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CITY OF
Modesto
CALIFORNIA



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

ON THE COVER

McClatchy Square was given to the City of Modesto by the McClatchy family, owners of the Modesto Bee. The Aileen and Julio Gallo Rose Garden was made possible through donations by the Gallo family, the City of Modesto and the citizens of Modesto. The bronze paper boy statue was sculpted by Betty Saletta.

Photo by Judith Rinkus

CITY OF
Modesto, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 1996

Prepared by
Finance Department

CITY OF MODESTO
 June 30, 1996
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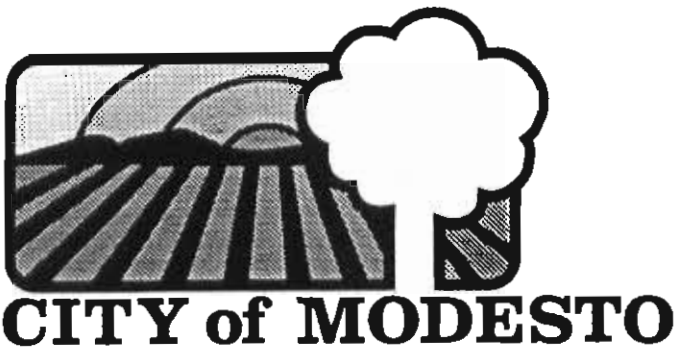
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City of Modesto Introduction





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November 15, 1996

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, 1996, 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, 1995 report, the twelfth 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, 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-H.

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 over 800,000 acres of farmland and ranks in the top 10 counties nationwide in sales of agricultural products. In recent years, the service and retail sectors have experienced steady growth, leading the way to a more diversified local economy.

The area economy showed significant improvements during 1995-96. The State Employment Development Department reported that the Modesto area's unemployment rate improved from 15.6% to 14.9% during the period. The industrial sector contributed over 2,000 new jobs over the last 18 months, primarily in the food and beverage industries. Building activity increased substantially with permit valuations up 22% from the prior year. Retail sales showed a positive trend during the period. Growth in retail sales is expected to be sustained as major new commercial and retail facilities are scheduled to open during 1996-97.

Major Initiatives

During 1996, the City completed the operational and financial absorption of the Del Este Water Company, which was formally acquired in July 1995. The City now serves nearly 20,000 new water customers, via 85 wells and 375 miles of pipeline taken over from Del Este.

A comprehensive revision of the Modesto Urban Area General Plan was adopted by the City Council in August 1995, to guide the physical development of the City for the next 30 years. A key tenet of the adopted General Plan is economic development sufficient to provide jobs to match population growth.

During 1996, residential construction began in Village One, the area in the northeastern portion of the City designated by the General Plan to house and employ the next burst of population growth.

In 1996, ten new front-line positions in the Police Department were added, through a combination of General Fund and grant contributions. The filling of these positions corresponds with a decline in reported crime in the City during the second half of the year.

In January 1996, maintenance of the City's three municipal golf courses was awarded to a private company after a competitive selection process in which City employees also submitted a formal bid. Simultaneously, the City Council began to develop a detailed "competition policy" to help evaluate competitive service delivery options and to provide general guidelines for both City employees and potential competitors.

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 \$77,273,149 for the year ended June 30, 1996, an increase of 11.4 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:

Revenue Source	Year ended June 30, 1996		Increase/(Decrease) From Year ended June 30, 1995	
	Amount	Percent of Total	Amount	Percent
Taxes	\$45,571,373	58.9%	\$2,290,159	5.3%
Licenses and permits	207,969	.3	(8,399)	(3.9)
Intergovernmental	19,805,257	25.6	3,684,290	22.9
Charges for services	5,558,526	7.2	222,114	4.2
Special assessments levied	274,640	.4	146,464	114.3
Interest and rent	2,844,321	3.7	289,094	11.3
Fines and forfeits	661,675	.9	(118,901)	(15.2)
Miscellaneous	<u>2,349,388</u>	<u>3.0</u>	<u>1,377,384</u>	141.7
	<u>\$77,273,149</u>	<u>100.0%</u>	<u>\$7,882,205</u>	

Sales and use, utility users, general property, and other taxes produced 58.9 percent of general revenues, compared with 62.4 percent in fiscal year 1995. The dollar value of tax revenues increased, primarily due to the fact that more taxpayer-assessed taxes, accruable under Governmental Accounting Standards Board Statement 22, were received within 31 days of the fiscal year end than in the prior year. The major components of the increase in intergovernmental revenue were the federal grant reimbursements for the 9th Street railroad track relocation and automated traffic management system costs, as well as increased grant-reimbursable housing program loans, direct grants, and operating costs. An upswing in building activity caused the increase in charges for services, due to increased collection of building inspection and capital facilities fees. Beginning with the fiscal year ended June 30, 1995, special assessments revenue has been reported as deferred revenue when assessments are levied, and as current revenue in the year received. This caused a one-time drop in this revenue source for 1995, and a corresponding rebound in 1996. The increase in interest and rent was mainly due to further refinements to the cash pool interest allocation method, which resulted in higher allocations to the Capital Projects Funds and the Improvement District Debt Service Fund. Fines and forfeits decreased because the dollar value of assets seized by the Police Department and subsequently forfeited to the City was less than in the previous year. The increase in miscellaneous revenue was largely due to a PERS refund based on a new actuarial valuation, which showed that the City's account had a surplus asset balance.

Total expenditures for general governmental purposes, as recorded in the governmental fund types, were \$79,774,688, an increase of 7.6 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, 1996		Increase/(Decrease) From Year ended June 30, 1995	
	Amount	Percent of Total	Amount	Percent
General government	\$9,471,466	11.9%	\$ 602,271	6.8%
Highways and streets	9,519,874	12.0	1,625,768	20.6
Public works	3,414,399	4.3	348,343	11.0
Parks and recreation	8,713,861	10.9	(458,656)	(5.0)
Public safety	38,886,484	48.7	1,857,805	5.0
Capital expenditures	5,778,820	7.2	1,874,948	48.0
Debt service	<u>3,989,784</u>	<u>5.0</u>	<u>(221,899)</u>	<u>(5.3)</u>
	<u>\$79,774,688</u>	<u>100.0%</u>	<u>\$5,628,580</u>	

General government costs increased by 6.8 percent due to election costs for the November 1995 City Council election and the subsequent runoff; additional staffing to improve the City's efforts in communications, marketing, and information technology; filling positions previously budgeted but unfilled; and the first full fiscal year of the reorganized Community Development Department. Highways and streets expenditures increased primarily due to expenditures related to the 9th Street railroad track relocation project and increased street improvement projects. The increase of 11 percent in public works expenditures was due to a change in the calculation of the overhead rate charged to user departments for engineering design and construction administration, which resulted in higher reported salaries expenditures. The need for direct City funding of the County library system was eliminated when voters approved a 1/8 cent sales tax for library services in March 1995, resulting in a reduction in parks and recreation expenditures for 1996. The ten new front-line positions added in the Police Department during 1996, coupled with officers hired during fiscal 1995 who were on board for the full 1996 fiscal year, accounted for the majority of the increase in public safety expenditures. A new fire apparatus lease-purchase, as well as costs related to the City's new automated traffic management system, made up the bulk of the capital expenditures 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 \$1,713,255 in the general fixed assets account group, primarily due to the fire apparatus lease-purchase, parks improvement projects, and purchases of new computer equipment and upgrades. Construction in progress at year end was valued at \$2,776,391. Net capitalized asset increases for the year were as follows:

Land	\$543,180
Buildings	488,919
Improvements other than buildings	656,693
Furnishings and equipment	11,491
Equipment pool	<u>2,972</u>
	<u>\$1,713,255</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 \$10,643,114 to retained earnings.

The following summary compares proprietary fund operations for the fiscal years ended June 30, 1995 and 1996:

	<u>Year Ended June 30</u>		<u>Increase (Decrease)</u>
	<u>1996</u>	<u>1995</u>	
Total operating revenues	<u>\$85,528,707</u>	<u>\$72,255,300</u>	<u>\$13,273,407</u>
Total operating expenses	<u>82,059,764</u>	<u>66,601,474</u>	<u>15,458,290</u>
Operating income	3,468,943	5,653,826	(2,184,883)
Nonoperating revenues/(expenses)	5,617,132	6,354,075	(736,943)
Net operating transfers (out)	<u>(3,704,123)</u>	<u>(3,506,663)</u>	<u>(197,460)</u>
Net income	5,381,952	8,501,238	(3,119,286)
Add: Depreciation that reduces contributed capital	<u>5,261,162</u>	<u>5,025,353</u>	<u>235,809</u>
Net increase in retained earnings	<u>\$10,643,114</u>	<u>\$13,526,591</u>	<u>\$2,883,477</u>

The increases in both operating revenues and operating expenses were due in large part to the acquisition of the Del Este Water Company, which added approximately 20,000 new accounts to the City water system. Nonoperating revenues decreased primarily because of a one-time litigation settlement which was received during fiscal year 1995, and a reduction in the Federal operating grant for the City transit system.

Debt Administration

On June 30, 1996, \$2.2 million of special assessment debt with government commitment and \$38.6 million of certificates of participation were outstanding in the General Long-Term Debt Account Group. Obligations under capital leases totaling \$0.9 million and a loan payable to the Yosemite Community College District in the amount of \$0.8 million were also outstanding. Enterprise fund long-term debt consisted of \$15.7 million of sewer revenue bonds, \$23.5 million of water system improvement certificates of participation, and a loan payable to the State Department of Water Resources, assumed from Del Este, in the amount of \$3.7 million. A liability in the amount of \$3.5 million, also assumed from Del Este, was outstanding for advances in aid of construction.

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
- l) 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 3.7 to 8.4 percent and the amount of interest earned was \$4,718,745. Investments held on June 30, 1996 had maturities ranging from one day to five years, with 45 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 settlements. During 1996, 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 organization manages workers' compensation issues by monitoring 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. 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 1984 and related OMB Circular A-128. The auditor's reports related specifically to the Single Audit will be presented separately at a later date.

Awards

For the twelfth 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, 1995. 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.

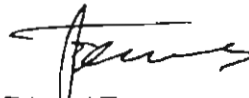
City Council

Shortly after the end of the fiscal year, Councilmember Gerald McKinsey passed away. David Cogdill was appointed by Council to fill the vacancy until the next regular municipal election in November 1997.

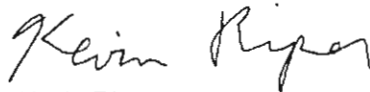
Acknowledgments

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



Kevin Riper
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, 1995

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.

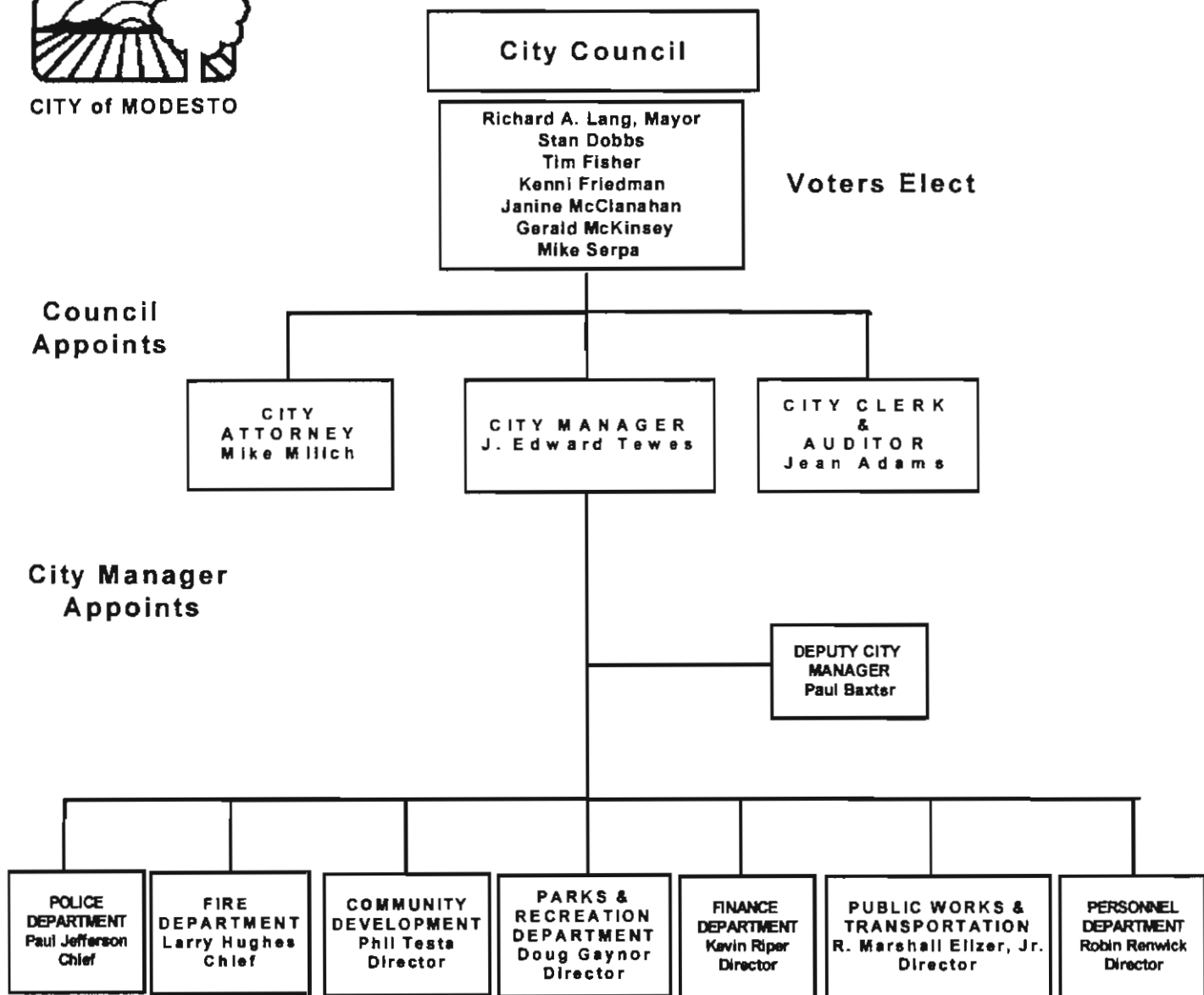


Timothy H. Rividan
President

Jeffrey L. Esall
Executive Director



CITY of MODESTO



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 Financial Section

FINANCIAL SECTION





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City Council
 City of Modesto
 Modesto, California

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of the City of Modesto, California (City), as of and for the year ended June 30, 1996, 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 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, 1996, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 4, 1996 on our consideration of the City's internal control structure and a report dated October 4, 1996 on its compliance with laws and regulations.

