

CITY OF

Sandy

Modesto

CALIFORNIA



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1998

On the Cover

Tenth Street Place is the center of Modesto's continuing downtown revitalization. It will feature new restaurant and retail space, a state-of-the-art 18-screen cinema, a 700 car parking garage, and a city/county public administration center. By combining city and county offices, the project provides a one-stop customer service center for citizens.

CITY OF
Modesto, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 1998

Prepared by
Finance Department

CITY OF MODESTO
 June 30, 1998
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City of Modesto Introduction

INTRODUCTION





CITY of MODESTO

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[TDD (209) 526-9211 Hearing and Speech Impaired only]

November 10, 1998

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, 1998, 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, 1997 report, the fourteenth consecutive year in which the City has been so recognized. The financial section includes the general-purpose financial statements, the combining and individual fund and account group statements and schedules, and the independent auditor's report on the financial statements and schedules. The notes to the general-purpose financial statements explain the basis of accounting used, define the various fund types and account groups, and provide required disclosure information. The statistical section includes selected demographic data, financial trends, and the fiscal capacity of the City, and is generally presented for more than one year. This section also includes continuing disclosure requirements information on bonds issued after July 3, 1995, as required by Securities and Exchange Commission Rule 15 (c)2-12.

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

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. Recent trends point to continued growth in the service and retail sectors, leading the way to a more diversified local economy.

The area economy continued to improve during the year. Building activity increased substantially for the third consecutive year, with valuations up 39% over the prior year. More than 2,000 permits were issued for the commercial and retail sector, primarily for remodeling and expansion of existing facilities. The residential sector generated ten new subdivisions that totaled more than 518 single family residential lots and several multi-family projects.

Overall growth in retail sales continued. Several new retail facilities were opened, primarily in the food and beverage sector. Growth in the industrial sector was generally modest, with the bulk coming from service related businesses. The economic growth has served to improve the employment picture. The State Employment Development Department reported that the Modesto area's average unemployment rate for calendar year 1997 was 12.9% compared to 14.1% in 1996. August 1998, the most recent data available, shows unemployment at 9.2%, the lowest level in ten years.

Major Initiatives

Efforts to revitalize the downtown area are progressing. The City and Stanislaus County are working with a private developer to construct a public-private complex that will complement the existing convention center. Construction began in June 1998 for the public component that will consist of a new, City-County administration building and a 700-space parking structure. A new police administration building will also be constructed adjacent to the existing downtown police building which will be renovated. The private component will have a multi-screen cinema and retail complex. Financing for the City's portion was accomplished through issuance of \$61.4 million of lease revenue bonds in March 1998.

The City and Stanislaus County are moving forward on a new Communications Center. A former AT&T building was purchased and renovations are expected to be completed in early 1999. Occupancy plans for the center include the Stanislaus County Emergency Dispatch Center (9-1-1), the Modesto Police Department Northeast Area Command and the Stanislaus County Consolidated Fire administration office.

City Hall at the Mall opened in November 1997 and has been very well received by the public. Located in a storefront at Vintage Faire Mall, the City Hall annex serves as a fifth police area office. City Hall at the Mall also provides for a variety of customer needs including utility bill collections, city information center, community services registration and an art exhibit area.

In September 1997 the City Council adopted a new Accountability Budgeting System (ABS) for the City which will be implemented in the budget process for FY 1998-99 and run through June 2001. Traditionally, budget savings are returned to the General Fund and departments are faced with a "use it or lose it" scenario. Under ABS, departments are allowed to carry over 50 percent of their savings into the next budget year. The ABS empowers departments and divisions to have greater control over their budgets, generating incentives to save.

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 \$83,519,602 for the year ended June 30, 1998, an increase of 3.8 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, 1998</u>		<u>Increase/(Decrease) From Year ended June 30, 1997</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent</u>
Taxes	\$47,988,450	57.4%	\$ 2,369,252	5.2%
Licenses and permits	132,659	.2	(45,632)	(25.6)
Intergovernmental	19,633,495	23.5	(1,715,863)	(8.0)
Charges for services	9,273,443	11.1	1,808,087	24.2
Special assessments levied	235,558	.3	(49,850)	(17.5)
Interest and rent	3,110,600	3.7	358,996	13.0
Net increase in fair value of investments	289,607	.3	289,607	N/A
Fines and forfeits	965,941	1.2	204,490	26.9
Miscellaneous	<u>1,889,849</u>	<u>2.4</u>	<u>(193,647)</u>	<u>(9.3)</u>
	<u>\$83,519,602</u>	<u>100.0%</u>	<u>\$3,025,440</u>	

Sales and use, utility users, general property, and other taxes produced 57.4 percent of general revenues, compared with 56.6 percent in fiscal year 1997. A large portion of the decrease in intergovernmental revenue is due to the reduction in federal revenues received for the 9th Street railroad track relocation, the majority of which was received in the previous fiscal year. Charges for services increased primarily because of the continuing improvement in building activity. Interest income increased due to the higher amount of Tax and Revenue Anticipation Notes issued for the 1998 fiscal year. Governmental Accounting Standards Board Statement No. 31 required recognition of changes in the market value of the City's investments, which resulted in the reporting of a net increase in fair value at June 30, 1998. Fines and forfeits continued to increase due to the addition during the 1997 fiscal year of a charge for releasing impounded vehicles.

Total expenditures for general governmental purposes, as recorded in the governmental fund types, were \$98,735,607, an increase of 12.9 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, 1998		Increase/(Decrease) From Year ended June 30, 1997	
	Amount	Percent of Total	Amount	Percent
General government	\$9,959,685	10.1%	\$ 730,566	7.9%
Highways and streets	7,522,651	7.6	(3,233,685)	(30.1)
Public works	3,583,622	3.6	(75,096)	(2.1)
Parks and recreation	9,783,260	9.9	514,004	5.5
Public safety	45,377,215	46.0	4,108,157	10.0
Capital expenditures	16,116,512	16.3	6,958,145	76.0
Debt service	<u>6,392,662</u>	<u>6.5</u>	<u>2,293,674</u>	56.0
	<u>\$98,735,607</u>	<u>100.0%</u>	<u>\$11,295,765</u>	

Highways and streets expenditures decreased because more of the 9th Street railroad track relocation project was expended and reimbursed by a federal grant in the prior year than in the current year. The increase in Public Safety expenditures was attributable to higher costs associated with new grant-funded positions, including salaries, benefits, equipment and training costs, as well as to higher emergency dispatch and utility bill costs. Most of the increase in capital expenditures was due to the start of construction of the 10th Street Place project. Costs of issuance associated with the issuance of \$61.4 million in lease revenue bonds for the 10th Street Place project accounted for the bulk of the debt service expenditure increase.

Fund Balances

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

General Fixed Assets

Net capital additions (including transfers from construction in progress) during the year amounted to \$2,393,148 in the general fixed assets account group, primarily due to the transfer of the John Thurman Field improvements from construction in progress, offset by the transfer of equipment from the General Fixed Assets Account Group in order to set up the new Information and Technology Services Internal Service Fund. Construction in progress at year end was valued at \$6,455,699. Net capitalized asset increases for the year were as follows:

Land	\$ 8,018
Buildings	70,565
Improvements other than buildings	4,497,389
Furnishings and equipment	(2,186,305)
Equipment pool	<u>3,481</u>
	<u>\$2,393,148</u>

Proprietary Fund Operations

Current year proprietary operations (airport, bus service, sewer, storm drain, water, parking, golf, community center, and the internal service funds) resulted in an increase of \$8,862,073 to retained earnings.

The following summary compares proprietary fund operations for the fiscal years ended June 30, 1997 and 1998:

	<u>Year Ended June 30</u>		Increase
	1998	1997	(Decrease)
Total operating revenues	\$91,170,997	\$89,740,558	\$1,430,439
Total operating expenses	<u>90,274,047</u>	<u>83,013,095</u>	<u>7,260,952</u>
Operating income	896,950	6,727,463	(5,830,513)
Nonoperating revenues/(expenses)	7,062,032	7,635,284	(573,252)
Net operating transfers (out)	<u>(4,862,011)</u>	<u>(3,479,682)</u>	<u>(1,382,329)</u>
Net income	3,096,971	10,883,065	(7,786,094)
Cumulative effect of change in accounting policy		(68,620)	68,620
Add: Depreciation that reduces contributed capital	<u>5,765,102</u>	<u>5,151,145</u>	<u>613,957</u>
 Net increase in retained earnings	 <u>\$8,862,073</u>	 <u>\$15,965,590</u>	 <u>\$(7,103,517)</u>

The increase in operating revenues was due primarily to the addition of the Information and Technology Services Fund, with its associated interfund revenues, to the Internal Service Funds. The largest portion of the operating expense increase was due to settlement and accrual of liability insurance claims during the fiscal year. In addition, Employee Benefit Fund expenses increased due to a higher PERS safety rate and higher salary and benefit costs due to employee contract changes, and the Information and Technology fund was added. Nonoperating revenues/(expenses) showed a negative change due primarily to the change in fixed asset capitalization threshold from \$500 to \$1,000. This change resulted in deletion of assets below the new threshold amount, which posted approximately \$300,000 as a loss on disposition of assets. The increase in transfers out was caused by a \$1,000,000 transfer from the Parking Fund to the General Fund to assist in payment for the new parking garage at the 10th Street Place Project.

Debt Administration

On June 30, 1998, \$1.6 million of special assessment debt with government commitment, \$34.1 million of certificates of participation, and \$64.9 million of lease revenue bonds were outstanding in the General Long-Term Debt Account Group. Obligations under capital leases totaling \$1.1 million and a loan payable to the Yosemite Community College District in the amount of \$.6 million were also outstanding. Enterprise fund long-term debt consisted of \$45.9 million of sewer revenue bonds, \$22.4 million of water system improvement certificates of participation, and a loan payable to the State Department of Water Resources in the amount of \$3.4 million. A liability in the amount of \$3.2 million was outstanding for advances in aid of construction. Internal Service Funds owed \$.5 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 4.80 to 7.31 percent and the amount of interest earned was \$4,921,519. Investments held on June 30, 1998 had maturities ranging from one day to five years, with 38 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 1998, 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. The accounting firm of Macias, Gini & Company LLP was selected in 1993 to perform the City's annual financial audits for a period of five years, with an extension for one year to encompass the 1998 fiscal year. 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.

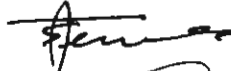
Awards

For the fourteenth 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, 1997. 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.

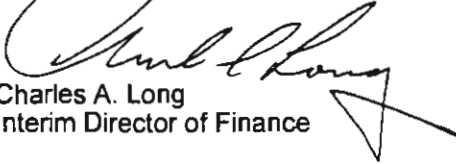
Acknowledgments

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,



J. Edward Tewes
City Manager



Charles A. Long
Interim 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, 1997

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. Essler
Executive Director



CITY of MODESTO

City Council

Richard A. Lang, Mayor
 William Conrad
 Stan Dobbs
 Tim Fisher
 Kenni Friedman
 Armour Smith
 Mike Serpa

Voters Elect

Council Appoints

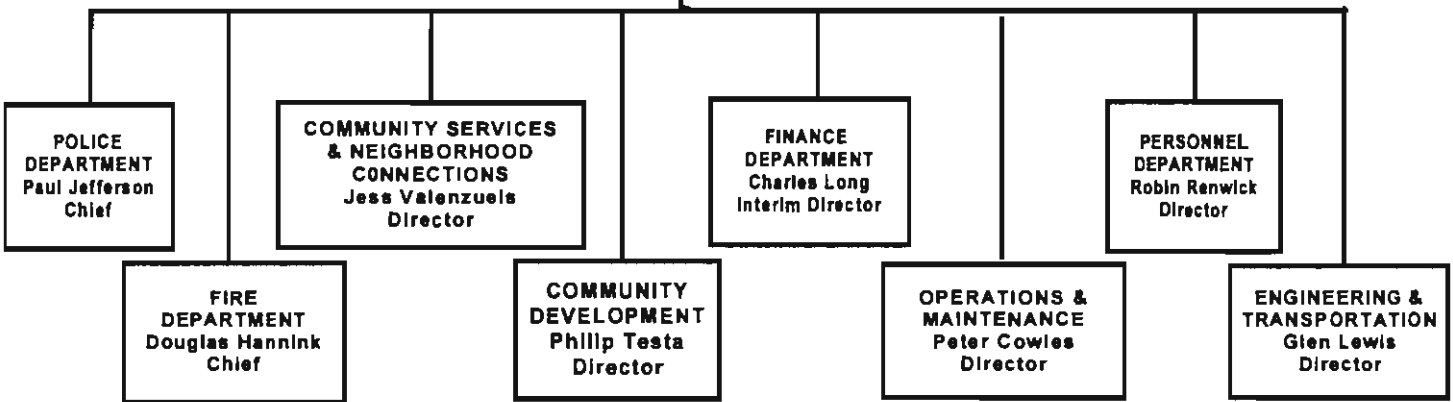
CITY ATTORNEY
 Mike Milich

CITY MANAGER
 J. Edward Tewes

CITY CLERK & AUDITOR
 Jean Zahr

City Manager Appoints

DEPUTY CITY MANAGER
 Paul Baxter



Advisory Boards, Commissions & Committees

- Affirmative Action Commission
- Airport Advisory Committee
- Board of Building Appeals
- Board of Zoning Adjustment
- Citizens Housing & Community Development Committee
- Citizens Advisory Committee on Recycling
- Community Qualities Forum
- Culture Commission
- Disabled Access Appeals Board
- Downtown Improvement District Advisory Board
- Economic Development Loan Committee

- Housing Rehabilitation Loan Committee
- Greater Modesto Community Foundation
- Golf Courses Committee
- Human Relations Commission
- International Friendship Committee
- Landmark Preservation Commission
- Local Cable Programming Committee
- Modesto Youth Commission
- Planning Commission
- Redevelopment Advisory Commission
- Tuolumne River Regional Park Citizen Committee



CITY OF MODESTO

City of Modesto Financial Section

FINANCIAL SECTION





Macias, Gini & Company LLP
 Certified Public Accountants

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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, 1998, 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, 1998, 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.

As discussed in Note IV.M to the general-purpose financial statements, the City changed its method of accounting for investments, pensions, deferred compensation plans, and fixed assets during the year ended June 30, 1998.

In accordance with Government Auditing Standards, we have also issued a report dated September 25, 1998 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.

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 foregoing 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
 September 25, 1998



CITY OF MODESTO

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, 1988
(With comparative totals for June 30, 1997)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
ASSETS AND OTHER DEBITS				
Cash and cash equivalents (Note III-A)	\$ 7,940,734	\$ 1,542,388	\$ 11,777,403	\$ 682,241
Cash and cash equivalents with fiscal agent (Note III-A)	600,000	707,391	35,323,330	12,820,680
Receivables:				
Accounts	1,338,386	104,125	157,625	94,506
Taxes	2,678,427			28,500
Special assessments				1,681,961
Notes (Note III-J)	92,283	9,103,967	738,704	
Due from governments	542,961	4,064,912	18,590	
Due from other funds (Note III-F)	1,055,000			
Property held for resale				
Inventories				
Prepaid expenses/expenditures		40,950		
Restricted assets - cash and cash equivalents (Note III-A)				
Advances to other funds (Note III-F)	1,613,383	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	\$ 22,304,674	\$ 15,657,783	\$ 49,115,652	\$ 15,307,888

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	1998	1997
\$ 36,386,727	\$ 23,360,293	\$ 1,166,009			\$ 82,855,795	\$ 74,882,869
7,722,815					57,174,216	13,440,280
5,879,565	156,555				7,730,762	8,521,840
78,385					2,785,312	3,444,387
5,097	79,499				1,681,961	1,868,042
1,515,813					10,019,550	9,726,258
					6,142,276	5,649,700
					1,055,000	800,071
	335,686					662,000
9,407					335,686	357,654
15,910,273		1,344,341			50,357	50,481
					17,254,614	83,412,394
1,206,411					1,733,383	1,541,760
					7,517,550	7,517,550
					1,206,411	1,328,668
			\$ 64,242,695		64,242,695	61,946,833
228,177,182	12,552,820				240,730,002	213,171,073
				\$ 13,676,455	13,676,455	4,610,749
				88,725,215	88,725,215	40,727,591
<u>\$ 296,891,675</u>	<u>\$ 36,484,853</u>	<u>\$ 2,510,350</u>	<u>\$ 64,242,695</u>	<u>\$ 102,401,670</u>	<u>\$ 604,917,240</u>	<u>\$ 533,660,200</u>

(Continued)

CITY OF MODESTO
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
June 30, 1998
(With comparative totals for June 30, 1997)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable and accrued expenses/expenditures	\$ 3,186,461	\$ 693,454	\$ 689,651	\$ 10,051
Approved loans payable (Note III-K)		24,210		
Notes payable (Note III-L)				
Interest payable				
Due to other funds (Note III-F)		1,055,000		
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	406,017	896,172		1,621,382
Payable from restricted assets:				
Refundable deposits				
Deferred compensation (Note IV-H)				
Advances from other funds (Note III-F)			401,083	
Loans from other funds (Note III-F)			7,517,550	
Advance from joint powers agency				
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)			650,000	
Developer advances (Note III-E)				
Total liabilities	3,592,478	2,668,836	9,258,284	1,631,433
Equity and other credits:				
Contributed capital (Note III-G)				
Investment in general fixed assets				
Retained earnings-unreserved				
Fund balances: (Note III-H)				
Reserved	9,935,428	9,943,735	4,058,667	13,676,455
Unreserved/designated:				
For carryover projects		987,575	32,387,744	
For pending projects		2,057,637	3,410,957	
For subsequent year expenditures	2,364,527			
For operating contingencies	6,412,241			
Unreserved/undesignated				
Total equity and other credits	18,712,196	12,988,947	39,857,368	13,676,455
Total liabilities, equity and other credits	\$ 22,304,674	\$ 15,657,783	\$ 49,115,652	\$ 15,307,888

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	1997	1996
\$ 4,721,074	\$ 418,116				\$ 9,718,807	\$ 6,912,345
					24,210	306,045
779,886	27,127				807,013	199,566
	5,282,013				1,055,000	833,981
	3,564,951				5,282,013	800,071
1,802,842	171,357				3,564,951	5,097,339
141,029					1,974,199	3,629,261
3,370,730					141,029	1,473,120
					6,294,301	149,014
682,863		\$ 1,211,303			6,294,301	6,679,587
		133,038			1,894,166	2,329,399
869,300	463,000				133,038	50,166,937
					1,733,383	1,541,760
					7,517,550	7,517,550
						790,000
				\$ 1,580,000	1,580,000	1,900,000
45,893,703					45,893,703	46,773,384
3,378,635				639,725	4,018,360	4,196,493
	536,806			1,146,945	1,683,751	1,208,324
				64,935,000	64,935,000	3,600,000
22,439,790				34,100,000	56,539,790	61,068,364
	9,711,809				9,711,809	9,046,262
	5,612,961				6,262,961	4,449,620
3,026,984					3,026,984	3,164,077
<u>87,106,836</u>	<u>25,788,140</u>	<u>1,344,341</u>		<u>102,401,670</u>	<u>233,792,018</u>	<u>223,832,499</u>
109,569,027	7,117,025				116,686,052	114,502,463
					64,242,695	61,946,833
100,215,812	3,579,688		\$ 64,242,695		103,795,500	95,002,047
		1,166,009			38,780,294	28,257,779
					33,375,319	3,766,253
					5,468,594	7,512,552
					2,364,527	2,942,766
					6,412,241	3,460,240
						(7,563,232)
<u>209,784,839</u>	<u>10,696,713</u>	<u>1,166,009</u>	<u>64,242,695</u>		<u>371,125,222</u>	<u>309,827,701</u>
<u>\$ 296,891,675</u>	<u>\$ 36,484,853</u>	<u>\$ 2,510,350</u>	<u>\$ 64,242,695</u>	<u>\$ 102,401,670</u>	<u>\$ 604,917,240</u>	<u>\$ 533,660,200</u>

CITY OF MODESTO
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)

	<u>General</u>	<u>Special Revenue</u>
REVENUES:		
Taxes	\$ 45,026,422	\$ 1,577,147
Licenses and permits	132,659	
Intergovernmental	11,065,867	8,304,286
Charges for services	6,602,206	57,863
Special assessments levied	25,210	
Interest and rent	1,638,552	252,733
Net increase in fair value of investments	49,902	3,256
Fines and forfeits	617,660	348,281
Miscellaneous	1,030,425	12,705
Total revenues	<u>66,188,903</u>	<u>10,556,271</u>
EXPENDITURES:		
Current:		
General government	9,867,073	92,612
Highways and streets	4,115,180	3,407,471
Public works	1,233,021	2,350,601
Parks and recreation	9,783,260	
Public safety	45,377,215	
Capital outlay		
Debt service:		
Principal retirement	383,327	
Interest	645,039	
Cost of issuance		
Advance refunding escrow		
Other		
Total expenditures	<u>71,404,115</u>	<u>5,850,684</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,215,212)</u>	<u>4,705,587</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in (Note III-I)	12,141,296	858,363
Operating transfers out (Note III-I)	(2,835,375)	(4,041,728)
Proceeds of capital lease transactions		
Proceeds of lease revenue bonds		
Payments to refunded certificate of participation escrow agent		
Sale of assets		
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,305,921</u>	<u>(3,183,365)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,090,709	1,522,222
FUND BALANCES, July 1, as restated	14,838,585	11,476,477
Residual equity transfers out (Note III-I)	<u>(217,098)</u>	<u>(9,752)</u>
FUND BALANCES, June 30	<u>\$ 18,712,196</u>	<u>\$ 12,988,947</u>

See notes to general-purpose financial statements.

