment for the new parking garage at the Tenth Street Place Project, with \$500,000 reimbursed back to the Parking Fund in the current year from bond proceeds.

Debt Administration

On June 30, 1999, \$3.4 million of special assessment debt with government commitment, \$33.5 million of certificates of participation, \$64.8 million of lease revenue bonds, and obligations under capital leases totaling \$9.9 million were outstanding in the General Long-Term Debt Account Group. Enterprise fund long-term debt consisted of \$44.9 million of sewer revenue bonds, \$22.0 million of water system improvement certificates of participation, and a loan payable to the State Department of Water Resources in the amount of \$3.2 million. A liability in the amount of \$3.0 million was outstanding for advances in aid of construction. Internal Service Funds owed \$4 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 5.64 to 6.71 percent and the amount of interest earned was \$4,834,202. Investments held on June 30, 1999 had maturities ranging from one day to five years, with 25 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. During 1999, the City continued 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. Following a competitive bid process, the accounting firm of Macias, Gini & Company LLP was selected 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 fifteenth 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, 1998. 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,


Paul Baxter
Acting 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, 1998

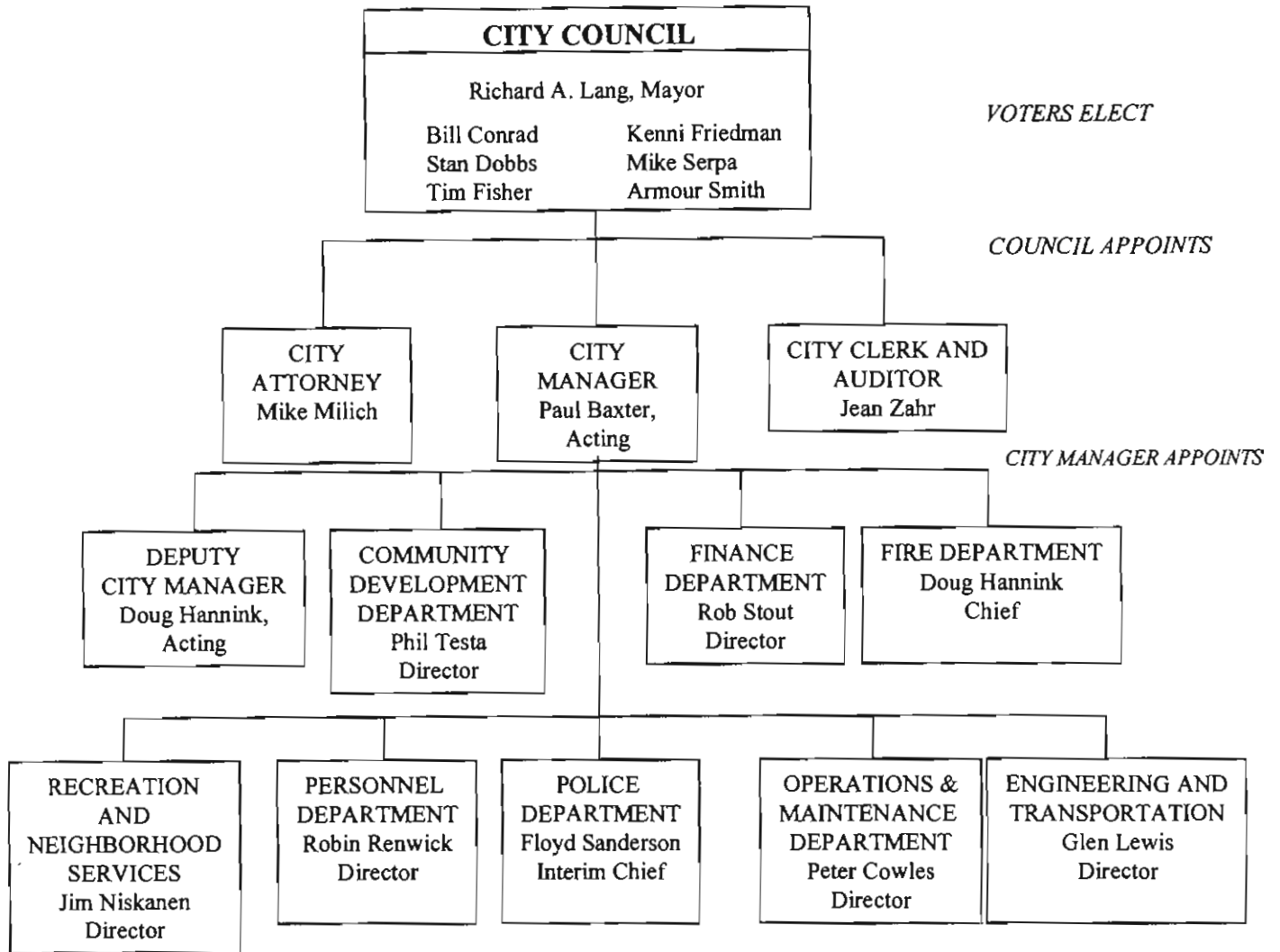
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Douglas R. Ellsworth
President

Jeffrey L. Esler
Executive Director

CITY OF MODESTO



Advisory Boards, Commissions and Committees

- | | |
|--|--|
| <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 |
|--|--|



CITY of MODESTO

City of Modesto Financial Section

FINANCIAL SECTION





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City Council
 City of Modesto
 Modesto, California

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of the City of Modesto, California (City), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Modesto, California, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 15, 1999 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The required supplementary information listed in the table of contents is not a required part of the general-purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The statistical section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion thereon.

Macias, Gini & Company LLP

Certified Public Accountants

Sacramento, California
 October 15, 1999



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, 1999
(With comparative totals for June 30, 1998)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
ASSETS AND OTHER DEBITS				
Cash and cash equivalents (Note III-A)	\$ 9,192,436	\$ 704,866	\$ 13,171,174	\$ 526,455
Cash and cash equivalents with fiscal agent (Note III-A)		584,444	26,979,557	10,676,438
Receivables:				
Accounts	829,909	168,982	148,963	50,250
Taxes	3,252,883			33,420
Special assessments				1,313,987
Notes (Note III-J)	92,283	9,797,867	718,653	
Due from governments	406,320	6,323,791	106,343	
Due from other funds (Note III-F)	1,222,000			
Property held for resale			577,205	
Inventories				
Prepaid expenses/expenditures		40,950		
Restricted assets - cash and cash equivalents (Note III-A)				
Advances to other funds (Note III-F)	1,776,206	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	\$ 23,215,537	\$ 17,714,950	\$ 42,801,895	\$ 12,600,550

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	1999	1998
\$ 33,522,349	\$ 23,897,970	\$ 1,213,558			\$ 82,228,808	\$ 82,855,795
8,336,318					46,576,757	57,174,216
5,771,423	650,969				7,620,496	7,730,762
3,695					3,289,998	2,785,312
	78,172				1,313,987	1,681,961
1,890,916					10,686,975	10,019,550
					8,727,370	6,142,276
					1,222,000	1,055,000
					577,205	
	398,111				398,111	335,686
8,368					49,318	50,357
5,224,546		1,394,669			6,619,215	17,254,614
					1,896,206	1,733,383
					7,517,550	7,517,550
1,140,346					1,140,346	1,206,411
			\$ 80,476,726		80,476,726	64,242,695
245,054,195	13,029,090				258,083,285	240,730,002
				\$ 11,291,213	11,291,213	13,676,455
				91,293,838	91,293,838	88,725,215
<u>\$ 300,952,156</u>	<u>\$ 38,054,312</u>	<u>\$ 2,608,227</u>	<u>\$ 80,476,726</u>	<u>\$ 102,585,051</u>	<u>\$ 621,009,404</u>	<u>\$ 604,917,240</u>

(Continued)

CITY OF MODESTO
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
June 30, 1999
(With comparative totals for June 30, 1998)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable and accrued expenses/expenditures	\$ 3,128,322	\$ 1,980,364	\$ 1,254,652	
Approved loans payable (Note III-K)		14,531		
Interest payable				
Due to other funds (Note III-F)		1,222,000		
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	692,999	863,785		\$ 1,309,337
Payable from restricted assets:				
Refundable deposits				
Deferred compensation				
Advances from other funds (Note III-F)			353,906	
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-C)				
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	3,821,321	4,080,680	9,126,108	1,309,337
Equity and other credits:				
Contributed capital (Note III-G)				
Investment in general fixed assets				
Retained earnings-unreserved				
Fund balances: (Note III-H)				
Reserved	9,600,664	11,341,666	11,143,189	11,291,213
Unreserved/designated:				
For carryover projects		1,268,669	19,296,512	
For pending projects		1,023,935	5,137,170	
For subsequent year expenditures				
For departmental savings	2,296,826			
For future operations	7,496,726			
Unreserved/undesignated			(1,901,084)	
Total equity and other credits	19,394,216	13,634,270	33,675,787	11,291,213
Total liabilities, equity and other credits	\$ 23,215,537	\$ 17,714,950	\$ 42,801,895	\$ 12,600,550

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	1999	1998
\$ 4,594,002	\$ 810,230				\$ 11,767,570	\$ 9,718,807
764,224	20,844				14,531	24,210
	5,291,162				785,068	807,013
	3,793,221				1,222,000	1,055,000
1,703,593	182,068				5,291,162	5,282,013
132,448					3,793,221	3,564,951
3,070,456					1,885,661	1,974,199
					132,448	141,029
736,870		\$ 1,394,669			5,936,577	6,294,301
1,079,300	463,000				2,131,539	1,894,166
						133,038
					1,896,206	1,733,383
					7,517,550	7,517,550
				\$ 3,395,000	3,395,000	1,580,000
44,974,022					44,974,022	45,893,703
3,220,042					3,220,042	4,018,360
	354,739			865,051	1,219,790	1,683,751
				64,835,000	64,835,000	64,935,000
21,991,701				33,490,000	55,481,701	56,539,790
	19,281,168				19,281,168	9,711,809
	6,020,815				6,020,815	6,262,961
2,894,535					2,894,535	3,026,984
85,161,193	36,217,247	1,394,669		102,585,051	243,695,606	233,792,018
108,260,374	7,589,018				115,849,392	116,686,052
			\$ 80,476,726		80,476,726	64,242,695
107,530,589	(5,751,953)				101,778,636	103,795,500
		1,213,558			44,590,290	37,774,392
					20,565,181	33,375,319
					6,161,105	5,468,594
						2,364,527
					2,296,826	1,005,902
					7,496,726	6,412,241
					(1,901,084)	
215,790,963	1,837,065	1,213,558	80,476,726		377,313,798	371,125,222
\$ 300,952,156	\$ 38,054,312	\$ 2,608,227	\$ 80,476,726	\$ 102,585,051	\$ 621,009,404	\$ 604,917,240

CITY OF MODESTO
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)

	<u>General</u>	<u>Special Revenue</u>
REVENUES:		
Taxes	\$ 48,414,077	\$ 2,330,798
Licenses and permits	127,182	
Intergovernmental	10,840,777	13,229,854
Charges for services	6,952,821	24,701
Special assessments levied	35,670	
Interest and rent	1,027,592	245,696
Net increase (decrease) in fair value of investments	(207,107)	(9,121)
Fines and forfeits	697,996	631,772
Miscellaneous	800,719	74,149
Total revenues	<u>68,689,727</u>	<u>16,527,849</u>
EXPENDITURES:		
Current:		
General government	10,488,014	113,855
Highways and streets	3,744,352	8,544,501
Public works	892,765	4,022,920
Parks and recreation	10,001,917	
Public safety	46,470,551	
Capital outlay		
Debt service:		
Principal retirement	921,621	
Interest	118,513	
Cost of issuance		
Advance refunding escrow		
Other		
Total expenditures	<u>72,637,733</u>	<u>12,681,276</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,948,006)</u>	<u>3,846,573</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in (Note III-I)	7,194,193	1,675,660
Operating transfers out (Note III-I)	(2,422,167)	(4,856,218)
Proceeds of capital lease transactions		
Proceeds of lease revenue bonds		
Proceeds of community facilities district bonds		
Payments to refunded certificate of participation escrow agent		
Sale of assets		
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,772,026</u>	<u>(3,180,558)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	824,020	666,015
FUND BALANCES, July 1	18,712,196	12,988,947
Residual equity transfers out (Note III-I)	<u>(142,000)</u>	<u>(20,692)</u>
FUND BALANCES, June 30	<u>\$ 19,394,216</u>	<u>\$ 13,634,270</u>

See notes to general-purpose financial statements.

Capital Projects	Debt Service	Totals (Memorandum Only)	
		1999	1998
\$ 549,766	\$ 1,030,667	\$ 52,325,308	\$ 47,988,450
		127,182	132,659
544,150	41,728	24,656,509	19,633,495
4,773,650		11,751,172	9,273,443
	144,644	180,314	235,558
2,675,577	921,068	4,869,933	3,110,600
(149,125)	(17,108)	(382,461)	289,607
		1,329,768	965,941
25,000		899,868	1,889,849
<u>8,419,018</u>	<u>2,120,999</u>	<u>95,757,593</u>	<u>83,519,602</u>
		10,601,869	9,959,685
		12,288,853	7,522,651
		4,915,685	3,583,622
		10,001,917	9,783,260
17,160,449		46,470,551	45,377,215
		17,160,449	16,116,512
	919,998	1,841,619	1,418,329
	5,080,708	5,199,221	3,016,947
1,749		1,749	1,521,399
			400,561
	34,315	34,315	35,426
<u>17,162,198</u>	<u>6,035,021</u>	<u>108,516,228</u>	<u>98,735,607</u>
<u>(8,743,180)</u>	<u>(3,914,022)</u>	<u>(12,758,635)</u>	<u>(15,216,005)</u>
1,898,127	1,648,268	12,416,248	72,148,221
(1,347,072)	(119,488)	(8,744,945)	(67,286,210)
			403,491
2,025,000		2,025,000	59,750,084
			(2,954,532)
			940,252
<u>2,576,055</u>	<u>1,528,780</u>	<u>5,696,303</u>	<u>63,001,306</u>
(6,167,125)	(2,385,242)	(7,062,332)	47,785,301
39,857,368	13,676,455	85,234,966	38,288,128
(14,456)		(177,148)	(838,463)
<u>\$ 33,675,787</u>	<u>\$ 11,291,213</u>	<u>\$ 77,995,486</u>	<u>\$ 85,234,966</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, 1999

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Taxes	\$ 47,512,304	\$ 48,414,077	\$ 901,773
Licenses and permits	112,300	127,182	14,882
Intergovernmental	12,299,743	10,840,777	(1,458,966)
Charges for services	6,719,712	6,952,821	233,109
Special assessments levied	30,883	35,670	4,787
Interest and rent	1,007,950	1,027,592	19,642
Net increase (decrease) in fair value of investments		(207,107)	(207,107)
Fines and forfeits	599,276	697,996	98,720
Miscellaneous	856,376	800,719	(55,657)
Total revenues	69,138,544	68,689,727	(448,817)
EXPENDITURES:			
Current:			
General government	11,256,853	10,488,014	768,839
Highways and streets	4,115,986	3,744,352	371,634
Public works	1,331,595	892,765	438,830
Parks and recreation	10,509,480	10,001,917	507,563
Public safety	49,546,727	46,470,551	3,076,176
Capital outlay			
Debt service:			
Principal retirement	958,760	921,621	37,139
Interest	131,953	118,513	13,440
Cost of issuance			
Total expenditures	77,851,354	72,637,733	5,213,621
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,712,810)	(3,948,006)	4,764,804
OTHER FINANCING SOURCES (USES):			
Operating transfers in	7,420,619	7,194,193	(226,426)
Operating transfers out	(2,548,595)	(2,422,167)	126,428
Proceeds of capital facilities district bonds			
TOTAL OTHER FINANCING SOURCES (USES)	4,872,024	4,772,026	(99,998)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,840,786)	824,020	4,664,806
FUND BALANCES, July 1	18,712,196	18,712,196	
Residual equity transfers out	(142,000)	(142,000)	
FUND BALANCES, June 30	\$ 14,729,410	\$ 19,394,216	\$ 4,664,806

See notes to general-purpose financial statements.