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
 October 4, 1996



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, 1996

(With comparative totals for June 30, 1995)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
ASSETS AND OTHER DEBITS				
Cash and cash equivalents (Note III-A)	\$ 5,476,729	\$ 2,723,706	\$ 12,879,034	\$ 1,083,647
Cash and cash equivalents with fiscal agent (Note III-A)		740,652		3,651,734
Receivables:				
Accounts	914,252	95,892	148,403	20,223
Taxes	3,450,778		13,905	40,632
Special assessments				2,092,387
Notes (Note III-J)	134,249	7,462,626	308,582	
Due from governments	351,117	1,388,436	907,991	
Due from other funds (Note III-F)	240,000			
Inventories				
Prepaid expenses/expenditures	121,468	41,066		
Restricted assets - cash and cash equivalents (Note III-A)				
Advances to other funds (Note III-F)	930,460		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	\$ 18,062,553	\$ 12,526,428	\$ 15,357,915	\$ 6,888,623

See notes to general-purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	1996	1995
\$ 28,036,639	\$ 19,377,700				\$ 69,577,455	\$ 67,283,694
3,645,736					8,038,122	21,659,211
5,779,696	305,326				- 7,263,792	6,523,070
2,314					- 3,507,629	2,472,604
	73,982				- 2,092,387	2,330,764
3,145,508					- 7,979,439	6,703,209
					- 5,793,052	2,860,236
	308,221				- 240,000	191,000
8,666					- 308,221	295,853
2,767,384		\$ 46,347,232			- 171,200	161,319
					- 49,114,616	44,137,619
					- 1,030,460	1,066,334
					- 7,517,550	7,517,550
769,737					- 769,737	810,002
			\$ 54,545,882		54,545,882	52,186,450
198,679,147	10,753,092				209,432,239	186,522,356
				\$ 4,794,281	4,794,281	5,277,602
				37,654,489	37,654,489	38,052,422
<u>\$ 242,834,827</u>	<u>\$ 30,818,321</u>	<u>\$ 46,347,232</u>	<u>\$ 54,545,882</u>	<u>\$ 42,448,770</u>	<u>\$ 469,830,551</u>	<u>\$ 446,051,295</u>

(Continued)

CITY OF MODESTO
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
June 30, 1996
(With comparative totals for June 30, 1995)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,415,573	\$ 547,570	\$ 1,246,535	\$ 1,955
Approved loans payable (Note III-K)		85,931	2,611	
Matured bonds and interest payable				
Notes payable (Note III-L)			199,566	
Interest payable				
Due to other funds (Note III-F)		240,000		
Current portion - compensated absences (Note I-C 6)				
Current portion - claims liability (Note IV-B)				
Current portion - long-term debt (Notes III-C and III-D)				
Current portion - developer advances (Note III-E)				
Deferred revenues		431,462		2,092,387
Payable from restricted assets:				
Refundable deposits				
Deferred compensation (Note IV-G)				
Advances from other funds (Note III-F)			415,460	
Loans from other funds (Note III-F)			7,517,550	
Special assessment debt with government commitment (Note III-C)				
Revenue bonds payable (Note III-C)				
Loans payable (Note III-C)				
Obligations under capital leases (Note III-C)				
Certificates of participation (Note III-C)				
Compensated absences (Note I-C 6)				
Claims liability (Note IV-B)				
Developer advances (Note III-E)				
Total liabilities	2,415,573	1,304,963	9,381,722	2,094,342
Equity and other credits:				
Contributed capital (Note III-G)				
Investment in general fixed assets				
Retained earnings-unreserved				
Fund balances: (Note III-H)				
Reserved	8,294,223	8,422,231	3,601,540	4,794,281
Unreserved/designated:				
For carryover projects		1,879,391	4,279,585	
For pending projects		919,843	5,618,975	
For debt service				
For subsequent year expenditures	3,100,019			
For operating contingencies	4,252,738			
Unreserved/undesignated			(7,523,907)	
Total equity and other credits	15,646,980	11,221,465	5,976,193	4,794,281
Total liabilities, equity and other credits	\$ 18,062,553	\$ 12,526,428	\$ 15,357,915	\$ 6,888,623

See notes to general-purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Debt	1996	1995
\$ 1,643,936	\$ 863,639				\$ 6,719,208	\$ 4,890,265
					88,542	187,254
						80
573,313					199,566	
					573,313	553,888
	5,052,253				240,000	191,000
	3,421,837				5,052,253	4,295,424
1,264,281	4,186				3,421,837	3,440,200
170,318					1,268,467	1,068,372
3,503,921					170,318	
					6,027,770	6,977,715
420,710		\$ 2,933,983			3,354,693	2,858,764
		43,413,249			43,413,249	37,739,939
152,000	463,000				1,030,460	1,066,334
					7,517,550	7,517,550
				\$ 2,160,000	2,160,000	2,495,000
15,681,167					15,681,167	16,424,651
3,681,208				794,942	4,476,150	819,215
				888,828	888,828	854,995
23,461,062				38,605,000	62,066,062	62,963,760
	8,199,915				8,199,915	7,409,973
	5,209,000				5,209,000	5,739,700
3,313,070					3,313,070	
<u>53,864,986</u>	<u>23,213,830</u>	<u>46,347,232</u>		<u>42,448,770</u>	<u>181,071,418</u>	<u>167,494,079</u>
111,915,689	5,690,806				117,606,495	121,112,421
				\$ 54,545,882	54,545,882	52,186,450
77,054,152	1,913,685				78,967,837	69,221,029
					25,112,275	18,514,966
					6,158,976	5,093,128
					6,538,818	8,600,870
						5,277,602
					3,100,019	2,239,807
					4,252,738	3,705,169
					(7,523,907)	(7,394,226)
<u>188,969,841</u>	<u>7,604,491</u>		<u>54,545,882</u>		<u>288,759,133</u>	<u>278,557,216</u>
<u>\$ 242,834,827</u>	<u>\$ 30,818,321</u>	<u>\$ 46,347,232</u>	<u>\$ 54,545,882</u>	<u>\$ 42,448,770</u>	<u>\$ 469,830,551</u>	<u>\$ 446,051,295</u>

CITY OF MODESTO
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	General	Special Revenue
REVENUES:		
Taxes	\$ 42,556,629	\$ 1,451,741
Licenses and permits	207,969	
Intergovernmental	8,899,507	9,899,809
Charges for services	4,188,070	103,359
Special assessments levied	31,125	
Interest and rent	1,274,153	354,715
Fines and forfeits	531,887	129,788
Miscellaneous	2,288,377	60,956
Total revenues	59,977,717	12,000,368
EXPENDITURES:		
Current:		
General government	9,227,299	244,167
Highways and streets	3,614,960	5,904,914
Public works	1,262,918	2,151,481
Parks and recreation	8,713,861	
Public safety	38,886,484	
Capital outlay		
Debt service:		
Principal retirement	325,438	
Interest	235,143	
Other		
Total expenditures	62,266,103	8,300,562
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,288,386)	3,699,806
OTHER FINANCING SOURCES (USES):		
Operating transfers in (Note III-I)	6,286,008	1,326,425
Operating transfers out (Note III-I)	(2,560,697)	(4,043,647)
Proceeds of capital lease transactions		
TOTAL OTHER FINANCING SOURCES (USES)	3,725,311	(2,717,222)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,436,925	982,584
FUND BALANCES, July 1	14,270,581	10,259,881
Residual equity transfers out (Note III-I)	(60,526)	(21,000)
FUND BALANCES, June 30	\$ 15,646,980	\$ 11,221,465

See notes to general-purpose financial statements.

Capital Projects	Debt Service	Totals (Memorandum Only)	
		1996	1995
\$ 964,229	\$ 598,774	\$ 45,571,373	\$ 43,281,214
968,195	37,746	207,969	216,368
1,267,097		19,805,257	16,120,967
22,760	220,755	5,558,526	5,336,412
717,770	497,683	274,640	128,176
		2,844,321	2,555,227
		661,675	780,576
55		2,349,388	972,004
<u>3,940,106</u>	<u>1,354,958</u>	<u>77,273,149</u>	<u>69,390,944</u>
		9,471,466	8,869,195
		9,519,874	7,894,106
		3,414,399	3,066,056
		8,713,861	9,172,517
		38,886,484	37,028,679
5,778,820		5,778,820	3,903,872
189,818	900,250	1,415,506	1,542,437
16,907	2,271,605	2,523,655	2,640,337
	50,623	50,623	28,909
<u>5,985,545</u>	<u>3,222,478</u>	<u>79,774,688</u>	<u>74,146,108</u>
<u>(2,045,439)</u>	<u>(1,867,520)</u>	<u>(2,501,539)</u>	<u>(4,755,164)</u>
1,634,773	1,610,199	10,857,405	9,861,015
(322,938)	(226,000)	(7,153,282)	(6,454,979)
529,000		529,000	155,752
<u>1,840,835</u>	<u>1,384,199</u>	<u>4,233,123</u>	<u>3,561,788</u>
(204,604)	(483,321)	1,731,584	(1,193,376)
6,229,252	5,277,602	36,037,316	37,642,438
<u>(48,455)</u>		<u>(129,981)</u>	<u>(411,746)</u>
<u>\$ 5,976,193</u>	<u>\$ 4,794,281</u>	<u>\$ 37,638,919</u>	<u>\$ 36,037,316</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, 1996

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 42,111,053	\$ 42,556,629	\$ 445,576
Licenses and permits	194,253	207,969	13,716
Intergovernmental	8,835,898	8,899,507	63,609
Charges for services	4,239,564	4,188,070	(51,494)
Special assessments levied	35,337	31,125	(4,212)
Interest and rent	1,262,413	1,274,153	11,740
Fines and forfeits	569,632	531,887	(37,745)
Miscellaneous	2,513,015	2,288,377	(224,638)
Total revenues	59,761,165	59,977,717	216,552
EXPENDITURES:			
Current:			
General government	10,179,438	9,227,299	952,139
Highways and streets	4,220,943	3,614,960	605,983
Public works	1,547,059	1,262,918	284,141
Parks and recreation	8,990,202	8,713,861	276,341
Public safety	39,267,478	38,886,484	380,994
Capital outlay			
Debt service:			
Principal retirement	336,826	325,438	11,388
Interest	235,707	235,143	564
Total expenditures	64,777,653	62,266,103	2,511,550
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,016,488)	(2,288,386)	2,728,102
OTHER FINANCING SOURCES (USES):			
Operating transfers in	6,286,008	6,286,008	
Operating transfers out	(3,035,232)	(2,560,697)	474,535
Proceeds of capital lease transactions			
TOTAL OTHER FINANCING SOURCES (USES)	3,250,776	3,725,311	474,535
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,765,712)	1,436,925	3,202,637
FUND BALANCES, July 1	14,270,581	14,270,581	
Residual equity transfers out	(60,526)	(60,526)	
FUND BALANCES, June 30	\$ 12,444,343	\$ 15,646,980	\$ 3,202,637

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)
\$ 644,407	\$ 1,451,741	\$ 807,334	\$ 1,119,867	\$ 964,229	\$ (155,638)
22,054,326	9,899,809	(12,154,517)	2,022,017	968,195	(1,053,822)
721,234	103,359	(617,875)	1,392,110	1,267,097	(125,013)
88,909		(88,909)		22,760	22,760
226,100	354,715	128,615	733,245	717,770	(15,475)
125,000	129,788	4,788			
28,926	60,956	32,030	63	55	(8)
<u>23,888,902</u>	<u>12,000,368</u>	<u>(11,888,534)</u>	<u>5,267,302</u>	<u>3,940,106</u>	<u>(1,327,196)</u>
388,014	244,167	143,847			
18,600,728	5,904,914	12,695,814			
5,272,571	2,151,481	3,121,090			
			13,595,193	5,778,820	7,816,373
			189,818	189,818	
			16,907	16,907	
<u>24,261,313</u>	<u>8,300,562</u>	<u>15,960,751</u>	<u>13,801,918</u>	<u>5,985,545</u>	<u>7,816,373</u>
(372,411)	3,699,806	4,072,217	(8,534,616)	(2,045,439)	6,489,177
1,279,600	1,326,425	46,825	1,729,976	1,634,773	(95,203)
(4,161,962)	(4,043,647)	118,315	(375,501)	(322,938)	52,563
			529,000	529,000	
<u>(2,882,362)</u>	<u>(2,717,222)</u>	<u>165,140</u>	<u>1,883,475</u>	<u>1,840,835</u>	<u>(42,640)</u>
(3,254,773)	982,584	4,237,357	(6,651,141)	(204,604)	6,446,537
10,259,881	10,259,881		6,229,252	6,229,252	
(21,000)	(21,000)		(48,455)	(48,455)	
<u>\$ 6,984,108</u>	<u>\$ 11,221,465</u>	<u>\$ 4,237,357</u>	<u>\$ (470,344)</u>	<u>\$ 5,976,193</u>	<u>\$ 6,446,537</u>

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1996	1995
OPERATING REVENUES:				
Charges for services	\$ 52,492,961	\$ 32,981,918	\$ 85,474,879	\$ 72,027,367
Sales		1,308,760	1,308,760	1,253,771
Cost of sales		(1,254,932)	(1,254,932)	(1,025,838)
Total operating revenues	<u>52,492,961</u>	<u>33,035,746</u>	<u>85,528,707</u>	<u>72,255,300</u>
OPERATING EXPENSES:				
Salaries and wages	5,857,211	1,832,498	7,689,709	7,853,620
Contractual services	6,558,280	93,552	6,651,832	5,286,362
Utilities	3,366,087	548,997	3,915,084	3,376,996
Maintenance and supplies	5,666,200	1,551,607	7,217,807	5,705,180
Water purchases	13,033,368		13,033,368	6,519,842
Insurance	256,784	4,815,735	5,072,519	3,427,723
Claims expense		2,816,245	2,816,245	5,117,522
Employee benefits	2,112,731	18,609,142	20,721,873	16,342,242
Administration services	4,740,161	531,933	5,272,094	3,682,130
Allocated indirect administrative costs	1,396,112	164,948	1,561,060	2,115,389
Other	118,670	37,108	155,778	256,178
Depreciation	6,596,917	1,355,478	7,952,395	6,918,290
Total operating expenses	<u>49,702,521</u>	<u>32,357,243</u>	<u>82,059,764</u>	<u>66,601,474</u>
OPERATING INCOME	<u>2,790,440</u>	<u>678,503</u>	<u>3,468,943</u>	<u>5,653,826</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	1,356,578		1,356,578	1,634,944
Loss on disposition of fixed assets	(386,404)	(192,771)	(579,175)	(211,486)
Taxes	2,881,614		2,881,614	2,330,589
Interest income	1,424,108	969,159	2,393,267	1,997,887
Rental income	453,240		453,240	309,890
Interest expense	(809,309)		(809,309)	(711,043)
Litigation settlement				1,082,377
Amortization of bond discount	(38,818)		(38,818)	(38,818)
Amortization of costs of issuance	(40,265)		(40,265)	(40,265)
Total nonoperating revenues (expenses)	<u>4,840,744</u>	<u>776,388</u>	<u>5,617,132</u>	<u>6,354,075</u>
INCOME BEFORE OPERATING TRANSFERS	<u>7,631,184</u>	<u>1,454,891</u>	<u>9,086,075</u>	<u>12,007,901</u>
Operating transfers in (Note III-I)	906,120		906,120	695,220
Operating transfers out (Note III-I)	(4,149,667)	(460,576)	(4,610,243)	(4,201,883)
Total operating transfers in (out)	<u>(3,243,547)</u>	<u>(460,576)</u>	<u>(3,704,123)</u>	<u>(3,506,663)</u>
NET INCOME	4,387,637	994,315	5,381,952	8,501,238
Depreciation charged to contributed capital	<u>4,922,129</u>	<u>339,033</u>	<u>5,261,162</u>	<u>5,025,353</u>
Increase in retained earnings	9,309,766	1,333,348	10,643,114	13,526,591
RETAINED EARNINGS, July 1	67,744,386	1,476,643	69,221,029	55,694,438
Residual equity transfer out (Note III-I)		(896,306)	(896,306)	
RETAINED EARNINGS, June 30	<u>\$ 77,054,152</u>	<u>\$ 1,913,685</u>	<u>\$ 78,967,837</u>	<u>\$ 69,221,029</u>

See notes to general-purpose financial statements.