Capital Projects	Debt Service	Totals (Memorandum Only)	
		1998	1997
\$ 413,801	\$ 971,080	\$ 47,988,450	\$ 45,619,198
227,541	35,801	132,659	178,291
2,613,374		19,633,495	21,349,358
	210,348	9,273,443	7,465,356
905,064	314,251	235,558	285,408
230,327	6,122	3,110,600	2,751,604
		289,607	
846,719		965,941	761,451
<u>5,236,826</u>	<u>1,537,602</u>	<u>1,889,849</u>	<u>2,083,496</u>
		<u>83,519,602</u>	<u>80,494,162</u>
		9,959,685	9,229,119
		7,522,651	10,756,336
		3,583,622	3,658,718
		9,783,260	9,269,256
16,116,512		45,377,215	41,269,058
		16,116,512	9,158,367
	1,035,002	1,418,329	1,314,778
	2,371,908	3,016,947	2,553,515
1,521,399		1,521,399	190,875
	400,561	400,561	
	35,426	35,426	39,820
<u>17,637,911</u>	<u>3,842,897</u>	<u>98,735,607</u>	<u>87,439,842</u>
<u>(12,401,085)</u>	<u>(2,305,295)</u>	<u>(15,216,005)</u>	<u>(6,945,680)</u>
47,765,350	11,383,212	72,148,221	16,290,593
(60,409,107)		(67,286,210)	(12,810,911)
403,491		403,491	717,821
56,795,552	2,954,532	59,750,084	3,548,952
	(2,954,532)	(2,954,532)	
940,252		940,252	
<u>45,495,538</u>	<u>11,383,212</u>	<u>63,001,306</u>	<u>7,746,455</u>
33,094,453	9,077,917	47,785,301	800,775
7,374,528	4,598,538	38,288,128	37,638,919
(611,613)		(838,463)	(63,336)
<u>\$ 39,857,368</u>	<u>\$ 13,676,455</u>	<u>\$ 85,234,966</u>	<u>\$ 38,376,358</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, 1998

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Taxes	\$ 45,828,628	\$ 45,026,422	\$ (802,206)
Licenses and permits	128,456	132,659	4,203
Intergovernmental	11,507,820	11,065,867	(441,953)
Charges for services	6,014,981	6,602,206	587,225
Special assessments levied	35,337	25,210	(10,127)
Interest and rent	1,625,061	1,638,552	13,491
Net increase in fair value of investments		49,902	49,902
Fines and forfeits	622,235	617,660	(4,575)
Miscellaneous	916,396	1,030,425	114,029
Total revenues	66,678,914	66,188,903	(490,011)
EXPENDITURES:			
Current:			
General government	10,485,460	9,867,073	618,387
Highways and streets	4,056,501	4,115,180	(58,679)
Public works	1,511,430	1,233,021	278,409
Parks and recreation	10,329,897	9,783,260	546,637
Public safety	45,971,616	45,377,215	594,401
Capital outlay			
Debt service:			
Principal retirement	387,181	383,327	3,854
Interest	653,403	645,039	8,364
Cost of issuance			
Total expenditures	73,395,488	71,404,115	1,991,373
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,716,574)	(5,215,212)	1,501,362
OTHER FINANCING SOURCES (USES):			
Operating transfers in	12,674,020	12,141,296	(532,724)
Operating transfers out	(3,788,814)	(2,835,375)	953,439
Proceeds of capital lease transactions			
Proceeds of lease revenue bonds			
Sale of assets			
TOTAL OTHER FINANCING SOURCES (USES)	8,885,206	9,305,921	420,715
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,168,632	4,090,709	1,922,077
FUND BALANCES, July 1, as restated	14,838,585	14,838,585	
Residual equity transfers out	(217,098)	(217,098)	
FUND BALANCES, June 30	\$ 16,790,119	\$ 18,712,196	\$ 1,922,077

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)
\$ 1,770,779	\$ 1,577,147	\$ (193,632)	\$ 400,800	\$ 413,801	\$ 13,001
21,967,119	8,304,286	(13,662,833)	2,488,450	227,541	(2,260,909)
140,000	57,863	(82,137)	2,632,410	2,613,374	(19,036)
69,200	252,733	183,533	2,316,424	905,064	(1,411,360)
	3,256	3,256		230,327	230,327
198,409	348,281	149,872			
	12,705	12,705	871,718	846,719	(24,999)
<u>24,145,507</u>	<u>10,556,271</u>	<u>(13,589,236)</u>	<u>8,709,802</u>	<u>5,236,826</u>	<u>(3,472,976)</u>
331,932	92,612	239,320			
14,631,270	3,407,471	11,223,799			
6,311,964	2,350,601	3,961,363			
			63,114,544	16,116,512	46,998,032
			1,559,487	1,521,399	38,088
<u>21,275,166</u>	<u>5,850,684</u>	<u>15,424,482</u>	<u>64,674,031</u>	<u>17,637,911</u>	<u>47,036,120</u>
2,870,341	4,705,587	1,835,246	(55,964,229)	(12,401,085)	43,563,144
1,019,382	858,363	(161,019)	48,326,029	47,765,350	(560,679)
(4,405,418)	(4,041,728)	363,690	(61,317,787)	(60,409,107)	908,680
			411,909	403,491	
			56,795,552	56,795,552	
				940,252	940,252
<u>(3,386,036)</u>	<u>(3,183,365)</u>	<u>202,671</u>	<u>44,215,703</u>	<u>45,495,538</u>	<u>1,288,253</u>
(515,695)	1,522,222	2,037,917	(11,748,526)	33,094,453	44,842,979
11,476,477	11,476,477		7,374,528	7,374,528	
(9,752)	(9,752)		(611,613)	(611,613)	
<u>\$ 10,951,030</u>	<u>\$ 12,988,947</u>	<u>\$ 2,037,917</u>	<u>\$ (4,985,611)</u>	<u>\$ 39,857,368</u>	<u>\$ 44,842,979</u>

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1998	1997
OPERATING REVENUES:				
Charges for services	\$ 53,648,647	\$ 37,511,759	\$ 91,160,406	\$ 89,619,766
Sales		1,494,401	1,494,401	1,472,176
Cost of sales		(1,483,810)	(1,483,810)	(1,351,384)
Total operating revenues	<u>53,648,647</u>	<u>37,522,350</u>	<u>91,170,997</u>	<u>89,740,558</u>
OPERATING EXPENSES:				
Salaries and wages	6,206,276	2,338,861	8,545,137	7,930,497
Contractual services	8,194,062	381,863	8,575,925	8,866,449
Utilities	3,431,398	699,106	4,130,504	3,558,888
Maintenance and supplies	5,733,522	1,952,492	7,686,014	7,112,837
Water purchases	9,747,785		9,747,785	9,448,380
Insurance	396,820	5,157,193	5,554,013	5,526,505
Claims expense		5,627,081	5,627,081	2,716,518
Employee benefits	2,078,884	20,208,632	22,287,516	20,651,830
Administration services	4,766,189	316,434	5,082,623	5,404,044
Allocated indirect administrative costs	2,941,965	317,640	3,259,605	3,195,790
Other	174,376	114,274	288,650	167,659
Depreciation	7,229,805	2,259,389	9,489,194	8,433,698
Total operating expenses	<u>50,901,082</u>	<u>39,372,965</u>	<u>90,274,047</u>	<u>83,013,095</u>
OPERATING INCOME	<u>2,747,565</u>	<u>(1,850,615)</u>	<u>896,950</u>	<u>6,727,463</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	2,255,727		2,255,727	2,227,839
Loss on disposition of fixed assets	(452,966)	(127,149)	(580,115)	(261,980)
Taxes	2,514,985		2,514,985	2,900,479
Interest income	2,187,483	1,021,878	3,209,361	2,989,263
Net increase in fair value of investments	67,223	46,833	114,056	
Rental income	311,071		311,071	418,304
Interest expense	(631,197)	(33,915)	(665,112)	(568,234)
Amortization of bond discount	(31,678)		(31,678)	(19,853)
Amortization of costs of issuance	(66,263)		(66,263)	(50,534)
Total nonoperating revenues (expenses)	<u>6,154,385</u>	<u>907,647</u>	<u>7,062,032</u>	<u>7,635,284</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>8,901,950</u>	<u>(942,968)</u>	<u>7,958,982</u>	<u>14,362,747</u>
Operating transfers in (Note III-I)	558,740	342,067	900,807	518,743
Operating transfers out (Note III-I)	(5,290,635)	(472,183)	(5,762,818)	(3,998,425)
Total operating transfers in (out)	<u>(4,731,895)</u>	<u>(130,116)</u>	<u>(4,862,011)</u>	<u>(3,479,682)</u>
NET INCOME (LOSS)	4,170,055	(1,073,084)	3,096,971	10,883,065
Depreciation charged to contributed capital	4,966,898	798,204	5,765,102	5,151,145
Increase (decrease) in retained earnings	9,136,953	(274,880)	8,862,073	16,034,210
RETAINED EARNINGS, July 1, as restated	<u>91,079,859</u>	<u>3,854,568</u>	<u>94,933,427</u>	<u>78,967,837</u>
RETAINED EARNINGS, June 30	<u>\$ 100,215,812</u>	<u>\$ 3,579,688</u>	<u>\$ 103,795,500</u>	<u>\$ 95,002,047</u>

See notes to general-purpose financial statements.

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 2,747,565	\$ (1,850,615)	\$ 896,950	\$ 6,727,463
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	7,229,805	2,259,389	9,489,194	8,433,698
Rental income	311,071		311,071	418,304
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	457,138	2,739	459,877	(1,111,874)
(Increase) in taxes receivable	(136)		(136)	(935)
(Increase) decrease in notes receivable	(5,097)	223	(4,874)	(5,740)
Decrease in due from governments	5,883		5,883	1,782,618
(Increase) decrease in inventories		21,968	21,968	(49,433)
(Increase) decrease in prepaid expenses	124		124	(865)
Increase (decrease) in accounts payable and accrued expenses	2,610,786	(309,811)	2,300,975	(546,729)
(Decrease) in due to other funds	(440,071)		(440,071)	440,071
Increase (decrease) in deferred revenue	(3,389)		(3,389)	3,389
Increase in compensated absences		850,221	850,221	891,433
Increase (decrease) in claims liability		1,099,031	1,099,031	(551,956)
Increase in refundable deposits	93,150		93,150	169,003
Total adjustments	10,259,264	3,923,760	14,183,024	9,870,984
Net cash provided by operating activities	13,006,829	2,073,145	15,079,974	16,598,447
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	2,675,851		2,675,851	1,755,654
Taxes received	2,671,397		2,671,397	3,014,945
Taxes paid	(203,202)		(203,202)	(105,911)
Operating transfers in	558,740	342,067	900,807	518,743
Operating transfers out	(5,290,635)	(472,183)	(5,762,818)	(3,998,425)
Residual equity transfers out	(47,292)	(2,465)	(49,757)	(39,235)
New advances from other funds	575,000		575,000	142,300
Net cash provided (used) by noncapital financing activities	939,859	(132,581)	807,278	1,288,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	(30,357,600)	(2,090,202)	(32,447,802)	(10,698,805)
Proceeds from sale of fixed assets	4,088		4,088	213,215
Principal repayments	(26,247,975)	(208,340)	(26,456,315)	(10,158,326)
Interest paid	(4,084,687)	(6,788)	(4,091,475)	(2,385,200)
Capital grants received	3,255,921		3,255,921	913,388
Residual equity transfers in		888,220	888,220	102,571
Connection fees for capital purposes	1,657,390		1,657,390	946,468
Sale of refunding revenue bonds and revenue bonds				41,095,000
Sale of refunding certificates of participation	25,585,000		25,585,000	
Costs of issuance paid	(424,526)		(424,526)	(677,232)
Bond discount paid	(576,560)		(576,560)	(301,497)
Net cash provided (used) by capital and related financing activities	\$ (31,188,949)	\$ (1,417,110)	\$ (32,606,059)	\$ 19,049,582

(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, 1998
(With comparative totals for year ended June 30, 1997)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1998	1997
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	\$ 4,094,272	\$ 1,074,171	\$ 5,168,443	\$ 4,121,477
Net change in the valuation of investments	50,346	(4,910)	45,436	
Net cash provided by investing activities	<u>4,144,618</u>	<u>1,069,261</u>	<u>5,213,879</u>	<u>4,121,477</u>
Net increase (decrease) in cash and cash equivalents	(13,097,643)	1,592,715	(11,504,928)	41,057,577
CASH AND CASH EQUIVALENTS, JULY 1	<u>73,117,458</u>	<u>21,767,578</u>	<u>94,885,036</u>	<u>53,827,459</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 60,019,815</u>	<u>\$ 23,360,293</u>	<u>\$ 83,380,108</u>	<u>\$ 94,885,036</u>

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1998

	Enterprise	Internal Service
Fixed asset additions accrued at year end	\$ 795,129	
Fixed assets transferred from other funds and General Fixed Assets	367,486	\$ 1,457,147
Capitalized interest expense on long-term debt accrued at year end	686,008	
Capitalized interest revenue accrued at year end	36,197	
Operating grants accrued at year end	1,151,055	
Capital grants accrued at year end	179,760	

**CITY OF MODESTO
INVESTMENT TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 1998**

Net change in investments by external pool participants	\$ (142,427)
Net assets held in trust for external pool participants July 1	<u>1,308,436</u>
Net assets held in trust for external pool participants June 30	<u><u>\$ 1,166,009</u></u>



CITY OF MODESTO

**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, 1998

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 - I 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.

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 1993 and 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, 1998 is \$6,142,276.

Utility service accounts receivable are reported net of \$444,542 allowance for doubtful collections.

4. Inventories

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

5. Land, Buildings and Equipment

Land, buildings and equipment owned by Enterprise and Internal Service Funds are stated at historical cost where available and at estimated historical cost when original cost was not available. Depreciation is recorded using the straight line method over the estimated useful lives of the assets, which are 75 years for pipelines, 30 years for buildings, 20 years for improvements, 12 years for buses, and 10 years for furnishings and equipment. Operating expenses include depreciation on all depreciable fixed assets. Depreciation recognized on assets acquired or constructed through external resources restricted to capital acquisition is closed to contributed capital.

Interest is capitalized on Proprietary Fund assets acquired with tax-exempt debt. The amount of interest capitalized is determined by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest earned on invested proceeds over the same period. \$1,933,591 of net interest expense on tax-exempt debt was capitalized in the Enterprise Funds during the fiscal year ended June 30, 1998.

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.

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. As of June 30, 1998, the total estimated liability for all compensated absences, including sick leave, is \$14,993,822. The current portion of \$5,282,013 is funded by charges to all operating funds. The estimated long-term portion is \$9,711,809.

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. The City Manager is authorized to transfer funds within departmental budgets, between departments within the General Fund, among major object classifications, and between capital projects in the same fund. The City Council must authorize transfers between funds and from the designated fund balances for specific purposes.
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 applicable 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 (e.g., Parks and Recreation), or an entire fund (e.g., Special Fund for Capital Outlays). 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 Airport Enterprise Fund has a deficit retained earnings of \$278,963 at June 30, 1998, 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. Retained earnings has improved over June 30, 1997.

The Central Services Internal Service Fund has deficit retained earnings of \$22,952 due to a new position being added to the fund during the year. This position has been transferred to the Fleet Management Internal Service Fund for the 1999 fiscal year.

The Employee Benefits Management Internal Service Fund has a retained earnings deficit of \$7,026,870. 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. 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 1993 and Series 1997 held by the City under the bond indentures 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 \$600,000 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.

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

Cash and cash equivalents	\$ 82,855,795
Cash and cash equivalents with fiscal agent	57,174,216
Restricted assets - cash and cash equivalents	<u>17,254,614</u>
Total cash and investments	<u>\$157,284,625</u>

Deposits

All deposits are entirely insured and/or collateralized. At year-end, the reconciled book balance of the City's deposits was \$1,523,658 and the bank balance was \$3,607,506. Of the bank balance, \$575,852 was covered by federal depository insurance and \$3,031,654 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 \$32,615,995. The total amount invested by all public agencies in LAIF is \$31,932,227,970, managed by the State Treasurer. Of that amount, 95.6 percent is invested in non-derivative financial products, and 4.4 percent in derivative financial products.