Special Revenue Fund Types			Capital Projects Fund Types		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,562,600	\$ 2,330,798	\$ 768,198	\$ 499,778	\$ 549,766	\$ 49,988
45,337,967	13,229,854	(32,108,113)	1,577,944	544,150	(1,033,794)
210,855	24,701	(186,154)	3,498,450	4,773,650	1,275,200
79,900	245,696	165,796	1,926,028	2,675,577	749,549
	(9,121)	(9,121)		(149,125)	(149,125)
549,270	631,772	82,502			
	74,149	74,149	186,000	25,000	(161,000)
<u>47,740,592</u>	<u>16,527,849</u>	<u>(31,212,743)</u>	<u>7,688,200</u>	<u>8,419,018</u>	<u>730,818</u>
150,163	113,855	36,308			
38,284,175	8,544,501	29,739,674			
6,268,683	4,022,920	2,245,763			
			52,467,869	17,160,449	35,307,420
				1,749	
<u>44,703,021</u>	<u>12,681,276</u>	<u>32,021,745</u>	<u>52,467,869</u>	<u>17,162,198</u>	<u>35,307,420</u>
<u>3,037,571</u>	<u>3,846,573</u>	<u>809,002</u>	<u>(44,779,669)</u>	<u>(8,743,180)</u>	<u>36,036,489</u>
1,675,660	1,675,660		2,003,127	1,898,127	(105,000)
(4,856,218)	(4,856,218)		(1,347,072)	(1,347,072)	
			2,025,000	2,025,000	
<u>(3,180,558)</u>	<u>(3,180,558)</u>		<u>2,681,055</u>	<u>2,576,055</u>	<u>(105,000)</u>
(142,987)	666,015	809,002	(42,098,614)	(6,167,125)	35,931,489
12,988,947	12,988,947		39,857,368	39,857,368	
(20,692)	(20,692)		(14,456)	(14,456)	(39,871,824)
<u>\$ 12,825,268</u>	<u>\$ 13,634,270</u>	<u>\$ 809,002</u>	<u>\$ (2,255,702)</u>	<u>\$ 33,675,787</u>	<u>\$ (3,940,335)</u>

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1999	1998
OPERATING REVENUES:				
Charges for services	\$ 54,936,378	\$ 38,038,370	\$ 92,974,748	\$ 91,160,406
Sales		1,932,974	1,932,974	1,494,401
Cost of sales		(1,853,557)	(1,853,557)	(1,483,810)
Total operating revenues	<u>54,936,378</u>	<u>38,117,787</u>	<u>93,054,165</u>	<u>91,170,997</u>
OPERATING EXPENSES:				
Salaries and wages	6,466,226	2,306,869	8,773,095	8,545,137
Contractual services	9,706,797	860,077	10,566,874	8,575,925
Utilities	2,715,751	639,236	3,354,987	4,130,504
Maintenance and supplies	7,174,375	2,150,669	9,325,044	7,686,014
Water purchases	10,027,906		10,027,906	9,747,785
Insurance	270,858	5,729,383	6,000,241	5,554,013
Claims expense		5,782,601	5,782,601	5,627,081
Employee benefits	1,925,297	28,300,318	30,225,615	22,287,516
Administration services	4,675,888	424,067	5,099,955	5,082,623
Allocated indirect administrative costs	2,655,651	308,219	2,963,870	3,259,605
Other	209,357	146,376	355,733	288,650
Depreciation	7,864,829	1,967,812	9,832,641	9,489,194
Total operating expenses	<u>53,692,935</u>	<u>48,615,627</u>	<u>102,308,562</u>	<u>90,274,047</u>
OPERATING INCOME (LOSS)	<u>1,243,443</u>	<u>(10,497,840)</u>	<u>(9,254,397)</u>	<u>896,950</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	2,025,312		2,025,312	2,255,727
Loss on disposition of fixed assets	(437,489)	(179,922)	(617,411)	(580,115)
Taxes	2,333,013		2,333,013	2,514,985
Interest income	2,019,719	1,091,179	3,110,898	3,209,361
Net increase (decrease) in fair value of investments	(419,436)	(196,506)	(615,942)	114,056
Rental income	326,429		326,429	311,071
Interest expense	(971,979)	(35,495)	(1,007,474)	(665,112)
Amortization of bond discount	(36,143)		(36,143)	(31,678)
Amortization of costs of issuance	(66,575)		(66,575)	(66,263)
Total nonoperating revenues (expenses)	<u>4,772,851</u>	<u>679,256</u>	<u>5,452,107</u>	<u>7,062,032</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>6,016,294</u>	<u>(9,818,584)</u>	<u>(3,802,290)</u>	<u>7,958,982</u>
Operating transfers in (Note III-I)	1,231,898		1,231,898	900,807
Operating transfers out (Note III-I)	(4,822,863)	(80,338)	(4,903,201)	(5,762,818)
Total operating transfers in (out)	<u>(3,590,965)</u>	<u>(80,338)</u>	<u>(3,671,303)</u>	<u>(4,862,011)</u>
NET INCOME (LOSS)	<u>2,425,329</u>	<u>(9,898,922)</u>	<u>(7,473,593)</u>	<u>3,096,971</u>
Depreciation charged to contributed capital	<u>4,889,448</u>	<u>567,281</u>	<u>5,456,729</u>	<u>5,765,102</u>
Increase (decrease) in retained earnings	7,314,777	(9,331,641)	(2,016,864)	8,862,073
RETAINED EARNINGS, July 1	<u>100,215,812</u>	<u>3,579,688</u>	<u>103,795,500</u>	<u>94,933,427</u>
RETAINED EARNINGS (DEFICITS), June 30	<u>\$ 107,530,589</u>	<u>\$ (5,751,953)</u>	<u>\$ 101,778,036</u>	<u>\$ 103,795,500</u>

See notes to general-purpose financial statements.

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,243,443	\$ (10,497,840)	\$ (9,254,397)	\$ 896,950
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	7,864,829	1,967,812	9,832,641	9,489,194
Rental income	326,429		326,429	311,071
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	847,142	(522,947)	324,195	459,877
(Increase) in taxes receivable	(310)		(310)	(136)
(Increase) decrease in notes receivable		1,327	1,327	(4,874)
(Increase) decrease in due from governments	(33,284)		(33,284)	5,883
(Increase) decrease in inventories		(62,425)	(62,425)	21,968
Decrease in prepaid expenses	1,039		1,039	124
Increase in accounts payable and accrued expenses	279,090	392,114	671,204	2,300,975
(Decrease) in due to other funds				(440,071)
(Decrease) in deferred revenue	(759,000)		(759,000)	(3,389)
Increase in compensated absences		9,578,508	9,578,508	850,221
Increase in claims liability		636,124	636,124	1,099,031
Increase in refundable deposits	54,007		54,007	93,150
Total adjustments	8,579,942	11,990,513	20,570,455	14,183,024
Net cash provided by operating activities	9,823,385	1,492,673	11,316,058	15,079,974
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	2,264,018		2,264,018	2,675,851
Taxes received	2,771,668		2,771,668	2,671,397
Taxes paid	(167,173)		(167,173)	(203,202)
Operating transfers in	1,231,898		1,231,898	900,807
Operating transfers out	(4,822,860)	(80,338)	(4,903,198)	(5,762,818)
Residual equity transfers out	(42,042)		(42,042)	(49,757)
New advances from other funds	210,000		210,000	575,000
Net cash provided (used) by noncapital financing activities	1,445,509	(80,338)	1,365,171	807,278
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	(23,364,329)	(1,715,156)	(25,079,485)	(32,447,802)
Proceeds from sale of fixed assets				4,088
Principal repayments	(1,943,871)	(171,357)	(2,115,228)	(26,456,315)
Interest paid	(3,953,233)	(41,778)	(3,995,011)	(4,091,475)
Capital grants received	427,872		427,872	3,255,921
Residual equity transfers in	88,764	130,426	219,190	888,220
Connection fees for capital purposes	2,772,085		2,772,085	1,657,390
Sale of refunding certificates of participation				25,585,000
Costs of issuance paid	(11,500)		(11,500)	(424,526)
Bond discount paid				(576,560)
Net cash (used) by capital and related financing activities	\$ (25,984,212)	\$ (1,797,865)	\$ (27,782,077)	\$ (32,606,059)

(Continued)

See notes to general-purpose financial statements.

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1999	1998
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	\$ 2,198,152	\$ 1,119,713	\$ 3,317,865	\$ 5,168,443
Net increase (decrease) in the fair value of investments	(419,436)	(196,506)	(615,942)	45,436
Net cash provided by investing activities	<u>1,778,716</u>	<u>923,207</u>	<u>2,701,923</u>	<u>5,213,879</u>
Net increase (decrease) in cash and cash equivalents	(12,936,602)	537,677	(12,398,925)	(11,504,928)
CASH AND CASH EQUIVALENTS, JULY 1	<u>60,019,815</u>	<u>23,360,293</u>	<u>83,380,108</u>	<u>94,885,036</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 47,083,213</u>	<u>\$ 23,897,970</u>	<u>\$ 70,981,183</u>	<u>\$ 83,380,108</u>

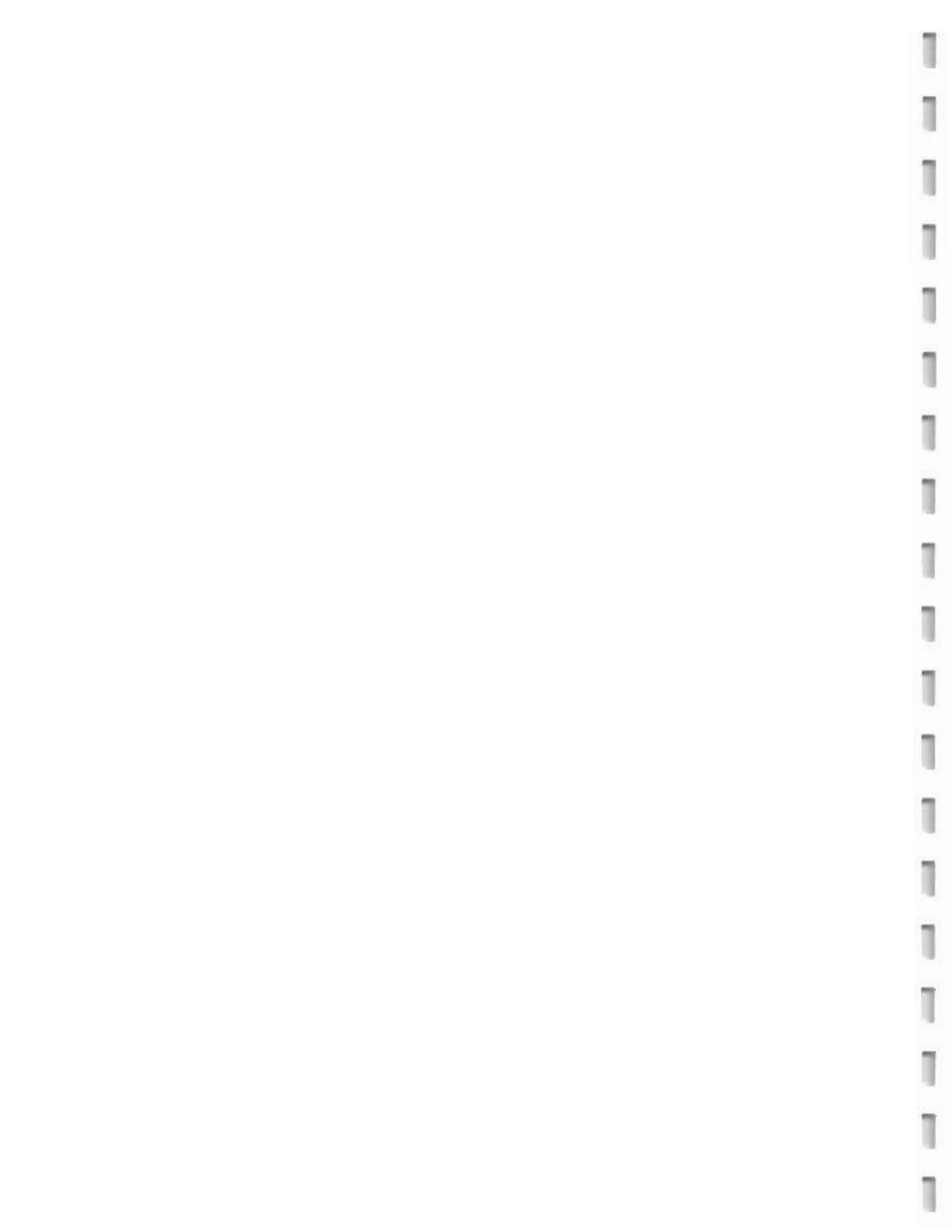
CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1999

	Enterprise	Internal Service
Fixed asset additions accrued at year end	\$ 399,955	
Fixed assets transferred from other funds and General Fixed Assets	15,835	\$ 908,848
Capitalized interest expense on long-term debt accrued at year end	619,449	
Operating grants accrued at year end	912,349	
Capital grants accrued at year end	397,530	

**CITY OF MODESTO
INVESTMENT TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 1999**

Additions to fund by external pool participants	\$ 1,846,078
Deductions from fund by external pool participants	<u>(1,798,529)</u>
Net change in investments by external pool participants	47,549
Net assets held in trust for external pool participants July 1	<u>1,166,009</u>
Net assets held in trust for external pool participants June 30	<u>\$ 1,213,558</u>

See notes to general-purpose financial statements.



**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, 1999

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), methane gas generation, 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 expenditures/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 July 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, 1999 is \$8,727,370.

Utility service accounts receivable are reported net of \$361,701 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. \$2,194,341 of net interest expense on tax-exempt debt was capitalized in the Enterprise Funds during the fiscal year ended June 30, 1999.

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, 1999, 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 \$577,205 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. During the fiscal year ended June 30, 1999, the City contracted with an actuary to calculate the sick leave portion of the compensated absences liability. The result of this change in estimate was an increase of \$8,976,425 to the liability and to the employee benefits expense recorded in the Employee Benefits Management Internal Service Fund. This increase was due to more accurate actuarial assumptions regarding which employees are likely to

retire from the City, since retirees receive a higher percentage of their sick leave than employees who terminate before retirement. As of June 30, 1999, the total estimated liability for all compensated absences, including sick leave, is \$24,572,330. The current portion of \$5,291,162 is funded by charges to all operating funds. The estimated long-term portion is \$19,281,168.

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 \$259,663 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 \$297,063 as a result of fund expenses and transfers out exceeding operating revenues and transfers in. To eliminate this deficit, the City continues to pursue greater operating revenue, more rental income, and reduced expenses.

The Insurance Internal Service fund has deficit retained earnings of \$958,793 due to higher workers compensation and liability claims expenses than expected. The City plans to increase the premiums charged to operating funds to reduce this deficit.

The Employee Benefits Management Internal Service Fund has a retained earnings deficit of \$16,617,943. 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 six years ago, and has not yet been fully funded. In addition, the City performed an actuarial valuation of the sick leave liability, which increased the deficit this year. 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 and 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". In addition, cash and investments in the amount of \$260,000 are pledged as collateral for one capital lease.

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	\$ 82,228,808
Cash and cash equivalents with fiscal agent	46,576,757
Restricted assets - cash and cash equivalents	<u>6,619,215</u>
Total cash and investments	<u>\$135,424,780</u>

Deposits

All deposits are entirely insured and/or collateralized. At year-end, the reconciled book balance of the City's deposits was \$1,940,451 and the bank balance was \$3,998,053. Of the bank balance, \$400,000 was covered by federal depository insurance and \$3,598,053 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 \$20,988,867, which is the same as the value of the pool shares. The total amount invested by all public agencies in LAIF is \$35,606,332,998. Of that amount, 94.3 percent is invested in non-derivative financial products, and 5.7 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 counter party'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				\$ 1,940,451	\$ 1,940,451
U.S. Government agencies	\$62,012,400				62,012,400
Local Agency Investment Fund				20,988,867	20,988,867
Total investments and cash controlled by City Treasurer	<u>62,012,400</u>			<u>22,929,318</u>	<u>84,941,718</u>
Investments controlled by fiscal agents:					
Money market funds				29,981,140	29,981,140
Repurchase agreements		\$1,977,050			1,977,050
U. S. Government securities	1,023,037				1,023,037
U. S. Government agencies	<u>12,413,097</u>				<u>12,413,097</u>
Total investments by fiscal agents	<u>13,436,134</u>	<u>1,977,050</u>		<u>29,981,140</u>	<u>45,394,324</u>
Other pooled investments:					
California Asset Management Program				4,487,676	4,487,676
Other government pooled investments				601,062	601,062
Total other pooled investments				<u>5,088,738</u>	<u>5,088,738</u>
Total cash and investments	<u>\$75,448,534</u>	<u>\$1,977,050</u>		<u>\$57,999,196</u>	<u>\$135,424,780</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	\$62,012,400	\$62,995,534	5.64% - 6.71%	9/24/02 -6/29/04
Local Agency Investment Fund	<u>20,988,867</u>	<u>21,016,237</u>	NA	NA
	<u>\$83,001,267</u>	<u>\$84,011,771</u>		

The following are condensed statements of net assets, and changes in net assets, for the City Treasurer's investment pool as of June 30, 1999:

Statement of Net Assets

Net assets held for pool participants	<u>\$84,941,718</u>
Equity of internal pool participants	\$83,728,160
Equity of external pool participants	<u>1,213,558</u>
Total equity	<u>\$84,941,718</u>

Statement of Changes in Net Assets

Net assets, July 1, 1998	\$86,153,181
Net change in investments by pool participants	<u>(1,211,463)</u>
Net assets, June 30, 1999	<u>\$84,941,718</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, 1999 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:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 1999</u>
Land	\$13,852,089	\$409,827			\$14,261,916
Buildings	8,298,119	5,371			8,303,490
Improvements other than buildings	23,894,154	142,920	\$ 151,153	\$690,813	24,576,734
Furnishings and equipment	11,614,828	821,296	1,391,712	277,220	11,321,632
Equipment pool	127,806	69,309	49,619		147,496
Construction in progress	<u>6,455,699</u>	<u>16,377,792</u>	<u> </u>	<u>(968,033)</u>	<u>21,865,458</u>
	<u>\$64,242,695</u>	<u>\$17,826,515</u>	<u>\$1,592,484</u>	<u> </u>	<u>\$80,476,726</u>

Land, buildings, equipment, and other fixed assets of Proprietary Fund types at June 30, 1999 include:

	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$ 22,484,233	\$ 653,856
Buildings	50,676,675	4,514,269
Improvements other than buildings	114,666,296	2,872,872
Equipment pool		16,236,969
Furnishings and equipment	4,523,576	4,413,692
Buses and fareboxes	8,201,298	
Pipelines	86,334,906	
Construction in progress	<u>32,750,813</u>	<u>85,975</u>
	\$319,637,797	\$28,777,633
Less: accumulated depreciation	<u>(74,583,602)</u>	<u>(15,748,543)</u>
	<u>\$245,054,195</u>	<u>\$13,029,090</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.

\$ 3,378,635

Less: Current portion

(158,593)

Water Fund loan payable - long-term portion

\$ 3,220,042

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.

\$ 1,370,000

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

\$ 3,395,000

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.

\$26,255,000

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.

7,040,000

1989 Certificates of Participation (Airport Improvement Projects); final payment on December 1, 1999; interest rate 7.4%.