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 2,790,440	\$ 678,503	\$ 3,468,943	\$ 5,653,826
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	6,596,917	1,355,478	7,952,395	6,918,290
Rental income	453,240		453,240	309,890
Litigation settlement				1,082,377
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,176,702)	636,379	(540,323)	(287,334)
(Increase) in taxes receivable	(2,314)		(2,314)	
(Increase) decrease in notes receivable		2,135	2,135	(26,861)
(Increase) decrease in due from governments	(1,789,697)		(1,789,697)	5,387
Decrease in due from other funds				139,055
(Increase) in inventories		(12,369)	(12,369)	(31,780)
Decrease in prepaid expenses	261,648		261,648	187
Increase in accounts payable and accrued expenses	71,607	408,090	479,697	317,710
(Decrease) in due to other funds	(134,000)		(134,000)	(227,555)
Increase (decrease) in deferred revenue	(27,477)		(27,477)	27,477
Increase in compensated absences		1,546,771	1,546,771	755,226
Increase (decrease) in claims liability		(549,063)	(549,063)	666,910
Increase (decrease) in refundable deposits	141,220		141,220	(39,106)
Total adjustments	4,394,442	3,387,421	7,781,863	9,609,873
Net cash provided by operating activities	7,184,882	4,065,924	11,250,806	15,263,699
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	1,755,456		1,755,456	1,567,632
Taxes received	2,713,133		2,713,133	1,880,970
Taxes paid	(181,529)		(181,529)	(109,624)
Operating transfers in	906,120		906,120	695,220
Operating transfers out	(4,149,667)	(460,576)	(4,610,243)	(4,201,883)
Residual equity transfers out	(191,410)	(9,485)	(200,895)	(95,688)
New advances from other funds	52,000		52,000	157,981
Advances and loans from other funds repaid	(130,981)		(130,981)	(41,330)
Repayments of advances and loans to other funds received				41,330
Net cash provided (used) by noncapital financing activities	773,122	(470,061)	303,061	(105,392)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	(9,191,574)	(3,351,616)	(12,543,190)	(11,329,275)
Purchase of Del Este Water Company, net of cash acquired	(6,319,301)		(6,319,301)	
Proceeds from sale of fixed assets		41,039	41,039	101,682
Principal repayments	(6,539,474)	(8,372)	(6,547,846)	(948,372)
Interest paid	(2,645,288)		(2,645,288)	(2,601,455)
Capital grants received	1,200,191		1,200,191	1,179,390
Residual equity transfers in	48,940	281,936	330,876	507,434
Connection fees for capital purposes	903,160		903,160	540,410
Net cash (used) by capital and related financing activities	\$ (22,543,346)	\$ (3,037,013)	\$ (25,580,359)	\$ (12,550,186)

(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, 1996
(With comparative totals for year ended June 30, 1995)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1996	1995
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	\$ 1,559,034	\$ 802,423	\$ 2,361,457	\$ 3,114,300
Net increase (decrease) in cash and cash equivalents	(13,026,308)	1,361,273	(11,665,035)	5,722,421
CASH AND CASH EQUIVALENTS, JULY 1	47,476,067	18,016,427	65,492,494	59,770,073
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 34,449,759	\$ 19,377,700	\$ 53,827,459	\$ 65,492,494

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1996

	Enterprise	Internal Service
Fixed asset additions accrued at year end	\$ 1,561	
Fixed assets transferred from other funds and General Fixed Assets	162,652	\$ 257,216
Non-cash assets acquired from Del Este Water Company	19,440,214	
Liabilities of Del Este Water Company assumed	13,120,913	
Capitalized interest expense on long-term debt accrued at year end	430,949	
Capitalized interest revenue accrued at year end	33,316	
Residual equity transfer of fixed assets	886,821	(886,821)
Contributed capital fixed asset returned to General Fixed Assets	1,544,577	
Operating grants accrued at year end	1,098,992	
Capital grants accrued at year end	229,876	

**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, 1996

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 - H 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 services, and self-insurance costs.

Fiduciary Funds

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 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 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 cost except for investments in the Deferred Compensation Agency Fund, which are reported at market value.

2. Restricted Assets - Cash and Cash Equivalents

Proceeds of the Wastewater Revenue Bonds, Series 1993, 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, 1996 is \$5,793,052.

Utility service accounts receivable are reported net of \$206,497 allowance for doubtful collections as of June 30, 1996.

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. \$1,439,440 of net interest expense on tax-exempt debt was capitalized in the Enterprise Funds during the fiscal year ended June 30, 1996.

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, 1996, the total estimated liability for all compensated absences, including sick leave, is \$13,352,168. The current portion of \$5,052,253 is funded by charges to all operating funds. The estimated long-term portion is \$8,199,915.

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. 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.

4. 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. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 Redevelopment Agency Capital Projects Fund deficit of \$6,687,960 originated because the operations of this fund have been financed through loans from the General Fund, Housing and Community Development Fund, and Special Fund for Capital Outlays. The Redevelopment Agency is obligated to repay these loans from future tax increment and operating revenue.

The Airport Enterprise Fund has a deficit retained earnings of \$283,979 at June 30, 1996, as a result of fund expenses and transfers out exceeding operating revenues and transfers in. To eliminate this deficit, the City is continuing to pursue greater operating revenue, more rental income, and reduced expenses. For example, a request for proposal has been issued and will be evaluated to determine if the private sector can operate and maintain the airport more efficiently than the City.

The Central Services Internal Service Fund shows deficit retained earnings of \$134,390. The deficit, which has shrunk each of the last three years, is being reduced by a combination of increased usage by operating funds, and a standardized, competitive rate structure that encourages internal customers to purchase central services from this Fund, rather than from the private sector.

The Employee Benefits Management Internal Service Fund has a retained earnings deficit of \$6,146,861. 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 four 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 held by the City under the bond indenture for construction purposes are displayed on the balance sheet as "restricted assets - cash and cash equivalents". In addition, cash and investments in the amount of \$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	\$69,577,455
Cash and cash equivalents with fiscal agent	8,038,122
Restricted assets - cash and cash equivalents	<u>49,114,616</u>
Total cash and investments	<u>\$126,730,193</u>

Deposits

All deposits are entirely insured and/or collateralized. At year-end, the reconciled book balance of the City's deposits was \$1,014,931 and the bank balance was \$3,834,742. Of the bank balance, \$584,875 was covered by federal depository insurance and \$3,249,867 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 cost, except for investments in the deferred compensation agency fund which are reported at market value. The City's investment in the Local Agency Investment Fund (LAIF) is \$33,072,408. The total amount invested by all public agencies in LAIF is \$26,836,748,186, managed by the State Treasurer. Of that amount, 94.7 percent is invested in non-derivative financial products, and 5.3 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 counterparty's trust department or agent in the City's name. Category three includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent but not in the City's name. The table also includes investments not subject to categorization, and deposits.

	<u>Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>One</u>	<u>Two</u>	<u>Three</u>		
Investments:					
Repurchase agreements		\$1,977,050		\$ 1,977,050	\$ 1,977,050
U.S. Government securities	\$ 2,498,495	1,831,664		4,330,159	4,266,502
U.S. Government agencies	<u>39,497,585</u>			<u>39,497,585</u>	<u>39,067,557</u>
Total investments	<u>\$41,996,080</u>	<u>\$3,808,714</u>		<u>45,804,794</u>	<u>45,311,109</u>
Deposits				1,014,931	1,014,931
Mutual funds				3,408,308	3,408,308
Pooled investments:					
Local Agency Investment Fund				33,072,408	33,072,408
Other government pooled investments				16,502	16,502
Deferred compensation				<u>43,413,250</u>	<u>43,413,250</u>
				<u>\$126,730,193</u>	<u>\$126,236,508</u>

B. LAND, BUILDINGS AND EQUIPMENT

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

	<u>Balance July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 1996</u>
Land	\$13,144,191	\$ 2,095,169	\$1,551,989		\$13,687,371
Buildings	7,620,875	71,004	5,455	\$ 423,370	8,109,794
Improvements other than buildings	17,362,087	307,619	20,408	369,482	18,018,780
Furnishings and equipment	11,823,975	941,536	930,045		11,835,466
Equipment pool	105,108	18,012	5,040		118,080
Construction in progress	<u>2,130,214</u>	<u>1,444,115</u>	<u>5,086</u>	<u>(792,852)</u>	<u>2,776,391</u>
	<u>\$52,186,450</u>	<u>\$4,877,455</u>	<u>\$2,518,023</u>		<u>\$54,545,882</u>

Land, buildings, equipment, and other fixed assets of Proprietary Fund types at June 30, 1996 include:

	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$21,857,637	\$ 653,856
Buildings	50,303,172	4,514,269
Improvements other than buildings	88,552,789	2,042,232
Equipment pool		13,723,808
Furnishings and equipment	2,737,259	654,863
Buses	5,293,509	
Pipelines	73,529,452	
Construction in progress	<u>10,298,807</u>	<u>750,031</u>
	\$252,572,625	\$ 22,339,059
Less accumulated depreciation	<u>(53,893,478)</u>	<u>(11,585,967)</u>
	<u>\$198,679,147</u>	<u>\$ 10,753,092</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 \$89,810, including interest, through January 2012. \$ 794,942

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. 3,825,489

Less: Current portion (144,281)

Net Water Fund loan payable 3,681,208

Total loans payable \$ 4,476,150

Special Assessment Debt with Government Commitment

1915 Act Special Assessment Bonds; interest rates range from 5.75% to 10.75%, maturities range through 2005. \$ 2,160,000

The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

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 \$145,000 to \$1,040,000; interest rates from 4.0% - 5.6%; term certificates at 5.6% in the amount of \$4,740,000 due November 1, 2014, and in the amount of \$12,235,000 at 5.0% due November 1, 2023. \$26,880,000

1993 Refunding Certificates of Participation (Golf Course Project); serial certificates with annual maturities on November 1, in amounts from \$130,000 to \$235,000; interest rates from 4.0% 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. 7,525,000

1989 Certificates of Participation (Airport Improvement Projects); annual maturities on December 1, in amounts from \$160,000 to \$195,000; interest rates from 7.1% to 7.4%; final payment December 1, 1999. 710,000

1986 Certificates of Participation (Capital Improvement Projects); serial certificates with annual maturities on July 1, in amounts from \$115,000 to \$125,000; interest rates from 6.4% to 6.5%; term certificates at 7% in the amount of \$1,140,000 maturing July 1, 2004, and in the amount of \$2,110,000 at 7.25% maturing July 1, 2011. 3,490,000

Total General Long-Term Debt Account Group certificates of participation \$38,605,000

Certificates of Participation-Water Enterprise Fund:

1992 Certificates of Participation (Water System Improvement Project); serial certificates with annual maturities on October 1, in amounts from \$350,000 to \$700,000; interest rates from 5.5% to 6.0%; term certificates at 6.25% in the amount of \$18,040,000 due October 1, 2022.

\$24,135,000

Less current portion

(350,000)

Less unamortized bond discount

(323,938)

Water Fund certificates of participation - long-term portion

23,461,062

Total certificates of participation

\$62,066,062

Revenue Bonds-Sewer Enterprise Fund

Wastewater Treatment Facility Refunding Revenue Bonds, Series 1987; interest rates from 6.75% to 8.0% payable semi-annually on May 1 and November 1; principal amounts from \$490,000 to \$595,000, final payment of \$6,515,000 due November 1, 2007; payable solely from the net revenues of the sewer enterprise; bonds maturing on or after November 1, 1997 are subject to call.

\$ 8,675,000

Wastewater Revenue Bonds, Series 1993; interest rates from 3.3% to 5.1% payable semi-annually on May 1 and November 1; principal amounts from \$280,000 to \$660,000, final payment on November 1, 2013; payable solely from the net revenues of the sewer enterprise; bonds maturing on or after November 1, 2004 are subject to call.