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				\$ 1,523,658	\$ 1,523,658
U.S. Government agencies	\$52,013,528				52,013,528
Local Agency Investment Fund				<u>32,615,995</u>	<u>32,615,995</u>
Total investments and cash controlled by City Treasurer	<u>52,013,528</u>			<u>34,139,653</u>	<u>86,153,181</u>
Investments controlled by fiscal agents:					
Money market funds				15,836,019	15,836,019
Repurchase agreements		\$1,977,050			1,977,050
U. S. Government securities	3,206,531	932,450			4,138,981
U. S. Government agencies	29,718,229				29,718,229
Commercial paper	<u>7,868,630</u>				<u>7,868,630</u>
Total investments controlled by fiscal agents	<u>40,793,390</u>	<u>2,909,500</u>		<u>15,836,019</u>	<u>59,538,909</u>
Other:					
Pooled investments:					
California Asset Management Program				11,312,982	11,312,982
Other government pooled investments				146,515	146,515
Deferred compensation				<u>133,038</u>	<u>133,038</u>
Total other				<u>11,592,535</u>	<u>11,592,535</u>
Total cash and investments	<u>\$92,806,918</u>	<u>\$2,909,500</u>		<u>\$61,568,207</u>	<u>\$157,284,625</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	\$52,013,528	\$52,047,304	6.09% - 7.25%	9/9/99 - 6/24/03
Local Agency Investment Fund	<u>32,615,995</u>	<u>32,603,510</u>	NA	NA
	<u>\$84,629,523</u>	<u>\$84,650,814</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, 1998:

Statement of Net Assets

Net assets held for pool participants	<u>\$86,153,181</u>
Equity of internal pool participants	\$84,987,172
Equity of external pool participants	<u>1,166,009</u>
Total equity	<u>\$86,153,181</u>

Statement of Changes in Net Assets

Net assets, July 1, 1997	\$81,363,601
Net change in investments by pool participants	<u>4,789,580</u>
Net assets, June 30, 1998	<u>\$86,153,181</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, 1998 to support the value of shares in the Treasurer's investment pool.

B. LAND, BUILDINGS AND EQUIPMENT

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

	Balance July 1, 1997	Additions	Deletions	Transfers	Balance June 30, 1998
Land	\$13,844,071	\$ 9,041	\$ 1,023		\$13,852,089
Buildings	8,227,554	70,565			8,298,119
Improvements other than buildings	19,396,765	196,367	203,909	\$4,504,931	23,894,154
Furnishings and equipment	13,801,133	1,091,704	3,278,009		11,614,828
Equipment pool	124,325	17,794	14,313		127,806
Construction in progress	<u>6,552,985</u>	<u>5,136,749</u>	<u>729,104</u>	<u>(4,504,931)</u>	<u>6,455,699</u>
	<u>\$61,946,833</u>	<u>\$6,522,220</u>	<u>\$4,226,358</u>		<u>\$64,242,695</u>

Land, buildings, equipment, and other fixed assets of Proprietary Fund types at June 30, 1998 include:

	Enterprise	Internal Service
Land	\$ 22,484,233	\$ 653,856
Buildings	50,539,287	4,514,269
Improvements other than buildings	109,882,229	2,463,285
Equipment pool		15,336,852
Furnishings and equipment	4,040,535	4,105,587
Buses and fareboxes	7,898,948	
Pipelines	75,504,414	
Construction in progress	<u>24,762,125</u>	<u>104,072</u>
	\$295,111,771	\$27,177,921
Less: accumulated depreciation	<u>(66,934,589)</u>	<u>(14,625,101)</u>
	<u>\$228,177,182</u>	<u>\$12,552,820</u>

C. LONG-TERM DEBT

Loans Payable

General Long-Term Debt Account Group:

Loan payable to Yosemite Community College District, dated July 1992, as reimbursement for Regional Fire Training Center construction costs in lieu of future operating lease payments; interest at 8%; annual installments of \$77,597, including interest, through January 2012.

\$ 639,725

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.

3,532,306

Less: Current portion

(153,671)

Net Water Fund loan payable

3,378,635

Total loans payable

\$ 4,018,360

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.

\$ 1,580,000

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 \$285,000 to \$1,040,000; interest rates from 4.5% - 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.

\$26,540,000

1993 Refunding Certificates of Participation (Golf Course Project); serial certificates with annual maturities on November 1, in amounts from \$140,000 to \$235,000; interest rates from 4.5% 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.

7,180,000

1989 Certificates of Participation (Airport Improvement Projects); annual maturities on December 1, in amounts from \$185,000 to \$195,000; interest rates from 7.3% to 7.4%; final payment December 1, 1999.

380,000

Total General Long-Term Debt Account Group certificates of participation

\$34,100,000

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.	\$25,585,000
Less: Current portion	(685,000)
Unamortized bond discount	(562,951)
Deferred amount on refunding	<u>(1,897,259)</u>
Water Fund certificates of participation - long-term portion	<u>22,439,790</u>
Total certificates of participation	<u>\$56,539,790</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 \$100,000 to \$305,000 on November 1.	\$ 3,505,000
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>\$64,935,000</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 \$650,000 to \$815,000, with interest rates from 4.3% 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.	7,830,000
Wastewater Revenue Bonds, Series 1993; interest rates from 3.6% to 5.1% payable semi-annually on May 1 and November 1; principal amounts from \$310,000 to \$660,000, final payment on November 1, 2013; bonds maturing on or after November 1, 2004 are subject to call.	7,510,000
Less: Current portion	
1996 Bonds	\$(650,000)
1993 Bonds	<u>(310,000)</u>
	(960,000)
Unamortized bond discount	
1997 Bonds	(248,274)
1996 Bonds	<u>(34,319)</u>
	(282,593)
Deferred amount on refunding	
1996 Bonds	<u>(603,704)</u>
	<u>(603,704)</u>
Total revenue bonds - long-term portion	<u>\$45,893,703</u>

The following is a summary of changes in the General Long-Term Debt Account Group for the fiscal year ended June 30, 1998:

	<u>July 1, 1997</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 1998</u>
Loans payable	\$ 664,187		\$ 24,462	\$ 639,725
Special assessment debt	1,900,000		320,000	1,580,000
Certificates of participation	37,970,000		3,870,000	34,100,000
Lease revenue bonds	3,600,000	\$61,430,000	95,000	64,935,000
Obligations under capital leases	<u>1,204,153</u>	<u>403,491</u>	<u>460,699</u>	<u>1,146,945</u>
	<u>\$45,338,340</u>	<u>\$61,833,491</u>	<u>\$4,770,161</u>	<u>\$102,401,670</u>

Debt service requirements to maturity of all long-term debt, including total interest of \$173,931,340 are summarized below (see Note III-D for capital leases):

<u>Year Ending June 30</u>	<u>Loans 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>
1999	\$ 342,296	\$ 304,965	\$ 4,306,246	\$ 3,268,424	\$ 3,551,320	\$ 11,773,251
2000	342,296	313,830	4,183,655	3,351,627	3,549,445	11,740,853
2001	342,296	258,655	4,236,248	3,354,889	3,549,180	11,741,268
2002	342,296	259,924	4,236,235	3,592,793	3,550,019	11,981,267
2003	342,295	260,587	4,242,093	3,595,136	3,551,960	11,992,071
Later years	<u>4,007,104</u>	<u>621,916</u>	<u>84,889,758</u>	<u>132,276,148</u>	<u>71,019,735</u>	<u>292,814,661</u>
Total requirements	5,718,583	2,019,877	106,094,235	149,439,017	88,771,659	\$352,043,371
Less: interest	<u>(1,546,552)</u>	<u>(439,877)</u>	<u>(46,409,235)</u>	<u>(84,504,017)</u>	<u>(41,031,659)</u>	<u>(173,931,340)</u>
Principal balances	4,172,031	1,580,000	59,685,000	64,935,000	47,740,000	178,112,031
Less:						
Current portion	(153,671)		(685,000)		(960,000)	(1,798,671)
Unamortized bond discount			(562,951)		(282,593)	(845,544)
Deferred amount on refunding			<u>(1,897,259)</u>		<u>(603,704)</u>	<u>(2,500,963)</u>
Long-term debt	<u>\$4,018,360</u>	<u>\$1,580,000</u>	<u>\$56,539,790</u>	<u>\$64,935,000</u>	<u>\$45,893,703</u>	<u>\$172,966,853</u>

The City has determined it is liable to the federal government (pursuant to tax law) for arbitrage rebate on the proceeds of the Wastewater Revenue Bonds, Series 1993. As of June 30, 1998, the liability has been calculated to be \$135,800 and is included in accrued expenses of the Sewer Fund.

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 \$600,000 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, 1998:

Year ending	
<u>June 30</u>	
1999	\$346,044
2000	307,067
2001	246,255
2002	139,205
2003	77,741
Later years	<u>243,283</u>
Total	1,359,595
Less interest	<u>(212,650)</u>
Present value of future minimum lease payments	<u>\$1,146,945</u>

Assets subject to the above capital leases valued at \$1,637,425 have been recorded in the General Fixed Assets Account Group. Rental expenses incurred under operating leases are not material.

Leases - Proprietary Funds

The City leases pickup trucks under a lease/purchase agreement, payable from the Water Enterprise Fund. The value of the trucks, net of \$12,783 accumulated depreciation, is \$34,988, and is recorded in the Fleet Management Internal Service Fund. The City also leases copiers valued at \$52,415, net of \$2,254 accumulated depreciation, recorded in the Central Services Internal Service Fund, and computer equipment with a net value of \$831,682, net of accumulated depreciation of \$82,125, recorded in the Technology and Information Services Internal Service Fund. The following is a schedule of the future minimum lease payments on Proprietary Fund capital leases as of June 30, 1998:

Year ending	Enterprise	Internal	Total
<u>June 30</u>	<u>Funds</u>	<u>Service Funds</u>	<u></u>
1999	\$4,201	\$213,135	\$217,336
2000		213,135	213,135
2001		203,162	203,162
2002	_____	<u>181,586</u>	<u>181,586</u>
Total	4,201	811,018	815,219
Less interest	<u>(30)</u>	<u>(102,855)</u>	<u>(102,885)</u>
Present value of future minimum lease payments	4,171	708,163	712,334
Less current portion	<u>(4,171)</u>	<u>(171,357)</u>	<u>(175,528)</u>
Long-term portion of capital leases	=====	<u>\$536,806</u>	<u>\$536,806</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, 1998, the total outstanding balance due under the agreements is \$3,168,013. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 1998, the amount of \$141,029, due during fiscal year 1999, has been reported as "current portion-developer advances" on the Enterprise Funds balance sheet. The remaining \$3,026,984 of outstanding principal has been reported under other liabilities, as "developer advances".

F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances as of June 30, 1998 consist of the following:

Due from/due to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Local Transportation	\$670,000
	Housing and Community Development	<u>385,000</u>
Total		<u>\$1,055,000</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Facilities Fees	\$ 331,083
	Redevelopment Agency Capital Projects	50,000
	Airport	237,300
	Golf	532,000
	Central Services	463,000
Strategic Planning	Community Facilities Districts	20,000
Special Fund for Capital Outlays	Airport	<u>100,000</u>
Total		<u>\$1,733,383</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, 1998:

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, 1997	\$1,156,154	\$13,131,213	\$53,219,437	\$ 26,339	\$6,748,263	\$8,655,417	\$5,245,787	\$20,747,526	\$108,930,136
Additions:									
Capital grants					129,192	3,499,013			3,628,205
Fixed asset donations		198,012	18,696	778		150,000			367,486
Connection fees		865,259	792,131						1,657,390
		<u>1,063,271</u>	<u>810,827</u>	<u>778</u>	<u>129,192</u>	<u>3,649,013</u>			<u>5,653,081</u>
Deductions:									
Equity transfers		(14,665)	(18,000)			(14,627)			(47,292)
Depreciation	(66,118)	(549,717)	(2,454,852)	(26,445)	(318,817)	(447,391)	(360,983)	(742,575)	(4,966,898)
	<u>(66,118)</u>	<u>(564,382)</u>	<u>(2,472,852)</u>	<u>(26,445)</u>	<u>(318,817)</u>	<u>(462,018)</u>	<u>(360,983)</u>	<u>(742,575)</u>	<u>(5,014,190)</u>
Balance June 30, 1998	<u>\$1,090,036</u>	<u>\$13,630,102</u>	<u>\$51,557,412</u>	<u>\$ 672</u>	<u>\$6,558,638</u>	<u>\$11,842,412</u>	<u>\$4,884,804</u>	<u>\$20,004,951</u>	<u>\$109,569,027</u>

Internal Service Funds

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology and Information Services</u>	<u>Insurance</u>	<u>Building Services</u>	<u>Total</u>
Balance July 1, 1997	\$3,497,573	\$67,546		\$ 920	\$2,006,288	\$5,572,327
Additions:						
Equity transfers	233,894		\$ 654,326			888,220
Fixed asset donations	135,078	2,131	1,317,046	2,892		1,457,147
	<u>368,972</u>	<u>2,131</u>	<u>1,971,372</u>	<u>2,892</u>		<u>2,345,367</u>
Deductions:						
Equity transfers		(2,465)				(2,465)
Depreciation	(316,023)	(336)	(397,546)		(84,299)	(798,204)
	<u>(316,023)</u>	<u>(2,801)</u>	<u>(397,546)</u>		<u>(84,299)</u>	<u>(800,669)</u>
Balance June 30, 1998	<u>\$3,550,522</u>	<u>\$66,876</u>	<u>\$1,573,826</u>	<u>\$3,812</u>	<u>\$1,921,989</u>	<u>\$7,117,025</u>

H. RESERVES AND DESIGNATIONS OF FUND BALANCES

The City's reserves and designations at June 30, 1998 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	\$ 775,480	\$ 728,978	\$ 1,686,444		
Carryover savings	1,005,902				
Interfund loans	6,443,500	74,050	1,000,000		
Petty cash	4,880				
Loan programs	92,283	9,079,757	738,704		
Prepaid expenditures		40,950			
Interfund advances	1,613,383	20,000	100,000		
Redevelopment Agency set-aside requirement			533,519		
Debt service				\$13,676,455	
External investment pool participants					\$1,166,009
Total reserves	<u>\$9,935,428</u>	<u>\$9,943,735</u>	<u>\$ 4,058,667</u>	<u>\$13,676,455</u>	<u>\$1,166,009</u>
Designations:					
Carryover projects		\$ 987,575	\$32,387,744		
Pending projects		2,057,637	3,410,957		
Subsequent year expenditures	\$2,364,527				
Operating contingencies	<u>6,412,241</u>				
Total designations	<u>\$8,776,768</u>	<u>\$3,045,212</u>	<u>\$35,798,701</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 carryover savings - The City reserves 50% of net General Fund appropriation savings to be carried over for use by the saving departments in the subsequent fiscal year.
3. Reserve for interfund loans - The City reserves an amount in each fund which has made loans to other funds.
4. 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.
5. 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.
6. 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.
7. Reserve for interfund advances - The City reserves an amount in each fund equal to the advances to other funds.
8. 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.
9. Reserve for debt service - The total fund balances of the debt service funds are reserved for future debt service requirements.
10. 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.
11. 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.

12. Designation for pending projects - Designations for pending projects are established to fund projects approved but not yet appropriated.

13. Designation for subsequent year expenditures - An amount equal to taxpayer-assessed taxes accrued but not received as of June 30, 1998 has been designated for subsequent year expenditures.

14. Designation for operating contingencies - The remainder of the unreserved fund balance of the General Fund at June 30, 1998 has been designated for operating contingencies.

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	\$12,141,296	\$ 2,835,375
Special Revenue Funds:		
Local Transportation		1,337,965
Traffic Safety		274,172
Special Gas Tax Street Improvements	808,363	2,409,200
Housing and Community Development		20,391
Strategic Planning	50,000	
Capital Projects Funds:		
Special Fund for Capital Outlays	31,583,465	2,732,514
Capital Facility Fees	83,238	1,800,166
Parks	293,056	
Parks and Recreation Facilities		9,000
State Parks and Recreation	59,334	
Redevelopment Agency	15,746,257	538,662
Improvement Districts		92,700
Public Financing Authority		55,236,065
Debt Service Funds:		
Redevelopment Agency	824,141	
Capital Improvement Projects	109,001	
Improvement Districts	92,700	
Public Financing Authority	10,357,370	
Enterprise Funds:		
Parking		1,106,400
Water		1,587,092
Sewer		1,912,285
Storm Drain		11,117
Airport		198,631
Golf		475,110
Community Center	558,740	
Internal Service Funds:		
Fleet Management		104,401
Technology and Information Services		25,715
Insurance		342,067
Employee Benefits Management	342,067	
Total operating transfers	<u>\$73,049,028</u>	<u>\$73,049,028</u> <i>(continued)</i>

INTERFUND TRANSFERS (continued):

Residual equity transfers:		
General Fund		\$ 217,098
Special Revenue Funds:		
Special Gas Tax Street Improvement		9,752
Capital Projects Funds:		
Special Fund for Capital Outlays		611,613
Residual equity transfers closed to contributed capital (Note III G):		
Enterprise Funds:		
Water		14,665
Sewer		18,000
Bus		14,627
Internal Service Funds:		
Fleet Management	\$ 233,894	
Central Services		2,465
Technology and Information Services	<u>654,326</u>	
Total residual equity transfers	<u>888,220</u>	<u>888,220</u>
Total interfund transfers	<u>\$73,937,248</u>	<u>\$73,937,248</u>

J. NOTES RECEIVABLE

The notes receivable in the Housing and Community Development Special Revenue Fund of \$9,103,967, net of \$125,345 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 \$738,704 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.

The Sewer Enterprise Fund notes receivable of \$5,097 consist of a sewer improvement loan to a property owner. The note is collateralized by a lien on the property, bears interest at 5.6%, and requires no repayment until the property is sold.

Loans to employees for computer acquisition make up the \$79,499 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 \$24,210 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, as well as for claims in excess of the preceding 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, 1998 is \$9,177,912 consisting of \$5,937,969 workers' compensation, \$2,859,851 general liability, \$240,000 dental, \$95,092 disability, and \$45,000 vision. The current portion of the total claims liability is estimated to be \$3,564,951 and the balance of \$5,612,961 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, 1998. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 1997 and June 30, 1998 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>
1996-97	\$8,630,837	\$2,716,518	\$(3,268,474)	\$8,078,881
1997-98	8,078,881	5,627,081	(4,528,050)	9,177,912

In addition to the claims liability reported in the Insurance Internal Service Fund, a developer has filed a claim against the Redevelopment Agency for approximately \$16 million for an alleged wrongful termination of a Disposition and Development Agreement for development of a mixed-use private retail/government office downtown redevelopment project. The Agency has accrued and funded \$650,000 as a liability as of June 30, 1998 in the Redevelopment Agency Capital Projects Fund.