195,000

General Long-Term Debt Account Group certificates of participation

\$33,490,000

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.	\$24,900,000
Less: Current portion	(545,000)
Unamortized bond discount	(540,776)
Deferred amount on refunding	<u>(1,822,523)</u>
Water Fund certificates of participation - long-term portion	<u>21,991,701</u>
Total certificates of participation	<u>\$55,481,701</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.	\$ 3,405,000
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>\$64,835,000</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.	7,180,000
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.	7,200,000
Less: Current portion	
1996 Bonds	\$(680,000)
1993 Bonds	<u>(320,000)</u>
	(1,000,000)
Unamortized bond discount	
1997 Bonds	(238,078)
1996 Bonds	<u>(30,547)</u>
	(268,625)
Deferred amount on refunding	
1996 Bonds	<u>(537,353)</u>
	<u>(537,353)</u>
Total revenue bonds - long-term portion	<u>\$44,974,022</u>

The following is a summary of changes in the General Long-Term Debt Account Group for the fiscal year ended June 30, 1999:

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 1999</u>
Loans payable	\$ 639,725		\$ 639,725	
Special assessment debt	1,580,000	\$ 2,025,000	210,000	\$ 3,395,000
Certificates of participation	34,100,000		610,000	33,490,000
Lease revenue bonds	64,935,000		100,000	64,835,000
Obligations under capital leases	<u>1,146,945</u>		<u>281,894</u>	<u>865,051</u>
	<u>\$102,401,670</u>	<u>\$ 2,025,000</u>	<u>\$1,841,619</u>	<u>\$102,585,051</u>

Debt service requirements to maturity of all long-term debt, including total interest of \$170,105,516 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>
2000	\$ 264,699	\$ 551,285	\$ 4,183,655	\$ 3,351,627	\$ 3,549,445	\$ 11,900,711
2001	264,699	501,288	4,236,248	3,354,889	3,549,180	11,906,304
2002	264,699	502,557	4,236,235	3,592,793	3,550,019	12,146,303
2003	264,699	498,403	4,242,093	3,595,136	3,551,960	12,152,291
2004	264,699	440,613	4,243,965	3,876,419	3,550,119	12,375,815
Later years	<u>3,044,036</u>	<u>6,843,553</u>	<u>80,645,793</u>	<u>128,399,729</u>	<u>67,469,616</u>	<u>286,402,727</u>
Total requirements	4,367,531	9,337,699	101,787,989	146,170,593	85,220,339	\$346,884,151
Less: interest	<u>(988,896)</u>	<u>(5,942,699)</u>	<u>(43,397,989)</u>	<u>(81,335,593)</u>	<u>(38,440,339)</u>	<u>(170,105,516)</u>
Principal balances	3,378,635	3,395,000	58,390,000	64,835,000	46,780,000	176,778,635
Less:						
Current portion	(158,593)		(545,000)		(1,000,000)	(1,703,593)
Unamortized bond discount			(540,776)		(268,625)	(809,401)
Deferred amount on refunding			<u>(1,822,523)</u>		<u>(537,353)</u>	<u>(2,359,876)</u>
Long-term debt	<u>\$3,220,042</u>	<u>\$3,395,000</u>	<u>\$55,481,701</u>	<u>\$64,835,000</u>	<u>\$44,974,022</u>	<u>\$171,905,765</u>

D. LEASES

The City leases fire trucks, computer equipment, portable buildings, turf equipment and lighting under capital lease agreements. The related liabilities are included in obligations under capital leases in the general long-term debt account group. In addition, cash and investments in the amount of \$260,000 are pledged as collateral for one capital lease. The following is a schedule of the future minimum lease payments on capital leases as of June 30, 1999:

Year ending	
<u>June 30</u>	
2000	\$ 307,068
2001	246,255
2002	139,205
2003	77,741
2004	77,741
Later years	<u>165,542</u>
Total	1,013,552
Less interest	<u>(148,501)</u>
Present value of future minimum lease payments	<u>\$ 865,051</u>

Assets subject to the above capital leases valued at \$1,575,067 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 \$47,498, net of \$7,171 accumulated depreciation, recorded in the Central Services Internal Service Fund, and computer equipment with a net value of \$736,995, net of accumulated depreciation of \$155,577, 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, 1999:

Year ending	
<u>June 30</u>	
2000	\$ 213,135
2001	203,161
2002	<u>181,586</u>
Total	597,882
Less interest	<u>(61,075)</u>
Present value of future minimum lease payments	536,807
Less current portion	<u>(182,068)</u>
Long-term portion of capital leases	<u>\$354,739</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, 1999, the total outstanding balance due under the agreements is \$3,026,983. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 1999, the amount of \$132,448, due during fiscal year 2000, has been reported as "current portion-developer advances" on the Enterprise Funds balance sheet. The remaining \$2,894,535 of outstanding principal has been reported under other liabilities, as "developer advances".

F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances as of June 30, 1999 consist of the following:

Due from/due to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Local Transportation	\$622,000
	Special Gas Tax Street Improvement	377,000
	Housing and Community Development	<u>223,000</u>
Total		<u>\$1,222,000</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Facilities Fees	\$ 283,906
	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>\$1,896,206</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, 1999:

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>
Balance July 1, 1998	\$1,090,036	\$13,630,102	\$51,557,412	\$ 672	\$6,558,638	\$11,842,412	\$4,884,804	\$20,004,951	\$109,569,027
Additions:									
Capital grants					28,696	717,457			746,153
Equity transfers						13,764		75,000	88,764
Fixed asset donations	300	2,907	12,628						15,835
Connection fees		1,830,665	941,420						2,772,085
	<u>300</u>	<u>1,833,572</u>	<u>954,048</u>		<u>28,696</u>	<u>731,221</u>		<u>75,000</u>	<u>3,622,837</u>
Deductions:									
Equity transfers		(445)	(40,559)			(1,038)			(42,042)
Depreciation	(66,339)	(541,476)	(2,319,269)	(672)	(324,093)	(600,601)	(309,165)	(727,833)	(4,889,448)
	<u>(66,339)</u>	<u>(541,921)</u>	<u>(2,359,828)</u>	<u>(672)</u>	<u>(324,093)</u>	<u>(601,639)</u>	<u>(309,165)</u>	<u>(727,833)</u>	<u>(4,931,490)</u>
Balance June 30, 1999	\$1,023,997	\$14,921,753	\$50,151,632	\$	\$6,263,241	\$11,971,994	\$4,575,639	\$19,352,118	\$108,260,374

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, 1998	\$3,550,522	\$66,876	\$1,573,826	\$ 3,812	\$1,921,989	\$7,117,025
Additions:						
Equity transfers	130,426					130,426
Fixed asset donations	860,259		46,420		2,169	908,848
	<u>990,685</u>		<u>46,420</u>		<u>2,169</u>	<u>1,039,274</u>
Deductions:						
Depreciation	(312,808)	(261)	(165,849)		(88,363)	(567,281)
Balance June 30, 1999	\$4,228,399	\$66,615	\$1,454,397	\$3,812	\$1,835,795	\$7,589,018

H. RESERVES AND DESIGNATIONS OF FUND BALANCES

The City's reserves and designations at June 30, 1999 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>
Reserves:					
Encumbrances	\$1,283,795	\$1,420,330	\$ 8,533,617		
Interfund loans	6,443,500	74,050	1,000,000		
Petty cash	4,880				
Loan programs	92,283	9,786,336	718,653		
Prepaid expenditures		40,950			
Interfund advances	1,776,206	20,000	100,000		
Redevelopment Agency set-aside requirement			790,919		
Debt service				\$11,291,213	
External investment pool participants					\$1,213,558
Total reserves	<u>\$9,600,664</u>	<u>\$11,341,666</u>	<u>\$ 11,143,189</u>	<u>\$11,291,213</u>	<u>\$1,213,558</u>
Designations:					
Carryover projects		\$1,268,669	\$19,296,512		
Pending projects		1,023,935	5,137,170		
Departmental savings	\$2,296,826				
Future operations	<u>7,496,726</u>				
Total designations	<u>\$9,793,552</u>	<u>\$2,292,604</u>	<u>\$24,433,682</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 Stanislaus Drug Enforcement Agency and the Tuolumne River Regional Park joint powers agencies.
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 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

13. Designation for future operations - The remainder of the unreserved fund balance of the General Fund at June 30, 1999 has been designated for future operations.

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	\$ 7,194,193	\$ 2,422,167
Special Revenue Funds:		
Local Transportation		1,835,198
Traffic Safety		496,274
Special Gas Tax Street Improvements	1,600,660	2,472,370
Downtown Improvement District	25,000	
Housing and Community Development		52,376
Strategic Planning	50,000	-
Capital Projects Funds:		
Special Fund for Capital Outlays	766,974	11,219
Capital Facility Fees		448,000
Parks	655,202	
Parks and Recreation Facilities		46,527
State Parks and Recreation	15,998	
Redevelopment Agency	449,953	700,000
Improvement Districts		40,076
Community Facilities Districts	10,000	101,250
Debt Service Funds:		
Redevelopment Agency	293,674	119,488
Improvement Districts	63,268	
Community Facilities Districts	101,250	
Public Financing Authority	1,190,076	
Enterprise Funds:		
Parking	500,000	6,400
Water		1,885,729
Sewer		2,152,435
Storm Drain		97,678
Airport		202,578
Golf	30,000	478,043
Community Center	701,898	
Internal Service Funds:		
Fleet Management		40,423
Technology and Information Services		32,915
Building Services		7,000
Total operating transfers	<u>\$13,648,146</u>	<u>\$13,648,146</u> <i>(continued)</i>

INTERFUND TRANSFERS (continued):

Residual equity transfers:

General Fund		\$ 142,000
Special Revenue Funds:		
Special Gas Tax Street Improvement		20,692
Capital Projects Funds:		
Special Fund for Capital Outlays		692
Capital Facilities Fees		13,764
Residual equity transfers closed to contributed capital (Note III G):		
Enterprise Funds:		
Water		445
Sewer		40,559
Bus	\$ 13,764	1,038
Community Center	75,000	
Internal Service Funds:		
Fleet Management	<u>130,426</u>	<u> </u>
Total residual equity transfers	<u>219,190</u>	<u>219,190</u>
Total interfund transfers	<u>\$13,867,336</u>	<u>\$13,867,336</u>

J. NOTES RECEIVABLE

The notes receivable in the Housing and Community Development Special Revenue Fund of \$9,797,867, 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 \$718,653 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 \$78,172 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 \$14,531 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, 1999 is \$9,814,036 consisting of \$6,411,536 workers' compensation, \$3,026,223 general liability, \$246,030 dental, \$80,278 disability, and \$49,969 vision. The current portion of the total claims liability is estimated to be \$3,793,221 and the balance of \$6,020,815 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, 1999. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 1998 and June 30, 1999 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>
1997-98	\$8,078,881	\$5,627,081	\$(4,528,050)	\$9,177,912
1998-99	9,177,912	5,782,601	(5,146,036)	9,814,036

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	\$355,524	\$26,440,847	\$18,397,913	\$4,487,166	\$ 574,918	\$1,910,690	\$2,028,537	\$ 740,783	\$54,936,378
Depreciation	66,339	1,861,960	3,643,308	329,351	324,093	600,601	311,344	727,833	7,864,829
Operating income (loss)	94,321	3,139,903	3,626,403	1,112,434	(312,574)	(5,142,366)	(59,342)	(1,215,336)	1,243,443
Operating grants		8,435	33,899	49,807		1,913,769	19,402		2,025,312
Tax revenues		(91,128)	(76,045)		128,533	2,371,653			2,333,013
Operating transfers in	500,000						30,000	701,898	1,231,898
Operating transfers out	(6,400)	(1,885,729)	(2,152,435)	(97,678)	(202,578)		(478,043)		(4,822,863)
Net income (loss)	606,253	1,440,213	1,194,619	1,135,367	(342,193)	(556,627)	(537,981)	(514,322)	2,425,329
Current capital contributions	300	1,833,572	954,048		28,696	731,221		75,000	3,622,837
Property, plant and equipment: Net changes	2,398	3,896,993	17,980,300	2,053,190	30,698	651,348	(16,108)	(72,793)	24,526,026
Net working capital	953,983	20,902,363	13,729,018	2,593,947	201,184	476,529	28,667	382,655	39,268,346
Total assets	3,570,068	86,831,457	150,954,270	11,832,283	6,315,341	16,129,908	5,550,341	19,768,488	300,952,156
Bonds and other long-term liabilities		28,106,278	44,974,022						73,080,300
Total equity	3,564,526	54,619,157	103,178,736	11,724,690	5,966,178	12,211,019	4,803,399	19,723,258	215,790,963

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, 1999, certificates of participation in the amount of \$20,695,000 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, 1999, the \$23,010,000 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, 1999 there were nine 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 \$67,892,000. The principal amount payable for the industrial development revenue bonds, which were issued in 1984, could not be determined; however, the original issue amount was \$6,000,000.

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 \$18,315,612 as of June 30, 1999 for contracts awarded but not completed and other outstanding purchase orders. This amount consists of \$1,283,795 in the General Fund, \$1,420,330 in the Special Revenue Funds, \$8,533,617 in the Capital Projects Funds, \$6,137,291, in the Enterprise Funds, and \$940,579 in the Internal Service Funds. Commitments of the Governmental Funds are recorded as fund balance reserve for encumbrances on the balance sheet. The major contracts and other purchase orders outstanding are for the 9th Street railroad track relocation, Amtrak station, new police headquarters building, cannery segregation, business park sewer subtrunk and other wastewater projects, water main extension, various street improvements, 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 the 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 current period by agreeing to phase out these payments of approximately \$3.4 million per year over a three-year period. Subsequent to year-end, 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 \$266,010 for the fiscal year ended June 30, 1999. As of June 30, 1999 the City's equity interest in fixed assets was \$1,250,343, 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 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, 1999 was \$510,939. The City's equity interest of 56% in the fixed assets of the SDEA was \$778,825 as of June 30, 1999. 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 \$25,140 is reported as part of due from governments in the General Fund. Financial statements of the SDEA are available at the Modesto Police Department.

City-County Capital Improvements and Financing Agency

The City and Stanislaus County formed the City-County Capital Improvements and Financing Agency (Agency) to provide for the design, construction, ownership, operation, management and financing of a City-County administration center located in Modesto's downtown redevelopment area. The governing body is a commission consisting of 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, 1999 was \$9,423,266. 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, with the City's initial contributions of cash or in-kind contributions of staff or guest lecturers being set at \$125,000 annually. The City's actual contribution for fiscal year ended June 30, 1999 was \$61,750. 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, 1999, 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 \$6,757,184. 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, 1999 was \$10,027,906, 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 80 to 90 percent 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 \$3,573,023 as of June 30, 1999. The current portion of \$435,407 is fully funded. The long-term portion of \$3,137,616 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 3.273% for non-safety employees and 15.296% 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 1999, the City's annual pension cost of \$4,393,031 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1996 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) 8.5% 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 4.5%. 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 four-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 twelve years.

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>
6/30/97	\$4,008,993	100%	\$0
6/30/98	4,368,069	100%	0
6/30/99	4,393,031	100%	0

SCHEDULE OF FUNDING PROGRESS FOR PERS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>Unfunded Actuarial Accrued Liability (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll [(B-A) / C]</u>
6/30/95:						
Misc.	\$101,298,644	\$ 97,178,925	\$(4,119,719)	104.2%	\$27,195,171	(15.149)%
Safety	<u>102,410,626</u>	<u>103,550,963</u>	<u>1,140,337</u>	<u>98.9%</u>	<u>19,091,969</u>	<u>5.973 %</u>
Total	<u>\$203,709,270</u>	<u>\$200,729,888</u>	<u>\$(2,979,382)</u>	<u>101.5%</u>	<u>\$46,287,140</u>	<u>(6.437)%</u>
6/30/96:						
Misc.	\$115,253,051	\$108,398,194	\$(6,854,857)	106.3%	\$26,561,105	(25.808)%
Safety	<u>117,060,311</u>	<u>121,380,016</u>	<u>4,319,705</u>	<u>96.4%</u>	<u>20,114,229</u>	<u>21.476 %</u>
Total	<u>\$232,313,362</u>	<u>\$229,778,210</u>	<u>\$(2,535,152)</u>	<u>101.1%</u>	<u>\$46,675,334</u>	<u>(5.431)%</u>
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>114.4%</u>	<u>\$48,123,483</u>	<u>(129.129)%</u>

K. CHANGE IN ACCOUNTING POLICY

The City completed implementation of Governmental Accounting Standards Board Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," by placing the assets of the part-time deferred compensation plan in trust. Accordingly, deferred compensation employee assets are no longer being reported in the financial statements in an agency fund.

REQUIRED SUPPLEMENTARY INFORMATION

Disclosures about Year 2000 Issues

**CITY OF MODESTO
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
YEAR ENDED JUNE 30, 1999**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

The City of Modesto (City) has been working on the Year 2000 (Y2K) issue since 1995. In 1995, the City developed a strategy to replace or upgrade its dated legacy mainframe computer systems to a state-of-the-art client/server platform. As a result of this business decision the City has minimized its Y2K remediation requirements.

The City has created a Y2K Task Force headed by its Information Services Manager that consists of over 20 members from various departments. The Information Services Division began with a top-down (high to low priority) assessment of the City's core business systems, i.e. general ledger, utility billing, payroll, accounts receivable/payable, licensing, purchasing, etc., and other applications used enterprise-wide. Nineteen of the City's software systems had been identified as being compliant, with another seven that needed remediation or replacement.

The City's comprehensive financial/human resource system has been upgraded to the vendor's latest release, which includes full functionality for the year 2000 and beyond. The systems have been tested, validated and in operation since June 1, 1999.

The City replaced its utility billing system with a state-of-the-art billing and information system that provides both customers and customer services staff with better, more efficient reporting capabilities, besides year 2000 compliance. This system has been tested, validated and operational since September 1, 1999.

Cashiering, Business License and Building Permits systems have been recently upgraded or replaced to ensure compatibility with the year 2000.

The Y2K Task Force has completed an inventory of computer hardware and software that is used for specific applications within their departments, as well as embedded systems. All personal computers and equipment have been assessed and tagged as to their Y2K status. The majority were already compliant, have been replaced or are scheduled for replacement.

Surveys have also been completed of our internal and external customers and suppliers to ensure that the City is not negatively impacted by the year 2000 date change.

The total costs for the City's year 2000 remediation effort cannot be detailed, since most of the remediation has come through replacement or upgrade of systems and equipment that would have been done in any event, in keeping with the City's goal to implement current and more efficient technologies. At this time there are no major contractual commitments specifically for year 2000 projects.

Although the City of Modesto does not foresee major problems with its financial or operational systems, network infrastructure, telephone systems and computer hardware, the City **does not guarantee that systems and equipment will be year 2000 compliant**. The City has and will continue to assess its level of exposure to Y2K related risks and will continue to take appropriate steps to address any issues that arise. In addition, the City has posted its Y2K policy on its website at www.ci.modesto.ca.us that will contain the latest information on the City's progress on Year 2000 related issues.