8,080,000

Less current portion - 1987 Bonds \$490,000

1993 Bonds 280,000

(770,000)

Less unamortized bond discount - 1987 Bonds

(303,833)

Total revenue bonds

\$15,681,167

The following is a summary of changes in the general long-term debt account group for the fiscal year ended June 30, 1996:

	<u>July 1, 1995</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 1996</u>
Loans payable	\$ 819,215		\$ 24,273	\$ 794,942
Special assessment debt	2,495,000		335,000	2,160,000
Obligations under capital leases	850,809	\$ 529,000	490,981	888,828
Certificates of participation	<u>39,165,000</u>		<u>560,000</u>	<u>38,605,000</u>
	<u>\$43,330,024</u>	<u>\$ 529,000</u>	<u>\$1,410,254</u>	<u>\$42,448,770</u>

Debt service requirements of all long-term debt are summarized as follows (see Note III-D for capital leases):

Principal Maturities

<u>Year Ending June 30</u>	<u>Loans Payable</u>	<u>Special Assessment Debt</u>	<u>Certificates of Participation</u>	<u>Revenue Bonds</u>	<u>Interest</u>	<u>Total Debt Service</u>
1997	\$ 170,496	\$ 195,000	\$ 985,000	\$ 770,000	\$ 4,878,553	\$ 6,999,049
1998	177,214	240,000	995,000	815,000	4,763,288	6,990,502
1999	184,248	265,000	1,140,000	860,000	4,627,548	7,076,796
2000	191,616	235,000	1,255,000	915,000	4,480,061	7,076,677
2001	199,337	200,000	1,380,000	970,000	4,324,552	7,073,889
Later years	<u>3,697,520</u>	<u>1,025,000</u>	<u>56,985,000</u>	<u>12,425,000</u>	<u>47,175,649</u>	<u>121,308,169</u>
	\$4,620,431	\$2,160,000	\$62,740,000	\$16,755,000	\$70,249,651	\$156,525,082
Less current portion	(144,281)		(350,000)	(770,000)		(1,264,281)
Less un- amortized bond discount			<u>(323,938)</u>	<u>(303,833)</u>		<u>(627,771)</u>
	<u>\$4,476,150</u>	<u>\$2,160,000</u>	<u>\$62,066,062</u>	<u>\$15,681,167</u>	<u>\$70,249,651</u>	<u>\$154,633,030</u>

D. LEASES

The City leases fire trucks, computer equipment and copiers 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, 1996:

Year ending	
<u>June 30</u>	
1997	\$391,364
1998	195,971
1999	138,627
2000	139,302
2001	107,049
Later years	<u>21,576</u>
Total	993,889
Less interest	<u>(105,061)</u>
Present value of future minimum lease payments	<u><u>\$888,828</u></u>

Assets subject to the above capital leases valued at \$2,209,814 have been recorded in the general fixed assets account group. Rental expenses incurred under operating leases are not material.

Leases - Internal Service Fund

The City leases copiers under an interest-free lease/purchase agreement. The value of these copiers, net of \$5,638 accumulated depreciation, is \$19,478, and is recorded in the Central Services Internal Service Fund. The following is a schedule of the future minimum lease payments on this capital lease as of June 30, 1996:

Year ending		
<u>June 30</u>		
1997	Total minimum lease payments	\$ 4,186
	Less current portion	<u>(4,186)</u>
	Long-term portion of capital lease	<u><u>\$</u></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 funds were advanced to the company to construct the infrastructure. Agreements in existence at the time of the City's acquisition of Del Este (Note IV-A) 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, 1996, the total outstanding balance due under the agreements is \$3,483,388. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 1996, the amount of \$170,318, due during fiscal year 1997, has been reported as "current portion-developer advances" on the Enterprise Funds balance sheet. The remaining \$3,313,070 of outstanding principal has been reported under other liabilities, as "developer advances".

F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances as of June 30, 1996 consist of the following:

Due from/due to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Housing and Community Development	<u>\$240,000</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Facilities Fees	\$ 415,460
	Central Services	463,000
	Airport	52,000
Special Fund for Capital Outlays	Airport	<u>100,000</u>
Total		<u>\$1,030,460</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, 1996:

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, 1995	\$1,275,522	\$13,349,650	\$56,195,943	\$ 60,924	\$6,460,262	\$8,700,288	\$5,799,585	\$23,779,560	\$115,621,734
Additions:									
Capital grants					344,485	606,013			950,498
Equity transfers	21,000		896,306	18,455					935,761
Fixed asset donations		146,660	10,961	859	2,588		978	606	162,652
Connection fees		423,977	479,183						903,160
	<u>21,000</u>	<u>570,637</u>	<u>1,386,450</u>	<u>19,314</u>	<u>347,073</u>	<u>606,013</u>	<u>978</u>	<u>606</u>	<u>2,952,071</u>
Deductions:									
Equity transfers		(170,560)	(20,850)						(191,410)
Depreciation	(74,174)	(588,439)	(2,391,057)	(24,343)	(291,937)	(526,348)	(276,771)	(749,060)	(4,922,129)
Fixed asset returns(1)								(1,544,577)	(1,544,577)
	<u>(74,174)</u>	<u>(758,999)</u>	<u>(2,411,907)</u>	<u>(24,343)</u>	<u>(291,937)</u>	<u>(526,348)</u>	<u>(276,771)</u>	<u>(2,293,637)</u>	<u>(6,658,116)</u>
Balance June 30, 1996	\$1,222,348	\$13,161,288	\$55,170,486	\$ 55,895	\$6,515,398	\$8,779,953	\$5,523,792	\$21,486,529	\$111,915,689

(1) The land underlying and rented to the privately owned hotel adjacent to the Community Center by the Redevelopment Agency (RDA) was returned from the Community Center Enterprise Fund contributed capital to the General Fixed Assets Account Group. That land had been pledged by the RDA as collateral for the hotel developer's private financing, and was forfeited in March 1996 due to the developer's default and foreclosure, and is included as a deletion of general fixed assets in Note III B, above.

Internal Service Funds

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Insurance</u>	<u>Building Services</u>	<u>Total</u>
Balance July 1, 1995	\$3,253,572	\$50,784	\$ 920	\$2,185,411	\$5,490,687
Additions:					
Equity transfers	274,638	7,298			281,936
Fixed asset donations	250,349	6,867			257,216
	<u>524,987</u>	<u>14,165</u>			<u>539,152</u>
Deductions:					
Depreciation	(244,424)	(1,229)		(93,380)	(339,033)
Balance June 30, 1996	\$3,534,135	\$63,720	\$ 920	\$2,092,031	\$5,690,806

H. RESERVES AND DESIGNATIONS OF FUND BALANCES

The City's reserves and designations at June 30, 1996 are comprised of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>
Reserves:				
Encumbrances	\$ 660,916	\$ 930,420	\$1,735,758	
Interfund loans	6,443,500	74,050	1,000,000	
Petty cash	3,630			
Loan programs	134,249	7,376,695	308,582	
Prepaid expenditures	121,468	41,066		
Interfund advances	930,460		100,000	
Redevelopment Agency set-aside requirement			457,200	
Debt service				<u>\$4,794,281</u>
Total reserves	<u>\$8,294,223</u>	<u>\$8,422,231</u>	<u>\$3,601,540</u>	<u>\$4,794,281</u>
Designations:				
Carryover projects		\$1,879,391	\$4,279,585	
Pending projects		919,843	5,618,975	
Subsequent year expenditures	\$3,100,019			
Operating contingencies	<u>4,252,738</u>			
Total designations	<u>\$7,352,757</u>	<u>\$2,799,234</u>	<u>\$9,898,560</u>	

1. Reserve for encumbrances - Amounts reserved for encumbrances represent the total of outstanding purchase orders and contracts which are scheduled for reappropriation in the next fiscal year.
2. Reserve for interfund loans - The City reserves an amount in each fund which has made loans to other funds.
3. Reserve for petty cash - An amount equal to the City's petty cash account is reserved in the General Fund because it is available only for petty cash purposes.
4. Reserve for loan programs - Amounts equal to the outstanding housing program and small business notes receivable are reserved in the Housing and Community Development Fund Special Revenue Fund, General Fund and the Redevelopment Agency Capital Projects Fund.
5. Reserve for prepaid expenditures - An amount equal to prepaid expenditures has been reserved to indicate that such assets do not represent available expendable financial resources.
6. Reserve for interfund advances - The City reserves an amount in each fund equal to the advances to other funds.
7. Reserve for Redevelopment Agency set-aside requirement - The portion of fund balance relating to State required low-to-moderate income housing set-aside, has been reserved in the Redevelopment Agency Capital Projects Fund.
8. Reserve for debt service - The total fund balances of the debt service funds are reserved for future debt service requirements.
9. 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.
10. Designation for pending projects - Designations for pending projects are established to fund projects approved but not yet appropriated.
11. Designation for subsequent year expenditures - An amount equal to taxpayer-assessed taxes accrued but not received as of June 30, 1996 has been designated for subsequent year expenditures.
12. Designation for operating contingencies - The remainder of the unreserved fund balance of the General Fund at June 30, 1996 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	\$ 6,286,008	\$ 2,560,697
Special Revenue Funds:		
Local Transportation		1,177,537
Traffic Safety		125,000
Special Gas Tax Street Improvements	1,203,925	2,188,795
Housing and Community Development		552,315
Strategic Planning	122,500	
Capital Projects Funds:		
Special Fund for Capital Outlays	1,326,759	180,000
Capital Facility Fees		94,437
Parks	262,697	
Parks and Recreation Facilities		44,835
State Parks and Recreation	38,874	
Redevelopment Agency	6,443	
Capital Improvement Projects		3,666
Debt Service Funds:		
Redevelopment Agency	687,922	226,000
Capital Improvement Projects	347,509	
Public Financing Authority	574,768	
Enterprise Funds:		
Parking		6,400
Water		1,147,652
Sewer		2,216,629
Storm Drain		204,218
Airport		206,260
Golf	460,576	368,508
Community Center	445,544	
Internal Service Funds:		
Fleet Management		445,028
Building Services		15,548
Total operating transfers	<u>\$11,763,525</u>	<u>\$11,763,525</u> <i>(continued)</i>

INTERFUND TRANSFERS (continued):

Residual equity transfers:		
General Fund		\$ 60,526
Special Revenue Funds:		
In Lieu Parking		21,000
Capital Projects Funds:		
Special Fund for Capital Outlays		30,000
Drainage Areas		18,455
Internal Service Funds:		
Methane Gas Generation		896,306
Residual equity transfers closed to contributed capital (Note III G):		
Enterprise Funds:		
Parking	\$ 21,000	
Water		170,560
Sewer	896,306	20,850
Storm Drain	18,455	
Internal Service Funds:		
Fleet Management	274,638	
Central Services	<u>7,298</u>	
Total residual equity transfers	<u>1,217,697</u>	<u>1,217,697</u>
Total interfund transfers	<u>\$12,981,222</u>	<u>\$12,981,222</u>

J. NOTES RECEIVABLE

The notes receivable in the Housing and Community Development Special Revenue Fund of \$7,462,626, net of \$66,498 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 \$134,249 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 \$308,582 of notes receivable reported in the Redevelopment Agency Capital Projects fund consist of loans made for down payment assistance to low-income first time home buyers, and for building and rehabilitating affordable housing. The loans are collateralized by second deeds of trust. All payments are deferred until the property is sold.

Loans to employees for computer acquisition make up the \$73,982 notes receivable balance in the Employee Benefits Management Fund. The maximum loan period is 3 years, with payment deducted from paychecks.

K. LOANS PAYABLE

The loans payable in the Housing and Community Development Special Revenue Fund and the Redevelopment Agency Capital Projects fund of \$85,931 and \$2,611, respectively, consist of amounts being held for rehabilitation of properties using funds provided by federal grants. The liabilities are expected to be liquidated within one year.

L. NOTES PAYABLE

The note payable in the Redevelopment Agency (RDA) Capital Projects Fund of \$199,566 represents acquisition costs advanced directly to the RDA pursuant to a Disposition and Development Agreement (DDA) between the RDA and Wilmore/Fluor Modesto LLC for development of a mixed-use private retail/government office downtown redevelopment project. The Promissory Note dated October 27, 1995 in an amount not to exceed \$2,000,000, is to be repaid solely from the proceeds from the sale of the acquired property, and secondarily from available tax increment revenues. Such site acquisition and sale is expected to occur in the next period. In the event of termination of the DDA, any amounts due under this note shall be payable 36 months following the termination, bearing interest at the tax exempt rate in effect, and beginning, as of the date of termination.

IV. OTHER INFORMATION

A. ACQUISITION OF THE DEL ESTE WATER COMPANY

On July 7, 1995, the City acquired substantially all the assets and liabilities of the Del Este Water Company and commenced water delivery to approximately 20,000 Del Este residential and commercial customers in the greater Modesto area. Assets and liabilities acquired, and added to the Water Enterprise Fund, were:

	Dollars <u>(In millions)</u>
Assets:	
Current assets	\$ 3.7
Property, plant and equipment	18.9
Liabilities:	
Current liabilities	(0.5)
Long-term debt	(8.2)
Long-term debt - subsequently retired	<u>(4.4)</u>
Total cash paid at settlement	<u>\$ 9.5</u>

Assets acquired consisted primarily of water treatment facilities, distribution pipelines, and water wells. Long-term liabilities assumed included a note payable to the State Department of Water Resources (Note III-C), and non-interest bearing advances received from various developers (Note III-E). The City also assumed Del Este Water Company's interest in the Treatment and Delivery Agreement with the Modesto Irrigation District described in Note IV-I.

B. 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 eleven 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, 1996 is \$8,630,837, consisting of \$6,020,000 workers' compensation, \$2,260,000 general liability, \$204,494 dental, \$104,092 disability, \$38,678 vision, and an estimated remaining liability for health claims of \$3,573. The current portion of the total claims liability is estimated to be \$3,421,837 and the balance of \$5,209,000 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, 1996. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 1995 and June 30, 1996 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>
1994-95	\$8,512,990	\$5,117,522	(\$4,450,612)	\$9,179,900
1995-96	9,179,900	2,816,245	(3,365,308)	8,630,837

C. 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	\$ 358,337	\$25,671,645	\$17,212,991	\$4,469,202	\$ 521,699	\$1,313,227	\$2,256,838	\$ 689,022	\$52,492,961
Depreciation	74,174	1,440,160	3,094,983	126,131	291,937	526,348	294,124	749,060	6,596,917
Operating income (loss)	79,520	2,722,021	4,611,759	1,558,984	(294,907)	(4,951,056)	255,936	(1,191,817)	2,790,440
Operating grants						1,356,578			1,356,578
Tax revenues					92,235	2,970,908			3,063,143
Operating transfers in							460,576	445,544	906,120
Operating transfers out	(6,400)	(1,147,652)	(2,216,629)	(204,218)	(206,260)		(368,508)		(4,149,667)
Net income (loss)	119,526	1,594,003	2,477,513	1,435,243	(340,322)	(468,768)	330,354	(759,912)	4,387,637
Current capital contributions	21,000	570,637	1,386,450	19,314	347,073	606,013	978	606	2,952,071
Property, plant and equipment: Net changes	5,018	22,798,664	5,005,760	1,764,421	325,757	568,107	25,062	(1,563,094)	28,929,758
Net working capital	873,786	12,070,961	16,249,485	3,422,477	162,974	325,222	296,198	61,687	33,462,790
Total assets	3,680,638	72,131,626	111,893,519	7,645,428	6,393,262	12,680,729	6,788,564	21,621,061	242,834,827
Bonds and other long-term liabilities		30,455,340	15,681,167						46,136,507
Total equity	3,679,188	39,233,629	94,906,285	7,553,878	6,231,419	8,995,448	6,787,249	21,582,745	188,969,841

D. PRIOR-YEAR DEFEASANCE OF DEBT

Certificates of Participation

In 1991, the Redevelopment Agency of the City of Modesto issued refunding Community Center Certificates of Participation to refund 1987 certificates. In 1993, the 1991 certificates were also defeased, when the Modesto Public Financing Authority issued refunding certificates. The proceeds of both issues were used to purchase U.S. government securities, which were deposited in irrevocable trusts to provide for all future debt service requirements of the 1987 and 1991 Certificates of Participation. As of June 30, 1996, certificates of participation in the amount of \$44,670,000 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, 1996, the \$5,955,000 liability for the defeased certificates is excluded from the general long-term debt account group.