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	\$379,711	\$25,489,387	\$18,468,097	\$4,469,185	\$ 579,183	\$1,633,351	\$1,942,613	\$ 687,120	\$53,648,647
Depreciation	66,118	1,574,783	3,464,367	251,860	318,817	447,391	363,894	742,575	7,229,805
Operating income (loss)	134,461	4,420,698	3,888,073	1,201,747	(347,768)	(5,019,061)	(318,602)	(1,211,983)	2,747,565
Operating grants		213,275	145,739	21,327	707	1,776,527	98,152		2,255,727
Tax revenues					192,629	2,525,558			2,514,985
Operating transfers in								558,740	558,740
Operating transfers out	(1,106,400)	(1,587,092)	(1,912,285)	(11,117)	(198,631)		(475,110)		(5,290,635)
Net income (loss)	(902,877)	3,469,554	2,387,046	1,390,655	(305,316)	(479,503)	(720,071)	(669,433)	4,170,055
Current capital contributions		1,063,271	810,827	778	129,192	3,649,013			5,653,081
Property, plant and equipment: Net changes	(5,990)	3,128,016	23,850,302	1,895,626	95,732	2,882,152	(9,483)	(38,616)	31,797,739
Net working capital	283,488	20,411,171	16,131,267	3,188,159	224,343	414,412	34,534	94,874	40,782,248
Total assets	2,962,550	82,508,313	151,929,544	10,930,659	6,631,815	15,839,583	5,880,548	20,208,663	296,891,675
Bonds and other long-term liabilities		28,845,409	45,893,703						74,739,112
Total equity	2,957,973	51,345,817	101,070,628	10,589,323	6,279,675	12,037,463	5,341,380	20,162,580	209,784,839

C. REFUNDING OF WATER UTILITY SYSTEM CERTIFICATES OF PARTICIPATION

On November 19, 1997, the City issued \$25,585,000 of water utility system refunding revenue certificates of participation with an average interest rate of 5.0 percent to advance refund \$23,410,000 of outstanding 1992 water utility system revenue certificates with an average interest rate of 6.2 percent. The net proceeds of \$24,629,777 (net of original issue discount and costs of issuance), were used to purchase U.S. government securities. These securities were deposited with an escrow agent to provide for all future debt service payments on the 1992 certificates. As a result, the 1992 certificates are considered to be defeased and the liability has been removed from the Water Enterprise Fund balance sheet.

Although the refunding resulted in a deferred amount on refunding of \$1,943,124 to be amortized through October 1, 2022, the City in effect reduced its aggregate debt service payments by \$1,462,164 over 26 fiscal years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$835,074.

D. REFUNDING OF CAPITAL IMPROVEMENT PROJECTS CERTIFICATES OF PARTICIPATION

On March 11, 1998, The Modesto Public Financing Authority issued refunding lease revenue bonds with a par amount of \$3,330,000, as part of a \$61,430,000 total bond issue, to advance refund \$3,250,000 of outstanding 1986 certificates of participation. The refunding bonds carry an average interest rate of 4.29%, while the average rate on the refunded certificates was 7.21%. Net proceeds of \$2,954,532 (net of the refunding bonds' portion of original issue discount and other costs of issuance), plus \$400,561 remaining in the 1986 reserve account, were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide funds for a July 1, 1998 redemption of, and premium on, all remaining 1986 certificates. As a result, the 1986 certificates are considered defeased and the liability has been removed from the general long term debt account group.

Total debt service over the next 15 years will decrease by \$664,349 as a result of this refunding transaction. The City incurred an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$463,416.

E. 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, 1998, certificates of participation in the amount of \$21,375,000 are considered defeased, and are not included in the general long-term debt account group.

In 1993, the Modesto Public Financing Authority issued refunding Golf Course Project Certificates of Participation in order to defease 1990 certificates. The proceeds were placed in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, as of June 30, 1998, the \$5,685,000 liability for the defeased certificates is excluded from the general long-term debt account group.

F. 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, 1998, 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 1994, was \$69,762,000. 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.

G. 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 \$15,213,877 as of June 30, 1998 for contracts awarded but not completed and other outstanding purchase orders. This amount consists of \$775,480 in the General Fund, \$728,978 in the Special Revenue Funds, \$1,686,444 in the Capital Projects Funds, \$11,091,181 in the Enterprise Funds, and \$931,794 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, new police headquarters building, cannery segregation, grit handling facility and other wastewater projects, Carpenter Road storm drain, mainframe computer replacement, 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 effect Proposition 218 will have on the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees, or its effect on interfund payments from Enterprise Funds to the General Fund. 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.

The above disclosure notwithstanding, a lawsuit has been filed against the City challenging certain interfund payments from the Water and Sewer Enterprise Funds to the General Fund, claiming that the City is attempting to circumvent limitations imposed by Proposition 218. The City currently expects to continue these payments (approximately \$3.4 million per year) and to defend their collection in court. An estimate of possible loss, if any, cannot be made; therefore, no liability is reported in the financial statements.

H. DEFERRED COMPENSATION PLAN

The City offers its part-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All part-time employees are required to defer 3.75 percent of their wages, with the City contributing a like amount, to the plan in lieu of mandatory social security contributions. Deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In August of 1996, the Small Business Job Protection Act became effective. The Act provides that for a Section 457 plan to remain an eligible plan, all assets and income of the plan are to be held in trust for the exclusive benefit of plan participants and their beneficiaries. Amounts deferred under plans in existence prior to August of 1996 do not have to be placed in trust until January 1, 1999. A balance of \$133,038 remains in the part-time plan, which will be placed in trust by January 1, 1999. The City believes that it is very unlikely that it will use plan assets to satisfy the claims of general creditors before this trust is established.

I. 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 \$148,831 for the fiscal year ended June 30, 1998. As of June 30, 1998 the City's equity interest in fixed assets was \$1,111,205, 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, 1998 was \$510,939. The City's equity interest of 56% in the fixed assets of the SDEA was \$749,084 as of June 30, 1998. 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 \$19,427 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. The center is to be 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 initial contribution during the fiscal year ended June 30, 1998 was \$2,432,454. 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. City payments for construction costs, plus interest, were \$77,597 during the fiscal year ended June 30, 1998. The City's remaining balance is \$639,725, and is reported in the General Long-Term Debt Account Group as a loan payable. Title to the constructed asset will remain with 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 this first, partial year was \$51,575. Construction costs of the training center were paid by Stanislaus County, and title to the center will remain with the County. 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, 1998, the City has no equity interest. Financial statements of the Agency are available from Stanislaus County.

J. TREATMENT AND DELIVERY AGREEMENT

In 1992, the City entered into a treatment and delivery agreement with the Modesto Irrigation District (MID) and the Del Este Water Company (Del Este). The City assumed Del Este's interest and obligations under the agreement when it acquired Del Este in July 1995. Under the agreement, MID built and operates a surface water treatment plant on the Tuolumne River for the purpose of providing a long-term source of domestic treated water for the City. MID is the sole owner of the project, and has all management and operations responsibility. In exchange for the treated water, the City has agreed to pay: all debt service on bonds issued by MID for the construction of the project; a raw water charge as set forth in the agreement; project operation, administration, and maintenance costs; and insurance on the project. Gross revenues of the City's Water Fund are irrevocably pledged for the punctual payment of the MID debt service and all obligations of the City under any parity debt. Current parity debt of the City consists of the 1997 Water System Improvement Project Refunding Certificates of Participation, and the California Safe Drinking Water Act loan (Note III-C). The minimum annual amount payable to MID, consisting of the debt service component only, is \$7,353,019. 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, 1998 was \$9,747,785, and is reported as "water purchases" on the Enterprise Funds Statement of Revenues, Expenses and Changes in Retained Earnings.

K. 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 \$3,292,058 as of June 30, 1998. The current portion of \$383,864 is fully funded. The long-term portion of \$2,908,194 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.

L. 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 4.959% for non-safety employees and 13.608% 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 1998, the City's annual pension cost of \$4,368,069 for CalPERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 1995 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, 1998 was thirteen 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>
6/30/96	\$4,241,635	100%	\$0
6/30/97	4,008,993	100%	0
6/30/98	4,368,069	100%	0

SCHEDULE OF FUNDING PROGRESS FOR PERS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Liability (B)</u>	<u>Unfunded Actuarial 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>
6/30/94:						
Misc.	\$ 93,462,377	\$ 90,607,901	\$(2,854,476)	103.2%	\$25,991,978	(10.982)%
Safety	<u>92,871,685</u>	<u>90,957,024</u>	<u>(1,914,661)</u>	<u>102.1%</u>	<u>16,599,077</u>	<u>(11.535)%</u>
Total	<u>\$186,334,062</u>	<u>\$181,564,925</u>	<u>\$(4,769,137)</u>	<u>102.6%</u>	<u>\$42,591,055</u>	<u>(11.198)%</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>

M. CHANGES IN ACCOUNTING POLICY

1. The City implemented Governmental Accounting Standards Board Statement 31, "Accounting and Financial Reporting For Certain Investments and for External Investment Pools", during the fiscal year ended June 30, 1998. Under this new standard, the City is required to report certain investments at fair value, which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. All investment income, including increases or decreases in fair value, are now reported as revenue. The effect of this change on operations for the year ended June 30, 1998 is an increase in revenues captioned under "net increase in fair value of investments" of \$403,663. Beginning fund equity has been decreased by a total of \$156,850 for this change in accounting, as follows:

<u>Governmental Funds:</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>
Fund balance, July 1, 1997, as originally reported	\$14,873,817	\$11,480,950	\$7,410,842	\$4,610,749
Cumulative effect of change in accounting policy	<u>(35,232)</u>	<u>(4,473)</u>	<u>(36,314)</u>	<u>(12,211)</u>
Fund balance, July 1, 1997, as restated	<u>\$14,838,585</u>	<u>\$11,476,477</u>	<u>\$7,374,528</u>	<u>\$4,598,538</u>

<u>Proprietary Funds:</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Retained earnings, July 1, 1997, as originally reported	\$91,095,736	\$3,906,311
Cumulative effect of change in accounting policy	<u>(16,877)</u>	<u>(51,743)</u>
Retained earnings, July 1, 1997, as restated	<u>\$91,078,859</u>	<u>\$3,854,568</u>

GASB 31 also added the requirement to report investments in its cash and investment pool by the Tuolumne River Regional Park and Stanislaus Drug Enforcement Agency in an Investment Trust Fund.

2. During the fiscal year ended June 30, 1998, the City implemented Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Government Employers." This statement established measurement, recognition, and display standards for pension expenditures/expenses and related liabilities, assets, note disclosures, and required supplementary information in the financial reports of local governmental employers. Implementation of the accounting standard had no effect on fund equity.

3. The City also implemented Governmental Accounting Standards Board Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans." A recent amendment to IRC Section 457 requires that assets of deferred compensation plans be placed in trust by no later than January 1, 1999, for the exclusive benefit of employees and their beneficiaries. The City's major plan, administered by the International City Management Association (ICMA), has complied with the new amendment. GASB 32 eliminates the requirement that cities report assets of IRC Section 457 plans unless the employer manages the investment of such assets. In the case of the City, employees' investments in the ICMA 457 plan are being managed by outside administrators. Accordingly, deferred compensation employee assets of the ICMA trust are no longer being reported in the financial statements in an agency fund. The City also provides a deferred compensation plan to its part-time employees, administered by the Public Agency Retirement System (PARS), which has not yet complied with the new IRC amendment. Therefore, its assets continue to be reported in the agency fund.

4. The City's dollar threshold for fixed asset capitalization was changed from \$500 to \$1,000 during the 1998 fiscal year, to allow more effective and efficient accounting and management of the fixed assets inventory.

**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, 1998 and 1997**

	1998	1997
ASSETS		
Cash and cash equivalents	\$ 7,940,734	\$ 4,920,676
Cash and cash equivalents with fiscal agent	600,000	
Receivables:		
Accounts	1,338,386	1,019,645
Taxes	2,678,427	3,386,994
Notes	92,283	134,249
Due from governments	542,961	738,638
Due from other funds	1,055,000	404,000
Prepaid expenditures		
Advances to other funds	1,613,383	1,072,760
Loans to other funds	6,443,500	6,443,500
	\$ 22,304,674	\$ 18,120,462
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenditures	\$ 3,186,461	\$ 2,707,422
Deferred revenues	406,017	539,223
Total liabilities	3,592,478	3,246,645
Fund balances:		
Reserved:		
For encumbrances	775,480	816,672
For carryover savings	1,005,902	
For interfund loans	6,443,500	6,443,500
For petty cash	4,880	3,630
For loan programs	92,283	134,249
For interfund advances	1,613,383	1,072,760
Unreserved:		
Designated:		
For subsequent year expenditures	2,364,527	2,942,766
For operating contingencies	6,412,241	3,460,240
Total fund balances	18,712,196	14,873,817
	\$ 22,304,674	\$ 18,120,462

**CITY OF MODESTO
GENERAL FUND
SCHEDULE OF EXPENDITURES BY FUNCTION, COMPARED TO BUDGET, (GAAP BASIS)
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)**

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
General government:				
City council	\$ 215,045	\$ 214,432	\$ 613	\$ 204,359
Personnel/training	809,870	808,042	1,828	738,528
City manager	1,144,760	944,932	199,828	1,105,808
City attorney	787,974	743,557	44,417	672,940
City clerk/auditor	637,037	618,837	18,200	326,300
Finance	2,923,057	2,814,351	108,706	2,809,146
Community development	3,967,717	3,722,922	244,795	3,200,772
Total general government	<u>10,485,460</u>	<u>9,867,073</u>	<u>618,387</u>	<u>9,057,853</u>
Highways and streets:				
Engineering and Transportation Dept:				
Administration	615,579	607,420	8,159	815,504
Electrical division	1,768,043	1,803,780	(35,737)	1,536,047
Operations and Maintenance Dept.				
Traffic operations	337,748	205,701	132,047	
Streets division	1,335,131	1,498,279	(163,148)	1,407,825
Total highways and streets	<u>4,056,501</u>	<u>4,115,180</u>	<u>(58,679)</u>	<u>3,759,376</u>
Public works:				
Engineering and Transportation Dept:				
Engineering design	187,614	58,330	129,284	68,730
Construction administration/permits	295,686	165,957	129,729	302,213
Engineering administration	145,903	161,033	(15,130)	63,021
Franchise management	247,121	230,277	16,844	
Operations and Maintenance Dept.				
Administration	635,106	617,424	17,682	1,009,886
Total public works	<u>1,511,430</u>	<u>1,233,021</u>	<u>278,409</u>	<u>1,443,850</u>
Parks and recreation:				
Operations and Maintenance Dept.				
Service and maintenance	4,412,472	4,311,865	100,607	4,099,826
Community forestry	2,454,404	2,277,880	176,524	2,103,216
Community Services & Neighborhood Connection:				
Administration	564,198	465,336	98,862	548,290
Culture	454,812	441,114	13,698	391,219
Recreation division	2,300,446	2,143,500	156,946	1,982,031
Facilities	143,565	143,565		144,674
Total parks and recreation	<u>10,329,897</u>	<u>9,783,260</u>	<u>546,637</u>	<u>9,269,256</u>
Public safety:				
Fire protection	15,001,460	14,485,731	515,729	13,895,880
Police protection	30,970,156	30,891,484	78,672	27,373,178
Total public safety	<u>45,971,616</u>	<u>45,377,215</u>	<u>594,401</u>	<u>41,269,058</u>
Total expenditures by department	<u>72,354,904</u>	<u>70,375,749</u>	<u>1,979,155</u>	<u>64,799,393</u>
Debt service:				
Principal retirement	387,181	383,327	3,854	319,691
Interest	653,403	645,039	8,364	287,458
Total debt service	<u>1,040,584</u>	<u>1,028,366</u>	<u>12,218</u>	<u>607,349</u>
Total general fund	<u>\$ 73,395,488</u>	<u>\$ 71,404,115</u>	<u>\$ 1,991,373</u>	<u>\$ 65,406,742</u>



CITY OF MODESTO

SPECIAL REVENUE FUNDS

Special Revenue Funds include operating 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, 1998
(With comparative totals for June 30, 1997)**

	<i>051-052</i> <u>Local Transportation</u>	<i>060</i> <u>Traffic Safety</u>	<i>070</i> <u>Special Gas Tax Street Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 2,226	\$ 226,456	\$ 897,929
Cash and cash equivalents with fiscal agent			25,209
Receivables:			
Accounts	8,437		36,284
Notes			
Due from governments	1,563,787		1,547,192
Prepaid expenditures			
Advances to other funds			
Loans to other funds			
Total assets	<u>\$ 1,574,450</u>	<u>\$ 226,456</u>	<u>\$ 2,506,614</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenditures	\$ 648		\$ 515,363
Approved loans payable			
Due to other funds	670,000		
Deferred revenues	896,172		
Total liabilities	<u>1,566,820</u>		<u>515,363</u>
Fund balances:			
Reserved:			
For encumbrances			621,936
For interfund loans			
For loan programs			
For prepaid expenditures			
For interfund advances			
Unreserved:			
Designated:			
For carryover projects			987,575
For pending projects	7,630	\$ 226,456	381,740
Total fund balances	<u>7,630</u>	<u>226,456</u>	<u>1,991,251</u>
 Total liabilities and fund balances	 <u>\$ 1,574,450</u>	 <u>\$ 226,456</u>	 <u>\$ 2,506,614</u>

090 Downtown Improvement District	113-117 Housing and Community Development	080 Strategic Planning and Development	Totals	
			1998	1997
\$ 138,736	\$ 1,180 682,182	\$ 275,861	\$ 1,542,388 707,391	\$ 1,177,433 624,132
2,500	52,209 9,103,967 953,933 40,950	4,695	104,125 9,103,967 4,064,912 40,950	137,003 8,804,752 2,882,915 40,950
	74,050	20,000	20,000 74,050	74,050
<u>\$ 141,236</u>	<u>\$ 10,908,471</u>	<u>\$ 300,556</u>	<u>\$ 15,657,783</u>	<u>\$ 13,741,235</u>
\$ 519	\$ 170,096 24,210 385,000	\$ 6,828	\$ 693,454 24,210 1,055,000 896,172	\$ 913,075 306,045 360,000 681,165
<u>519</u>	<u>579,306</u>	<u>6,828</u>	<u>2,668,836</u>	<u>2,260,285</u>
	60,542 74,050 9,079,757 40,950	46,500	728,978 74,050 9,079,757 40,950	727,614 74,050 8,498,707 40,950
		20,000	20,000	
			987,575	900,973
<u>140,717</u>	<u>1,073,866</u>	<u>227,228</u>	<u>2,057,637</u>	<u>1,238,656</u>
<u>140,717</u>	<u>10,329,165</u>	<u>293,728</u>	<u>12,988,947</u>	<u>11,480,950</u>
<u>\$ 141,236</u>	<u>\$ 10,908,471</u>	<u>\$ 300,556</u>	<u>\$ 15,657,783</u>	<u>\$ 13,741,235</u>

**CITY OF MODESTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)**

	Local Transportation	Traffic Safety	Special Gas Tax Street Improvement
REVENUES:			
Taxes	\$ 1,427,245		
Intergovernmental	50,194		\$ 5,481,219
Charges for services			27,863
Interest and rent	26,118		48,663
Net increase in fair value of investments	1,005		1,155
Fines and forfeits		\$ 348,281	
Miscellaneous			
Total revenues	<u>1,504,562</u>	<u>348,281</u>	<u>5,558,900</u>
EXPENDITURES:			
Current expenditures:			
General government			
Highways and streets	166,598		3,240,873
Public works			
Total expenditures	<u>166,598</u>		<u>3,240,873</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,337,964</u>	<u>348,281</u>	<u>2,318,027</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in			808,363
Operating transfers out	(1,337,965)	(274,172)	(2,409,200)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,337,965)</u>	<u>(274,172)</u>	<u>(1,600,837)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1)	74,109	717,190
FUND BALANCES, JULY 1, as restated	7,631	152,347	1,283,813
Residual equity transfer out			(9,752)
FUND BALANCES, JUNE 30	<u>\$ 7,630</u>	<u>\$ 226,456</u>	<u>\$ 1,991,251</u>