**City of Modesto
Additional Information**



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, 1999 and 1998**

	1999	1998
ASSETS		
Cash and cash equivalents	\$ 9,192,436	\$ 7,940,734
Cash and cash equivalents with fiscal agent		600,000
Receivables:		
Accounts	829,909	1,338,386
Taxes	3,252,883	2,678,427
Notes	92,283	92,283
Due from governments	406,320	542,961
Due from other funds	1,222,000	1,055,000
Advances to other funds	1,776,206	1,613,383
Loans to other funds	6,443,500	6,443,500
 Total assets	 \$ 23,215,537	 \$ 22,304,674
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenditures	\$ 3,128,322	\$ 3,186,461
Deferred revenues	692,999	406,017
Total liabilities	3,821,321	3,592,478
Fund balances:		
Reserved:		
For encumbrances	1,283,795	775,480
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	1,776,206	1,613,383
Unreserved:		
Designated:		
For departmental savings	2,296,826	1,005,902
For future operations	7,496,726	8,776,768
Total fund balances	19,394,216	18,712,196
 Total liabilities and fund balances	 \$ 23,215,537	 \$ 22,304,674

**CITY OF MODESTO
GENERAL FUND
SCHEDULE OF REVENUES, COMPARED TO BUDGET (GAAP BASIS)
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)**

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
TAXES:				
Sales tax	\$ 19,129,967	\$ 19,168,225	\$ 38,258	\$ 18,483,060
Utility users tax	11,093,928	11,494,102	400,174	10,823,344
Property tax	7,191,450	7,043,752	(147,698)	6,916,874
Transient occupancy tax	1,648,250	1,821,398	173,148	1,600,239
Franchise tax	2,166,182	2,214,418	48,236	2,034,492
Business license	6,282,527	6,672,182	389,655	5,168,413
Total taxes	47,512,304	48,414,077	901,773	45,026,422
LICENSES AND PERMITS:	112,300	127,182	14,882	132,659
INTERGOVERNMENTAL:				
Motor vehicle license fees	7,832,316	8,042,247	209,931	7,530,777
State	2,065,900	1,928,095	(137,805)	1,980,473
County	344,728	333,825	(10,903)	335,847
Federal	1,732,096	207,240	(1,524,856)	883,313
Other intergovernmental	324,703	329,370	4,667	335,457
Total intergovernmental	12,299,743	10,840,777	(1,458,966)	11,065,867
CHARGES FOR SERVICES:				
General government	2,087,280	2,397,593	310,313	1,930,739
Highways and streets	115,710	116,880	1,170	104,078
Public works	122,216	99,119	(23,097)	101,498
Parks and recreation	377,561	474,759	97,198	399,784
Public safety	536,072	588,894	52,822	492,406
Other current charges for services	209,239	203,000	(6,239)	202,067
Indirect cost recovery	3,271,634	3,072,576	(199,058)	3,371,634
Total charges for services	6,719,712	6,952,821	233,109	6,602,206
FINES AND FORFEITURES	599,276	697,996	98,720	617,660
INTEREST and RENT	1,007,950	1,027,592	19,642	1,638,552
MISCELLANEOUS:				
Net decrease in fair value of investments		(207,107)	(207,107)	49,902
Special assessment	30,883	35,670	4,787	25,210
Mandated cost recovery	441,000	366,787	(74,213)	211,714
Other	415,376	433,932	18,556	818,711
Total miscellaneous	887,259	629,282	(257,977)	1,105,537
Total revenues	\$ 69,138,544	\$ 68,689,727	\$ (448,817)	\$ 66,188,903

**CITY OF MODESTO
GENERAL FUND
SCHEDULE OF EXPENDITURES BY FUNCTION, COMPARED TO BUDGET (GAAP BASIS)
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)**

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
General government:				
City council	\$ 220,857	\$ 212,010	\$ 8,847	\$ 214,432
Personnel/training	808,410	794,538	13,872	808,042
City manager	1,351,839	1,258,951	94,888	944,932
City attorney	797,473	747,965	49,508	743,557
City clerk/auditor	385,366	355,749	29,617	618,837
Finance	3,088,011	3,015,561	72,450	2,814,351
Community development	4,604,897	4,105,240	499,657	3,722,922
Total general government	<u>11,256,853</u>	<u>10,488,014</u>	<u>768,839</u>	<u>9,867,073</u>
Highways and streets:				
Engineering and Transportation Dept:				
Administration	451,126	400,852	50,274	607,420
Electrical division	1,684,937	1,524,353	160,584	1,803,780
Operations and Maintenance Dept:				
Traffic operations	652,963	599,949	53,014	205,701
Streets division	1,326,960	1,219,198	107,762	1,498,279
Total highways and streets	<u>4,115,986</u>	<u>3,744,352</u>	<u>371,634</u>	<u>4,115,180</u>
Public works:				
Engineering and Transportation Dept:				
Engineering design	107,736	51,744	55,992	58,330
Construction administration/permits	298,324	71,273	227,051	165,957
Engineering administration	326,559	256,458	70,101	161,033
Franchise management	408,334	353,491	54,843	230,277
Operations and Maintenance Dept:				
Administration	190,642	159,799	30,843	617,424
Total public works	<u>1,331,595</u>	<u>892,765</u>	<u>438,830</u>	<u>1,233,021</u>
Parks and recreation:				
Operations and Maintenance Dept:				
Service and maintenance	3,611,068	3,484,052	127,016	4,311,865
Community forestry	2,836,988	2,714,108	122,880	2,277,880
Community Services & Neighborhood Connection:				
Administration	538,853	528,060	10,793	465,336
Culture	427,180	417,607	9,573	441,114
Recreation division	2,948,117	2,710,816	237,301	2,143,500
Facilities	147,274	147,274	0	143,565
Total parks and recreation	<u>10,509,480</u>	<u>10,001,917</u>	<u>507,563</u>	<u>9,783,260</u>
Public safety:				
Fire protection	15,490,285	14,789,711	700,574	14,485,731
Police protection	34,056,442	31,680,840	2,375,602	30,891,484
Total public safety	<u>49,546,727</u>	<u>46,470,551</u>	<u>3,076,176</u>	<u>45,377,215</u>
Total expenditures by department	<u>76,760,641</u>	<u>71,597,599</u>	<u>5,163,042</u>	<u>70,375,749</u>
Debt service:				
Principal retirement	958,760	921,621	37,139	383,327
Interest	131,953	118,513	13,440	645,039
Total debt service	<u>1,090,713</u>	<u>1,040,134</u>	<u>50,579</u>	<u>1,028,366</u>
Total general fund	<u>\$ 77,851,354</u>	<u>\$ 72,637,733</u>	<u>\$ 5,213,621</u>	<u>\$ 71,404,115</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, 1999
(With comparative totals for June 30, 1998)**

	<i>051-0520</i> <u>Local Transportation</u>	<i>0600</i> <u>Traffic Safety</u>	<i>0700</i> <u>Special Gas Tax Street Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 70	\$ 361,954	\$ 669
Cash and cash equivalents with fiscal agent			3,074
Receivables:			
Accounts	8,060		27,970
Notes			
Due from governments	1,895,577		3,404,978
Prepaid expenditures			
Advances to other funds			
Loans to other funds			
Total assets	<u>\$ 1,903,707</u>	<u>\$ 361,954</u>	<u>\$ 3,436,691</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenditures	\$ 410,292		\$ 1,464,584
Approved loans payable			
Due to other funds	622,000		377,000
Deferred revenues	863,785		
Total liabilities	<u>1,896,077</u>		<u>1,841,584</u>
Fund balances:			
Reserved:			
For encumbrances			1,280,936
For interfund loans			
For loan programs			
For prepaid expenditures			
For interfund advances			
Unreserved:			
Designated:			
For carryover projects			
For pending projects	7,630	\$ 361,954	314,171
Total fund balances	<u>7,630</u>	<u>361,954</u>	<u>1,595,107</u>
 Total liabilities and fund balances	 <u>\$ 1,903,707</u>	 <u>\$ 361,954</u>	 <u>\$ 3,436,691</u>

0900 Downtown Improvement District	1130-1170 Housing and Community Development	0800 Strategic Planning and Development	Totals	
			1999	1998
\$ 125,114	\$ 107 581,370	\$ 216,952	\$ 704,866 584,444	\$ 1,542,388 707,391
2,375	126,344 9,797,867 1,023,236 40,950	4,233	168,982 9,797,867 6,323,791 40,950	104,125 9,103,967 4,064,912 40,950
	74,050	20,000	20,000 74,050	20,000 74,050
<u>\$ 127,489</u>	<u>\$ 11,643,924</u>	<u>\$ 241,185</u>	<u>\$ 17,714,950</u>	<u>\$ 15,657,783</u>
\$ 8,956	\$ 95,244 14,531 223,000	\$ 1,288	\$ 1,980,364 14,531 1,222,000 863,785	\$ 693,454 24,210 1,055,000 896,172
<u>8,956</u>	<u>332,775</u>	<u>1,288</u>	<u>4,080,680</u>	<u>2,668,836</u>
	133,643 74,050 9,786,336 40,950	5,751	1,420,330 74,050 9,786,336 40,950 20,000	728,978 74,050 9,079,757 40,950 20,000
	1,268,669		1,268,669	987,575
118,533	7,501	214,146	1,023,935	2,057,637
<u>118,533</u>	<u>11,311,149</u>	<u>239,897</u>	<u>13,634,270</u>	<u>12,988,947</u>
<u>\$ 127,489</u>	<u>\$ 11,643,924</u>	<u>\$ 241,185</u>	<u>\$ 17,714,950</u>	<u>\$ 15,657,783</u>

**CITY OF MODESTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)**

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Special Gas Tax Street Improvement</u>
REVENUES:			
Taxes	\$ 2,193,010		
Intergovernmental	773,999		\$ 7,815,859
Charges for services			25,670
Interest and rent	22,256		48,531
Net increase (decrease) in fair value of investments	(5,042)		
Fines and forfeits		\$ 631,772	
Miscellaneous			1,674
Total revenues	<u>2,984,223</u>	<u>631,772</u>	<u>7,891,734</u>
EXPENDITURES:			
Current expenditures:			
General government			
Highways and streets	1,149,025		7,395,476
Public works			
Total expenditures	<u>1,149,025</u>		<u>7,395,476</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,835,198</u>	<u>631,772</u>	<u>496,258</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in			1,600,660
Operating transfers out	(1,835,198)	(496,274)	(2,472,370)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,835,198)</u>	<u>(496,274)</u>	<u>(871,710)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		135,498	(375,452)
FUND BALANCES, JULY 1	7,630	226,456	1,991,251
Residual equity transfer out			(20,692)
FUND BALANCES, JUNE 30	<u>\$ 7,630</u>	<u>\$ 361,954</u>	<u>\$ 1,695,107</u>

Downtown Improvement District	Housing and Community Development	Strategic Planning and Development	Totals	
			1999	1998
\$ 137,788	\$ 4,639,996		\$ 2,330,798	\$ 1,577,147
			13,229,854	8,304,286
7,503	153,826	\$ (969)	24,701	57,863
(1,492)		13,580	245,696	252,733
		(2,587)	(9,121)	3,256
	72,475		631,772	348,281
			74,149	12,705
<u>143,799</u>	<u>4,866,297</u>	<u>10,024</u>	<u>16,527,849</u>	<u>10,556,271</u>
		113,855	113,855	92,612
190,983	3,831,937		8,544,501	3,407,471
<u>190,983</u>	<u>3,831,937</u>	<u>113,855</u>	<u>4,022,920</u>	<u>2,350,601</u>
	1,034,360	(103,831)	3,846,573	4,705,587
(47,184)				
25,000		50,000	1,675,660	858,363
	(52,376)		(4,856,218)	(4,041,728)
<u>25,000</u>	<u>(52,376)</u>	<u>50,000</u>	<u>(3,180,558)</u>	<u>(3,183,365)</u>
(22,184)	981,984	(53,831)	666,015	1,522,222
140,717	10,329,165	293,728	12,988,947	11,476,477
			(20,692)	(9,752)
<u>\$ 118,533</u>	<u>\$ 11,311,149</u>	<u>\$ 239,897</u>	<u>\$ 13,634,270</u>	<u>\$ 12,988,947</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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Taxes - sales taxes	\$ 1,398,000	\$ 2,193,010	\$ 795,010	\$ 1,427,245
Intergovernmental	1,699,777	773,999	(925,778)	50,194
Interest and rent - interest	11,000	22,256	11,256	26,118
Net increase (decrease) in fair value of investments		(5,042)	(5,042)	1,005
Total revenues	<u>3,108,777</u>	<u>2,984,223</u>	<u>(124,554)</u>	<u>1,504,562</u>
EXPENDITURES - highways and streets				
Engineering and transportation	<u>2,595,852</u>	<u>1,149,025</u>	<u>1,446,827</u>	<u>166,598</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>512,925</u>	<u>1,835,198</u>	<u>1,322,273</u>	<u>1,337,964</u>
OTHER FINANCING USES:				
Operating transfers out	<u>(1,835,198)</u>	<u>(1,835,198)</u>		<u>(1,337,965)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,322,273)</u>		<u>1,322,273</u>	<u>(1)</u>
FUND BALANCES, JULY 1	<u>7,630</u>	<u>7,630</u>		<u>7,631</u>
FUND BALANCES, JUNE 30	<u>\$ (1,314,643)</u>	<u>\$ 7,630</u>	<u>\$ 1,322,273</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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES - fines and forfeits:				
Motor vehicle fines	\$ 549,270	\$ 631,772	\$ 82,502	\$ 348,281
OTHER FINANCING USES:				
Operating transfers out	(496,274)	(496,274)		(274,172)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	52,996	135,498	82,502	74,109
FUND BALANCES, JULY 1	226,456	226,456		152,347
FUND BALANCES, JUNE 30	\$ 279,452	\$ 361,954	\$ 82,502	\$ 226,456

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
State grants	\$ 19,901,422	\$ 3,399,737	\$ (16,501,685)	\$ 3,686,177
County grants	74,225		(74,225)	1,381
Federal grants	14,798,667	4,416,122	(10,382,545)	1,793,661
Total intergovernmental revenues	<u>34,774,314</u>	<u>7,815,859</u>	<u>(26,958,455)</u>	<u>5,481,219</u>
Charges for services	165,855	25,670	(140,185)	27,863
Interest and rent - interest	50,000	48,531	(1,469)	48,663
Net increase in fair value of investments				1,155
Miscellaneous		1,674	1,674	
Total revenues	<u>34,990,169</u>	<u>7,891,734</u>	<u>(27,098,435)</u>	<u>5,558,900</u>
EXPENDITURES:				
Highway and streets	<u>35,688,323</u>	<u>7,395,476</u>	<u>28,292,847</u>	<u>3,240,873</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(698,154)</u>	<u>496,258</u>	<u>1,194,412</u>	<u>2,318,027</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,600,660	1,600,660		808,363
Operating transfers out	<u>(2,472,370)</u>	<u>(2,472,370)</u>		<u>(2,409,200)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(871,710)</u>	<u>(871,710)</u>		<u>(1,600,837)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,569,864)</u>	<u>(375,452)</u>	<u>1,194,412</u>	<u>717,190</u>
FUND BALANCES, JULY 1	1,991,251	1,991,251		1,283,813
Residual equity transfer out	<u>(20,692)</u>	<u>(20,692)</u>		<u>(9,752)</u>
FUND BALANCES, JUNE 30	<u>\$ 400,695</u>	<u>\$ 1,595,107</u>	<u>\$ 1,194,412</u>	<u>\$ 1,991,251</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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Taxes - business license tax	\$ 164,600	\$ 137,788	\$ (26,812)	\$ 149,902
Interest and rent - interest	9,400	7,503	(1,897)	5,772
Net increase (decrease) in fair value of investments		(1,492)	(1,492)	364
Total revenues	174,000	143,799	(30,201)	156,038
EXPENDITURES - public works:				
Downtown improvement district administration:				
Professional and contractual services	188,954	166,043	22,911	128,469
Materials and supplies	5,066	5,829	(763)	3,289
Other	11,500	12,552	(1,052)	5,419
Downtown improvements	4,000	6,559	(2,559)	3,790
Total expenditures	209,520	190,983	18,537	140,967
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,520)	(47,184)	(48,738)	15,071
OTHER FINANCING SOURCES:				
Operating transfers in	25,000	25,000		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(10,520)	(22,184)	(11,664)	15,071
FUND BALANCES, JULY 1	140,717	140,717		125,646
FUND BALANCES, JUNE 30	\$ 130,197	\$ 118,533	\$ (11,664)	\$ 140,717

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - federal grants	\$ 8,863,876	\$ 4,639,996	\$ (4,223,880)	\$ 2,772,873
Interest and rent - interest		153,826	153,826	153,924
Miscellaneous		72,475	72,475	12,705
Total revenues	<u>8,863,876</u>	<u>4,866,297</u>	<u>(3,997,579)</u>	<u>2,939,502</u>
EXPENDITURES - public works:				
Housing program	3,322,446	2,512,943	809,503	1,852,299
Removal of architectural barriers	1,140,123	206,419	933,704	90,192
Miscellaneous improvements	1,596,594	1,112,575	484,019	267,143
Total expenditures	<u>6,059,163</u>	<u>3,831,937</u>	<u>2,227,226</u>	<u>2,209,634</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,804,713</u>	<u>1,034,360</u>	<u>(1,770,353)</u>	<u>729,868</u>
OTHER FINANCING (USES):				
Operating transfers out	(52,376)	(52,376)		(20,391)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,752,337	981,984	(1,770,353)	709,477
FUND BALANCES, JULY 1	<u>10,329,165</u>	<u>10,329,165</u>		<u>9,619,688</u>
FUND BALANCES, JUNE 30	<u>\$ 13,081,502</u>	<u>\$ 11,311,149</u>	<u>\$ (1,770,353)</u>	<u>\$ 10,329,165</u>

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 45,000	\$ (969)	\$ (45,969)	\$ 30,000
Interest and rent - interest	9,500	13,580	4,080	18,256
Net increase (decrease) in fair value of investments		(2,587)	(2,587)	732
Total revenues	<u>54,500</u>	<u>10,024</u>	<u>(44,476)</u>	<u>48,988</u>
EXPENDITURES - general government:				
Professional and contractual services	<u>150,163</u>	<u>113,855</u>	<u>36,308</u>	<u>92,612</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(95,663)</u>	<u>(103,831)</u>	<u>(8,168)</u>	<u>(43,624)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>50,000</u>	<u>50,000</u>		<u>50,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(45,663)</u>	<u>(53,831)</u>	<u>(8,168)</u>	<u>6,376</u>
FUND BALANCES, JULY 1	<u>293,728</u>	<u>293,728</u>		<u>287,352</u>
FUND BALANCES, JUNE 30	<u>\$ 248,065</u>	<u>\$ 239,897</u>	<u>\$ (8,168)</u>	<u>\$ 293,728</u>



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. Fund income is used for the planning, acquisition, improvement, and expansion of public parks, playgrounds, and recreation facilities.