E. 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, 1996, there were ten 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 1984 and 1994, was \$73,422,000. The aggregate principal amount payable for the two industrial development revenue bonds, which were issued in 1983 and 1984, could not be determined; however, their original issue amounts totaled \$7,240,000.

F. 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-B).

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 \$6,894,822 as of June 30, 1996 for contracts awarded but not completed and other outstanding purchase orders. This amount consists of \$660,916 in the General Fund, \$930,420 in the Special Revenue Funds, \$1,735,758 in the Capital Projects Funds, \$2,585,551 in the Enterprise Funds, and \$982,177 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, automated traffic signal system, cannery segregation and grit handling facility wastewater projects, various street improvements, and vehicle purchases.

G. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All salaried employees may defer a portion of their gross compensation under this plan. The City matches up to 2% of the deferral, with the matching rate dependent on length of service and employee group. Part-time employees are required to defer 3.75 percent of their wages, with the City contributing a like amount, to a deferred compensation plan in accordance with Internal Revenue Code Section 401A. This program for part-time employees is in lieu of mandatory social security contributions. Deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits

under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

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. The City believes that it is very unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The deferred compensation liability as of June 30, 1996 was \$43,413,249, which represents the market value of the total assets of the plan.

H. 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 \$412,724 for the fiscal year ended June 30, 1996. As of June 30, 1996 the City's equity interest in fixed assets was \$1,053,385, and is reported 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, 1996 was \$511,574. The City's equity interest of 56% in the fixed assets of the SDEA was \$684,020 as of June 30, 1996. 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 \$21,187 is reported as part of due from governments in the General Fund. Financial statements of the SDEA are available at the Modesto Police Department.

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 are being 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 \$89,810 during the fiscal year ended June 30, 1996. The remaining portion of these costs is \$794,942, 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.

I. 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 consists of the 1992 Water System Improvement Project Certificates of Participation, and the California Safe Drinking Water Act loan assumed from Del Este (Note III C). The minimum annual amount payable to MID, consisting of the debt service component only, is \$6,299,133. 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, 1996 was \$13,033,368, and is reported as "water purchases" on the Enterprise Funds Statement of Revenues, Expenses and Changes in Retained Earnings.

J. 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 \$2,654,833 as of June 30, 1996. The current portion of \$289,624 is fully funded. The long-term portion of \$2,365,209 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.

K. DEFINED BENEFIT PENSION PLAN

Description

The City contributes to the Public Employees' Retirement System of the State of California (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities in California. The City's payroll for employees covered by PERS for the year ended June 30, 1996 was \$46,289,459. The total payroll for all City employees was \$49,635,709.

All full-time employees are eligible to participate in PERS. Benefits vest after 5 years of service. Safety (fire and police) employees who retire at or after age 50 are entitled to an annual retirement benefit payable monthly for life in an amount equal to 2 percent of their average salary during the highest-paid 3-year period of employment. All other covered employees may retire at age 60, with an annual benefit payable monthly for life equal to 2 percent of their average salary during the highest-paid 1-year or 3-year period, depending on hire date. PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

As of June 30, 1996 the City pays most of the employee contribution, which totals 9 percent for safety and 7 percent for miscellaneous employees, in accordance with contractual agreements. The City is also required to contribute all remaining amounts necessary to fund the benefits for its members, using the actuarial basis adopted by the PERS Board of Administration.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of PERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to PERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1995. The significant actuarial assumptions used in the 1995 valuation to compute the pension benefit obligation were an assumed rate of return on investment assets of 8.5%, annual payroll increases of 4.5% attributable to inflation, merit or seniority increases that vary by length of service, and no post-retirement benefit increases.

The net assets available for benefits exceeded the pension benefit obligation applicable to City employees by \$23,521,501 at June 30, 1995, as shown in the following table.

Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits, and terminated employees not yet receiving benefits	\$ 82,654,668
Current Employees:	
Accumulated employee contributions including allocated investment earnings	49,096,245
Employer-financed vested	51,031,874
Employer-financed nonvested	<u>1,425,645</u>
Total pension benefit obligation	184,208,432
Actuarial value of assets (Market value=\$220,816,918)	<u>207,729,933</u>
Net assets in excess of pension benefit obligation	<u>\$ (23,521,501)</u>

Actuarially Determined Contribution Requirements and Contributions Made

PERS uses the Entry Age Normal Actuarial Cost Method, which is a projected benefit cost method for determining contribution requirements. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Normal Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ends on June 30, 2011.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described.

The City's total contribution rates for 1995-96, based on an actuarial valuation performed as of June 30, 1994,

were 21.454 percent of current safety payroll and 13.673 percent of current miscellaneous payroll. The total contribution of \$7,880,699 consisted of (a) \$8,080,669 normal cost (21.849 percent of current safety payroll and 14.133 percent of current miscellaneous payroll), and (b) \$(199,970) amortization of the unfunded actuarial accrued liability (.395 percent of current safety payroll and (.460) percent of current miscellaneous payroll). The City's required contributions were \$4,241,635 (12.454 percent of current safety payroll and 6.673 percent of current miscellaneous payroll). The City's actual required payments were reduced by \$2,778,865 because the actuarial valuation indicated that the City's account had a surplus asset balance. Employee contributions were \$3,639,064 (9.00 percent of current safety payroll and 7.00 percent of current miscellaneous payroll), most of which were paid by the City on behalf of the employees.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. System-wide ten-year trend information is not yet available.

For the three years ended 1994, 1995, and 1996, the City's employer contribution rates to the system were, respectively, 15.540, 12.454, and 12.454 percent of covered payroll for safety employees and 6.864, 6.733 and 6.673 percent of covered payroll for miscellaneous employees. Information on net assets available for benefits as valued for PERS balance sheet purposes, pension benefit obligation, net assets available for benefits as a percentage of pension benefit obligation, pension benefit obligation, and unfunded pension benefit obligation as a percentage of annual covered payroll is available for nine years only and is presented in the following table. Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation. Until ten years of data are available, as many years as are available will be presented.

**City of Modesto
Required Supplementary Information
Analysis of Funding Progress - PERS**

Fiscal Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1/2)	(4) Unfunded (Net Assets in Excess of) Pension Benefit Obligation (2-1)	(5) Annual Covered Payroll	(6) Unfunded (Net Assets in Excess of) Pension Benefit Obligation as a Percentage of Covered Payroll (4/5)
1987	\$ 74,169,072	\$ 81,078,555	91.5%	\$6,909,483	\$24,507,798	28.2%
1988	85,526,433	90,013,550	95.0	4,487,117	26,271,251	17.1
1989	99,171,897	103,966,853	95.4	4,794,956	30,055,363	16.0
1990	112,503,399	120,210,076	93.6	7,706,677	33,782,844	22.8
1991	125,729,565	131,438,917	95.7	5,709,352	38,949,503	14.7
1992	141,153,224	148,576,030	95.0	7,422,806	42,683,728	17.4
1993	156,936,994	154,055,281	101.9	(2,881,713)	40,477,234	(7.1)
1994	192,223,605	161,174,318	119.3	(31,049,287)	43,579,568	(71.2)
1995	207,729,933	184,208,432	112.8	(23,521,501)	46,289,459	(50.8)

L. SUBSEQUENT EVENTS

On July 1, 1996, the City issued \$3,500,000 in Tax and Revenue Anticipation Notes bearing interest at a stated rate of 4.75% and an effective rate of 4.00%. The notes are due on June 30, 1997.

On August 5, 1996, the City issued \$8,695,000 of wastewater treatment facility refunding revenue bonds with an average interest rate of 5.3 percent to refund on a current basis \$8,185,000 of outstanding 1987 wastewater treatment facility refunding revenue bonds with an average interest rate of 7.1 percent. The net proceeds of \$8,565,616 (net of original issue discount and costs of issuance), plus \$159,691 held by the trustee of the 1987 bonds, were used to purchase U. S. government securities. These securities were deposited with an escrow agent to provide for payment on November 1, 1996 the redemption price of the 1987 bonds. As a result, the 1987 bonds will on that date be considered defeased and the liability will be removed from the Sewer Enterprise Fund balance sheet, to be replaced by the liability for the 1996 bonds.

**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, 1996 and 1995**

	1996	1995
ASSETS		
Cash and cash equivalents	\$ 5,476,729	\$ 4,172,308
Receivables:		
Accounts	914,252	1,713,946
Taxes	3,450,778	2,461,627
Notes	134,249	148,425
Due from governments	351,117	328,648
Due from other funds	240,000	191,000
Prepaid expenditures	121,468	109,837
Advances to other funds	930,460	966,334
Loans to other funds	6,443,500	6,443,500
 Total assets	 \$ 18,062,553	 \$ 16,535,625
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,415,573	\$ 2,261,418
Deferred revenues		3,626
Total liabilities	2,415,573	2,265,044
 Fund balances:		
Reserved:		
For encumbrances	660,916	654,419
For interfund loans	6,443,500	6,443,500
For petty cash	3,630	3,090
For loan programs	134,249	148,425
For prepaid expenditures	121,468	109,837
For interfund advances	930,460	966,334
Unreserved:		
Designated:		
For subsequent year expenditures	3,100,019	2,239,807
For operating contingencies	4,252,738	3,705,169
Total fund balances	15,646,980	14,270,581
	 \$ 18,062,553	 \$ 16,535,625

**CITY OF MODESTO
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT, COMPARED TO BUDGET, (GAAP BASIS)
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)**

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
General government:				
City council	\$ 199,506	\$ 195,431	\$ 4,075	\$ 188,848
Personnel/training	685,617	672,029	13,588	681,218
City manager	1,409,857	965,819	444,038	783,197
City attorney	874,246	690,401	183,845	593,639
City clerk/auditor	527,439	516,445	10,994	261,546
Finance	2,973,328	2,853,568	119,760	2,860,715
Community development	3,509,445	3,333,606	175,839	3,144,822
Total general government	<u>10,179,438</u>	<u>9,227,299</u>	<u>952,139</u>	<u>8,513,985</u>
Highways and streets:				
Parking and traffic - administration	915,439	812,159	103,280	956,980
Public works and transportation:				
Electrical division	1,639,927	1,502,660	137,267	1,463,505
Streets division	1,665,577	1,300,141	365,436	1,429,664
Total highways and streets	<u>4,220,943</u>	<u>3,614,960</u>	<u>605,983</u>	<u>3,850,149</u>
Public works:				
Engineering design	128,538	105,294	23,244	46,593
Construction administration/permits	288,674	264,950	23,724	136,001
Engineering administration	73,950	86,817	(12,867)	90,466
Administration	1,055,897	805,857	250,040	727,404
Total public works	<u>1,547,059</u>	<u>1,262,918</u>	<u>284,141</u>	<u>1,000,464</u>
Parks and recreation:				
Administration	564,218	554,583	9,635	659,243
Service division	3,809,001	3,715,347	93,654	3,582,590
Tree maintenance	2,149,198	2,067,825	81,373	2,033,805
Culture	446,501	438,968	7,533	1,163,631
Recreation division	1,916,891	1,832,745	84,146	1,273,127
Facilities	104,393	104,393		460,121
Total parks and recreation	<u>8,990,202</u>	<u>8,713,861</u>	<u>276,341</u>	<u>9,172,517</u>
Public safety:				
Fire protection	13,771,029	13,409,043	361,986	13,316,568
Police protection	25,496,449	25,477,441	19,008	23,712,111
Total public safety	<u>39,267,478</u>	<u>38,886,484</u>	<u>380,994</u>	<u>37,028,679</u>
Total expenditures by department	<u>64,205,120</u>	<u>61,705,522</u>	<u>2,499,598</u>	<u>59,565,794</u>
Debt service:				
Principal retirement	336,826	325,438	11,388	329,660
Interest	235,707	235,143	564	265,589
Total debt service	<u>572,533</u>	<u>560,581</u>	<u>11,952</u>	<u>595,249</u>
Total general fund	<u>\$ 64,777,653</u>	<u>\$ 62,266,103</u>	<u>\$ 2,511,550</u>	<u>\$ 60,161,043</u>



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.

IN LIEU PARKING FUND - In lieu of furnishing parking spaces, commercial establishments may pay a fee for space normally required. In the past, revenues from this source were accounted for in this fund. They are now being accounted for in the Parking Enterprise fund and are used to develop and maintain parking facilities.

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 will be provided by fees levied on development.