Downtown Improvement District	Housing and Community Development	Strategic Planning and Development	Totals	
			1998	1997
\$ 149,902	\$ 2,772,873		\$ 1,577,147	\$ 769,137
			8,304,286	10,792,001
5,772	153,924	\$ 30,000	57,863	63,999
364		18,256	252,733	254,943
		732	3,256	
	12,705		348,281	273,660
			12,705	38,556
<u>156,038</u>	<u>2,939,502</u>	<u>48,988</u>	<u>10,556,271</u>	<u>12,192,296</u>
		92,612	92,612	171,266
140,967	2,209,634		3,407,471	6,996,960
<u>140,967</u>	<u>2,209,634</u>	<u>92,612</u>	<u>2,350,601</u>	<u>2,214,868</u>
			<u>5,850,684</u>	<u>9,383,094</u>
<u>15,071</u>	<u>729,868</u>	<u>(43,624)</u>	<u>4,705,587</u>	<u>2,809,202</u>
		50,000	858,363	816,702
	(20,391)		(4,041,728)	(3,366,419)
	<u>(20,391)</u>	<u>50,000</u>	<u>(3,183,365)</u>	<u>(2,549,717)</u>
15,071	709,477	6,376	1,522,222	259,485
125,646	9,619,688	287,352	11,476,477	11,221,465
			(9,752)	
<u>\$ 140,717</u>	<u>\$ 10,329,165</u>	<u>\$ 293,728</u>	<u>\$ 12,988,947</u>	<u>\$ 11,480,950</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998			1997
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Taxes - sales taxes	\$ 1,638,179	\$ 1,427,245	\$ (210,934)	\$ 634,765
Intergovernmental	1,690,271	50,194	(1,640,077)	452,420
Interest and rent - interest	9,800	26,118	16,318	22,562
Net increase in fair value of investments		1,005	1,005	
Total revenues	<u>3,338,250</u>	<u>1,504,562</u>	<u>(1,833,688)</u>	<u>1,109,747</u>
EXPENDITURES - public works				
Engineering and transportation	<u>2,270,452</u>	<u>166,598</u>	<u>2,103,854</u>	<u>459,044</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,067,798</u>	<u>1,337,964</u>	<u>270,166</u>	<u>650,703</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in				163,000
Operating transfers out	<u>(1,579,791)</u>	<u>(1,337,965)</u>	<u>241,826</u>	<u>(805,111)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,579,791)</u>	<u>(1,337,965)</u>	<u>241,826</u>	<u>(642,111)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(511,993)	(1)	511,992	8,592
FUND BALANCES, JULY 1, as restated	<u>7,631</u>	<u>7,631</u>		
FUND BALANCES, JUNE 30	<u>\$ (504,362)</u>	<u>\$ 7,630</u>	<u>\$ 511,992</u>	<u>\$ 8,592</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance	1997
	Budget	Actual	Favorable (Unfavorable)	Actual
REVENUES - fines and forfeits:				
Motor vehicle fines	\$ 198,409	\$ 348,281	\$ 149,872	\$ 273,660
OTHER FINANCING (USES):				
Operating transfers out	(309,637)	(274,172)	35,465	(152,500)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(111,228)	74,109	185,337	121,160
FUND BALANCES, JULY 1	152,347	152,347		31,187
FUND BALANCES, JUNE 30	\$ 41,119	\$ 226,456	\$ 185,337	\$ 152,347

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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
State grants	\$ 3,655,382	\$ 3,886,177	\$ 30,795	\$ 3,277,024
County grants	88,413	1,381	(87,032)	1,460
Federal grants	8,784,938	1,793,661	(6,991,277)	4,049,520
Total intergovernmental revenues	<u>12,528,733</u>	<u>5,481,219</u>	<u>(7,047,514)</u>	<u>7,328,004</u>
Charges for services		27,863	27,863	50,999
Interest and rent - interest	50,000	48,663	(1,337)	
Net increase in fair value of investments		1,155	1,155	60,027
Total revenues	<u>12,578,733</u>	<u>5,558,900</u>	<u>(7,019,833)</u>	<u>7,439,030</u>
EXPENDITURES:				
Highway and streets	<u>12,360,818</u>	<u>3,240,873</u>	<u>9,119,945</u>	<u>6,537,916</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>217,915</u>	<u>2,318,027</u>	<u>2,100,112</u>	<u>901,114</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	969,382	808,363	(161,019)	503,702
Operating transfers out	<u>(2,442,378)</u>	<u>(2,409,200)</u>	<u>33,178</u>	<u>(2,389,582)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,472,996)</u>	<u>(1,600,837)</u>	<u>(127,841)</u>	<u>(1,885,880)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,255,081)</u>	<u>717,190</u>	<u>1,972,271</u>	<u>(984,766)</u>
FUND BALANCES, JULY 1, as restated	1,283,813	1,283,813		2,269,715
Residual equity transfer out		<u>(9,752)</u>	<u>(9,752)</u>	
FUND BALANCES, JUNE 30	<u>\$ 28,732</u>	<u>\$ 1,991,251</u>	<u>\$ 1,962,519</u>	<u>\$ 1,284,949</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Taxes - business license tax	\$ 132,600	\$ 149,902	\$ 17,302	\$ 134,372
Interest and rent - interest	9,400	5,772	(3,628)	6,457
Net increase in fair value of investments		364	364	
Total revenues	<u>142,000</u>	<u>156,038</u>	<u>14,038</u>	<u>140,829</u>
EXPENDITURES - public works:				
Downtown improvement district administration:				
Professional and contractual services	131,791	128,469	3,322	122,391
Materials and supplies	3,350	3,289	61	3,273
Other	7,500	5,419	2,081	5,224
Downtown improvements	4,000	3,790	210	4,000
Total expenditures	<u>146,641</u>	<u>140,967</u>	<u>5,674</u>	<u>134,888</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(4,641)</u>	<u>15,071</u>	<u>19,712</u>	<u>5,941</u>
FUND BALANCES, JULY 1, as restated	<u>125,646</u>	<u>125,646</u>		<u>120,074</u>
FUND BALANCES, JUNE 30	<u>\$ 121,005</u>	<u>\$ 140,717</u>	<u>\$ 19,712</u>	<u>\$ 126,015</u>

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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - federal grants	\$ 7,748,115	\$ 2,772,873	\$ (4,975,242)	\$ 3,011,577
Interest and rent - interest		153,924	153,924	147,702
Miscellaneous		12,705	12,705	38,478
Total revenues	<u>7,748,115</u>	<u>2,939,502</u>	<u>(4,808,613)</u>	<u>3,197,757</u>
EXPENDITURES - public works:				
Housing program	4,568,816	1,852,299	2,716,517	1,572,612
Removal of architectural barriers	771,127	90,192	680,935	480,050
Miscellaneous improvements	825,380	267,143	558,237	27,318
Total expenditures	<u>6,165,323</u>	<u>2,209,634</u>	<u>3,955,689</u>	<u>2,079,980</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,582,792</u>	<u>729,868</u>	<u>(852,924)</u>	<u>1,117,777</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(73,612)</u>	<u>(20,391)</u>	<u>53,221</u>	<u>(19,226)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,509,180	709,477	(799,703)	1,098,551
FUND BALANCES, JULY 1, as restated	<u>9,619,688</u>	<u>9,619,688</u>		<u>8,522,299</u>
FUND BALANCES, JUNE 30	<u>\$ 11,128,868</u>	<u>\$ 10,329,165</u>	<u>\$ (799,703)</u>	<u>\$ 9,620,850</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 140,000	\$ 30,000	\$ (110,000)	\$ 13,000
Interest and rent - interest		18,256	18,256	18,195
Net increase in fair value of investments		732	732	
Miscellaneous				78
Total revenues	<u>140,000</u>	<u>48,988</u>	<u>(91,012)</u>	<u>31,273</u>
EXPENDITURES - general government:				
Professional and contractual services	<u>331,932</u>	<u>92,612</u>	<u>239,320</u>	<u>171,266</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(191,932)</u>	<u>(43,624)</u>	<u>148,308</u>	<u>(139,993)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>50,000</u>	<u>50,000</u>		<u>150,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(141,932)</u>	<u>6,376</u>	<u>148,308</u>	<u>10,007</u>
FUND BALANCES, JULY 1, as restated	<u>287,352</u>	<u>287,352</u>		<u>278,190</u>
FUND BALANCES, JUNE 30	<u>\$ 145,420</u>	<u>\$ 293,728</u>	<u>\$ 148,308</u>	<u>\$ 288,197</u>



CITY OF MODESTO

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, 1998

(With comparative totals for June 30, 1997)

	<i>130</i> Special Fund for Capital Outlays	<i>131-139</i> <i>141-143</i> Capital Facility Fees	<i>140</i> Parks	<i>150</i> Parks and Recreation Facilities
ASSETS				
Cash and cash equivalents	\$ 1,337,889	\$ 5,665,747	\$ 852,131	\$ 45,476
Cash and cash equivalents with fiscal agent	27,041,837			
Receivables:				
Accounts	9,630	136,977	4,132	1,051
Notes				
Due from governments		18,590		
Due from other funds				
Property held for resale				
Advances to other funds	100,000			
Loans to other funds	1,000,000			
Total assets	<u>\$ 29,489,356</u>	<u>\$ 5,821,314</u>	<u>\$ 856,263</u>	<u>\$ 46,527</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	\$ 424,973	\$ 210,244	\$ 43,024	
Notes payable				
Advances from other funds		331,083		
Loans from other funds				
Advance from joint powers agency				
Claims liability				
Total liabilities	<u>424,973</u>	<u>541,327</u>	<u>43,024</u>	
Fund balances (deficits):				
Reserved:				
For encumbrances	1,176,866	381,494	68,371	
For interfund loans	1,000,000			
For interfund advances	100,000			
For loan programs				
For set-aside requirement				
For property held for resale				
Unreserved:				
Designated:				
For carryover projects	25,646,719	2,945,892	665,435	\$ 16,000
For pending projects	1,140,798	1,952,601	79,433	30,527
Undesignated				
Total fund balances (deficits)	<u>29,064,383</u>	<u>5,279,987</u>	<u>813,239</u>	<u>46,527</u>
Total liabilities and fund balances	<u>\$ 29,489,356</u>	<u>\$ 5,821,314</u>	<u>\$ 856,263</u>	<u>\$ 46,527</u>

<i>170</i> State Parks and Recreation	<i>180</i> McHenry Mansion Restoration	<i>900</i> <i>904-908</i> Redevelopment Agency	<i>120-122</i> Improvement Districts	<i>260's</i> Community Facilities Districts	<i>310</i> Public Financing Authority	Totals	
						1998	1997
\$ 58,631	\$ 4,758	\$ 3,623,622 8,242,610	\$ 67,672	\$ 121,477	\$ 38,883	\$ 11,777,403 35,323,330	\$ 12,856,368 895,000
414	104	4,864 738,704		453		157,625 738,704 18,590	571,587 707,535 177,132 396,071 662,000
						100,000 1,000,000	469,000 1,000,000
<u>\$ 59,045</u>	<u>\$ 4,862</u>	<u>\$ 12,609,800</u>	<u>\$ 67,672</u>	<u>\$ 121,930</u>	<u>\$ 38,883</u>	<u>\$ 49,115,652</u>	<u>\$ 17,734,693</u>
\$ 5,155	\$ 49	50,000 7,517,550		\$ 6,206 20,000		\$ 689,651 401,083 7,517,550	\$ 1,032,275 199,566 784,460 7,517,550 790,000
		650,000				650,000	
<u>5,155</u>		<u>8,217,599</u>		<u>26,206</u>		<u>9,258,284</u>	<u>10,323,851</u>
	\$ 900	58,813				1,686,444 1,000,000 100,000	2,692,045 1,000,000 469,000
		738,704 533,519				738,704 533,519	707,535 304,318 662,000
52,533 1,357	3,962	3,061,165	\$ 67,672	95,724	\$ 38,883	32,387,744 3,410,957	2,865,280 6,273,896
<u>53,890</u>	<u>4,862</u>	<u>4,392,201</u>	<u>67,672</u>	<u>95,724</u>	<u>38,883</u>	<u>39,857,368</u>	<u>(7,563,232)</u> <u>7,410,842</u>
<u>\$ 59,045</u>	<u>\$ 4,862</u>	<u>\$ 12,609,800</u>	<u>\$ 67,672</u>	<u>\$ 121,930</u>	<u>\$ 38,883</u>	<u>\$ 49,115,652</u>	<u>\$ 17,734,693</u>

**CITY OF MODESTO
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)**

	Special Fund for Capital Outlays	Capital Facility Fees	Parks	Parks and Recreation Facilities
REVENUES:				
Taxes				
Intergovernmental		\$ 227,541		
Charges for services		2,489,657		\$ 19,393
Special assessments levied				
Interest and rent	\$ 280,301	426,753	\$ 92,802	2,355
Net increase in fair value of investments	146,389	15,148	2,262	121
Miscellaneous	52,011		794,708	
Total revenues	<u>478,701</u>	<u>3,159,099</u>	<u>889,572</u>	<u>21,869</u>
EXPENDITURES:				
Capital outlay:				
General government	3,073,688	474,440		
Highways and streets	281,345	3,258,897		
Parks and recreation	583,842	132,746	877,743	
Public safety	636,568	212,567		
Debt service:				
Principal retirement				
Interest				
Cost of issuance				
Total expenditures	<u>4,575,443</u>	<u>4,078,650</u>	<u>877,743</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,096,742)</u>	<u>(919,551)</u>	<u>11,829</u>	<u>21,869</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	31,583,465	83,238	293,056	
Operating transfers out	(2,732,514)	(1,800,166)		(9,000)
Proceeds of capital lease transactions	403,491			
Proceeds of lease revenue bonds				
Sale of assets				
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,254,442</u>	<u>(1,716,928)</u>	<u>293,056</u>	<u>(9,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	25,157,700	(2,636,479)	304,885	12,869
FUND BALANCES, July 1, as restated	4,518,296	7,916,466	508,354	33,658
Residual equity transfers out	(611,613)			
FUND BALANCES, June 30	<u>\$ 29,064,383</u>	<u>\$ 5,279,987</u>	<u>\$ 813,239</u>	<u>\$ 46,527</u>

State Parks and Recreation	McHenry Mansion Restoration	Redevelopment Agency	Improvements Districts	Community Facilities Districts	Public Financing Authority	Totals	
						1998	1997
		\$ 413,801				\$ 413,801	\$ 822,675
				\$ 104,324		227,541	507,068
						2,613,374	1,613,231
\$ 1,578	\$ 287	99,588		1,140	\$ 460	905,064	763,752
	13	65,738		321	335	230,327	
						846,719	601,138
<u>1,578</u>	<u>300</u>	<u>579,127</u>		<u>105,785</u>	<u>795</u>	<u>5,236,826</u>	<u>4,307,864</u>
		6,532,544		10,061		10,090,733	1,510,343
42,071						3,540,242	2,060,369
						1,636,402	4,768,076
						849,135	819,579
							99,887
							3,474
					1,521,399	1,521,399	190,875
<u>42,071</u>		<u>6,532,544</u>		<u>10,061</u>	<u>1,521,399</u>	<u>17,637,911</u>	<u>9,452,603</u>
(40,493)	300	(5,953,417)		95,724	(1,520,604)	(12,401,085)	(5,144,739)
59,334		15,746,257				47,765,350	7,135,109
		(538,662)	(92,700)		(55,236,065)	(60,409,107)	(4,822,494)
						403,491	717,821
					56,795,552	56,795,552	3,548,952
		940,252				940,252	
<u>59,334</u>		<u>16,147,847</u>	<u>(92,700)</u>		<u>1,559,487</u>	<u>45,495,538</u>	<u>6,579,388</u>
18,841	300	10,194,430	(92,700)	95,724	38,883	33,094,453	1,434,649
35,049	4,562	(5,802,229)	160,372			7,374,528	5,976,193
						(611,613)	
<u>\$ 53,890</u>	<u>\$ 4,862</u>	<u>\$ 4,392,201</u>	<u>\$ 67,672</u>	<u>\$ 95,724</u>	<u>\$ 38,883</u>	<u>\$ 39,857,368</u>	<u>\$ 7,410,842</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 106,000		\$ (106,000)	
Interest and rent - interest	1,630,588	\$ 280,301	(1,350,287)	\$ 189,490
Net increase in fair value of investments		146,389	146,389	
Miscellaneous	77,010	52,011	(24,999)	399,980
Total revenues	<u>1,813,598</u>	<u>478,701</u>	<u>(1,334,897)</u>	<u>589,470</u>
EXPENDITURES:				
Capital outlay:				
General government	22,859,723	3,073,688	19,786,035	790,723
Highways and streets	495,472	281,345	214,127	92,478
Parks and recreation	782,430	583,842	198,588	4,064,951
Public safety	11,051,277	636,568	10,414,709	806,103
Debt service:				
Principal retirement				60,915
Interest				1,964
Total expenditures	<u>35,188,902</u>	<u>4,575,443</u>	<u>30,613,459</u>	<u>5,817,134</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(33,375,304)</u>	<u>(4,096,742)</u>	<u>29,278,562</u>	<u>(5,227,664)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	31,863,415	31,583,465	(279,950)	5,973,228
Operating transfers out	(3,408,516)	(2,732,514)	676,002	(265,442)
Proceeds of capital lease transactions	411,909	403,491	(8,418)	717,821
TOTAL OTHER FINANCING SOURCES (USES)	<u>28,866,808</u>	<u>29,254,442</u>	<u>387,634</u>	<u>6,425,607</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(4,508,496)</u>	<u>25,157,700</u>	<u>29,666,196</u>	<u>1,197,943</u>
FUND BALANCES, JULY 1, as restated	4,518,296	4,518,296		3,328,391
Residual equity transfers out	(611,613)	(611,613)		
FUND BALANCES, JUNE 30	<u>\$ (601,813)</u>	<u>\$ 29,064,383</u>	<u>\$ 29,666,196</u>	<u>\$ 4,526,334</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - county grants and apportionments	\$ 1,738,450	\$ 227,541	\$ (1,510,909)	\$ 507,068
Charges for services	2,518,210	2,489,657	(28,553)	1,604,941
Interest and rent - interest	362,610	426,753	64,143	504,185
Net increase in fair value of investments		15,148	15,148	
Total revenues	<u>4,619,270</u>	<u>3,159,099</u>	<u>(1,460,171)</u>	<u>2,616,194</u>
EXPENDITURES:				
Capital outlay:				
General government	2,586,689	474,440	2,112,249	6,924
Highways and streets	5,084,189	3,258,897	1,825,292	1,967,891
Parks and recreation	1,926,196	132,746	1,793,450	387,880
Public safety	265,452	212,567	52,885	13,476
Debt service:				
Principal retirement				38,972
Interest				1,510
Total expenditures	<u>9,862,526</u>	<u>4,078,650</u>	<u>5,783,876</u>	<u>2,416,653</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,243,256)</u>	<u>(919,551)</u>	<u>4,323,705</u>	<u>199,541</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	145,866	83,238	(62,628)	10,116
Operating transfers out	(2,016,842)	(1,800,166)	216,676	(112,563)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,870,976)</u>	<u>(1,716,928)</u>	<u>154,048</u>	<u>(102,447)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(7,114,232)</u>	<u>(2,636,479)</u>	<u>4,477,753</u>	<u>97,094</u>
FUND BALANCES, JULY 1, as restated	<u>7,916,466</u>	<u>7,916,466</u>		<u>7,844,450</u>
FUND BALANCES, JUNE 30	<u>\$ 802,234</u>	<u>\$ 5,279,987</u>	<u>\$ 4,477,753</u>	<u>\$ 7,941,544</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest	\$ 45,180	\$ 92,602	\$ 47,422	\$ 56,513
Net increase in fair value of investments		2,262	2,262	
Miscellaneous	794,708	794,708		200,000
Total revenues	<u>839,888</u>	<u>889,572</u>	<u>49,684</u>	<u>256,513</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>1,651,803</u>	<u>877,743</u>	<u>774,060</u>	<u>296,179</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(811,915)</u>	<u>11,829</u>	<u>823,744</u>	<u>(39,666)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>388,056</u>	<u>293,056</u>	<u>(95,000)</u>	<u>313,354</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(423,859)</u>	<u>304,885</u>	<u>728,744</u>	<u>273,688</u>
FUND BALANCES, JULY 1, as restated	<u>508,354</u>	<u>508,354</u>		<u>237,350</u>
FUND BALANCES, JUNE 30	<u>\$ 84,495</u>	<u>\$ 813,239</u>	<u>\$ 728,744</u>	<u>\$ 511,038</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Charges for services - park fees	\$ 8,200	\$ 19,393	\$ 11,193	\$ 8,290
Interest and rent - interest	600	2,355	1,755	1,763
Net increase in fair value of investments		121	121	
Total revenues	<u>8,800</u>	<u>21,869</u>	<u>13,069</u>	<u>10,053</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>14,435</u>		<u>14,435</u>	<u>1,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,635)</u>	<u>21,869</u>	<u>27,504</u>	<u>8,485</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(25,000)</u>	<u>(9,000)</u>	<u>16,000</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(30,635)</u>	<u>12,869</u>	<u>43,504</u>	<u>8,485</u>
FUND BALANCES, JULY 1, as restated	<u>33,658</u>	<u>33,658</u>		<u>25,271</u>
FUND BALANCES, JUNE 30	<u>\$ 3,023</u>	<u>\$ 46,527</u>	<u>\$ 43,504</u>	<u>\$ 33,756</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - state grants and apportionments	\$ 750,000		\$ (750,000)	
Interest and rent - interest		\$ 1,578	1,578	\$ 108
Total revenues	<u>750,000</u>	<u>1,578</u>	<u>(748,422)</u>	<u>108</u>
EXPENDITURES - capital outlay:				
Highways and streets	275		275	
Parks and recreation	964,157	42,071	922,086	17,498
Total expenditures	<u>964,432</u>	<u>42,071</u>	<u>922,361</u>	<u>17,498</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(214,432)</u>	<u>(40,493)</u>	<u>173,939</u>	<u>(17,390)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	182,435	59,334	(123,101)	52,768
Operating transfers out				(3,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>182,435</u>	<u>59,334</u>	<u>(123,101)</u>	<u>49,768</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(31,997)</u>	<u>18,841</u>	<u>50,838</u>	<u>32,378</u>
FUND BALANCES, JULY 1, as restated	<u>35,049</u>	<u>35,049</u>		<u>2,790</u>
FUND BALANCES, JUNE 30	<u>\$ 3,052</u>	<u>\$ 53,890</u>	<u>\$ 50,838</u>	<u>\$ 35,168</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest	\$ 200	\$ 287	\$ 87	\$ 267
Net increase in fair value of investments		13	13	
Total revenues	<u>200</u>	<u>300</u>	<u>100</u>	
EXPENDITURES - capital outlay:				
Parks and recreation	<u>900</u>		<u>900</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(700)	300	1,000	267
FUND BALANCES, JULY 1, as restated	<u>4,562</u>	<u>4,562</u>		<u>4,308</u>
FUND BALANCES, JUNE 30	<u>\$ 3,862</u>	<u>\$ 4,862</u>	<u>\$ 1,000</u>	<u>\$ 4,575</u>