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, 1999

(With comparative totals for June 30, 1998)

	<i>1300</i> Special Fund for Capital Outlays	<i>1310-1390</i> <i>1410-1430</i> Capital Facility Fees	<i>1400</i> Parks	<i>1700</i> State Parks and Recreation
ASSETS				
Cash and cash equivalents	\$ 1,449,782	\$ 7,114,886	\$ 1,181,167	\$ 72,045
Cash and cash equivalents with fiscal agent	21,853,967			
Receivables:				
Accounts	6,753	131,239	3,936	414
Notes				
Due from governments		106,343		
Property held for resale				
Advances to other funds	100,000			
Loans to other funds	1,000,000			
Total assets	<u>\$ 24,410,502</u>	<u>\$ 7,352,468</u>	<u>\$ 1,185,103</u>	<u>\$ 72,459</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	\$ 816,890	\$ 273,768	\$ 81,964	\$ 5,155
Advances from other funds		283,906		
Loans from other funds				
Claims liability				
Total liabilities	<u>816,890</u>	<u>557,674</u>	<u>81,964</u>	<u>5,155</u>
Fund balances (deficits):				
Reserved:				
For encumbrances	6,410,643	1,281,190	706,035	3,000
For interfund loans	1,000,000			
For interfund advances	100,000			
For loan programs				
For set-aside requirement				
Unreserved:				
Designated:				
For carryover projects	15,132,355	2,755,057	186,713	63,807
For pending projects	950,614	2,758,547	210,391	497
Undesignated				
Total fund balances (deficits)	<u>23,593,612</u>	<u>6,794,794</u>	<u>1,103,139</u>	<u>67,304</u>
Total liabilities and fund balances	<u>\$ 24,410,502</u>	<u>\$ 7,352,468</u>	<u>\$ 1,185,103</u>	<u>\$ 72,459</u>

McHenry Mansion Restoration	Redevelopment Agency	Improvement Districts	Community Facilities Districts	Public Financing Authority	Totals	
					1999	1998
\$ 4,990	\$ 2,308,972 3,771,043	\$ 27,596	\$ 1,011,736 1,314,768	\$ 39,779	\$ 13,171,174 26,979,557	\$ 11,777,403 35,323,330
97	4,515 718,653 577,205		2,009		148,963 718,653 106,343 577,205 100,000 1,000,000	157,625 738,704 18,590
<u>\$ 5,087</u>	<u>\$ 7,380,388</u>	<u>\$ 27,596</u>	<u>\$ 2,328,513</u>	<u>\$ 39,779</u>	<u>\$ 42,801,895</u>	<u>\$ 49,115,652</u>
	\$ 72,501 50,000 7,517,550		\$ 4,374 20,000		\$ 1,254,652 353,906 7,517,550	\$ 689,651 401,083 7,517,550 650,000
	<u>7,640,051</u>		<u>24,374</u>		<u>9,126,108</u>	<u>9,258,284</u>
\$ 900	131,849				8,533,617 1,000,000 100,000 718,653 790,919	1,686,444 1,000,000 100,000 738,704 533,519
4,187	(1,901,084)	\$ 27,596	1,158,580 1,145,559	\$ 39,779	19,296,512 5,137,170	32,387,744 3,410,957
<u>5,087</u>	<u>(259,663)</u>	<u>27,596</u>	<u>2,304,139</u>	<u>39,779</u>	<u>33,675,787</u>	<u>39,857,368</u>
<u>\$ 5,087</u>	<u>\$ 7,380,388</u>	<u>\$ 27,596</u>	<u>\$ 2,328,513</u>	<u>\$ 39,779</u>	<u>\$ 42,801,895</u>	<u>\$ 49,115,652</u>

**CITY OF MODESTO
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)**

	Special Fund for Capital Outlays	Capital Facility Fees	Parks	Parks and Recreation Facilities
REVENUES:				
Taxes				
Intergovernmental		\$ 544,150		
Charges for services	\$ 19,747	3,819,807	\$ 23,515	
Interest and rent	1,608,111	349,198	81,199	
Net increase (decrease) in fair value of investments	(12,554)	(85,772)	(14,083)	
Miscellaneous	25,000			
Total revenues	<u>1,640,304</u>	<u>4,627,383</u>	<u>90,631</u>	
EXPENDITURES:				
Capital outlay:				
General government	5,204,127	342,366		
Highways and streets	447,255	1,374,964		
Parks and recreation	87,413	757,724	455,933	
Public safety	2,127,343	175,758		
Debt service:				
Cost of issuance				
Total expenditures	<u>7,866,138</u>	<u>2,650,812</u>	<u>455,933</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,225,834)</u>	<u>1,976,571</u>	<u>(365,302)</u>	
OTHER FINANCING SOURCES (USES):				
Operating transfers in	766,974		655,202	
Operating transfers out	(11,219)	(448,000)		\$ (46,527)
Proceeds of capital lease transactions				
Proceeds of lease revenue bonds				
Proceeds of capital facilities district bonds				
Sale of assets				
TOTAL OTHER FINANCING SOURCES (USES)	<u>755,755</u>	<u>(448,000)</u>	<u>655,202</u>	<u>(46,527)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(5,470,079)</u>	<u>1,528,571</u>	<u>289,900</u>	<u>(46,527)</u>
FUND BALANCES, July 1	29,064,383	5,279,987	813,239	46,527
Residual equity transfers out	(692)	(13,764)		
FUND BALANCES (DEFICITS), June 30	<u>\$ 23,593,612</u>	<u>\$ 6,794,794</u>	<u>\$ 1,103,139</u>	<u>\$</u>

State Parks and Recreation	McHenry Mansion Restoration	Redevelopment Agency	Improvements Districts	Community Facilities Districts	Public Financing Authority	Totals	
						1999	1998
		\$ 444,244		\$ 105,522		\$ 549,766	\$ 413,801
						544,150	227,541
				910,581		4,773,650	2,613,374
	\$ 284	543,014		91,014	\$ 2,757	2,675,577	905,064
\$ (859)	(59)	(23,623)		(12,063)	(112)	(149,125)	230,327
						25,000	846,719
<u>(859)</u>	<u>225</u>	<u>963,635</u>		<u>1,095,054</u>	<u>2,645</u>	<u>8,419,018</u>	<u>5,236,826</u>
		5,365,452		820,389		11,732,334	10,090,733
1,725						1,822,219	3,540,242
						1,302,795	1,636,402
						2,303,101	849,135
					1,749	1,749	1,521,399
<u>1,725</u>		<u>5,365,452</u>		<u>820,389</u>	<u>1,749</u>	<u>17,162,198</u>	<u>17,637,911</u>
<u>(2,584)</u>	<u>225</u>	<u>(4,401,817)</u>		<u>274,665</u>	<u>896</u>	<u>(8,743,180)</u>	<u>(12,401,085)</u>
15,998		449,953		10,000		1,898,127	47,765,350
		(700,000)	(40,076)	(101,250)		(1,347,072)	(60,409,107)
							403,491
				2,025,000		2,025,000	56,795,552
							940,252
<u>15,998</u>		<u>(250,047)</u>	<u>(40,076)</u>	<u>1,933,750</u>		<u>2,576,055</u>	<u>45,495,538</u>
13,414	225	(4,651,864)	(40,076)	2,208,415	896	(6,167,125)	33,094,453
53,890	4,862	4,392,201	67,672	95,724	38,883	39,857,368	7,374,528
						(14,456)	(611,613)
<u>\$ 67,304</u>	<u>\$ 5,087</u>	<u>\$ (259,663)</u>	<u>\$ 27,596</u>	<u>\$ 2,304,139</u>	<u>\$ 39,779</u>	<u>\$ 33,675,787</u>	<u>\$ 39,857,368</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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 53,000	\$ 19,747	\$ (33,253)	
Interest and rent - interest	1,354,284	1,608,111	253,827	\$ 280,301
Net increase (decrease) in fair value of investments		(12,554)	(12,554)	146,389
Miscellaneous	32,000	25,000	(7,000)	52,011
Total revenues	<u>1,439,284</u>	<u>1,640,304</u>	<u>201,020</u>	<u>478,701</u>
EXPENDITURES:				
Capital outlay:				
General government	17,885,897	5,204,127	12,681,770	3,073,688
Highways and streets	669,126	447,255	221,871	281,345
Parks and recreation	176,214	87,413	88,801	583,842
Public safety	10,769,638	2,127,343	8,642,295	636,568
Total expenditures	<u>29,500,875</u>	<u>7,866,138</u>	<u>21,634,737</u>	<u>4,575,443</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(28,061,591)</u>	<u>(6,225,834)</u>	<u>21,835,757</u>	<u>(4,096,742)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	766,974	766,974		31,583,465
Operating transfers out	(11,219)	(11,219)		(2,732,514)
Proceeds of capital lease transactions				403,491
TOTAL OTHER FINANCING SOURCES (USES)	<u>755,755</u>	<u>755,755</u>		<u>29,254,442</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(27,305,836)</u>	<u>(5,470,079)</u>	<u>21,835,757</u>	<u>25,157,700</u>
FUND BALANCES, JULY 1	29,064,383	29,064,383		4,518,296
Residual equity transfers out	(692)	(692)		(611,613)
FUND BALANCES, JUNE 30	<u>\$ 1,757,855</u>	<u>\$ 23,593,612</u>	<u>\$ 21,835,757</u>	<u>\$ 29,064,383</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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - county grants and apportionments	\$ 827,944	\$ 544,150	\$ (283,794)	\$ 227,541
Charges for services	3,423,000	3,819,807	396,807	2,489,657
Interest and rent - interest	299,000	349,198	50,198	426,753
Net increase (decrease) in fair value of investments		(85,772)	(85,772)	15,148
Total revenues	<u>4,549,944</u>	<u>4,627,383</u>	<u>77,439</u>	<u>3,159,099</u>
EXPENDITURES:				
Capital outlay:				
General government	1,886,928	342,366	1,544,562	474,440
Highways and streets	3,935,821	1,374,964	2,560,857	3,258,897
Parks and recreation	2,906,432	757,724	2,148,708	132,746
Public safety	203,883	175,758	28,125	212,567
Total expenditures	<u>8,933,064</u>	<u>2,650,812</u>	<u>6,282,252</u>	<u>4,078,650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,383,120)</u>	<u>1,976,571</u>	<u>6,359,691</u>	<u>(919,551)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in				83,238
Operating transfers out	(448,000)	(448,000)		(1,800,166)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(448,000)</u>	<u>(448,000)</u>		<u>(1,716,928)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(4,831,120)</u>	<u>1,528,571</u>	<u>6,359,691</u>	<u>(2,636,479)</u>
FUND BALANCES, JULY 1	5,279,987	5,279,987		7,916,466
Residual equity transfers out	(13,764)	(13,764)		
FUND BALANCES, JUNE 30	<u>\$ 435,103</u>	<u>\$ 6,794,794</u>	<u>\$ 6,359,691</u>	<u>\$ 5,279,987</u>

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 20,000	\$ 23,515	3,515	
Interest and rent - interest	56,000	81,199	\$ 25,199	\$ 92,602
Net increase (decrease) in fair value of investments		(14,083)	(14,083)	2,262
Miscellaneous	154,000		(154,000)	794,708
Total revenues	<u>230,000</u>	<u>90,631</u>	<u>(139,369)</u>	<u>889,572</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>1,579,932</u>	<u>455,933</u>	<u>1,123,999</u>	<u>877,743</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(1,349,932)</u>	<u>(365,302)</u>	<u>984,630</u>	<u>11,829</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>655,202</u>	<u>655,202</u>		<u>293,056</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(694,730)</u>	<u>289,900</u>	<u>984,630</u>	<u>304,885</u>
FUND BALANCES, JULY 1	<u>813,239</u>	<u>813,239</u>		<u>508,354</u>
FUND BALANCES, JUNE 30	<u>\$ 118,509</u>	<u>\$ 1,103,139</u>	<u>\$ 984,630</u>	<u>\$ 813,239</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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Charges for services - park fees				\$ 19,393
Interest and rent - interest				2,355
Net increase in fair value of investments				121
Total revenues				<u>21,869</u>
OTHER FINANCING (USES):				
Operating transfers out	\$ (46,527)	\$ (46,527)		(9,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(46,527)	(46,527)		12,869
FUND BALANCES, JULY 1	<u>46,527</u>	<u>46,527</u>		<u>33,658</u>
FUND BALANCES, JUNE 30	<u>\$</u>	<u>\$</u>		<u>\$ 46,527</u>

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999			1998
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Intergovernmental - state grants and apportionments	\$ 750,000		\$ (750,000)	
Interest and rent - interest				\$ 1,578
Net (decrease) in fair value of investments		\$ (859)	(859)	
Total revenues	<u>750,000</u>	<u>(859)</u>	<u>(750,859)</u>	<u>1,578</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>923,531</u>	<u>1,725</u>	<u>921,806</u>	<u>42,071</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(173,531)</u>	<u>(2,584)</u>	<u>(170,947)</u>	<u>(40,493)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>120,998</u>	<u>15,998</u>	<u>(105,000)</u>	<u>59,334</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(52,533)</u>	<u>13,414</u>	<u>(65,947)</u>	<u>18,841</u>
FUND BALANCES, JULY 1	<u>53,890</u>	<u>53,890</u>		<u>35,049</u>
FUND BALANCES, JUNE 30	<u>\$ 1,357</u>	<u>\$ 67,304</u>	<u>\$ (65,947)</u>	<u>\$ 53,890</u>

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest		\$ 284	\$ 284	\$ 287
Net increase in fair value of investments		(59)	(59)	13
Total revenues		225	225	300
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$	225	225	300
FUND BALANCES, JULY 1	4,862	4,862		4,562
FUND BALANCES, JUNE 30	\$ 4,862	\$ 5,087	\$ 225	\$ 4,862

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Taxes - property taxes	\$ 381,959	\$ 444,244	\$ 62,285	\$ 413,801
Interest and rent - interest	216,744	543,014	326,270	99,588
Net increase (decrease) in fair value of investments		(23,623)	(23,623)	65,738
Total revenues	<u>598,703</u>	<u>963,635</u>	<u>364,932</u>	<u>579,127</u>
EXPENDITURES - capital outlay:				
General government	<u>9,660,831</u>	<u>5,365,452</u>	<u>4,295,379</u>	<u>6,532,544</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,062,128)</u>	<u>(4,401,817)</u>	<u>4,660,311</u>	<u>(5,953,417)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	449,953	449,953		15,746,257
Operating transfers out	(700,000)	(700,000)		(538,662)
Sale of fixed assets				940,252
TOTAL OTHER FINANCING SOURCES (USES)	<u>(250,047)</u>	<u>(250,047)</u>		<u>16,147,847</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(9,312,175)</u>	<u>(4,651,864)</u>	<u>4,660,311</u>	<u>10,194,430</u>
FUND BALANCES (DEFICIT), JULY 1	<u>4,392,201</u>	<u>4,392,201</u>		<u>(5,802,229)</u>
FUND BALANCES (DEFICITS), JUNE 30	<u>\$ (4,919,974)</u>	<u>\$ (259,663)</u>	<u>\$ 4,660,311</u>	<u>\$ 4,392,201</u>

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, 1999
(With comparative totals for year ended June 30, 1998)

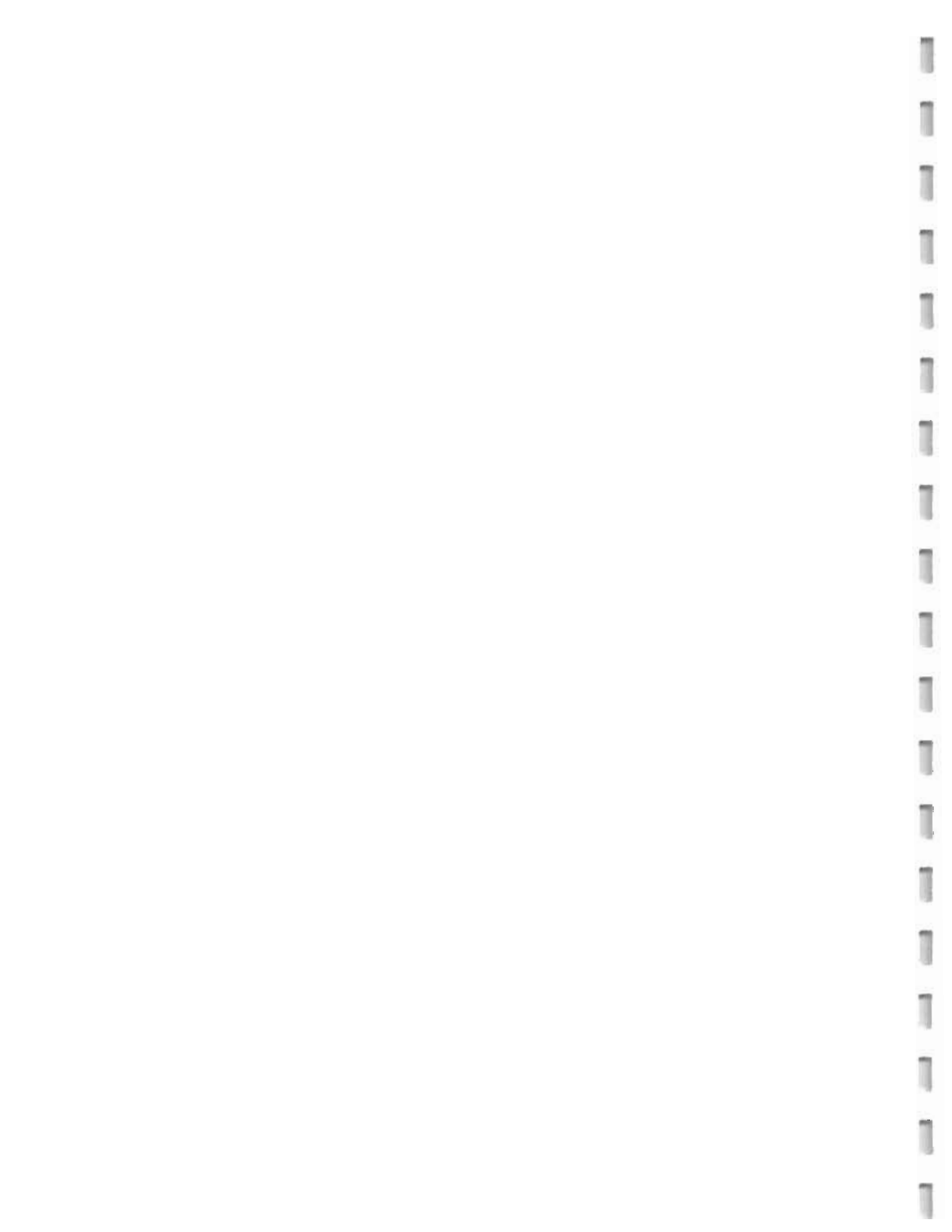
	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
OTHER FINANCING USES:				
Operating transfers out	\$ (40,076)	\$ (40,076)		\$ (92,700)
FUND BALANCES, JULY 1	67,672	67,672		160,372
FUND BALANCES, JUNE 30	\$ 27,596	\$ 27,596		\$ 67,672