**CITY OF MODESTO
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 1996

(With comparative totals for June 30, 1995)

	<i>0510052</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	\$ 318,131	\$ 31,187	\$ 1,966,038
Cash and cash equivalents with fiscal agent			22,929
Receivables:			
Accounts	7,223		36,966
Notes			
Due from governments	148,195		656,578
Prepaid expenditures			
Loans to other funds			
Total assets	<u>\$ 473,549</u>	<u>\$ 31,187</u>	<u>\$ 2,682,511</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 42,087		\$ 412,796
Approved loans payable			
Due to other funds			
Deferred revenue	<u>431,462</u>		
Total liabilities	<u>473,549</u>		<u>412,796</u>
Fund balances:			
Reserved:			
For encumbrances			858,782
For interfund loans			
For loan programs			
For prepaid expenditures			
Unreserved:			
Designated:			
For carryover projects			1,257,388
For pending projects		\$ 31,187	<u>153,545</u>
Total fund balances		<u>31,187</u>	<u>2,269,715</u>
 Total liabilities and fund balances	 <u>\$ 473,549</u>	 <u>\$ 31,187</u>	 <u>\$ 2,682,511</u>

090 Downtown Improvement District	113-117 Housing and Community Development	080 Strategic Planning and Development	Totals	
			1996	1995
\$ 117,829	\$ 3,311	\$ 287,210	\$ 2,723,706	\$ 3,742,939
	717,723		740,652	732,856
2,245	45,076	4,382	95,892	29,005
	7,462,626		7,462,626	6,478,667
	583,663		1,388,436	760,548
	41,066		41,066	41,169
	74,050		74,050	74,050
<u>\$ 120,074</u>	<u>\$ 8,927,515</u>	<u>\$ 291,592</u>	<u>\$ 12,526,428</u>	<u>\$ 11,859,234</u>
	\$ 79,285	\$ 13,402	\$ 547,570	\$ 198,696
	85,931		85,931	187,254
	240,000		240,000	57,000
			431,462	1,156,403
	<u>405,216</u>	<u>13,402</u>	<u>1,304,963</u>	<u>1,599,353</u>
	24,878	46,760	930,420	586,285
	74,050		74,050	74,050
	7,376,695		7,376,695	6,291,413
	41,066		41,066	41,169
	622,003		1,879,391	1,774,471
\$ 120,074	383,607	231,430	919,843	1,492,493
<u>120,074</u>	<u>8,522,299</u>	<u>278,190</u>	<u>11,221,465</u>	<u>10,259,881</u>
<u>\$ 120,074</u>	<u>\$ 8,927,515</u>	<u>\$ 291,592</u>	<u>\$ 12,526,428</u>	<u>\$ 11,859,234</u>

**CITY OF MODESTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)**

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Special Gas Tax Street Improvement</u>
REVENUES:			
Taxes	\$ 1,322,152		
Intergovernmental			\$ 6,355,109
Charges for services			103,359
Interest and rent	48,342		106,703
Fines and forfeits		\$ 129,788	
Miscellaneous			
Total revenues	<u>1,370,494</u>	<u>129,788</u>	<u>6,565,171</u>
EXPENDITURES:			
Current expenditures:			
General government			
Highways and streets	192,957		5,711,957
Public works			
Total expenditures	<u>192,957</u>	<u></u>	<u>5,711,957</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,177,537</u>	<u>129,788</u>	<u>853,214</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in			1,203,925
Operating transfers out	(1,177,537)	(125,000)	(2,188,795)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,177,537)</u>	<u>(125,000)</u>	<u>(984,870)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		4,788	(131,656)
FUND BALANCES, JULY 1		26,399	2,401,371
Residual equity transfer out			
FUND BALANCES, JUNE 30	<u>\$</u>	<u>\$ 31,187</u>	<u>\$ 2,269,715</u>

Downtown Improvement District	Housing and Community Development	160 In Lieu Parking	Strategic Planning and Development	Totals	
				1996	1995
\$ 129,589	\$ 3,544,700			\$ 1,451,741	\$ 777,259
				9,899,809	6,965,205
				103,359	62,015
7,454	168,641		\$ 23,575	354,715	365,904
				129,788	119,199
	60,930		26	60,956	16,934
<u>137,043</u>	<u>3,774,271</u>		<u>23,601</u>	<u>12,000,368</u>	<u>8,306,516</u>
			244,167	244,167	355,210
				5,904,914	4,043,957
144,072	2,007,409			2,151,481	2,065,592
<u>144,072</u>	<u>2,007,409</u>		<u>244,167</u>	<u>8,300,562</u>	<u>6,464,759</u>
(7,029)	1,766,862		(220,566)	3,699,806	1,841,757
			122,500	1,326,425	834,585
	(552,315)			(4,043,647)	(3,350,432)
	<u>(552,315)</u>		<u>122,500</u>	<u>(2,717,222)</u>	<u>(2,515,847)</u>
(7,029)	1,214,547		(98,066)	982,584	(674,090)
127,103	7,307,752	\$ 21,000	376,256	10,259,881	10,933,971
		(21,000)		(21,000)	
<u>\$ 120,074</u>	<u>\$ 8,522,299</u>	<u>\$</u>	<u>\$ 278,190</u>	<u>\$ 11,221,465</u>	<u>\$ 10,259,881</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Taxes - sales taxes	\$ 494,407	\$ 1,322,152	\$ 827,745	\$ 634,777
Interest and rent - interest	57,200	48,342	(8,858)	32,872
Total revenues	<u>551,607</u>	<u>1,370,494</u>	<u>818,887</u>	<u>667,649</u>
EXPENDITURES - highways and streets:				
Bike lanes and parking facilities	<u>315,062</u>	<u>192,957</u>	<u>122,105</u>	<u>24,388</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>236,545</u>	<u>1,177,537</u>	<u>940,992</u>	<u>643,261</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(1,220,177)</u>	<u>(1,177,537)</u>	<u>42,640</u>	<u>(643,261)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(983,632)		983,632	
FUND BALANCES, JULY 1				
FUND BALANCES, JUNE 30	<u>\$ (983,632)</u>	<u>\$</u>	<u>\$ 983,632</u>	<u>\$</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES - fines and forfeits:				
Motor vehicle fines	\$ 125,000	\$ 129,788	\$ 4,788	\$ 119,199
OTHER FINANCING (USES):				
Operating transfers out	(125,000)	(125,000)		(100,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		4,788	4,788	19,199
FUND BALANCES, JULY 1	26,399	26,399		7,200
FUND BALANCES, JUNE 30	\$ 26,399	\$ 31,187	\$ 4,788	\$ 26,399

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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
State grants	\$ 3,416,521	\$ 3,241,530	\$ (174,991)	\$ 3,253,383
County grants	81,000		(81,000)	2,743
Federal grants	12,390,593	3,113,579	(9,277,014)	1,572,646
Total intergovernmental revenues	<u>15,888,114</u>	<u>6,355,109</u>	<u>(9,533,005)</u>	<u>4,828,772</u>
Charges for services	683,174	103,359	(579,815)	62,015
Special assessments	88,909		(88,909)	
Interest and rent - interest	115,000	106,703	(8,297)	128,308
Total revenues	<u>16,775,197</u>	<u>6,565,171</u>	<u>(10,210,026)</u>	<u>5,019,095</u>
EXPENDITURES:				
Highway and streets	<u>18,285,666</u>	<u>5,711,957</u>	<u>12,573,709</u>	<u>4,019,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,510,469)</u>	<u>853,214</u>	<u>2,363,683</u>	<u>999,526</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,279,600	1,203,925	(75,675)	336,548
Operating transfers out	<u>(2,188,795)</u>	<u>(2,188,795)</u>		<u>(2,402,536)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(909,195)</u>	<u>(984,870)</u>	<u>(75,675)</u>	<u>(2,065,988)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(2,419,664)</u>	<u>(131,656)</u>	<u>2,288,008</u>	<u>(1,066,462)</u>
FUND BALANCES, JULY 1	<u>2,401,371</u>	<u>2,401,371</u>		<u>3,467,833</u>
FUND BALANCES, JUNE 30	<u>\$ (18,293)</u>	<u>\$ 2,269,715</u>	<u>\$ 2,288,008</u>	<u>\$ 2,401,371</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Taxes - business license tax	\$ 150,000	\$ 129,589	\$ (20,411)	\$ 142,482
Interest and rent - interest	9,400	7,454	(1,946)	9,322
Total revenues	<u>159,400</u>	<u>137,043</u>	<u>(22,357)</u>	<u>151,804</u>
EXPENDITURES - public works:				
Downtown improvement district administration:				
Professional and contractual services	132,504	126,508	5,996	122,790
Materials and supplies	3,350	3,347	3	3,197
Other	10,600	10,217	383	10,559
Downtown improvements	4,000	4,000		6,500
Total expenditures	<u>150,454</u>	<u>144,072</u>	<u>6,382</u>	<u>143,046</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,946	(7,029)	(15,975)	8,758
FUND BALANCES, JULY 1	<u>127,103</u>	<u>127,103</u>		<u>118,345</u>
FUND BALANCES, JUNE 30	<u>\$ 136,049</u>	<u>\$ 120,074</u>	<u>\$ (15,975)</u>	<u>\$ 127,103</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996			1995
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES:				
Intergovernmental - federal grants	\$ 6,166,212	\$ 3,544,700	\$ (2,621,512)	\$ 2,136,433
Interest and rent - interest	25,700	168,641	142,941	176,789
Miscellaneous	28,926	60,930	32,004	16,843
Total revenues	<u>6,220,838</u>	<u>3,774,271</u>	<u>(2,446,567)</u>	<u>2,330,065</u>
EXPENDITURES - public works:				
Housing program	4,303,414	1,799,127	2,504,287	1,869,169
Removal of architectural barriers	769,999	177,046	592,953	114,729
Miscellaneous improvements	48,704	31,236	17,468	39,275
Total expenditures	<u>5,122,117</u>	<u>2,007,409</u>	<u>3,114,708</u>	<u>2,023,173</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,098,721</u>	<u>1,766,862</u>	<u>668,141</u>	<u>306,892</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in				492
Operating transfers out	(627,990)	(552,315)	75,675	(104,008)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(627,990)</u>	<u>(552,315)</u>	<u>75,675</u>	<u>(103,516)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	470,731	1,214,547	743,816	203,376
FUND BALANCES, JULY 1	<u>7,307,752</u>	<u>7,307,752</u>		<u>7,104,376</u>
FUND BALANCES, JUNE 30	<u>\$ 7,778,483</u>	<u>\$ 8,522,299</u>	<u>\$ 743,816</u>	<u>\$ 7,307,752</u>

CITY OF MODESTO
IN LIEU PARKING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
FUND BALANCES, JULY 1	\$ 21,000	\$ 21,000		\$ 21,000
Residual equity transfer out	(21,000)	(21,000)		
FUND BALANCES, JUNE 30	<u>\$</u>	<u>\$</u>		<u>\$ 21,000</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 38,060		\$ (38,060)	
Interest and rent - interest	18,800	\$ 23,575	4,775	\$ 18,613
Miscellaneous		26	26	91
Total revenues	<u>56,860</u>	<u>23,601</u>	<u>(33,259)</u>	<u>18,704</u>
EXPENDITURES - general government:				
Professional and contractual services	387,894	244,167	143,727	354,702
Materials and supplies	120		120	508
Total expenditures	<u>388,014</u>	<u>244,167</u>	<u>143,847</u>	<u>355,210</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(331,154)</u>	<u>(220,566)</u>	<u>110,588</u>	<u>(336,506)</u>
OTHER FINANCING SOURCES:				
Operating transfers in		<u>122,500</u>	<u>122,500</u>	<u>497,545</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(331,154)</u>	<u>(98,066)</u>	<u>233,088</u>	<u>161,039</u>
FUND BALANCES, JULY 1	<u>376,256</u>	<u>376,256</u>		<u>215,217</u>
FUND BALANCES, JUNE 30	<u>\$ 45,102</u>	<u>\$ 278,190</u>	<u>\$ 233,088</u>	<u>\$ 376,256</u>

CAPITAL PROJECTS FUNDS

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

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

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

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

PARKS AND RECREATION FACILITIES FUND - To account for proceeds from a special tax collected for each dwelling unit constructed. Fund income is used for the planning, acquisition, improvement, and expansion of public parks, playgrounds, and recreation facilities.

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

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

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

CAPITAL IMPROVEMENT PROJECTS FUND - To account for the construction of various capital projects financed by proceeds of certificates of participation.

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

DRAINAGE AREAS FUND - To account for construction of storm drainage facilities financed from developer fees.

**CITY OF MODESTO
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

June 30, 1996

(With comparative totals for June 30, 1995)

	<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	\$ 2,292,387	\$ 8,224,769	\$ 329,186	\$ 28,220
Receivables:				
Accounts	8,322	131,694	3,358	943
Taxes			13,905	
Notes				
Due from governments		907,991		
Advances to other funds	100,000			
Loans to other funds	1,000,000			
Total assets	<u>\$ 3,400,709</u>	<u>\$ 9,264,454</u>	<u>\$ 346,449</u>	<u>\$ 29,163</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 72,318	\$ 1,004,544	\$ 109,099	\$ 3,892
Approved loans payable				
Notes payable				
Advances from other funds		415,460		
Loans from other funds				
Total liabilities	<u>72,318</u>	<u>1,420,004</u>	<u>109,099</u>	<u>3,892</u>
Fund balances (deficits):				
Reserved:				
For encumbrances	307,024	1,277,357	64,309	16,003
For interfund loans	1,000,000			
For interfund advances	100,000			
For loan programs				
For set-aside requirement				
Unreserved:				
Designated:				
For carryover projects	864,762	3,298,693	116,130	
For pending projects	1,056,605	3,268,400	56,911	9,268
Undesignated				
Total fund balances (deficits)	<u>3,328,391</u>	<u>7,844,450</u>	<u>237,350</u>	<u>25,271</u>
Total liabilities and fund balances	<u>\$ 3,400,709</u>	<u>\$ 9,264,454</u>	<u>\$ 346,449</u>	<u>\$ 29,163</u>

State Parks and Recreation	McHenry Mansion Restoration	900 904-909 Redevelopment Agency	120-122 Improvement Districts	210 280-340 Drainage Areas	Totals	
					1996	1995
\$ 14,874	\$ 4,211	\$ 763,794	\$ 160,372	\$ 1,061,221	\$ 12,879,034	\$ 13,349,489
538	97	3,451			148,403	
		308,582			13,905	2,113
					308,582	
					907,991	161,143
					100,000	100,000
					1,000,000	1,000,000
<u>\$ 15,412</u>	<u>\$ 4,308</u>	<u>\$ 1,075,827</u>	<u>\$ 160,372</u>	<u>\$ 1,061,221</u>	<u>\$ 15,357,915</u>	<u>\$ 14,612,745</u>
\$ 12,622		\$ 44,060			\$ 1,246,535	\$ 493,590
		2,611			2,611	
		199,566			199,566	
					415,460	372,353
		7,517,550			7,517,550	7,517,550
<u>12,622</u>		<u>7,763,787</u>			<u>9,381,722</u>	<u>8,383,493</u>
	\$ 900	70,165			1,735,758	1,596,591
					1,000,000	1,000,000
		308,582			100,000	100,000
		457,200			308,582	
					457,200	499,853
2,790	3,408		\$ 160,372	\$ 1,061,221	4,279,585	3,318,657
		(7,523,907)			5,618,975	7,108,377
<u>2,790</u>	<u>4,308</u>	<u>(6,687,960)</u>	<u>160,372</u>	<u>1,061,221</u>	<u>(7,523,907)</u>	<u>(7,394,226)</u>
<u>\$ 15,412</u>	<u>\$ 4,308</u>	<u>\$ 1,075,827</u>	<u>\$ 160,372</u>	<u>\$ 1,061,221</u>	<u>\$ 15,357,915</u>	<u>\$ 14,612,745</u>