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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Taxes - property taxes	\$ 400,800	\$ 413,801	\$ 13,001	\$ 822,675
Interest and rent - interest	277,246	99,588	(177,658)	10,216
Net increase in fair value of investments		65,738	65,738	
Miscellaneous				1,158
Total revenues	<u>678,046</u>	<u>579,127</u>	<u>(98,919)</u>	<u>834,049</u>
EXPENDITURES - capital outlay:				
General government	15,346,546	6,532,544	8,814,002	712,696
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(14,668,500)</u>	<u>(5,953,417)</u>	<u>8,715,083</u>	<u>121,353</u>
OTHER FINANCING SOURCES:				
Operating transfers in	15,746,257	15,746,257		764,662
Operating transfers out	(538,662)	(538,662)		
Sale of fixed assets		940,252	940,252	
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,207,595</u>	<u>16,147,847</u>	<u>940,252</u>	<u>764,662</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	539,095	10,194,430	9,655,335	886,015
FUND BALANCES, JULY 1, as restated	<u>(5,802,229)</u>	<u>(5,802,229)</u>		<u>(6,687,960)</u>
FUND BALANCES, JUNE 30	<u>\$ (5,263,134)</u>	<u>\$ 4,392,201</u>	<u>\$ 9,655,335</u>	<u>\$ (5,801,945)</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
OTHER FINANCING SOURCES:				
Operating transfers out	\$ (92,700)	\$ (92,700)		
FUND BALANCES, JULY 1	160,372	160,372		\$ 160,372
FUND BALANCES, JUNE 30	<u>\$ 67,672</u>	<u>\$ 67,672</u>		<u>\$ 160,372</u>

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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Charges for services		\$ 104,324	\$ 104,324	
Interest and rent - interest		1,140	1,140	
Net increase in fair value of investments		321	321	
Total revenues		<u>105,785</u>	<u>105,785</u>	
EXPENDITURES - capital outlay:				
General government	\$ 85,000	<u>10,061</u>	74,939	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(85,000)	95,724	180,724	
FUND BALANCES, JULY 1				
FUND BALANCES, JUNE 30	\$ (85,000)	<u>\$ 95,724</u>	<u>\$ 180,724</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, 1998
(With comparative totals for year ended June 30, 1997)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest		\$ 460	\$ 460	
Net increase in fair value of investments		335	335	\$ 1,210
Total revenues		795	795	1,210
EXPENDITURES:				
Cost of issuance	\$ 1,559,487	1,521,399	38,088	190,875
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(1,559,487)</u>	<u>(1,520,604)</u>	<u>38,883</u>	<u>(189,665)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(55,236,067)	(55,236,065)	2	(3,359,287)
Proceeds of lease revenue bonds	56,795,552	56,795,552		3,548,952
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,559,485</u>	<u>1,559,487</u>	<u>2</u>	<u>189,665</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(2)</u>	<u>38,883</u>	<u>38,885</u>	
FUND BALANCES, JULY 1				
FUND BALANCES, JUNE 30	<u>\$ (2)</u>	<u>\$ 38,883</u>	<u>\$ 38,885</u>	<u>\$</u>



CITY OF MODESTO

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.

CAPITAL IMPROVEMENT PROJECTS DEBT SERVICE FUND - To account for debt service on certificates of participation issued to finance various capital improvement projects.

IMPROVEMENT DISTRICTS DEBT SERVICE FUND - To account for payment of bonded debt issued to finance Improvement 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, 1998

(With comparative totals for June 30, 1997)

	<i>902-903</i> <u>Redevelopment Agency</u>	<i>380-520</i> <u>Improvement Districts</u>
ASSETS		
Cash and cash equivalents	\$ 403,253	\$ 278,988
Cash and cash equivalents with fiscal agent	2,035,317	280,603
Receivables:		
Accounts	40,609	53,882
Taxes	28,500	
Special assessments		1,681,961
Total assets	\$ <u>2,507,679</u>	\$ <u>2,295,434</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenditures	\$ 6,928	\$ 3,123
Deferred revenues		1,621,382
Total liabilities	<u>6,928</u>	<u>1,624,505</u>
Fund balances:		
Reserved for debt service	<u>2,500,751</u>	<u>670,929</u>
Total liabilities and fund balances	\$ <u>2,507,679</u>	\$ <u>2,295,434</u>

Community Facilities Districts

549,945

Public Financing Authority	Totals	
	1998	1997
\$ 10,504,760	\$ 682,241	\$ 351,034
	12,820,680	4,119,241
15	94,506	52,341
	28,500	53,189
	1,681,961	1,868,042
<u>\$ 10,504,775</u>	<u>\$ 15,307,888</u>	<u>\$ 6,443,847</u>
	\$ 10,051	\$ 2,245
	1,621,382	1,830,853
	1,631,433	1,833,098
\$ 10,504,775	13,676,455	4,610,749
<u>\$ 10,504,775</u>	<u>\$ 15,307,888</u>	<u>\$ 6,443,847</u>

**CITY OF MODESTO
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)**

	<u>Redevelopment Agency</u>	<u>Capital Improvement Projects</u>
REVENUES:		
Taxes	\$ 971,080	
Intergovernmental - state	35,801	
Special assessments levied		
Interest and rent	86,645	\$ 11,777
Net increase in fair value of investments	8,756	
Total revenues	<u>1,102,282</u>	<u>11,777</u>
EXPENDITURES - debt service:		
Principal retirement	195,000	125,000
Interest	1,382,214	236,838
Advance refunding escrow		400,561
Other	8,105	3,842
Total expenditures	<u>1,585,319</u>	<u>766,241</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(483,037)</u>	<u>(754,464)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	824,141	109,001
Operating transfer out		
Proceeds of lease revenue bonds		2,954,532
Payments to refunded certificate of participation escrow agent		(2,954,532)
TOTAL OTHER FINANCING SOURCES (USES)	<u>824,141</u>	<u>109,001</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>341,104</u>	<u>(645,463)</u>
FUND BALANCES, JULY 1, as restated	<u>2,159,647</u>	<u>645,463</u>
FUND BALANCES, JUNE 30	<u>\$ 2,500,751</u>	<u>\$</u>

Improvement Districts	Public Financing Authority	Totals	
		1998	1997
		\$ 971,080	\$ 470,724
		35,801	36,770
\$ 210,348		210,348	259,005
140,926	\$ 74,903	314,251	572,945
	(2,634)	6,122	
<u>351,274</u>	<u>72,269</u>	<u>1,537,602</u>	<u>1,339,444</u>
320,002	395,000	1,035,002	895,000
127,747	625,109	2,371,908	2,262,583
		400,561	
13,718	9,761	35,426	39,820
<u>461,467</u>	<u>1,029,870</u>	<u>3,842,897</u>	<u>3,197,403</u>
(110,193)	(957,601)	(2,305,295)	(1,857,959)
92,700	10,357,370	11,383,212	2,213,089
			(538,662)
		2,954,532	
		(2,954,532)	
<u>92,700</u>	<u>10,357,370</u>	<u>11,383,212</u>	<u>1,674,427</u>
(17,493)	9,399,769	9,077,917	(183,532)
<u>688,422</u>	<u>1,105,006</u>	<u>4,598,538</u>	<u>4,794,281</u>
\$ <u>670,929</u>	\$ <u>10,504,775</u>	\$ <u>13,676,455</u>	\$ <u>4,610,749</u>



CITY OF MODESTO

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, 1998
(With comparative totals for June 30, 1997)**

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 288,065	\$ 16,620,760	\$ 13,382,595	\$ 3,005,451
Cash and cash equivalents with fiscal agent		2,383,080	5,298,220	
Receivables:				
Accounts		3,127,587	2,187,097	506,301
Taxes		3,385		
Notes			5,097	
Due from governments		1,948	132,106	17,743
Prepaid expenses				
Total current assets	<u>288,065</u>	<u>22,136,760</u>	<u>21,005,115</u>	<u>3,529,495</u>
Restricted assets-cash and cash equivalents:				
Cash deposits		591,498	91,365	
Revenue bond construction account			15,227,410	
Total restricted assets-cash and cash equivalents		<u>591,498</u>	<u>15,318,775</u>	
Other assets:				
Unamortized costs of issuance		351,325	855,086	
Total other assets		<u>351,325</u>	<u>855,086</u>	
Land, buildings and equipment:				
Land	1,613,168	1,353,770	11,534,879	626,597
Buildings	2,121,462	3,784,593	13,209,604	
Improvements other than buildings	465,315	27,773,129	61,144,368	6,835,036
Furnishings and equipment	15,697	743,547	1,861,317	111,225
Buses and fareboxes				
Pipelines		36,657,675	38,642,980	203,759
Construction in progress		257,619	23,726,388	350,490
Accumulated depreciation	(1,541,157)	(11,141,603)	(35,368,968)	(725,943)
Total land, buildings and equipment	<u>2,674,485</u>	<u>59,428,730</u>	<u>114,750,568</u>	<u>7,401,164</u>
Total assets	<u>\$ 2,962,550</u>	<u>\$ 82,508,313</u>	<u>\$ 151,929,544</u>	<u>\$ 10,930,659</u>

Airport	Bus	Golf	Community Center	Totals	
				1998	1997
\$ 84,408	\$ 2,905,249 41,515	\$ 4,614	\$ 95,585	\$ 36,386,727 7,722,815	\$ 33,809,780 7,801,907
7,055 75,000	918	5,235	45,372	5,879,565 78,385 5,097	6,529,675 4,204
63,313 9,407	1,268,850	31,853		1,515,813 9,407	1,851,015 9,531
<u>239,183</u>	<u>4,216,532</u>	<u>41,702</u>	<u>140,957</u>	<u>51,597,809</u>	<u>50,006,112</u>
				682,863	589,713
				<u>15,227,410</u>	<u>30,916,058</u>
				<u>15,910,273</u>	<u>31,505,771</u>
				1,206,411	1,328,668
				<u>1,206,411</u>	<u>1,328,668</u>
929,891	2,483,167	275,741	3,667,020	22,484,233	22,484,233
3,480,565	3,983,222	1,102,879	22,856,962	50,539,287	50,418,639
6,348,183	345,047	6,465,243	505,908	109,882,229	96,737,077
252,162	604,067	65,089	387,431	4,040,535	4,037,308
	7,898,948			7,898,948	5,293,509
				75,504,414	74,040,130
78,509	348,429	690		24,762,125	10,303,136
<u>(4,696,678)</u>	<u>(4,039,829)</u>	<u>(2,070,796)</u>	<u>(7,349,615)</u>	<u>(66,934,589)</u>	<u>(60,618,463)</u>
<u>6,392,632</u>	<u>11,623,051</u>	<u>5,838,846</u>	<u>20,067,706</u>	<u>228,177,182</u>	<u>202,695,569</u>
<u>\$ 6,631,815</u>	<u>\$ 15,839,583</u>	<u>\$ 5,880,548</u>	<u>\$ 20,208,663</u>	<u>\$ 296,891,675</u>	<u>\$ 285,536,120</u>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 1998
(With comparative totals for June 30, 1997)**

<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	\$ 4,577	\$ 397,081	\$ 3,478,599	\$ 341,336
Interest payable		344,637	435,249	
Due to other funds				
Current portion - long-term debt		842,842	960,000	
Current portion - developer advances		141,029		
Deferred revenues				
Total current liabilities	<u>4,577</u>	<u>1,725,589</u>	<u>4,873,848</u>	<u>341,336</u>
Other liabilities:				
Payable from restricted assets - refundable deposits		591,498	91,365	
Advances from other funds				
Revenue bonds payable			45,893,703	
Loans payable		3,378,635		
Obligations under capital leases				
Certificates of participation		22,439,790		
Developer advances		3,026,984		
Total other liabilities		<u>29,436,907</u>	<u>45,985,068</u>	
Total liabilities	<u>4,577</u>	<u>31,162,496</u>	<u>50,858,916</u>	<u>341,336</u>
Equity:				
Contributed capital	1,090,036	13,630,102	51,557,412	672
Retained earnings (deficit)-unreserved	1,867,937	37,715,715	49,513,216	10,588,651
Total equity	<u>2,957,973</u>	<u>51,345,817</u>	<u>101,070,628</u>	<u>10,589,323</u>
Total liabilities and equity	<u>\$ 2,962,550</u>	<u>\$ 82,508,313</u>	<u>\$ 151,929,544</u>	<u>\$ 10,930,659</u>

Airport	Bus	Golf	Community Center	Totals	
				1998	1997
\$ 14,840	\$ 431,390	\$ 7,168	\$ 46,083	\$ 4,721,074	\$ 1,529,401
				779,886	833,981
				1,802,842	440,071
				141,029	1,473,120
	3,370,730			3,370,730	149,014
<u>14,840</u>	<u>3,802,120</u>	<u>7,168</u>	<u>46,083</u>	<u>10,815,561</u>	<u>3,628,346</u>
337,300		532,000		682,863	589,713
				869,300	294,300
				45,893,703	46,773,384
				3,378,635	3,532,306
					4,171
				22,439,790	23,098,364
				3,026,984	3,164,077
<u>337,300</u>	<u></u>	<u>532,000</u>	<u></u>	<u>76,291,275</u>	<u>77,456,315</u>
<u>352,140</u>	<u>3,802,120</u>	<u>539,168</u>	<u>46,083</u>	<u>87,106,836</u>	<u>85,510,248</u>
6,558,638	11,842,412	4,884,804	20,004,951	109,569,027	108,930,136
(278,963)	195,051	456,576	157,629	100,215,812	91,095,736
<u>6,279,675</u>	<u>12,037,463</u>	<u>5,341,380</u>	<u>20,162,580</u>	<u>209,784,839</u>	<u>200,025,872</u>
\$ <u>6,631,815</u>	\$ <u>15,839,583</u>	\$ <u>5,880,548</u>	\$ <u>20,208,663</u>	\$ <u>296,891,675</u>	\$ <u>285,536,120</u>

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)**

	Parking	Water	Sewer	Storm Drain
OPERATING REVENUES:				
Charges for services	\$ 379,711	\$ 25,489,387	\$ 18,468,097	\$ 4,469,185
OPERATING EXPENSES:				
Salaries and wages	19,920	1,250,037	2,962,244	715,409
Contractual services	7,118	792,068	1,119,754	361,646
Utilities	14,022	1,441,315	1,640,793	12,553
Maintenance and supplies	13,071	1,966,370	2,055,636	741,876
Water purchases		9,747,785		
Insurance	3,243	107,590	127,540	22,317
Employee benefits	1,407	562,845	877,895	305,328
Administration services	103,617	2,489,335	1,224,050	699,123
Allocated indirect administrative costs	16,581	1,111,459	1,069,484	156,401
Other	153	25,102	38,261	925
Depreciation	66,118	1,574,783	3,464,367	251,860
Total operating expenses	<u>245,250</u>	<u>21,068,689</u>	<u>14,580,024</u>	<u>3,267,438</u>
OPERATING INCOME (LOSS)	<u>134,461</u>	<u>4,420,698</u>	<u>3,888,073</u>	<u>1,201,747</u>
NONOPERATING REVENUES (EXPENSES)				
Operating grants		213,275	145,739	21,327
Gain (loss) on disposition of fixed assets	(1,446)	(228,957)	(68,724)	(26,646)
Taxes		(126,428)	(76,774)	
Interest income	69,734	917,906	850,472	197,357
Net increase in fair value of investments	774	43,713	15,972	7,987
Rental income		9,600	80,550	
Interest expense		(161,414)	(469,783)	
Amortization of bond discount		(17,710)	(13,968)	
Amortization of costs of issuance		(14,037)	(52,226)	
Total nonoperating revenues (expenses)	<u>69,062</u>	<u>635,948</u>	<u>411,258</u>	<u>200,025</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>203,523</u>	<u>5,056,646</u>	<u>4,299,331</u>	<u>1,401,772</u>
Operating transfers in				
Operating transfers out	(1,106,400)	(1,587,092)	(1,912,285)	(11,117)
Total operating transfers in (out)	<u>(1,106,400)</u>	<u>(1,587,092)</u>	<u>(1,912,285)</u>	<u>(11,117)</u>
NET INCOME (LOSS)	(902,877)	3,469,554	2,387,046	1,390,655
Depreciation charged to contributed capital	66,118	549,717	2,454,852	26,445
Increase (decrease) in retained earnings	(836,759)	4,019,271	4,841,898	1,417,100
RETAINED EARNINGS (DEFICIT), July 1, as restated	<u>2,704,696</u>	<u>33,696,444</u>	<u>44,671,318</u>	<u>9,171,551</u>
RETAINED EARNINGS (DEFICIT), June 30	<u>\$ 1,867,937</u>	<u>\$ 37,715,715</u>	<u>\$ 49,513,216</u>	<u>\$ 10,588,651</u>