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999			1998
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Taxes	\$ 117,819	\$ 105,522	\$ (12,297)	
Charges for services	2,450	910,581	908,131	\$ 104,324
Interest and rent - interest		91,014	91,014	1,140
Net increase (decrease) in fair value of investments		(12,063)	(12,063)	321
Total revenues	<u>120,269</u>	<u>1,095,054</u>	<u>974,785</u>	<u>105,785</u>
EXPENDITURES - capital outlay:				
General government	<u>1,869,636</u>	<u>820,389</u>	<u>1,049,247</u>	<u>10,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,749,367)</u>	<u>274,665</u>	<u>2,024,032</u>	<u>95,724</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,000	10,000		
Operating transfers out	(101,250)	(101,250)		
Proceeds of capital facilities district bonds	<u>2,025,000</u>	<u>2,025,000</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,933,750</u>	<u>1,933,750</u>		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>184,383</u>	<u>2,208,415</u>	<u>2,024,032</u>	<u>95,724</u>
FUND BALANCES, JULY 1	<u>95,724</u>	<u>95,724</u>		
FUND BALANCES, JUNE 30	<u>\$ 280,107</u>	<u>\$ 2,304,139</u>	<u>\$ 2,024,032</u>	<u>\$ 95,724</u>

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, 1999
(With comparative totals for year ended June 30, 1998)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest		\$ 2,757	\$ 2,757	\$ 460
Net increase (decrease) in fair value of investments		(112)	(112)	335
Total revenues		2,645	2,645	795
EXPENDITURES:				
Cost of issuance		1,749	(1,749)	1,521,399
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		896	896	(1,520,604)
OTHER FINANCING SOURCES (USES):				
Operating transfers out				(55,236,065)
Proceeds of lease revenue bonds				56,795,552
TOTAL OTHER FINANCING SOURCES (USES)				1,559,487
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		896	896	38,883
FUND BALANCES, JULY 1	\$ 38,883	38,883		38,883
FUND BALANCES, JUNE 30	\$ 38,883	\$ 39,779	\$ 896	\$ 38,883



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, 1999
(With comparative totals for June 30, 1998)**

	<i>9070-9030</i> <u>Redevelopment Agency</u>	<i>3800-5300</i> <u>Improvement Districts</u>
ASSETS		
Cash and cash equivalents	\$ 173,806	\$ 352,649
Cash and cash equivalents with fiscal agent	2,035,332	287,862
Receivables:		
Accounts	40,696	9,539
Taxes	33,420	
Special assessments		1,313,987
	<hr/>	<hr/>
Total assets	\$ <u>2,283,254</u>	\$ <u>1,964,037</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenditures		
Deferred revenues		\$ 1,309,337
Total liabilities		<hr/> 1,309,337
Fund balances:		
Reserved for debt service	\$ <u>2,283,254</u>	<u>654,700</u>
Total liabilities and fund balances	\$ <u>2,283,254</u>	\$ <u>1,964,037</u>

Community Facilities Districts	Public Financing Authority	Totals	
		1999	1998
		\$ 526,455	\$ 682,241
\$ 107,040	\$ 8,246,204	10,676,438	12,820,680
	15	50,250	94,506
		33,420	28,500
		1,313,987	1,681,961
<u>\$ 107,040</u>	<u>\$ 8,246,219</u>	<u>\$ 12,600,550</u>	<u>\$ 15,307,888</u>
		\$ 1,309,337	\$ 10,051
		<u>1,309,337</u>	<u>1,621,382</u>
		<u>1,309,337</u>	<u>1,631,433</u>
\$ 107,040	\$ 8,246,219	11,291,213	13,676,455
<u>\$ 107,040</u>	<u>\$ 8,246,219</u>	<u>\$ 12,600,550</u>	<u>\$ 15,307,888</u>

**CITY OF MODESTO
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)**

	<u>Redevelopment Agency</u>	<u>Improvement Districts</u>
REVENUES:		
Taxes	\$ 978,479	
Intergovernmental - state	41,728	
Special assessments levied		\$ 144,644
Interest and rent	267,278	102,398
Net increase (decrease) in fair value of investments	(17,108)	
Total revenues	<u>1,270,377</u>	<u>247,042</u>
EXPENDITURES - debt service:		
Principal retirement	285,000	209,998
Interest	1,371,658	104,904
Advance refunding escrow		
Other	5,402	11,637
Total expenditures	<u>1,662,060</u>	<u>326,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(391,683)</u>	<u>(79,497)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	293,674	63,268
Operating transfer out	(119,488)	
Proceeds of lease revenue bonds		
Payments to refunded certificate of participation escrow agent		
TOTAL OTHER FINANCING SOURCES (USES)	<u>174,186</u>	<u>63,268</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(217,497)</u>	<u>(16,229)</u>
FUND BALANCES, JULY 1	<u>2,500,751</u>	<u>670,929</u>
FUND BALANCES, JUNE 30	<u>\$ 2,283,254</u>	<u>\$ 654,700</u>

Community Facilities Districts	Public Financing Authority	Totals	
		1999	1998
\$ 52,188		\$ 1,030,667	\$ 971,080
		41,728	35,801
593	\$ 550,799	144,644	210,348
<u>52,781</u>	<u>550,799</u>	921,068	314,251
		(17,108)	6,122
		<u>2,120,999</u>	<u>1,537,602</u>
	425,000	919,998	1,035,002
46,991	3,557,155	5,080,708	2,371,908
	17,276	34,315	400,561
<u>46,991</u>	<u>3,999,431</u>	<u>6,035,021</u>	<u>3,842,897</u>
5,790	(3,448,632)	(3,914,022)	(2,305,295)
101,250	1,190,076	1,648,268	11,383,212
		(119,488)	2,954,532
<u>101,250</u>	<u>1,190,076</u>	<u>1,528,780</u>	<u>(2,954,532)</u>
			11,383,212
107,040	(2,258,556)	(2,385,242)	9,077,917
	10,504,775	13,676,455	4,598,538
<u>\$ 107,040</u>	<u>\$ 8,246,219</u>	<u>\$ 11,291,213</u>	<u>\$ 13,576,455</u>



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, 1999
(With comparative totals for June 30, 1998)**

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 959,525	\$ 19,110,859	\$ 8,628,284	\$ 2,205,232
Cash and cash equivalents with fiscal agent		2,126,563	5,608,693	
Receivables:				
Accounts		3,132,530	2,064,357	491,770
Taxes		3,695		
Notes				
Due from governments			127,064	4,538
Prepaid expenses				
Total current assets	<u>959,525</u>	<u>24,373,647</u>	<u>16,428,398</u>	<u>2,701,540</u>
Restricted assets-cash and cash equivalents:				
Cash deposits		634,738	102,132	
Revenue bond construction account			4,487,676	
Total restricted assets-cash and cash equivalents		<u>634,738</u>	<u>4,589,808</u>	
Other assets:				
Unamortized costs of issuance		337,486	802,860	
Total other assets		<u>337,486</u>	<u>802,860</u>	
Land, buildings and equipment:				
Land	1,613,168	1,353,770	11,534,879	626,597
Buildings	2,121,462	3,919,185	13,209,604	
Improvements other than buildings	465,315	29,314,729	62,362,442	8,849,951
Furnishings and equipment	18,095	918,133	2,259,921	124,678
Buses and fareboxes				
Pipelines		38,276,290	47,854,857	203,759
Construction in progress		685,219	30,878,133	375,312
Accumulated depreciation	<u>(1,607,497)</u>	<u>(12,981,740)</u>	<u>(38,966,632)</u>	<u>(1,049,554)</u>
Total land, buildings and equipment	<u>2,610,543</u>	<u>61,485,586</u>	<u>129,133,204</u>	<u>9,130,743</u>
Total assets	\$ <u>3,570,068</u>	\$ <u>86,831,457</u>	\$ <u>150,954,270</u>	\$ <u>11,832,283</u>

Airport	Bus	Golf	Community Center	Totals	
				1999	1998
\$ 192,421	\$ 2,068,418 601,062	\$ 1,483	\$ 356,127	\$ 33,522,349 8,336,318	\$ 36,386,727 7,722,815
6,980	3,755	273	71,758	5,771,423 3,695	5,879,565 78,385
5,278 8,368	1,722,183	31,853		1,890,916 8,368	1,515,813 9,407
<u>213,047</u>	<u>4,395,418</u>	<u>33,609</u>	<u>427,885</u>	<u>49,533,069</u>	<u>51,597,809</u>
				736,870	682,863
				<u>4,487,676</u>	<u>15,227,410</u>
				<u>5,224,546</u>	<u>15,910,273</u>
				1,140,346	1,206,411
				<u>1,140,346</u>	<u>1,206,411</u>
929,891	2,483,167	275,741	3,667,020	22,484,233	22,484,233
3,480,565	3,986,018	1,102,879	22,856,962	50,676,675	50,539,287
6,350,559	352,149	6,465,243	505,908	114,666,296	109,882,229
246,636	592,494 8,201,298	48,981	314,638	4,523,576 8,201,298 86,334,906	4,040,535 7,898,948 75,504,414
112,357	699,102	690		32,750,813	24,762,125
(5,017,714)	(4,579,738)	(2,376,802)	(8,003,925)	(74,583,602)	(66,934,589)
<u>6,102,294</u>	<u>11,734,490</u>	<u>5,516,732</u>	<u>19,340,603</u>	<u>245,054,195</u>	<u>228,177,182</u>
\$ <u>6,315,341</u>	\$ <u>16,129,908</u>	\$ <u>5,550,341</u>	\$ <u>19,768,488</u>	\$ <u>300,952,156</u>	\$ <u>296,891,675</u>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 1999
(With comparative totals for June 30, 1998)**

<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	\$ 5,542	\$ 2,299,543	\$ 1,270,856	\$ 107,593
Interest payable		335,700	428,524	
Current portion - long-term debt		703,593	1,000,000	
Current portion - developer advances		132,448		
Deferred revenues				
Total current liabilities	<u>5,542</u>	<u>3,471,284</u>	<u>2,699,380</u>	<u>107,593</u>
Other liabilities:				
Payable from restricted assets - refundable deposits		634,738	102,132	
Advances from other funds				
Revenue bonds payable			44,974,022	
Loans payable		3,220,042		
Certificates of participation		21,991,701		
Developer advances		2,894,535		
Total other liabilities		<u>28,741,016</u>	<u>45,076,154</u>	
Total liabilities	<u>5,542</u>	<u>32,212,300</u>	<u>47,775,534</u>	<u>107,593</u>
Equity:				
Contributed capital	1,023,997	14,921,753	50,151,632	
Retained earnings (deficit)-unreserved	2,540,529	39,697,404	53,027,104	11,724,690
Total equity	<u>3,564,526</u>	<u>54,619,157</u>	<u>103,178,736</u>	<u>11,724,690</u>
Total liabilities and equity	<u>\$ 3,570,068</u>	<u>\$ 86,831,457</u>	<u>\$ 150,954,270</u>	<u>\$ 11,832,283</u>

Airport	Bus	Golf	Community Center	Totals	
				1999	1998
\$ 11,863	\$ 848,433	\$ 4,942	\$ 45,230	\$ 4,594,002	\$ 4,721,074
				764,224	779,886
				1,703,593	1,802,842
				132,448	141,029
	3,070,456			3,070,456	3,370,730
<u>11,863</u>	<u>3,918,889</u>	<u>4,942</u>	<u>45,230</u>	<u>10,264,723</u>	<u>10,815,561</u>
				736,870	682,863
337,300		742,000		1,079,300	869,300
				44,974,022	45,893,703
				3,220,042	3,378,635
				21,991,701	22,439,790
				2,894,535	3,026,984
<u>337,300</u>		<u>742,000</u>		<u>74,896,470</u>	<u>76,291,275</u>
<u>349,163</u>	<u>3,918,889</u>	<u>746,942</u>	<u>45,230</u>	<u>85,161,193</u>	<u>87,106,836</u>
6,263,241	11,971,994	4,575,639	19,352,118	108,260,374	109,569,027
(297,063)	239,025	227,760	371,140	107,530,589	100,215,812
<u>5,966,178</u>	<u>12,211,019</u>	<u>4,803,399</u>	<u>19,723,258</u>	<u>215,790,963</u>	<u>209,784,839</u>
\$ <u>6,315,341</u>	\$ <u>16,129,908</u>	\$ <u>5,550,341</u>	\$ <u>19,768,488</u>	\$ <u>300,952,156</u>	\$ <u>296,891,675</u>

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)**

	Parking	Water	Sewer	Storm Drain
OPERATING REVENUES:				
Charges for services	\$ 355,524	\$ 26,440,847	\$ 18,397,913	\$ 4,487,166
OPERATING EXPENSES:				
Salaries and wages	27,418	1,501,268	2,986,764	692,442
Contractual services	13,601	1,265,645	1,544,388	526,825
Utilities	11,814	1,281,218	1,178,136	10,613
Maintenance and supplies	22,537	3,112,304	2,196,539	791,864
Water purchases		10,027,906		
Insurance	1,881	50,820	109,422	15,798
Employee benefits	2,001	548,009	852,449	217,413
Administration services	99,577	2,530,426	1,154,190	634,990
Allocated indirect administrative costs	16,089	1,078,494	1,037,764	151,762
Other	146	42,894	68,550	3,674
Depreciation	66,339	1,861,960	3,643,308	329,351
Total operating expenses	<u>261,203</u>	<u>23,300,944</u>	<u>14,771,510</u>	<u>3,374,732</u>
OPERATING INCOME (LOSS)	<u>94,321</u>	<u>3,139,903</u>	<u>3,626,403</u>	<u>1,112,434</u>
NONOPERATING REVENUES (EXPENSES)				
Operating grants		8,435	33,899	49,807
Loss on disposition of fixed assets		(268,592)	(80,823)	(44,888)
Taxes		(91,128)	(76,045)	
Interest income	29,773	976,705	781,757	141,984
Net increase (decrease) in fair value of investments	(11,441)	(227,894)	(155,915)	(26,292)
Rental income		9,600	71,388	
Interest expense		(184,563)	(787,416)	
Amortization of bond discount		(22,175)	(13,968)	
Amortization of costs of issuance		(14,349)	(52,226)	
Total nonoperating revenues (expenses)	<u>18,332</u>	<u>186,039</u>	<u>(279,349)</u>	<u>120,611</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>112,653</u>	<u>3,325,942</u>	<u>3,347,054</u>	<u>1,233,045</u>
Operating transfers in	500,000			
Operating transfers out	(6,400)	(1,885,729)	(2,152,435)	(97,678)
Total operating transfers in (out)	<u>493,600</u>	<u>(1,885,729)</u>	<u>(2,152,435)</u>	<u>(97,678)</u>
NET INCOME (LOSS)	606,253	1,440,213	1,194,619	1,135,367
Depreciation charged to contributed capital	66,339	541,476	2,319,269	672
Increase (decrease) in retained earnings	672,592	1,981,689	3,513,888	1,136,039
RETAINED EARNINGS (DEFICIT), July 1	<u>1,867,937</u>	<u>37,715,715</u>	<u>49,513,216</u>	<u>10,588,651</u>
RETAINED EARNINGS (DEFICIT), June 30	<u>\$ 2,540,529</u>	<u>\$ 39,697,404</u>	<u>\$ 53,027,104</u>	<u>\$ 11,724,690</u>