**CITY OF MODESTO
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)**

	Special Fund for Capital Outlays	Capital Facility Fees	Parks	Parks and Recreation Facilities
REVENUES:				
Taxes			\$ 244,381	
Intergovernmental		\$ 962,258	5,937	
Charges for services	\$ 4,661	1,253,521		\$ 8,915
Special assessments levied				
Interest and rent	89,077	553,524	31,919	4,245
Miscellaneous				
Total revenues	<u>93,738</u>	<u>2,769,303</u>	<u>282,237</u>	<u>13,160</u>
EXPENDITURES:				
Capital outlay:				
General government	59,766	36,795		
Highways and streets	71,931	2,803,913		
Public works				
Parks and recreation	121,651	499,098	660,826	12,997
Public safety	669,777	18,742		
Debt service:				
Principal retirement	116,181	73,637		
Interest	9,579	7,328		
Total expenditures	<u>1,048,885</u>	<u>3,439,513</u>	<u>660,826</u>	<u>12,997</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(955,147)</u>	<u>(670,210)</u>	<u>(378,589)</u>	<u>163</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,326,759		262,697	
Operating transfers out	(180,000)	(94,437)		(44,835)
Proceeds of capital lease transactions	529,000			
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,675,759</u>	<u>(94,437)</u>	<u>262,697</u>	<u>(44,835)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	720,612	(764,647)	(115,892)	(44,672)
FUND BALANCES, July 1	2,637,779	8,609,097	353,242	69,943
Residual equity transfers out	(30,000)			
FUND BALANCES, June 30	<u>\$ 3,328,391</u>	<u>\$ 7,844,450</u>	<u>\$ 237,350</u>	<u>\$ 25,271</u>

State Parks and Recreation	McHenry Mansion Restoration	Redevelopment Agency	Capital Improvement Projects	Improvement Districts	Drainage Areas	Totals	
						1996	1995
		\$ 719,848				\$ 964,229	\$ 549,246
						968,195	94,948
						1,267,097	1,028,612
					\$ 22,760	22,760	553
\$ 248	\$ 288	38,418			51	717,770	536,560
		55				55	511,958
<u>248</u>	<u>288</u>	<u>758,321</u>			<u>22,811</u>	<u>3,940,106</u>	<u>2,721,877</u>
		781,606				878,167	751,395
						2,875,844	1,545,197
38,873	2,845						221
						1,336,290	1,270,155
						688,519	336,904
						189,818	213,251
						16,907	30,737
<u>38,873</u>	<u>2,845</u>	<u>781,606</u>				<u>5,985,545</u>	<u>4,147,860</u>
(38,625)	(2,557)	(23,285)			22,811	(2,045,439)	(1,425,983)
38,874		6,443				1,634,773	1,454,765
			\$ (3,666)			(322,938)	(168,226)
						529,000	
<u>38,874</u>		<u>6,443</u>	<u>(3,666)</u>			<u>1,840,835</u>	<u>1,286,539</u>
249	(2,557)	(16,842)	(3,666)		22,811	(204,604)	(139,444)
2,541	6,865	(6,671,118)	3,666	\$ 160,372	1,056,865	6,229,252	6,538,015
					(18,455)	(48,455)	(169,319)
<u>\$ 2,790</u>	<u>\$ 4,308</u>	<u>\$ (6,687,960)</u>	<u>\$</u>	<u>\$ 160,372</u>	<u>\$ 1,061,221</u>	<u>\$ 5,976,193</u>	<u>\$ 6,229,252</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Charges for services		4,661	\$ 4,661	\$ 13,889
Interest and rent - interest	\$ 95,230	\$ 89,077	(6,153)	30,133
Total revenues	<u>95,230</u>	<u>93,738</u>	<u>(1,492)</u>	<u>44,022</u>
EXPENDITURES:				
Capital outlay:				
General government	485,891	59,766	426,125	144,230
Highways and streets	236,967	71,931	165,036	45,043
Parks and recreation	135,943	121,651	14,292	13,057
Public safety	772,248	669,777	102,471	9,999
Debt service:				
Principal retirement	116,181	116,181		145,006
Interest	9,579	9,579		18,018
Total expenditures	<u>1,756,809</u>	<u>1,048,885</u>	<u>707,924</u>	<u>375,353</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(1,661,579)</u>	<u>(955,147)</u>	<u>706,432</u>	<u>(331,331)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	1,326,759	1,326,759		1,084,653
Operating transfers out	(180,000)	(180,000)		
Proceeds of capital lease transactions	529,000	529,000		
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,675,759</u>	<u>1,675,759</u>		<u>1,084,653</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	14,180	720,612	706,432	753,322
FUND BALANCES, JULY 1	2,637,779	2,637,779		1,912,153
Residual equity transfers out	(30,000)	(30,000)		(27,696)
FUND BALANCES, JUNE 30	<u>\$ 2,621,959</u>	<u>\$ 3,328,391</u>	<u>\$ 706,432</u>	<u>\$ 2,637,779</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - county grants and apportionments	\$ 2,014,603	\$ 962,258	\$ (1,052,345)	\$ 87,801
Charges for services	1,385,320	1,253,521	(131,799)	1,009,573
Interest and rent - interest	589,625	553,524	(36,101)	495,852
Total revenues	<u>3,989,548</u>	<u>2,769,303</u>	<u>(1,220,245)</u>	<u>1,593,226</u>
EXPENDITURES:				
Capital outlay:				
General government	165,187	36,795	128,392	23,525
Highways and streets	7,928,556	2,803,913	5,124,643	1,500,154
Parks and recreation	1,536,587	499,098	1,037,489	940,995
Public safety	23,668	18,742	4,926	326,905
Debt service:				
Principal retirement	73,637	73,637		68,245
Interest	7,328	7,328		12,719
Total expenditures	<u>9,734,963</u>	<u>3,439,513</u>	<u>6,295,450</u>	<u>2,872,543</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(5,745,415)</u>	<u>(670,210)</u>	<u>5,075,205</u>	<u>(1,279,317)</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(147,000)</u>	<u>(94,437)</u>	<u>52,563</u>	<u>(95,874)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(5,892,415)</u>	<u>(764,647)</u>	<u>5,127,768</u>	<u>(1,375,191)</u>
FUND BALANCES, JULY 1	8,609,097	8,609,097		10,123,511
Residual equity transfers out				<u>(139,223)</u>
FUND BALANCES, JUNE 30	<u>\$ 2,716,682</u>	<u>\$ 7,844,450</u>	<u>\$ 5,127,768</u>	<u>\$ 8,609,097</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Taxes - property taxes	\$ 253,108	\$ 244,381	\$ (8,727)	\$ 244,665
Intergovernmental - state grants and apportionments	7,414	5,937	(1,477)	7,147
Interest and rent - interest	34,900	31,919	(2,981)	
Total revenues	<u>295,422</u>	<u>282,237</u>	<u>(13,185)</u>	<u>251,812</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>871,935</u>	<u>660,826</u>	<u>211,109</u>	<u>311,794</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(576,513)</u>	<u>(378,589)</u>	<u>197,924</u>	<u>(59,982)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>262,697</u>	<u>262,697</u>		<u>76,390</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(313,816)	(115,892)	197,924	16,408
FUND BALANCES, JULY 1	<u>353,242</u>	<u>353,242</u>		<u>336,834</u>
FUND BALANCES, JUNE 30	<u>\$ 39,426</u>	<u>\$ 237,350</u>	<u>\$ 197,924</u>	<u>\$ 353,242</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Charges for services - park fees	\$ 6,790	\$ 8,915	\$ 2,125	\$ 5,150
Interest and rent - interest	5,190	4,245	(945)	
Miscellaneous				35
Total revenues	<u>11,980</u>	<u>13,160</u>	<u>1,180</u>	<u>5,185</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>29,088</u>	<u>12,997</u>	<u>16,091</u>	<u>550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(17,108)</u>	<u>163</u>	<u>17,271</u>	<u>4,635</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(44,835)</u>	<u>(44,835)</u>		<u>(29,122)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(61,943)</u>	<u>(44,672)</u>	<u>17,271</u>	<u>(24,487)</u>
FUND BALANCES, JULY 1	<u>69,943</u>	<u>69,943</u>		<u>94,430</u>
FUND BALANCES, JUNE 30	<u>\$ 8,000</u>	<u>\$ 25,271</u>	<u>\$ 17,271</u>	<u>\$ 69,943</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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest		\$ 248	\$ 248	\$ 2,076
EXPENDITURES - capital outlay:				
Parks and recreation	\$ 137,077	38,873	98,204	2,123
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(137,077)	(38,625)	98,452	(47)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	134,077	38,874	(95,203)	2,923
Operating transfers out				(33,230)
TOTAL OTHER FINANCING SOURCES (USES)	134,077	38,874	(95,203)	(30,307)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,000)	249	3,249	(30,354)
FUND BALANCES, JULY 1	2,541	2,541		32,895
FUND BALANCES, JUNE 30	\$ (459)	\$ 2,790	\$ 3,249	\$ 2,541

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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest	\$ 300	\$ 288	\$ (12)	\$ 438
EXPENDITURES - capital outlay:				
Parks and recreation	4,157	2,845	1,312	1,636
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,857)	(2,557)	1,300	(1,198)
FUND BALANCES, JULY 1	6,865	6,865		8,063
FUND BALANCES, JUNE 30	\$ 3,008	\$ 4,308	\$ 1,300	\$ 6,865

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, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Taxes - property taxes	\$ 866,759	\$ 719,848	\$ (146,911)	\$ 304,581
Interest and rent - interest	8,000	38,418	30,418	7,897
Miscellaneous	63	55	(8)	511,923
Total revenues	<u>874,822</u>	<u>758,321</u>	<u>(116,501)</u>	<u>824,401</u>
EXPENDITURES - capital outlay:				
General government	<u>1,267,889</u>	<u>781,606</u>	<u>486,283</u>	<u>583,640</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(393,067)</u>	<u>(23,285)</u>	<u>369,782</u>	<u>240,761</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	6,443	6,443		290,799
Operating transfers out				<u>(10,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,443</u>	<u>6,443</u>		<u>280,799</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(386,624)</u>	<u>(16,842)</u>	<u>369,782</u>	<u>521,560</u>
FUND BALANCES, JULY 1	<u>(6,671,118)</u>	<u>(6,671,118)</u>		<u>(7,192,678)</u>
FUND BALANCES, JUNE 30	<u>\$ (7,057,742)</u>	<u>\$ (6,687,960)</u>	<u>\$ 369,782</u>	<u>\$ (6,671,118)</u>

CITY OF MODESTO
 CAPITAL IMPROVEMENT PROJECTS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 Year ended June 30, 1996
 (With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest				\$ 164
OTHER FINANCING (USES):				
Operating transfers out	\$ (3,666)	\$ (3,666)		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,666)	(3,666)		164
FUND BALANCES, JULY 1	3,666	3,666		3,502
FUND BALANCES, JUNE 30	\$	\$		\$ 3,666

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, 1996
(With comparative totals for year ended June 30, 1995)

	1996			1995
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
EXPENDITURES:				
Capital outlay:				
Special assessments				\$ 221
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				(221)
FUND BALANCES, JULY 1	\$ 160,372	\$ 160,372		160,593
FUND BALANCES, JUNE 30	\$ 160,372	\$ 160,372		\$ 160,372

CITY OF MODESTO
DRAINAGE AREAS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	1996		Variance Favorable (Unfavorable)	1995
	Budget	Actual		Actual
REVENUES:				
Special assessments levied		\$ 22,760	\$ 22,760	\$ 553
Interest and rent - interest		51	51	
Total revenues		<u>22,811</u>	<u>22,811</u>	<u>553</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES		22,811	22,811	553
FUND BALANCES, JULY 1	\$ 1,056,865	1,056,865		1,058,712
Residual equity transfers out	<u>(18,455)</u>	<u>(18,455)</u>		<u>(2,400)</u>
FUND BALANCES, JUNE 30	<u>\$ 1,038,410</u>	<u>\$ 1,061,221</u>	<u>\$ 22,811</u>	<u>\$ 1,056,865</u>



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, 1996
(With comparative totals for June 30, 1995)

	<i>902 903</i> <u>Redevelopment Agency</u>	<i>943</i> <u>Capital Improvement Projects</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 668,607	
Cash and cash equivalents with fiscal agent	1,978,711	\$ 639,130
Receivables:		
Accounts	14,881	13
Taxes	40,632	
Special assessments receivable		
 Total assets	 <u>\$ 2,702,831</u>	 <u>\$ 639,143</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable and accrued expenses		
Matured bonds and interest payable		
Deferred revenues		
Total liabilities		
 Fund balances:		
Reserved for debt service	 <u>\$ 2,702,831</u>	 <u>\$ 639,143</u>
 Total liabilities and fund balances	 <u>\$ 2,702,831</u>	 <u>\$ 639,143</u>

Improvement Districts	Public Financing Authority	Totals	
		1996	1995
\$ 415,040	\$ 775,458	\$ 1,083,647	\$ 1,320,005
258,435		3,651,734	3,951,220
5,329		20,223	
		40,632	8,864
<u>2,092,387</u>		<u>2,092,387</u>	<u>2,330,764</u>
\$ <u>2,771,191</u>	\$ <u>775,458</u>	\$ <u>6,888,623</u>	\$ <u>7,610,853</u>
	\$ 1,955	\$ 1,955	\$ 2,407
\$ 2,092,387		2,092,387	80
<u>2,092,387</u>	<u>1,955</u>	<u>2,094,342</u>	<u>2,330,764</u>
			<u>2,333,251</u>
<u>678,804</u>	<u>773,503</u>	<u>4,794,281</u>	<u>5,277,602</u>
\$ <u>2,771,191</u>	\$ <u>775,458</u>	\$ <u>6,888,623</u>	\$ <u>7,610,853</u>

CITY OF MODESTO
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	<u>Redevelopment Agency</u>	<u>Capital Improvement Projects</u>
REVENUES:		
Taxes	\$ 598,774	
Intergovernmental - state	37,746	
Special assessments levied		
Interest and rent	217,273	\$ 24,748
Total revenues	<u>853,793</u>	<u>24,748</u>
EXPENDITURES - debt service:		
Principal retirement	95,000	110,000
Interest	1,393,820	251,670
Other	11,790	9,573
Total expenditures	<u>1,500,610</u>	<u>371,243</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(646,817)</u>	<u>(346,495)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	687,922	347,509
Operating transfer out	(226,000)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>461,922</u>	<u>347,509</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(184,895)</u>	<u>1,014</u>
FUND BALANCES, JULY 1	<u>2,887,726</u>	<u>638,129</u>
FUND BALANCES, JUNE 30	<u>\$ 2,702,831</u>	<u>\$ 639,143</u>