Airport	Bus	Golf	Community Center	Totals	
				1998	1997
\$ 579,183	\$ 1,633,351	\$ 1,942,613	\$ 687,120	\$ 53,648,647	\$ 55,887,302
243,736	449,733	46,525	518,672	6,206,276	6,027,141
34,982	4,288,000	1,513,109	77,385	8,194,062	8,758,762
50,657	57,542	26,558	187,958	3,431,398	3,013,470
67,133	657,283	53,152	179,001	5,733,522	5,433,077
18,097	13,444	66,374	38,215	9,747,785	9,448,380
66,645	123,485	37,536	103,743	396,820	273,879
12,367	187,254	12,018	38,425	2,078,884	2,018,411
65,588	420,334	102,118		4,766,189	4,930,696
48,929	7,946	39,931	13,129	2,941,965	2,884,378
318,817	447,391	363,894	742,575	174,376	131,098
926,951	6,652,412	2,261,215	1,899,103	7,229,805	6,842,811
(347,768)	(5,019,061)	(318,602)	(1,211,983)	50,901,082	49,762,103
				2,747,565	6,125,199
707	1,776,527	98,152		2,255,727	2,227,839
(2,276)	(101,925)	(6,802)	(16,190)	(452,966)	(159,258)
192,629	2,525,558	(16,486)		2,514,985	2,900,479
	168,500	(1,223)		2,187,483	1,916,895
50,023	170,898			67,223	
				311,071	418,304
				(631,197)	(568,234)
				(31,678)	(19,853)
				(66,263)	(50,534)
241,083	4,539,558	73,641	(16,190)	6,154,385	6,665,638
(106,685)	(479,503)	(244,961)	(1,228,173)	8,901,950	12,790,837
			558,740	558,740	468,743
(198,631)		(475,110)		(5,290,635)	(3,983,943)
(198,631)		(475,110)	558,740	(4,731,895)	(3,515,200)
(305,316)	(479,503)	(720,071)	(669,433)	4,170,055	9,275,637
318,817	447,391	360,983	742,575	4,966,898	4,765,947
13,501	(32,112)	(359,088)	73,142	9,136,953	14,041,584
(292,464)	227,163	815,664	84,487	91,078,859	77,054,152
\$ (278,963)	\$ 195,051	\$ 456,576	\$ 157,629	\$ 100,215,812	\$ 91,095,736

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)**

	Parking	Water	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 134,461	\$ 4,420,698	\$ 3,888,073
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	66,118	1,574,783	3,464,367
Rental income		9,600	80,550
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		252,970	169,612
(Increase) in taxes receivable		(136)	
Decrease in due from governments			
(Increase) decrease in prepaid expenses			
Increase (decrease) in accounts payable and accrued expenses	4,438	161,170	2,120,216
Increase (decrease) in due to other funds			
Increase (decrease) in deferred revenue			
Increase in refundable deposits		70,047	23,103
Total adjustments	70,556	2,068,434	5,857,848
Net cash provided (used) by operating activities	205,017	6,489,132	9,745,921
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received		211,327	162,717
Taxes received			
Taxes paid		(126,428)	(76,774)
Operating transfers in			
Operating transfers out	(1,106,400)	(1,587,092)	(1,912,285)
Residual equity transfers out		(14,665)	(18,000)
New advances from other funds			
Net cash provided (used) by noncapital financing activities	(1,106,400)	(1,516,858)	(1,844,342)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(2,250)	(2,191,476)	(22,445,584)
Proceeds from sale of fixed assets			
Principal repayments		(25,322,975)	(925,000)
Interest paid		(1,372,448)	(2,712,239)
Capital grants received			
Residual equity transfers in			
Connection fees for capital purposes		865,259	792,131
Sale of refunding revenue bonds and revenue bonds			
Sale of refunding certificates of participation		25,585,000	
Costs of issuance paid		(348,828)	(75,698)
Bond discount paid		(576,560)	
Net cash provided (used) by capital and related financing activities	(2,250)	(3,362,028)	(25,366,390)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	72,130	1,105,246	2,561,872
Net change in the valuation of investments	(2,575)	2,699	52,757
Net cash provided (used) by investing activities	69,555	1,107,945	2,614,629
Net increase (decrease) in cash and cash equivalents	(834,078)	2,718,191	(14,850,182)
CASH AND CASH EQUIVALENTS, JULY 1	1,122,143	16,877,147	48,849,772
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 288,065	\$ 19,595,338	\$ 33,999,590

Storm Drain	Airport	Bus	Golf	Community Center	Totals	
					1998	1997
\$ 1,201,747	\$ (347,768)	\$ (5,019,061)	\$ (318,602)	\$ (1,211,983)	\$ 2,747,565	\$ 6,125,199
251,860	318,817 50,023	447,391 170,898	363,894	742,575	7,229,805 311,071	6,842,811 418,304
19,831	(4,705)	828	906	12,599	452,041 (136)	(1,175,579) (935)
		5,883			5,883	1,782,618
	124				124	(865)
275,096	8,475 (44,000) (3,389)	28,725	(11,634) (396,071)	24,300	2,610,786 (440,071) (3,389)	(411,017) 440,071 3,389
					93,150	169,003
<u>546,787</u>	<u>325,345</u>	<u>653,725</u>	<u>(42,905)</u>	<u>779,474</u>	<u>10,259,264</u>	<u>8,067,800</u>
<u>1,748,534</u>	<u>(22,423)</u>	<u>(4,365,336)</u>	<u>(361,507)</u>	<u>(432,509)</u>	<u>13,006,829</u>	<u>14,192,999</u>
3,584	707 118,585	1,912,682 2,552,812	384,834		2,675,851 2,671,397	1,755,654 3,014,945
				558,740	(203,202)	(105,911)
(11,117)	(198,631)		(475,110)		558,740	468,743
		(14,627)			(5,290,635)	(3,983,943)
	115,000		460,000		(47,292)	(39,235)
<u>(7,533)</u>	<u>35,661</u>	<u>4,450,867</u>	<u>369,724</u>	<u>558,740</u>	<u>575,000</u>	<u>142,300</u>
					<u>939,859</u>	<u>1,252,553</u>
(2,036,404)	(162,316)	(3,487,357) 4,088	(690)	(31,523)	(30,357,600) 4,088	(9,272,562) 30,045
					(26,247,975)	(10,154,140)
	232,296	3,023,625			(4,084,687)	(2,385,200)
					3,255,921	913,388
						8,800
					1,657,390	946,468
						41,095,000
					25,585,000	
					(424,526)	(677,232)
					(576,560)	(301,497)
<u>(2,036,404)</u>	<u>69,980</u>	<u>(459,644)</u>	<u>(690)</u>	<u>(31,523)</u>	<u>(31,188,949)</u>	<u>20,203,070</u>
200,454 (1,270)		171,056	(16,486) (1,265)		4,094,272 50,346	3,019,077
<u>199,184</u>		<u>171,056</u>	<u>(17,751)</u>		<u>4,144,618</u>	<u>3,019,077</u>
(96,219)	83,218	(203,057)	(10,224)	94,708	(13,097,643)	38,667,699
<u>3,101,670</u>	<u>1,190</u>	<u>3,149,821</u>	<u>14,838</u>	<u>877</u>	<u>73,117,458</u>	<u>34,449,759</u>
\$ <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>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1998**

WATER FUND

Fixed asset additions accrued at year end	\$	19,488
Fixed assets transferred from other funds and General Fixed Assets		198,012
Capitalized interest expense on certificates of participation accrued at year end		316,587
Operating grants for flood relief accrued at year end		1,948

SEWER FUND

Fixed asset additions accrued at year end		752,860
Fixed assets transferred from other funds and General Fixed Assets		18,696
Capitalized interest expense on revenue bonds accrued at year end		369,421
Capitalized interest revenue accrued at year end		36,197
Operating grants for flood relief accrued at year end		132,106

STORM DRAIN FUND

Fixed asset additions accrued at year end		22,781
Fixed assets transferred from other funds and General Fixed Assets		778
Operating grants for flood relief accrued at year end		17,743

AIRPORT FUND

Capital grants accrued at year end		63,313
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BUS FUND

Fixed assets transferred from other funds and General Fixed Assets		150,000
Operating grants accrued at year end		967,405
Capital grants accrued at year end		116,447

GOLF FUND

Operating grants for flood relief 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.

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.

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 1998
(With comparative totals for June 30, 1997)**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology & Information Services</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,782,718	\$ 143,516	\$ 654,371
Receivables:			
Accounts		146	
Notes			
Inventories		335,686	
Total current assets	<u>4,782,718</u>	<u>479,348</u>	<u>654,371</u>
Land, buildings and equipment:			
Land	270,692		
Buildings	695,066		
Improvements other than buildings	1,112,209	13,694	203,909
Equipment pool	15,336,852		
Furnishings and equipment	418,878	161,616	3,356,995
Construction in progress	104,072		
Accumulated depreciation	<u>(9,518,091)</u>	<u>(40,482)</u>	<u>(1,659,091)</u>
Total land, buildings and equipment	<u>8,419,678</u>	<u>134,828</u>	<u>1,901,813</u>
 Total assets	 <u>\$ 13,202,396</u>	 <u>\$ 614,176</u>	 <u>\$ 2,556,184</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$ 64,602	\$ 64,617	\$ 92,676
Interest payable		1,728	25,399
Current portion - compensated absences			
Current portion - claims liability			
Current portion - long-term debt		9,369	161,988
Total current liabilities	<u>64,602</u>	<u>75,714</u>	<u>280,063</u>
Other liabilities:			
Advances from other funds		463,000	
Obligations under capital leases		31,538	505,268
Compensated absences			
Claims liability			
Total other liabilities		<u>494,538</u>	<u>505,268</u>
 Total liabilities	 <u>64,602</u>	 <u>570,252</u>	 <u>785,331</u>
Equity:			
Contributed capital	3,550,522	66,876	1,573,826
Retained earnings (deficit)-unreserved	<u>9,587,272</u>	<u>(22,952)</u>	<u>197,027</u>
Total equity	<u>13,137,794</u>	<u>43,924</u>	<u>1,770,853</u>
 Total liabilities and equity	 <u>\$ 13,202,396</u>	 <u>\$ 614,176</u>	 <u>\$ 2,556,184</u>

<u>Insurance</u>	<u>Employee Benefits Management</u>	<u>Building Services</u>	<u>Totals</u>	
			<u>1998</u>	<u>1997</u>
\$ 9,652,940	\$ 7,846,303	\$ 280,445	\$ 23,360,293	\$ 21,767,578
127,486	28,923		156,555	211,589
	79,499		79,499	79,722
			335,686	357,654
<u>9,780,426</u>	<u>7,954,725</u>	<u>280,445</u>	<u>23,932,033</u>	<u>22,416,543</u>
		383,164	653,856	653,856
		3,819,203	4,514,269	4,514,269
		1,133,473	2,463,285	2,172,021
			15,336,852	13,689,619
72,474	29,833	65,791	4,105,587	685,857
			104,072	254,219
<u>(35,226)</u>	<u>(5,178)</u>	<u>(3,367,033)</u>	<u>(14,625,101)</u>	<u>(11,494,337)</u>
<u>37,248</u>	<u>24,655</u>	<u>2,034,598</u>	<u>12,552,820</u>	<u>10,475,504</u>
\$ <u>9,817,674</u>	\$ <u>7,979,380</u>	\$ <u>2,315,043</u>	\$ <u>36,484,853</u>	\$ <u>32,892,047</u>
\$ 107,818	\$ 12,428	\$ 75,975	\$ 418,116	\$ 727,927
			27,127	
	5,282,013		5,282,013	5,097,339
3,564,951			3,564,951	3,629,261
			171,357	
<u>3,672,769</u>	<u>5,294,441</u>	<u>75,975</u>	<u>9,463,564</u>	<u>9,454,527</u>
			463,000	463,000
			536,806	
	9,711,809		9,711,809	9,046,262
<u>5,612,961</u>			<u>5,612,961</u>	<u>4,449,620</u>
<u>5,612,961</u>	<u>9,711,809</u>		<u>16,324,576</u>	<u>13,958,882</u>
<u>9,285,730</u>	<u>15,006,250</u>	<u>75,975</u>	<u>25,788,140</u>	<u>23,413,409</u>
		1,921,989	7,117,025	5,572,327
3,812		317,079	3,579,688	3,906,311
<u>528,132</u>	<u>(7,026,870)</u>	<u>2,239,068</u>	<u>10,696,713</u>	<u>9,478,638</u>
<u>531,944</u>	<u>(7,026,870)</u>			
\$ <u>9,817,674</u>	\$ <u>7,979,380</u>	\$ <u>2,315,043</u>	\$ <u>36,484,853</u>	\$ <u>32,892,047</u>

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1998
(With comparative totals for year ended (June 30, 1997))**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Technology & Information Services</u>
OPERATING REVENUES:			
Charges for services	\$ 5,021,795	\$ 442,052	\$ 1,453,863
Sales		1,494,401	
Cost of sales		(1,483,810)	
Total operating revenues	<u>5,021,795</u>	<u>452,643</u>	<u>1,453,863</u>
OPERATING EXPENSES:			
Salaries and wages	679,692	222,435	403,103
Contractual services	88,972	79,440	106,318
Utilities	507	2,132	8,631
Maintenance and supplies	1,320,183	56,147	295,707
Insurance	34,044	6,551	8,127
Claims expense			
Employee benefits	223,901	69,470	95,376
Administration services	13,127	10,907	
Allocated indirect administrative costs	317,640		
Other	13,868	1,069	45,792
Depreciation	1,588,056	11,462	565,500
Total operating expenses	<u>4,279,990</u>	<u>459,613</u>	<u>1,528,554</u>
OPERATING INCOME (LOSS)	<u>741,805</u>	<u>(6,970)</u>	<u>(74,691)</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposition of fixed assets	632	(24,000)	(84,036)
Interest income			16,110
Net increase in fair value of investments			
Interest expense		(1,728)	(32,187)
Total nonoperating revenues (expenses)	<u>632</u>	<u>(25,728)</u>	<u>(100,113)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>742,437</u>	<u>(32,698)</u>	<u>(174,804)</u>
Operating transfers in			
Operating transfers out	(104,401)		(25,715)
Total operating transfers in (out)	<u>(104,401)</u>		<u>(25,715)</u>
NET INCOME (LOSS)	638,036	(32,698)	(200,519)
Depreciation charged to contributed capital	<u>316,023</u>	<u>336</u>	<u>397,546</u>
Increase (decrease) in retained earnings	954,059	(32,362)	197,027
RETAINED EARNINGS (DEFICIT), July 1, as restated	<u>8,633,213</u>	<u>9,410</u>	
RETAINED EARNINGS (DEFICIT), June 30	<u>\$ 9,587,272</u>	<u>\$ (22,952)</u>	<u>\$ 197,027</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			1998	1997
\$ 10,681,326	\$ 17,892,376	\$ 2,020,347	\$ 37,511,759	\$ 33,732,464
			1,494,401	1,472,176
			(1,483,810)	(1,351,384)
<u>10,681,326</u>	<u>17,892,376</u>	<u>2,020,347</u>	<u>37,522,350</u>	<u>33,853,256</u>
246,179	37,998	749,454	2,338,861	1,903,356
65,378	6,762	34,993	381,863	107,687
1,305		686,531	699,106	545,418
10,536	28,898	241,021	1,952,492	1,679,760
5,087,505	1,062	19,904	5,157,193	5,252,626
5,627,081			5,627,081	2,716,518
70,194	19,545,003	204,688	20,208,632	18,633,419
247,321	28,755	16,324	316,434	473,348
			317,640	311,412
31,744	20,222	1,579	114,274	36,561
5,625	2,463	86,283	2,259,389	1,590,887
<u>11,392,868</u>	<u>19,671,163</u>	<u>2,040,777</u>	<u>39,372,965</u>	<u>33,250,992</u>
(711,542)	(1,778,787)	(20,430)	(1,850,615)	602,264
(10,508)	(1,615)	(7,622)	(127,149)	(102,722)
543,030	462,738		1,021,878	1,072,368
25,607	21,226		46,833	
			(33,915)	
<u>558,129</u>	<u>482,349</u>	<u>(7,622)</u>	<u>907,647</u>	<u>969,646</u>
(153,413)	(1,296,438)	(28,052)	(942,968)	1,571,910
	342,067		342,067	50,000
(342,067)			(472,183)	(14,482)
<u>(342,067)</u>	<u>342,067</u>		<u>(130,116)</u>	<u>35,518</u>
(495,480)	(954,371)	(28,052)	(1,073,084)	1,607,428
		84,299	798,204	385,198
(495,480)	(954,371)	56,247	(274,880)	1,992,626
1,023,612	(6,072,499)	260,832	3,854,568	1,913,685
<u>\$ 528,132</u>	<u>\$ (7,026,870)</u>	<u>\$ 317,079</u>	<u>\$ 3,579,688</u>	<u>\$ 3,906,311</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1998
(With comparative totals for year ended June 30, 1997)

	Fleet Management	Central Services	Technology & Information Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 741,805	\$ (6,970)	\$ (74,691)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,588,056	11,462	565,500
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	2,506	233	
(Increase) decrease in notes receivable			
(Increase) decrease in inventories		21,968	
Increase (decrease) in accounts payable and accrued expenses	(82,103)	(14,711)	92,676
Increase in compensated absences			
Increase (decrease) in claims liability			
Total adjustments	<u>1,508,459</u>	<u>18,952</u>	<u>658,176</u>
Net cash provided (used) by operating activities	<u>2,250,264</u>	<u>11,982</u>	<u>583,485</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in			
Operating transfers out	(104,401)		(25,715)
Residual equity transfers out		(2,465)	
Net cash provided (used) by noncapital financing activities	<u>(104,401)</u>	<u>(2,465)</u>	<u>(25,715)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(1,564,307)	(27,378)	(372,469)
Proceeds from sale of fixed assets			
Principal repayments		(13,762)	(194,578)
Interest paid			(6,788)
Residual equity transfers in	233,894		654,326
Net cash provided (used) by capital and related financing activities	<u>(1,330,413)</u>	<u>(41,140)</u>	<u>80,491</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received			16,110
Net change in the valuation of investments			
Net cash provided (used) by investing activities	<u>0</u>	<u>0</u>	<u>16,110</u>
Net increase (decrease) in cash and cash equivalents	815,450	(31,623)	654,371
CASH AND CASH EQUIVALENTS, JULY 1	<u>3,967,268</u>	<u>175,139</u>	
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 4,782,718</u>	<u>\$ 143,516</u>	<u>\$ 654,371</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			1998	1997
\$ (711,542)	\$ (1,778,787)	\$ (20,430)	\$ (1,850,615)	\$ 602,264
5,625	2,463	86,283	2,259,389	1,590,887
	223		2,739	63,705
			223	(5,740)
(305,049)	(26,756)	26,132	21,968	(49,433)
	850,221		(309,811)	(135,712)
1,099,031			850,221	891,433
799,607			1,099,031	(551,956)
88,065			3,923,760	1,803,184
			2,073,145	2,405,448
	342,067		342,067	50,000
(342,067)			(472,183)	(14,482)
			(2,465)	
(342,067)	342,067	0	(132,581)	35,518
(12,236)	(13,442)	(100,370)	(2,090,202)	(1,426,243)
			0	183,170
			(208,340)	(4,186)
			(6,788)	
			888,220	93,771
(12,236)	(13,442)	(100,370)	(1,417,110)	(1,153,488)
547,632	510,429		1,074,171	1,102,400
(2,370)	(2,540)		(4,910)	
545,262	507,889	0	1,069,261	1,102,400
279,024	(116,122)	(8,385)	1,592,715	2,389,878
9,373,916	7,962,425	288,830	21,767,578	19,377,700
\$ 9,652,940	\$ 7,846,303	\$ 280,445	\$ 23,360,293	\$ 21,767,578

(Continued)

CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1998

FLEET MANAGEMENT FUND

Fixed assets transferred from other funds and General Fixed Assets	\$	135,078
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CENTRAL SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets		2,131
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TECHNOLOGY AND INFORMATION SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets		1,317,046
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INSURANCE FUND

Fixed assets transferred from other funds and General Fixed Assets		2,892
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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 FUNDS:

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

DEFERRED COMPENSATION - To account for the City's deferred compensation plan for part-time employees. Part time employees are required to defer a portion of their wages in lieu of mandatory social security contributions.