Airport	Bus	Golf	Community Center	Totals	
				1999	1998
\$ 574,918	\$ 1,910,690	\$ 2,028,537	\$ 740,783	\$ 54,936,378	\$ 53,648,647
243,188	433,626	24,330	557,190	6,466,226	6,206,276
18,965	4,759,546	1,511,235	66,592	9,706,797	8,194,062
38,804	19,991	11,094	164,081	2,715,751	3,431,398
67,216	708,535	21,759	253,621	7,174,375	5,733,522
				10,027,906	9,747,785
12,196	9,464	44,036	27,441	270,858	396,820
64,277	111,307	27,535	102,306	1,925,297	2,078,884
11,567	187,719	8,174	49,245	4,675,888	4,766,189
63,643	208,810	99,089		2,655,651	2,941,965
43,543	13,457	29,283	7,810	209,357	174,376
324,093	600,601	311,344	727,833	7,864,829	7,229,805
887,492	7,053,056	2,087,879	1,956,119	53,692,935	50,901,082
(312,574)	(5,142,366)	(59,342)	(1,215,336)	1,243,443	2,747,565
	1,913,769	19,402		2,025,312	2,255,727
(2,469)	(21,312)	(10,771)	(8,634)	(437,489)	(452,966)
128,533	2,371,653			2,333,013	2,514,985
(12,446)	135,529	(41,333)	7,750	2,019,719	2,187,483
		2,106		(419,436)	67,223
59,341	186,100			326,429	311,071
				(971,979)	(631,197)
				(36,143)	(31,678)
				(66,575)	(66,263)
172,959	4,585,739	(30,596)	(884)	4,772,851	6,154,385
(139,615)	(556,627)	(89,938)	(1,216,220)	6,016,294	8,901,950
		30,000	701,898	1,231,898	558,740
(202,578)		(478,043)		(4,822,863)	(5,290,635)
(202,578)		(448,043)	701,898	(3,590,965)	(4,731,895)
(342,193)	(556,627)	(537,981)	(514,322)	2,425,329	4,170,055
324,093	600,601	309,165	727,833	4,889,448	4,966,898
(18,100)	43,974	(228,816)	213,511	7,314,777	9,136,953
(278,963)	195,051	456,576	157,629	100,215,812	91,078,859
\$ (297,063)	\$ 239,025	\$ 227,760	\$ 371,140	\$ 107,530,589	\$ 100,215,812

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)**

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 94,321	\$ 3,139,903	\$ 3,626,403
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	66,339	1,861,960	3,643,308
Rental income		9,600	71,388
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		791,665	67,692
(Increase) in taxes receivable		(310)	
Decrease in due from governments			
(Increase) decrease in prepaid expenses			
Increase (decrease) in accounts payable and accrued expenses	965	1,661,704	(1,536,897)
Increase (decrease) in due to other funds			
Increase (decrease) in deferred revenue			
Increase in refundable deposits		43,240	10,767
Total adjustments	<u>67,304</u>	<u>4,367,859</u>	<u>2,256,258</u>
Net cash provided (used) by operating activities	<u>161,625</u>	<u>7,507,762</u>	<u>5,882,661</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received		10,383	38,941
Taxes received			
Taxes paid		(91,128)	(76,045)
Operating transfers in	500,000		
Operating transfers out	(6,400)	(1,885,729)	(2,152,435)
Residual equity transfers out		(445)	(40,559)
New advances from other funds			
Net cash provided (used) by noncapital financing activities	<u>493,600</u>	<u>(1,966,919)</u>	<u>(2,230,098)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(2,097)	(2,796,664)	(17,706,733)
Proceeds from sale of fixed assets			
Principal repayments		(983,871)	(960,000)
Interest paid		(1,361,913)	(2,591,320)
Capital grants received			
Residual equity transfers in			
Connection fees for capital purposes		1,830,665	941,420
Sale of refunding revenue bonds and revenue bonds			
Sale of refunding certificates of participation			
Costs of issuance paid		(11,500)	
Bond discount paid			
Net cash provided (used) by capital and related financing activities	<u>(2,097)</u>	<u>(3,323,283)</u>	<u>(20,316,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	29,773	287,156	1,647,180
Net increase (decrease) in the fair value of investments	(11,441)	(227,894)	(155,915)
Net cash provided (used) by investing activities	<u>18,332</u>	<u>59,262</u>	<u>1,491,265</u>
Net increase (decrease) in cash and cash equivalents	671,460	2,276,822	(15,172,805)
CASH AND CASH EQUIVALENTS, JULY 1	<u>288,065</u>	<u>19,595,338</u>	<u>33,999,590</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 959,525</u>	<u>\$ 21,872,160</u>	<u>\$ 18,826,785</u>

Storm Drain	Airport	Bus	Golf	Community Center	Totals	
					1999	1998
\$ 1,112,434	\$ (312,574)	\$ (5,142,366)	\$ (59,342)	\$ (1,215,336)	\$ 1,243,443	\$ 2,747,565
329,351	324,093 59,341	600,601 186,100	311,344	727,833	7,864,829 326,429	7,229,805 311,071
8,728	82	(281)	5,234	(25,978)	847,142 (310)	452,041 (136)
		(33,284)			(33,284)	5,883
	1,039				1,039	124
(232,732)	(2,977)	392,106	(2,226)	(853)	279,090	2,610,786 (440,071)
		(759,000)			(759,000)	(3,389)
					54,007	93,150
<u>105,347</u>	<u>381,578</u>	<u>386,242</u>	<u>314,352</u>	<u>701,002</u>	<u>8,579,942</u>	<u>10,259,264</u>
<u>1,217,781</u>	<u>69,004</u>	<u>(4,756,124)</u>	<u>255,010</u>	<u>(514,334)</u>	<u>9,823,385</u>	<u>13,006,829</u>
63,012	203,533	2,132,280 2,568,135	19,402		2,264,018 2,771,668	2,675,851 2,671,397
			30,000	701,898	(167,173)	(203,202)
(97,678)	(202,575)		(478,043)		1,231,898	558,740
		(1,038)			(4,822,860)	(5,290,635)
			210,000		(42,042)	(47,292)
					210,000	575,000
<u>(34,666)</u>	<u>958</u>	<u>4,699,377</u>	<u>(218,641)</u>	<u>701,898</u>	<u>1,445,509</u>	<u>939,859</u>
(2,104,829)	(36,227)	(708,415)		(9,364)	(23,364,329)	(30,357,600) 4,088
					(1,943,871)	(26,247,975)
	86,731	341,141 13,764			(3,953,233)	(4,084,687)
				75,000	427,872	3,255,921
					88,764	
					2,772,085	1,657,390
						25,585,000
					(11,500)	(424,526)
						(576,560)
<u>(2,104,829)</u>	<u>50,504</u>	<u>(353,510)</u>		<u>65,636</u>	<u>(25,984,212)</u>	<u>(31,188,949)</u>
147,787 (26,292)	(12,453)	132,973	(41,606) 2,106	7,342	2,198,152 (419,436)	4,094,272 50,346
<u>121,495</u>	<u>(12,453)</u>	<u>132,973</u>	<u>(39,500)</u>	<u>7,342</u>	<u>1,778,716</u>	<u>4,144,618</u>
(800,219)	108,013	(277,284)	(3,131)	260,542	(12,936,602)	(13,097,643)
<u>3,005,451</u>	<u>84,408</u>	<u>2,946,764</u>	<u>4,614</u>	<u>95,585</u>	<u>60,019,815</u>	<u>73,117,458</u>
\$ <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>

(Continued)

CITY OF MODESTO
 ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
 Year ended June 30, 1999

PARKING FUND

Fixed assets transferred from other funds and General Fixed Assets	\$	300
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WATER FUND

Fixed asset additions accrued at year end		271,235
Fixed assets transferred from other funds and General Fixed Assets		2,907
Capitalized interest expense on certificates of participation accrued at year end		308,861

SEWER FUND

Fixed asset additions accrued at year end		82,015
Fixed assets transferred from other funds and General Fixed Assets		12,628
Capitalized interest expense on revenue bonds accrued at year end		310,588
Operating grants accrued at year end		127,064

STORM DRAIN FUND

Fixed asset additions accrued at year end		21,769
Operating grants accrued at year end		4,538

AIRPORT FUND

Capital grants accrued at year end		5,278
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BUS FUND

Fixed asset additions accrued at year end		24,936
Operating grants accrued at year end		748,894
Capital grants accrued at year end		392,252

GOLF FUND

Operating grants accrued at year end		31,853
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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, 1999
(With comparative totals for June 30, 1998)**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology & Information Services</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,365,315	\$ 157,264	\$ 364,973
Receivables:			
Accounts			
Notes			
Inventories		398,111	
Total current assets	<u>6,365,315</u>	<u>555,375</u>	<u>364,973</u>
Land, buildings and equipment:			
Land	270,692		
Buildings	695,066		
Improvements other than buildings	1,521,796	13,694	203,909
Equipment pool	16,236,969		
Furnishings and equipment	310,867	152,897	3,727,673
Construction in progress	85,975		
Accumulated depreciation	<u>(10,327,611)</u>	<u>(46,451)</u>	<u>(1,904,546)</u>
Total land, buildings and equipment	<u>8,793,754</u>	<u>120,140</u>	<u>2,027,036</u>
Total assets	<u>\$ 15,159,069</u>	<u>\$ 675,515</u>	<u>\$ 2,392,009</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$ 99,860	\$ 78,511	\$ 85,832
Interest payable		1,332	19,512
Current portion - compensated absences			
Current portion - claims liability			
Current portion - long-term debt		9,919	172,149
Total current liabilities	<u>99,860</u>	<u>89,762</u>	<u>277,493</u>
Other liabilities:			
Advances from other funds		463,000	
Obligations under capital leases		21,619	333,120
Compensated absences			
Claims liability			
Total other liabilities		<u>484,619</u>	<u>333,120</u>
Total liabilities	<u>99,860</u>	<u>574,381</u>	<u>610,613</u>
Equity:			
Contributed capital	4,228,399	66,615	1,454,397
Retained earnings (deficit)-unreserved	10,830,810	34,519	326,999
Total equity	<u>15,059,209</u>	<u>101,134</u>	<u>1,781,396</u>
Total liabilities and equity	<u>\$ 15,159,069</u>	<u>\$ 675,515</u>	<u>\$ 2,392,009</u>

<u>Insurance</u>	<u>Employee Benefits Management</u>	<u>Building Services</u>	<u>Totals</u>	
			<u>1999</u>	<u>1998</u>
\$ 8,551,108	\$ 7,844,687	\$ 614,623	\$ 23,897,970	\$ 23,360,293
628,624	22,108 78,172	237	650,969 78,172	156,555 79,499
<u>9,179,732</u>	<u>7,944,967</u>	<u>614,860</u>	<u>25,025,222</u>	<u>23,932,033</u>
		383,164	653,856	653,856
		3,819,203	4,514,269	4,514,269
		1,133,473	2,872,872	2,463,285
124,774	27,735	69,746	16,236,969	15,336,852
(5,342)	(7,271)	(3,457,322)	4,413,692	4,105,587
<u>119,432</u>	<u>20,464</u>	<u>1,948,264</u>	85,975	104,072
\$ <u>9,299,164</u>	\$ <u>7,965,431</u>	\$ <u>2,563,124</u>	<u>(15,748,543)</u>	<u>(14,625,101)</u>
			13,029,090	12,552,820
			\$ <u>38,054,312</u>	\$ <u>36,484,853</u>
\$ 440,109	\$ 11,044	\$ 94,874	\$ 810,230	\$ 418,116
	5,291,162		20,844	27,127
3,793,221			5,291,162	5,282,013
<u>4,233,330</u>	<u>5,302,206</u>	<u>94,874</u>	3,793,221	3,564,951
			182,068	171,357
			10,097,525	9,463,564
			463,000	463,000
			354,739	536,806
	19,281,168		19,281,168	9,711,809
6,020,815			6,020,815	5,612,961
<u>6,020,815</u>	<u>19,281,168</u>		<u>26,119,722</u>	<u>16,324,576</u>
10,254,145	24,583,374	94,874	36,217,247	25,788,140
3,812		1,835,795	7,589,018	7,117,025
(958,793)	(16,617,943)	632,455	(5,751,953)	3,579,688
<u>(954,981)</u>	<u>(16,617,943)</u>	<u>2,468,250</u>	1,837,065	10,696,713
\$ <u>9,299,164</u>	\$ <u>7,965,431</u>	\$ <u>2,563,124</u>	\$ <u>38,054,312</u>	\$ <u>36,484,853</u>

CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1999
(With comparative totals for year ended (June 30, 1998))

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology & Information Services</u>
OPERATING REVENUES:			
Charges for services	\$ 5,508,152	\$ 467,248	\$ 1,675,481
Sales		1,932,974	
Cost of sales		(1,853,557)	
Total operating revenues	<u>5,508,152</u>	<u>546,665</u>	<u>1,675,481</u>
OPERATING EXPENSES:			
Salaries and wages	687,970	213,821	359,334
Contractual services	106,572	97,591	527,755
Utilities	1,337	1,414	18,767
Maintenance and supplies	1,466,340	71,503	317,012
Insurance	24,775	5,589	5,849
Claims expense			
Employee benefits	223,850	63,956	83,192
Administration services	28,439	11,144	
Allocated indirect administrative costs	308,219		
Other	17,548	1,681	23,020
Depreciation	1,595,958	14,856	257,930
Total operating expenses	<u>4,461,008</u>	<u>481,355</u>	<u>1,592,859</u>
OPERATING INCOME (LOSS)	<u>1,047,144</u>	<u>65,310</u>	<u>82,622</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposition of fixed assets	(75,991)	(6,095)	(76,947)
Interest income			24,853
Net increase (decrease) in fair value of investments			
Interest expense		(2,005)	(33,490)
Total nonoperating revenues (expenses)	<u>(75,991)</u>	<u>(8,100)</u>	<u>(85,584)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>971,153</u>	<u>57,210</u>	<u>(2,962)</u>
Operating transfers in			
Operating transfers out	(40,423)		(32,915)
Total operating transfers in (out)	<u>(40,423)</u>		<u>(32,915)</u>
NET INCOME (LOSS)	930,730	57,210	(35,877)
Depreciation charged to contributed capital	312,808	261	165,849
Increase (decrease) in retained earnings	1,243,538	57,471	129,972
RETAINED EARNINGS (DEFICIT), July 1	<u>9,587,272</u>	<u>(22,952)</u>	<u>197,027</u>
RETAINED EARNINGS (DEFICIT), June 30	<u>\$ 10,830,810</u>	<u>\$ 34,519</u>	<u>\$ 328,999</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			1999	1998
\$ 10,341,113	\$ 17,830,261	\$ 2,216,115	\$ 38,038,370	\$ 37,511,759
			1,932,974	1,494,401
			(1,853,557)	(1,483,810)
<u>10,341,113</u>	<u>17,830,261</u>	<u>2,216,115</u>	<u>38,117,787</u>	<u>37,522,350</u>
260,050	39,537	746,157	2,306,869	2,338,861
53,569	17,288	57,302	860,077	381,863
929		616,789	639,236	699,106
15,973	29,037	250,804	2,150,669	1,952,492
5,683,485	513	9,172	5,729,383	5,157,193
5,782,601			5,782,601	5,627,081
69,073	27,670,756	189,491	28,300,318	20,208,632
312,915	36,124	35,445	424,067	316,434
			308,219	317,640
73,397	28,057	2,673	146,376	114,274
6,235	2,682	90,351	1,967,812	2,259,389
<u>12,258,227</u>	<u>27,823,994</u>	<u>1,998,184</u>	<u>48,615,627</u>	<u>39,372,965</u>
(1,917,114)	(9,993,733)	217,931	(10,497,840)	(1,850,615)
(19,033)	(1,508)	(348)	(179,922)	(127,149)
551,689	498,207	16,430	1,091,179	1,021,878
(102,467)	(94,039)		(196,506)	46,833
			(35,495)	(33,915)
<u>430,189</u>	<u>402,660</u>	<u>16,082</u>	<u>679,256</u>	<u>907,647</u>
(1,486,925)	(9,591,073)	234,013	(9,818,584)	(942,968)
				342,067
		(7,000)	(80,338)	(472,183)
		(7,000)	(80,338)	(130,116)
(1,486,925)	(9,591,073)	227,013	(9,898,922)	(1,073,084)
		88,363	587,281	798,204
(1,486,925)	(9,591,073)	315,376	(9,331,641)	(274,880)
<u>528,132</u>	<u>(7,026,870)</u>	<u>317,079</u>	<u>3,579,688</u>	<u>3,854,568</u>
\$ <u>(958,793)</u>	\$ <u>(16,617,943)</u>	\$ <u>632,455</u>	\$ <u>(5,751,953)</u>	\$ <u>3,579,688</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1999
(With comparative totals for year ended June 30, 1998)

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology & Information Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,047,144	\$ 65,310	\$ 82,622
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,595,958	14,656	257,930
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		146	
(Increase) decrease in notes receivable			
(Increase) decrease in inventories		(62,425)	
Increase (decrease) in accounts payable and accrued expenses	35,258	13,894	(6,844)
Increase in compensated absences			
Increase (decrease) in claims liability			
Total adjustments	<u>1,631,216</u>	<u>(33,729)</u>	<u>251,086</u>
Net cash provided (used) by operating activities	<u>2,678,360</u>	<u>31,581</u>	<u>333,708</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in			
Operating transfers out	(40,423)		(32,915)
Residual equity transfers out			
Net cash provided (used) by noncapital financing activities	<u>(40,423)</u>		<u>(32,915)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(1,185,766)	(6,063)	(413,679)
Proceeds from sale of fixed assets			
Principal repayments		(9,369)	(161,988)
Interest paid		(2,401)	(39,377)
Residual equity transfers in	130,426		
Net cash provided (used) by capital and related financing activities	<u>(1,055,340)</u>	<u>(17,833)</u>	<u>(615,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received			24,853
Net increase (decrease) in the fair value of investments			
Net cash provided (used) by investing activities			<u>24,853</u>
Net increase (decrease) in cash and cash equivalents	1,582,597	13,748	(289,398)
CASH AND CASH EQUIVALENTS, JULY 1	<u>4,782,718</u>	<u>143,516</u>	<u>654,371</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 6,365,315</u>	<u>\$ 157,264</u>	<u>\$ 364,973</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			1999	1998
\$ (1,917,114)	\$ (9,993,733)	\$ 217,931	\$ (10,497,840)	\$ (1,850,615)
6,235	2,682	90,351	1,967,812	2,259,389
(523,093)			(522,947)	2,739
	1,327		1,327	223
			(62,425)	21,968
332,291	(1,384)	18,899	392,114	(309,811)
	9,578,508		9,578,508	850,221
636,124			636,124	1,099,031
451,557	9,581,133	109,250	11,990,513	3,923,760
(1,465,557)	(412,600)	327,181	1,492,673	2,073,145
				342,067
		(7,000)	(80,338)	(472,183)
				(2,465)
		(7,000)	(80,338)	(132,581)
(107,452)		(2,196)	(1,715,156)	(2,090,202)
			(171,357)	(208,340)
			(41,778)	(6,788)
			130,426	888,220
(107,452)		(2,196)	(1,797,865)	(1,417,110)
573,644	505,023	16,193	1,119,713	1,074,171
(102,467)	(94,039)		(196,506)	(4,910)
471,177	410,984	16,193	923,207	1,069,261
(1,101,832)	(1,616)	334,178	537,677	1,592,715
9,652,940	7,846,303	280,445	23,360,293	21,767,578
\$ 8,551,108	\$ 7,844,687	\$ 614,623	\$ 23,897,970	\$ 23,360,293

(Continued)

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1999**

FLEET MANAGEMENT FUND

Fixed assets transferred from other funds and General Fixed Assets	\$ 860,259
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TECHNOLOGY AND INFORMATION SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets	46,420
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BUILDING SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets	2,169
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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 and Stanislaus Drug Enforcement Agency joint powers agencies.

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, 1999
(With comparative totals for June 30, 1998)**

	<u>Trust Fund</u> <u>Investment</u> <u>Trust Fund</u>	<u>Agency Fund</u> <u>Refundable</u> <u>Deposits</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
			<u>1999</u>	<u>1998</u>
ASSETS				
Cash and cash equivalents in City investment pool	\$ 1,213,558		\$ 1,213,558	\$ 1,166,009
Restricted assets:				
Cash deposits		\$ 1,394,669	1,394,669	1,211,303
Cash and investments				133,038
Total assets	\$ 1,213,558	\$ 1,394,669	\$ 2,608,227	\$ 2,510,350
LIABILITIES AND FUND BALANCE				
Liabilities:				
Payable from restricted assets:				
Refundable deposits		\$ 1,394,669	\$ 1,394,669	\$ 1,211,303
Deferred compensation				133,038
Total liabilities		1,394,669	1,394,669	1,344,341
Fund balance:				
Reserved for external investment pool participants	\$ 1,213,558		1,213,558	1,166,009
Total liabilities and fund balance	\$ 1,213,558	\$ 1,394,669	\$ 2,608,227	\$ 2,510,350

**CITY OF MODESTO
INVESTMENT TRUST FUND
STATEMENT OF NET ASSETS
June 30, 1999**

ASSETS

Cash and cash equivalents in City investment pool	\$ <u>1,213,558</u>
Net assets held in trust for external pool participants	\$ <u>1,213,558</u>

CITY OF MODESTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 1999

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
REFUNDABLE DEPOSITS				
ASSETS				
Restricted assets - cash deposits	\$ <u>1,211,303</u>	\$ <u>610,806</u>	\$ <u>427,440</u>	\$ <u>1,394,669</u>
LIABILITIES				
Refundable deposits	\$ <u>1,211,303</u>	\$ <u>610,806</u>	\$ <u>427,440</u>	\$ <u>1,394,669</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, 1999

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Furnishings and Equipment</u>	<u>Equipment Pool</u>
General government:						
City council	\$ 32,629			\$ 11,775	\$ 20,854	
City manager	107,121			22,146	84,975	
Personnel	65,508			18,761	46,747	
City attorney	95,113			3,042	92,071	
City clerk/auditor	36,281			11,676	24,605	
Finance	662,993			64,102	598,891	
Community development	879,488	\$ 235,418	\$ 39,231	34,491	570,348	
Parking and traffic	1,021,226	424,038	325,000	7,890	264,298	
Total general government	<u>2,900,359</u>	<u>659,456</u>	<u>364,231</u>	<u>173,883</u>	<u>1,702,789</u>	
Public safety:						
Fire	8,580,658	194,563	2,460,083	539,849	5,386,163	
Police	5,854,391	1,304,982	983,571	358,524	3,059,818	\$ 147,496
Total public safety	<u>14,435,049</u>	<u>1,499,545</u>	<u>3,443,654</u>	<u>898,373</u>	<u>8,445,981</u>	<u>147,496</u>
Public works	<u>1,055,341</u>	<u>300,471</u>	<u>63,913</u>	<u>191,716</u>	<u>499,241</u>	
Highways and streets	<u>212,613</u>	<u>78,064</u>		<u>19,406</u>	<u>115,143</u>	
Parks and recreation	<u>40,007,906</u>	<u>11,724,380</u>	<u>4,431,692</u>	<u>23,293,356</u>	<u>558,478</u>	
Total general fixed assets allocated to functions	<u>58,611,268</u>	<u>\$ 14,261,916</u>	<u>\$ 8,303,490</u>	<u>\$ 24,576,734</u>	<u>\$ 11,321,632</u>	<u>\$ 147,496</u>
Construction in progress	<u>21,865,458</u>					
Total general fixed assets	<u>\$ 80,476,726</u>					

CITY OF MODESTO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
Year ended June 30, 1999

	General Fixed Assets July 1, 1998	Additions	Deductions	General Fixed Assets June 30, 1999
General government	\$ 3,184,373	\$ 583,612	\$ 867,625	\$ 2,900,360
Public safety	14,358,026	591,918	514,895	14,435,049
Public works	765,643	522,498	232,800	1,055,341
Highways and streets	218,161	15,286	20,834	212,613
Parks and recreation	39,260,793	898,816	151,704	40,007,905
Construction in progress	6,455,699	16,377,792	968,033	21,865,458
Total changes by function	\$ 64,242,695	\$ 18,989,922	\$ 2,755,891	\$ 80,476,726

CITY OF MODESTO
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 1999

GENERAL FIXED ASSETS:

Land	\$ 14,261,916
Buildings	8,303,490
Improvements	24,576,734
Furnishing and equipment	11,321,632
Equipment pool	147,496
Construction in progress	21,865,458
Total general fixed assets	\$ 80,476,726

INVESTMENT IN GENERAL FIXED ASSETS FROM:

City funding	\$ 67,203,847
State grants	2,514,977
Federal grants	8,262,188
Contributions/donations	2,495,714
Total investment in general fixed assets	\$ 80,476,726

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CITY of MODESTO

City of Modesto Statistical Section

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
1990	\$ 8,462,454	\$ 7,862,947	\$ 4,820,891	\$ 6,950,206	\$ 27,313,870	\$ 2,348,794	57,759,162
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	9,888,996	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

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 Assessments	Interest and Rent	Fines and Forfeits	Miscellaneous	Total
1989	\$ 33,270,134	\$ 167,616	\$ 10,909,471	\$ 2,226,490	\$ 155,351	\$ 1,949,370	\$ 1,140,683	\$ 1,415,698	\$ 51,234,813
1990	37,977,938	139,719	11,053,342	3,204,691	335,831	2,476,997	1,082,170	2,416,692	58,687,380
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	2,194,356	1,329,768	641,532	87,338,575

NOTE: (1) Includes General, Special Revenue, and Debt Service Funds.
(2) Includes the following taxes (with percent of total taxes for 1999):

Sales Tax -	37%
Utility Users Tax -	23
Property Tax -	15
Business License Tax -	10
Other -	15
	<u>100%</u>

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

Year Ended June 30,	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections As Percent of Current Levy (2)	Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
1990	\$ 6,527,236	\$ 6,083,423	93.20%	\$ 346,762	\$ 6,430,185	98.51%	\$ 261,514	4.01%
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		

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	
1990	\$ 4,750,747,890	\$ 4,750,747,890	\$ 202,757,203	\$ 202,757,203	\$ 4,953,505,093	\$ 4,953,505,093	100%
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

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>Sewer District</u>	<u>School Bonds (1)</u>	<u>Total</u>
1990	1.00	.0059	.1565	1.1624
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

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

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

Year Ended June 30,	Current Assessments Billed	Current Assessments Collected	Ratio of Collections to Amount Due	Outstanding Assessments
1990	\$ 123,946	\$ 123,946	100	\$ 2,547,936
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 (1)	190,789 (2)	100	1,309,337 (3)

- (1) Principal levied on prior year tax roll in 1998/99
- (2) Total received on current year tax roll
- (3) Total of Assessment Receivable

CITY OF MODESTO
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 1999

Net assessed value (1)		\$ 6,952,102,913
Plus homeowners' exemption (1)		<u>226,106,465</u>
Gross assessed value (1)		\$ 7,178,209,378
Debt limit - 15% of gross assessed value (2)		\$ 1,076,731,407
Amount of debt applicable to debt limit:		
Total general bonded debt, including special assessment debt	\$ 3,395,000	
Less: Assets in debt service funds available for payment of principal	\$ 761,740	
Other deductions: Special assessment debt	<u>3,395,000</u>	
Total deductions	4,156,740	
Total amount of debt applicable to debt limit		<u>0</u>
Legal debt margin		<u>\$ 1,076,731,407</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, 1999

Jurisdiction	Net Debt Outstanding (1)	Percentage Applicable to City of Modesto (2)	Amount Applicable to City of Modesto
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	21,830,000	72.5	15,826,750
Modesto High School District	32,865,000	68.5	22,512,525
Sylvan School District	13,575,000	85.0	11,538,750
Salida Union Elementary District	3,860,000	27.0	1,042,200
Stanislaus Union School District	6,015,000	33.0	1,984,950
Total	\$ 79,626,196		\$ 54,386,371

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, 1999

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 6/30/99

Category	Number of Accounts	% of Total Accounts	% of Total Revenues
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 6/30/99

User	% of Sewer Operating Revenue
1) Tri-Valley Growers	11.11
2) Stanislaus Foods	7.80
3) Frito-Lay, Inc.	4.26
4) E&J Gallo Winery	3.57
5) Del Monte	1.90
6) City of Ceres	1.49
7) S&W Fine Foods	1.41
8) Foster Farms	1.31
9) Modesto Tallow	0.96
10) Nestle Foods Co.	0.71

There was no sewer rate increase during the fiscal year ended 6/30/99

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 30	(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, 1999

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.

(continued)

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 1999

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 6/30/99	\$0 (covered by surety bond, issued by Federal Guaranty Insurance Company)
Balance in Parity Reserve Fund as of 6/30/99	\$0
Balance in Rate Stabilization Fund as of 6/30/99	\$3,000,000

Ten Largest Customers of Water Utility System, Year Ended 6/30/99

Customer	Business Type	% of Total Water Sales Revenue
1) Tri-Valley Growers	Cannery	3.92
2) Stanislaus Foods	Cannery	1.52
3) Tartaric Manufacturing Corp.		1.13
4) Frito-Lay, Inc.	Snack Food Processor	0.95
5) S & W Fine Foods, Inc.	Cannery	0.89
6) E & J Gallo Winery	Winery	0.88
7) Foster Farms	Dairy Processor	0.62
8) Nestle Food Company	Food Processor	0.50
9) General Foods Corp.	Food Processor	0.20
10) Del Monte Foods	Cannery	0.14

Water Sales Revenue, Year Ended 6/30/99

Residential - flat rates	\$15,119,715
Commercial, industrial and municipal - metered rates	10,622,089
Total Water Sales	<u>\$25,741,804</u>

Average Monthly Water Service Charges as of 6/30/99 - Residential Accounts

Zone 1	\$21.68
Zone 2	28.58
Zone 3	18.20

Current Water Rates and Charges as of 6/30/99 - Commercial Accounts

Meter Size	Per Meter (1)
3/4"	\$14.35
1"	19.10
1 1/2"	23.73
2"	28.63
3"	38.18
4"	49.65
6"	74.63
8"	95.32
10"	114.91
12"	134.56

Meter rate shown is for first 1,680 cubic feet per month. There is also a volume charge of \$.86 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 6/30/99 is \$93,735,000. (continued)

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 1999

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 1999

Gross Operating Revenues:	
Charges for services	\$26,204,272
DBCP settlement	236,575
Connection charges	1,830,665
Interest and rental income	986,305
Total Gross Operating Revenues	<u>29,257,817</u>
Operating Expenses:	
Total operating expenses	23,300,944
Less: Depreciation	(1,861,960)
T&DA debt service component paid to MID	(6,757,184)
Plus: property taxes	91,128
Total Operating Expenses	<u>14,772,928</u>
Net Operating Revenues	<u>\$14,484,889</u>
Total Debt Service:	
1997 Refunding Certificates of Participation	1,935,855
Treatment & Delivery Agreement	7,611,000
CDWR Loan	264,699
Total Debt Service	<u>\$9,811,554</u>
Debt Service Coverage (Net Operating Revenues/Total Debt Service)	1.48

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 30 (Note III-C)

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

<u>Year Ended June 30,</u>	<u>Gross Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service (3)</u>	<u>Coverage (4)</u>
1990	\$ 12,680,004	\$ 6,072,390	\$ 6,607,614	\$ 1,149,220	5.75
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

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	
1990	89	\$ 33,201,975	2,406	\$ 166,993,659	\$ 4,953,505,093	\$ 337,405,968	\$ 1,311,075,000
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	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 1998.

CITY OF MODESTO
PRINCIPAL PAYERS OF PROPERTY TAX
Year Ended June 30, 1999

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percent of Total</u>
National Medical Hospitals	Medical	\$ 108,590,904	1.37 %
Macerich Vintage Faire Associates	Shopping Center	72,099,599	1.12
Foster Farms Dairy	Food Processing	45,158,515	0.41
Phenix Management Corp.	Food Processing	51,055,035	0.78
Liljenquist Modesto Co.	Real Estate	35,871,068	0.61
McClatchy Newspapers	Publishing	26,926,812	0.56
Stanislaus Partners	Food Processing	32,388,226	0.46
Hamilton Meredith Co.	Real Estate	24,774,006	0.40
Basic Vegetable Products	Food Processing	22,239,910	0.35
McHenry-Modesto	Medical Building	17,082,055	0.27
All others			93.67
			<u>100.00 %</u>

Source of Data: Stanislaus County Tax Collector.

CITY OF MODESTO
SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 1999

Coverage	Company	Policy Number(s)	Limits of Liability	Term	Premium	Retention or Deductible
Airport Comprehensive Gen. Liability Hangerkeepers Legal Liability Contractual Liability	National Union	APL649484	\$ 25,000,000	4/1/99 - 4/1/00	\$ 11,157	\$ 250 Hangerkeepers
Gen. Liability Auto Liability Errors & Omissions (excludes Airport)	ACCEL	ACC 9900	\$ 19,000,000	7/1/99 - 7/1/00	\$336,129	\$ 1,000,000 (SIR)
City Property (buildings & contents) Fire Trucks-(Collison) All vehicles Flood (\$1 million)	PEPIP	Various	\$250,000,000 per location \$500,000,000 per occurrence	5/15/99 - 5/15/00	\$94,459	\$ 5,000 \$ 25,000 Flood
Boiler & Machinery	CNA	BM1077609612	\$ 50,000,000	5/15/99 - 5/15/00	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 100,000 sq. ft.
Tuolumne River Regional Park Errors and Omissions	Sable Insurance Co.	TBD	\$ 5,000,000	7/1/99 - 7/1/00	\$ 2,070	\$ 0
Workers' Compensation	Continental Casualty Co.	TBD	\$ 2,000,000	5/1/99 - 5/1/00	\$ 18,863	\$ 400,000 (SIR)
Faithful Performance and Crime Bond (All Officers & Employees)	Great American Insurance Co.	CRP1243703	\$ 1,000,000	4/1/97 - 4/1/00	\$ 11,965 3-Yr Prepaid Net Premium	\$ 5,000
Excess Liability	ACCEL	4799-2646	\$ 10,000,000	7/1/99 - 7/1/00	\$ 18,599	\$ 0

Source of data: City of Modesto Risk Manager

CITY OF MODESTO
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
June 30, 1999

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
Paul Baxter, Acting City Manager	\$ 121,308	\$ 25,000
Jean Zahr, City Clerk/Auditor	59,595	50,000
Judy Hall, Assistant City Clerk/Auditor	44,531	50,000
Robert Stout, Director of Finance	94,636	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, 1999

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	36.0

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
01/01/99	184,600

Housing units:

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

Median housing unit value (3)	\$130,700
Median monthly rent (3)	\$448
Median age (3)	29
Median family income (3)	\$34,500

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	83,822
Votes cast, last municipal election	20,892
Percentage of voter balloting	24.9

(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, 1999

Permanent employees authorized	1,150
Fire Protection: Underwriter's Classification - Class 2	
Fire Stations	10
Positions authorized	155
Number of fire hydrants	6,000
Police Protection:	
Police Station	1
Area command offices	4
Positions authorized	356
Number of vehicles	224
Recreational Areas (acres):	
Developed Parks	
54 fully or partially developed	412.51
1 Regional Park (TRRP developed)	74.00
Undeveloped Parks	
9 Neighborhood	50.64
2 Community	62.00
2 Area	450.30
Total: 13 Undeveloped Parks	562.94
Special Facilities	
1 Baseball stadium	20.00
3 Golf courses	363.29
Total: 4 Special Facilities	383.29
Total Recreational Areas	1,358.74
Building Permits:	
Permits issued in 1998-99	6,175
Estimated cost of construction	\$298,425,429
Streets:	
Streets, paved or oiled (miles)	566.83
Street lights	11,436
Traffic signals	180
Parking Facilities:	
Number of parking lots	22
Number of off-street parking spaces	2,775

(Continued)

CITY OF MODESTO
DEMOGRAPHIC AND MISCELLANEOUS STATISTICAL DATA (continued)

June 30, 1999

Elderly and handicapped van service:	
Number of vehicles	10
Seating capacity vans	12
Average daily number of passengers	272
Average miles per month	41,337

Airport:

For year ended June 30, 1999	
Number of passengers enplaned	22,627
Number of passengers deplaned	22,012
Total aircraft movements	74,561
Annual fuel consumption in gallons	753,582
Total number of tenant aircraft	174
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	24
Number of air carriers scheduled per day	5
Number of runways	2

Bus Service:

Number of buses	40
Number of routes	19
Miles of routes	346
Seating capacity per bus	36
Average daily number of passengers	8,841
Average miles per month	110,591
Frequency of service	30 min. & 60 min.

Sewer Service:

Plant capacity in gallons per day	56,700,000
Miles of storm sewers	87.1
Miles of sanitary laterals	431.19
Miles of sanitary trunks and industrial	78.26

Water Service:

Average daily consumption in gallons	76,403,041
Number of wells	111
Miles of water mains	1,315

Sources of data: Various City departments