**CITY OF MODESTO
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
June 30, 1998
(With comparative totals for June 30, 1997)**

	Trust Fund	Agency Funds		Totals	
	Investment Trust Fund	Refundable Deposits	Deferred Compensation	1998	1997
ASSETS					
Cash and cash equivalents in City investment pool	\$ 1,166,009			\$ 1,166,009	
Restricted assets:					
Cash deposits		\$ 1,211,303		1,211,303	\$ 1,739,686
Cash and investments			\$ 133,038	133,038	223,990
Total assets	\$ 1,166,009	\$ 1,211,303	\$ 133,038	\$ 2,510,350	\$ 1,963,676
LIABILITIES AND FUND BALANCE					
Liabilities:					
Payable from restricted assets:					
Refundable deposits		\$ 1,211,303		\$ 1,211,303	\$ 1,739,686
Deferred compensation			\$ 133,038	133,038	223,990
Total liabilities		1,211,303	133,038	1,344,341	1,963,676
Fund balance:					
Reserved for external investment pool participants	\$ 1,166,009			1,166,009	
Total liabilities and fund balance	\$ 1,166,009	\$ 1,211,303	\$ 133,038	\$ 2,510,350	\$ 1,963,676

**CITY OF MODESTO
INVESTMENT TRUST FUND
STATEMENT OF NET ASSETS
June 30, 1998**

ASSETS

Cash and cash equivalents in City investment pool	\$ <u>1,166,009</u>
Net assets held in trust for external pool participants	\$ <u><u>1,166,009</u></u>

**CITY OF MODESTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 1998**

	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
REFUNDABLE DEPOSITS				
ASSETS				
Restricted assets - cash deposits	\$ 1,739,686	\$ 518,650	\$ 1,047,033	\$ 1,211,303
LIABILITIES				
Refundable deposits	\$ 1,739,686	\$ 518,650	\$ 1,047,033	\$ 1,211,303
DEFERRED COMPENSATION				
ASSETS				
Restricted assets - cash and investments	\$ 223,990	\$ 8,312	\$ 99,264	\$ 133,038
LIABILITIES				
Deferred compensation	\$ 223,990	\$ 8,312	\$ 99,264	\$ 133,038
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Restricted assets - cash and investments	\$ 1,963,676	\$ 526,962	\$ 1,146,297	\$ 1,344,341
LIABILITIES				
Payable from restricted assets:				
Refundable deposits	\$ 1,739,686	\$ 518,650	\$ 1,047,033	\$ 1,211,303
Deferred compensation	223,990	8,312	99,264	133,038
Total liabilities	\$ 1,963,676	\$ 526,962	\$ 1,146,297	\$ 1,344,341

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, 1998

	Total	Land	Buildings	Improvements Other Than Buildings	Furnishings and Equipment	Equipment Pool
General government:						
City council	\$ 33,949			\$ 11,775	\$ 22,174	
City manager	106,784			22,146	84,638	
Personnel	67,382			18,761	48,621	
City attorney	99,462			3,042	96,420	
City clerk/auditor	39,454			11,676	27,778	
Finance	953,660			64,102	889,558	
Community development	851,143	\$ 235,418	\$ 39,231	34,491	542,003	
Parking and traffic	1,032,539	424,038	325,000	7,890	275,611	
Total general government	<u>3,184,373</u>	<u>659,456</u>	<u>364,231</u>	<u>173,883</u>	<u>1,986,803</u>	
Public safety:						
Fire	8,381,941	194,563	2,460,083	526,839	5,200,456	
Police	5,976,085	1,304,982	983,571	353,564	3,206,162	\$ 127,806
Total public safety	<u>14,358,026</u>	<u>1,499,545</u>	<u>3,443,654</u>	<u>880,403</u>	<u>8,406,618</u>	<u>127,806</u>
Public works	<u>765,643</u>		<u>63,913</u>	<u>191,716</u>	<u>510,014</u>	
Highways and streets	<u>218,161</u>	<u>78,064</u>		<u>15,107</u>	<u>124,990</u>	
Parks and recreation	<u>39,260,793</u>	<u>11,615,024</u>	<u>4,426,321</u>	<u>22,633,045</u>	<u>586,403</u>	
Total general fixed assets allocated to functions	<u>57,786,996</u>	<u>\$ 13,852,089</u>	<u>\$ 8,298,119</u>	<u>\$ 23,894,154</u>	<u>\$ 11,614,828</u>	<u>\$ 127,806</u>
Construction in progress	<u>6,455,699</u>					
Total general fixed assets	<u>\$ 64,242,695</u>					

CITY OF MODESTO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
Year ended June 30, 1998

	General Fixed Assets July 1, 1997	Additions	Deductions	General Fixed Assets June 30, 1998
General government	\$ 5,611,727	\$ 868,627	\$ 3,295,981	\$ 3,184,373
Public safety	14,192,685	774,187	608,846	14,358,026
Public works	680,216	192,049	106,622	765,643
Highways and streets	283,128	96,127	161,094	218,161
Parks and recreation	34,626,092	4,776,362	141,661	39,260,793
Construction in progress	6,552,985	5,136,749	5,234,035	6,455,699
Total changes by function	\$ 61,946,833	\$ 11,844,101	\$ 9,548,239	\$ 64,242,695

CITY OF MODESTO
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 1998

GENERAL FIXED ASSETS:

Land	\$ 13,852,089
Buildings	8,298,119
Improvements	23,894,154
Furnishing and equipment	11,614,828
Equipment pool	127,806
Construction in progress	6,455,699
Total general fixed assets	\$ 64,242,695

INVESTMENT IN GENERAL FIXED ASSETS FROM:

City funding	\$ 50,953,090
State grants	2,477,358
Federal grants	8,314,208
Contributions/donations	2,498,039
Total investment in general fixed assets	\$ 64,242,695



CITY OF MODESTO

City of Modesto Statistical Section

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
1989	\$ 7,600,550	\$ 6,851,652	\$ 4,588,250	\$ 6,210,029	\$ 24,123,637	\$ 2,635,545	\$ 52,009,663
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	9,868,996	35,466,318	3,809,045	66,247,981
1995	8,869,195	7,894,106	3,066,056	9,172,517	37,028,679	3,967,695	69,998,248
1996	9,471,466	9,519,874	3,414,399	8,713,861	38,886,484	3,783,059	73,789,143
1997	9,229,119	10,756,336	3,658,718	9,269,256	41,269,058	3,804,752	77,987,239
1998	9,959,685	7,522,651	3,583,622	9,783,260	45,377,215	4,871,263	81,097,696

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

- NOTE: (1) Includes General, Special Revenue, and Debt Service Funds.
(2) Includes the following taxes (with percent of total taxes for 1998):
- | | |
|------------------------|-------------|
| Sales Tax - | 37% |
| Utility Users Tax - | 23 |
| Property Tax - | 15 |
| Business License Tax - | 10 |
| Other - | <u>15</u> |
| | <u>100%</u> |

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

<u>Year Ended June 30,</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections As Percent of Current Levy (2)</u>	<u>Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
1989	\$ 5,894,285	\$ 5,628,453	95.49	\$ 302,592	\$ 5,931,045	100.62	\$ 259,436	4.40
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		

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	
1989	\$ 4,360,362,818	\$ 4,360,362,818	\$ 183,269,638	\$ 183,269,638	\$ 4,543,632,456	\$ 4,543,632,456	100
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	301,300,024	301,300,024	6,997,736,965	6,997,736,965	100
1998	7,107,943,476	7,107,943,476	364,091,322	364,091,322	7,472,034,798	7,472,034,798	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>
1989	1.00	.0091	.2023	1.2114
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

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

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

<u>Year Ended June 30,</u>	<u>Current Assessments Billed</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Outstanding Assessments</u>
1989	\$ 116,174	\$ 116,174	100	\$ 1,561,180
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 (1)	190,925 (2)	98	1,621,381 (3)

- (1) Principal levied on prior year tax roll in 1997/98
- (2) Total received on current year tax roll
- (3) Total of Assessment Receivable

CITY OF MODESTO
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 1998

Net assessed value (1)		\$ 7,178,209,378
Plus homeowners' exemption (1)		<u>293,825,420</u>
Gross assessed value (1)		<u>\$ 7,472,034,798</u>
Debt limit - 15% of gross assessed value (2)		\$ 1,120,805,220
Amount of debt applicable to debt limit:		
Total general bonded debt, including special assessment debt	\$ 1,580,000	
Less: Assets in debt service funds available for payment of principal		
	\$ 670,929	
Other deductions: Special assessment debt	<u>1,580,000</u>	
Total deductions		2,250,929
Total amount of debt applicable to debt limit		<u>0</u>
Legal debt margin		<u>\$ 1,120,805,220</u>

Notes: (1) Source of Data: Stanislaus County Assessor; Last Equalized Roll
(2) Section 43605 California Government Code.

CITY OF MODESTO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 1998

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Modesto (2)</u>	<u>Amount Applicable to City of Modesto</u>
City of Modesto	\$ 1,481,196	100%	\$ 1,481,196
School Districts:			
Ceres Unified District		10.0	
Empire Union School District		35.0	
Modesto Elementary School District	19,569,798	72.5	14,188,104
Modesto High School District	29,584,944	68.5	20,265,687
Sylvan School District	12,805,805	85.0	10,884,934
Salida Union Elementary District	2,627,820	27.0	709,511
Stanislaus Union School District	5,602,055	33.0	1,848,678
Total	\$ 71,671,618		\$ 49,378,110

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, 1998

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.

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 1998

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 6/30/98	\$0 (covered by surety bond, issued by Federal Guaranty Insurance Company)
Balance in Parity Reserve Fund as of 6/30/98	\$0
Balance in Rate Stabilization Fund as of 6/30/98	\$3,000,000

Ten Largest Customers of Water Utility System, Year Ended 6/30/98

<u>Customer</u>	<u>Business Type</u>	<u>% of Total Water Sales Revenue</u>
1) Tri-Valley Growers	Cannery	3.87
2) Frito-Lay, Inc.	Snack Food Processor	1.23
3) S & W Fine Foods, Inc.	Cannery	1.05
4) Stanislaus Foods	Cannery	0.86
5) Foster Farms	Dairy Processor	0.68
6) E & J Gallo Winery	Winery	0.60
7) Nestle Food Company	Chocolate Processor	0.54
8) Tartaric Manufacturing Corp.		0.33
9) Del Monte Foods	Cannery	0.30
10) General Foods Corp.	Food Processor	0.24

Water Sales Revenue, Year Ended 6/30/98

Residential - flat rates	\$14,793,953
Commercial, industrial and municipal - metered rates	10,021,016
Total Water Sales	<u>\$24,814,969</u>

Average Monthly Water Service Charges as of 6/30/98 - Residential Accounts

Zone 1	\$21.68
Zone 2	28.58
Zone 3	15.83

Current Water Rates and Charges as of 6/30/98 - Commercial Accounts

<u>Meter Size</u>	<u>Per Meter (1)</u>
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.

(continued)

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 1998

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 1998

Gross Operating Revenues:	
Charges for services	\$25,244,361
DBCP settlement	245,026
Connection charges	865,259
Interest and rental income	927,506
Total Gross Operating Revenues	<u>27,282,152</u>
Operating Expenses:	
Total operating expenses	21,068,689
Less: Depreciation	(1,574,783)
T&DA debt service component paid to MID	(7,353,019)
Plus: property taxes	126,428
Total Operating Expenses	<u>12,267,315</u>
Net Operating Revenues	<u>\$15,014,837</u>
Total Debt Service:	
1992 Certificates of Participation	\$1,103,048
1997 Refunding Certificates of Participation	527,611
Treatment & Delivery Agreement	7,611,000
CDWR Loan	264,699
Total Debt Service	<u>\$9,506,358</u>
Debt Service Coverage (Net Operating Revenues/Total Debt Service)	1.58

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**

Year Ended June 30,	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Total Debt Service (3)	Coverage (4)
1989	\$ 11,072,846	\$ 5,558,010	\$ 5,514,836	\$ 1,237,767	4.46
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

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	
1989	78	\$ 45,346,233	3,356	\$ 189,119,544	\$ 4,543,632,456	\$ 320,179,235	1,205,075,000
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	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 1997.

**CITY OF MODESTO
PRINCIPAL PAYERS OF PROPERTY TAX
Year Ended June 30, 1998**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percent of Total</u>
National Medical Hospitals	Medical	\$ 86,562,403	2.33 %
Macerich Vintage Faire Associates	Shopping Center	70,591,948	1.60
Foster Farms Dairy	Food Processing	46,724,873	0.87
Phoenix Management Corp.	Food Processing	48,848,253	1.04
McClatchy Newspapers	Publishing	36,399,367	0.67
Liljenquist Modesto Co.	Real Estate	38,081,753	0.81
Stanislaus Partners	Food Processing	32,152,040	0.57
Alcurt Realty Group, Inc.	Real Estate	22,009,731	0.36
Basic Vegetable Products	Food Processing	22,186,730	0.48
American Investment Co.	Real Estate	20,669,347	0.36
All others			<u>90.91</u> <u>100.00</u> %

Source of Data: Stanislaus County Tax Collector.

CITY OF MODESTO
SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 1998

Coverage	Company	Policy Number(s)	Limits of Liability	Term	Premium	Retention or Deductible
Airport Comprehensive Gen. Liability Hangerkeepers Legal Liability Contractual Liability	National Union	AP3223414-05	\$ 25,000,000	4/1/98 - 4/1/99	\$ 12,543	\$ 250 Hangerkeepers
Gen. Liability Auto Liability Errors & Omissions (excludes Airport)	ACCEL	ACC 9899	\$ 19,000,000	7/1/98 - 7/1/99	\$301,086	\$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	5/15/98 - 5/15/99	\$ 94,459	\$ 5,000 \$ 25,000 Flood
Boiler & Machinery	CNA	PEPBM9899	\$ 50,000,000	5/15/98 - 5/15/99	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	7/1/98 - 7/1/99	\$ 2,070	\$ 0
Workers' Compensation	Continental Casualty Co.	W128579898	\$ 2,000,000	5/1/98 - 5/1/99	\$ 19,942	\$ 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	ACC12345	\$ 10,000,000	7/1/98 - 7/1/99	\$ 18,567	\$ 0

Source of data: City of Modesto Risk Manager

CITY OF MODESTO
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
June 30, 1998

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
J. Edward Tewes, City Manager	\$ 109,807	\$ 25,000
Jean Zahr, City Clerk/Auditor	56,642	50,000
Judy Hall, Assistant City Clerk/Auditor	43,594	50,000
Charles Long, Interim Director of Finance	91,808	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, 1998

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	33.83

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
01/01/98	182,660
Projected 2000 (Dept. of Finance)	235,100

Housing units:

1980 (2)	42,570
1990 (3)	60,878
1997 (1)	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	84,745
Votes cast, last municipal election	22,042
Percentage of voter balloting	26.0

(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, 1998

Permanent employees authorized	1,138
Fire Protection: Underwriter's Classification - Class 2	
Fire Stations	10
Positions authorized	155.5
Number of fire hydrants	6,000
Police Protection:	
Police Station	1
Area command offices	4
Positions authorized	356
Number of vehicles	208
Recreational Areas (acres):	
Developed Parks	
52 fully or partially developed	395.85
Undeveloped Parks	
8 Neighborhood	64.12
1 Community	23.00
1 Area	100.00
Total: 10 Undeveloped Parks	187.12
Special Facilities	
1 Baseball stadium	20.00
3 Golf courses	363.29
Total: 4 Special Facilities	383.29
Total Recreational Areas	966.26
Building Permits:	
Permits issued in 1996-97	4,842
Estimated cost of construction	\$218,875,445
Streets:	
Streets, paved or oiled (miles)	559.46
Street lights	11,200
Traffic signals	178
Parking Facilities:	
Number of parking lots	21
Number of off-street parking spaces	2,075

(Continued)

CITY OF MODESTO
DEMOGRAPHIC AND MISCELLANEOUS STATISTICAL DATA (continued)
June 30, 1998

Elderly and handicapped van service:	
Number of vehicles	8
Seating capacity vans	12
Average daily number of passengers	260
Average miles per month	40,750
Airport:	
For year ended June 30, 1998	
Number of passengers enplaned	20,106
Number of passengers deplaned	19,300
Total aircraft movements	66,777
Annual fuel consumption in gallons	744,330
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	23
Number of air carriers scheduled per day	4
Number of runways	2
Bus Service:	
Number of buses	35
Number of routes	17
Miles of routes	248
Seating capacity per bus	36
Average daily number of passengers	7,928
Average miles per month	111,209
Frequency of service	30 min. & 60 min.
Sewer Service:	
Plant capacity in gallons per day	62,500,000
Miles of storm sewers	87.1
Miles of sanitary laterals	428.09
Miles of sanitary trunks and industrial	77.74
Water Service:	
Average daily consumption in gallons	65,000,000
Number of wells	116
Miles of water mains	1,300

Sources of data: Various City departments