Improvement Districts	Public Financing Authority	Totals	
		1996	1995
		\$ 598,774	\$ 896,818
		37,746	35,099
\$ 220,755		220,755	104,765
210,689	\$ 44,973	497,683	378,550
<u>431,444</u>	<u>44,973</u>	<u>1,354,958</u>	<u>1,415,232</u>
340,250	355,000	900,250	999,526
180,918	445,197	2,271,605	2,344,011
13,212	16,048	50,623	28,909
<u>534,380</u>	<u>816,245</u>	<u>3,222,478</u>	<u>3,372,446</u>
<u>(102,936)</u>	<u>(771,272)</u>	<u>(1,867,520)</u>	<u>(1,957,214)</u>
	574,768	1,610,199	1,526,696
		(226,000)	
	<u>574,768</u>	<u>1,384,199</u>	<u>1,526,696</u>
(102,936)	(196,504)	(483,321)	(430,518)
<u>781,740</u>	<u>970,007</u>	<u>5,277,602</u>	<u>5,708,120</u>
\$ <u>678,804</u>	\$ <u>773,503</u>	\$ <u>4,794,281</u>	\$ <u>5,277,602</u>



ENTERPRISE FUNDS

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

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

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

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

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

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

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

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

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

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET**

June 30, 1996

(With comparative totals for June 30, 1995)

<u>ASSETS</u>	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
Current assets:				
Cash and cash equivalents	\$ 875,236	\$ 7,126,605	\$ 13,902,096	\$ 3,014,974
Cash and cash equivalents with fiscal agent		2,070,672	1,558,562	
Receivables:				
Accounts		3,151,295	2,056,916	499,053
Taxes		2,314		
Due from governments		1,780,000		
Prepaid expenses				
Total current assets	<u>875,236</u>	<u>14,130,886</u>	<u>17,517,574</u>	<u>3,514,027</u>
Restricted assets:				
Cash deposits		382,732	37,978	
Revenue bond construction account			2,346,674	
Total restricted assets		<u>382,732</u>	<u>2,384,652</u>	
Other assets:				
Unamortized costs of issuance		437,988	331,749	
Total other assets		<u>437,988</u>	<u>331,749</u>	
Land, buildings and equipment:				
Land	1,613,168	1,353,770	11,534,880	
Buildings	2,121,462	3,562,296	13,212,604	
Improvements other than buildings	465,315	20,270,739	51,762,206	3,927,891
Furnishings and equipment	20,935	591,534	767,732	116,599
Buses and fareboxes				
Pipelines		34,890,891	38,434,802	203,759
Construction in progress	161	4,574,850	4,747,400	177,526
Accumulated depreciation	(1,415,639)	(8,064,060)	(28,800,080)	(294,374)
Total land, buildings and equipment	<u>2,805,402</u>	<u>57,180,020</u>	<u>91,659,544</u>	<u>4,131,401</u>
Total assets	<u>\$ 3,680,638</u>	<u>\$ 72,131,626</u>	<u>\$ 111,893,519</u>	<u>\$ 7,645,428</u>

Airport	Bus	Golf	Community Center	Totals	
				1996	1995
\$ 101,312	\$ 2,680,025 16,502	\$ 271,353	\$ 65,038	\$ 28,036,639 3,645,736	\$ 26,682,526 16,975,135
9,397	1,910	26,160	34,965	5,779,696 2,314	4,005,150
53,442	1,312,066			3,145,508	1,609,897
8,666				8,666	10,313
<u>172,817</u>	<u>4,010,503</u>	<u>297,513</u>	<u>100,003</u>	<u>40,618,559</u>	<u>49,283,021</u>
				420,710	279,490
				<u>2,346,674</u>	<u>3,538,916</u>
				<u>2,767,384</u>	<u>3,818,406</u>
				769,737	810,002
				<u>769,737</u>	<u>810,002</u>
929,891	2,483,167	275,741	3,667,020	21,857,637	22,837,491
3,480,565	3,966,404	1,102,879	22,856,962	50,303,172	50,000,923
5,376,180	190,932	6,059,695	499,831	88,552,789	72,650,993
266,417	489,176	73,995	410,871	2,737,259	2,331,666
	5,293,509			5,293,509	4,690,747
				73,529,452	61,461,017
257,104	146,796	394,970		10,298,807	9,670,030
<u>(4,089,712)</u>	<u>(3,899,758)</u>	<u>(1,416,229)</u>	<u>(5,913,626)</u>	<u>(53,893,478)</u>	<u>(46,740,877)</u>
<u>6,220,445</u>	<u>8,670,226</u>	<u>6,491,051</u>	<u>21,521,058</u>	<u>198,679,147</u>	<u>176,901,990</u>
\$ <u>6,393,262</u>	\$ <u>12,680,729</u>	\$ <u>6,788,564</u>	\$ <u>21,621,061</u>	\$ <u>242,834,827</u>	\$ <u>230,813,419</u>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 1996
(With comparative totals for June 30, 1995)**

<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	\$ 1,450	\$ 996,101	\$ 324,001	\$ 91,550
Interest payable		399,225	174,088	
Due to other funds				
Current portion - long-term debt		494,281	770,000	
Current portion - developer advances		170,318		
Deferred revenues				
Total current liabilities	<u>1,450</u>	<u>2,059,925</u>	<u>1,268,089</u>	<u>91,550</u>
Other liabilities:				
Payable from restricted assets - refundable deposits		382,732	37,978	
Advances from other funds				
Revenue bonds payable			15,681,167	
Loans payable		3,681,208		
Certificates of participation		23,461,062		
Developer advances		3,313,070		
Total other liabilities		<u>30,838,072</u>	<u>15,719,145</u>	
Total liabilities	<u>1,450</u>	<u>32,897,997</u>	<u>16,987,234</u>	<u>91,550</u>
Equity:				
Contributed capital	1,222,348	13,161,288	55,170,486	55,895
Retained earnings (deficit)-unreserved	<u>2,456,840</u>	<u>26,072,341</u>	<u>39,735,799</u>	<u>7,497,983</u>
Total equity	<u>3,679,188</u>	<u>39,233,629</u>	<u>94,906,285</u>	<u>7,553,878</u>
Total liabilities and equity	<u>\$ 3,680,638</u>	<u>\$ 72,131,626</u>	<u>\$ 111,893,519</u>	<u>\$ 7,645,428</u>

Airport	Bus	Golf	Community Center	Totals	
				1996	1995
\$ 9,843	\$ 181,360	\$ 1,315	\$ 38,316	\$ 1,643,936	\$ 1,478,607
				573,313	553,888
				1,264,281	134,000
				170,318	1,060,000
	3,503,921			3,503,921	3,486,922
<u>9,843</u>	<u>3,685,281</u>	<u>1,315</u>	<u>38,316</u>	<u>7,155,769</u>	<u>6,713,417</u>
				420,710	279,490
152,000				152,000	230,981
				15,681,167	16,424,651
				3,681,208	
				23,461,062	23,798,760
				3,313,070	
<u>152,000</u>				<u>46,709,217</u>	<u>40,733,882</u>
<u>161,843</u>	<u>3,685,281</u>	<u>1,315</u>	<u>38,316</u>	<u>53,864,986</u>	<u>47,447,299</u>
6,515,398	8,779,953	5,523,792	21,486,529	111,915,689	115,621,734
(283,979)	215,495	1,263,457	96,216	77,054,152	67,744,386
<u>6,231,419</u>	<u>8,995,448</u>	<u>6,787,249</u>	<u>21,582,745</u>	<u>188,969,841</u>	<u>183,366,120</u>
\$ <u>6,393,262</u>	\$ <u>12,680,729</u>	\$ <u>6,788,564</u>	\$ <u>21,621,061</u>	\$ <u>242,834,827</u>	\$ <u>230,813,419</u>

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)**

	Parking	Water	Sewer	Storm Drain
OPERATING REVENUES:				
Charges for services	\$ 358,337	\$ 25,671,645	\$ 17,212,991	\$ 4,469,202
OPERATING EXPENSES:				
Salaries and wages	18,511	1,118,665	2,553,062	605,241
Contractual services	25,959	1,041,342	1,023,530	289,848
Utilities	17,186	1,419,530	1,613,711	1,075
Maintenance and supplies	13,951	1,725,746	1,586,435	707,150
Water purchases		13,033,368		
Insurance	3,675	55,647	75,599	9,503
Employee benefits	1,896	586,373	821,902	259,120
Administration services	120,145	2,240,079	1,227,212	775,635
Allocated indirect administrative costs	3,318	265,759	571,422	134,056
Other	2	22,955	33,376	2,459
Depreciation	74,174	1,440,160	3,094,983	126,131
Total operating expenses	<u>278,817</u>	<u>22,949,624</u>	<u>12,601,232</u>	<u>2,910,218</u>
OPERATING INCOME (LOSS)	<u>79,520</u>	<u>2,722,021</u>	<u>4,611,759</u>	<u>1,558,984</u>
NONOPERATING REVENUES (EXPENSES)				
Operating grants				
Loss on disposition of fixed assets	(84)	(71,907)	(138,235)	(122,875)
Taxes	(1,266)	(71,505)	(108,758)	
Interest income	47,756	311,939	857,592	203,352
Rental income		7,500	203,783	
Interest expense		(127,459)	(681,850)	
Litigation settlement				
Amortization of bond discount		(12,302)	(26,516)	
Amortization of costs of issuance		(16,632)	(23,633)	
Total nonoperating revenues (expenses)	<u>46,406</u>	<u>19,634</u>	<u>82,383</u>	<u>80,477</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>125,926</u>	<u>2,741,655</u>	<u>4,694,142</u>	<u>1,639,461</u>
Operating transfers in				
Operating transfers out	(6,400)	(1,147,652)	(2,216,629)	(204,218)
Total operating transfers in (out)	<u>(6,400)</u>	<u>(1,147,652)</u>	<u>(2,216,629)</u>	<u>(204,218)</u>
NET INCOME (LOSS)	119,526	1,594,003	2,477,513	1,435,243
Depreciation charged to contributed capital	74,174	588,439	2,391,057	24,343
Increase (decrease) in retained earnings	193,700	2,182,442	4,868,570	1,459,586
RETAINED EARNINGS, July 1	<u>2,263,140</u>	<u>23,889,899</u>	<u>34,867,229</u>	<u>6,038,397</u>
RETAINED EARNINGS, June 30	<u>\$ 2,456,840</u>	<u>\$ 26,072,341</u>	<u>\$ 39,735,799</u>	<u>\$ 7,497,983</u>

Airport	Bus	Golf	Community Center	Totals	
				1996	1995
\$ 521,699	\$ 1,313,227	\$ 2,256,838	\$ 689,022	\$ 52,492,961	\$ 40,972,186
228,406	431,456	390,066	511,804	5,857,211	6,078,153
14,839	4,073,814	23,256	65,692	6,558,280	5,213,035
46,241	35,084	57,997	175,263	3,366,087	2,854,113
46,503	531,840	895,176	159,399	5,666,200	4,236,965
				13,033,368	6,519,842
18,904	40,988	16,941	35,527	256,784	142,847
69,530	130,477	119,848	123,585	2,112,731	2,097,566
64,880	225,858	36,543	49,809	4,740,161	3,237,246
31,374	257,683	132,500		1,396,112	1,826,202
3,992	10,735	34,451	10,700	118,670	208,740
291,937	526,348	294,124	749,060	6,596,917	5,614,378
816,606	6,264,283	2,000,902	1,880,839	49,702,521	38,029,087
(294,907)	(4,951,056)	255,936	(1,191,817)	2,790,440	2,943,099
	1,356,578			1,356,578	1,634,944
(7,370)	(11,175)	(21,119)	(13,639)	(386,404)	(189,483)
92,235	2,970,908			2,881,614	2,330,589
		3,469		1,424,108	1,373,311
75,980	165,977			453,240	309,890
				(809,309)	(711,043)
					1,082,377
				(38,818)	(38,818)
				(40,265)	(40,265)
160,845	4,482,288	(17,650)	(13,639)	4,840,744	5,751,502
(134,062)	(468,768)	238,286	(1,205,456)	7,631,184	8,694,601
		460,576	445,544	906,120	608,366
(206,260)		(368,508)		(4,149,667)	(4,007,564)
(206,260)		92,068	445,544	(3,243,547)	(3,399,198)
(340,322)	(468,768)	330,354	(759,912)	4,387,637	5,295,403
291,937	526,348	276,771	749,060	4,922,129	4,664,331
(48,385)	57,580	607,125	(10,852)	9,309,766	9,959,734
(235,594)	157,915	656,332	107,068	67,744,386	57,784,652
\$ (283,979)	\$ 215,495	\$ 1,263,457	\$ 96,216	\$ 77,054,152	\$ 67,744,386

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)**

	Parking	Water	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 79,520	\$ 2,722,021	\$ 4,611,759
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	74,174	1,440,160	3,094,983
Rental income		7,500	203,783
Litigation settlement			
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		(977,181)	(201,391)
(Increase) In taxes receivable		(2,314)	
(Increase) decrease in due from governments		(1,780,000)	
Decrease in due from other funds			
Decrease in prepaid expenses		260,000	
Increase (decrease) in accounts payable and accrued expenses	(224)	178,340	(162,253)
(Decrease) in due to other funds			
Increase (decrease) in deferred revenue		(27,477)	
Increase (decrease) in refundable deposits		133,753	7,467
Total adjustments	<u>73,950</u>	<u>(767,219)</u>	<u>2,942,589</u>
Net cash provided (used) by operating activities	<u>153,470</u>	<u>1,954,802</u>	<u>7,554,348</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received			
Taxes received			
Taxes paid	(1,266)	(71,505)	(108,758)
Operating transfers in			
Operating transfers out	(6,400)	(1,147,652)	(2,216,629)
Residual equity transfers out		(170,560)	(20,850)
New advances from other funds			
Advances and loans from other funds repaid			
Repayments of advances and loans to other funds received			
Net cash provided (used) by noncapital financing activities	<u>(7,666)</u>	<u>(1,389,717)</u>	<u>(2,346,237)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(5,919)	(2,719,993)	(3,519,405)
Purchase of Del Este Water Company, net of cash acquired		(6,319,301)	
Principal repayments		(5,809,474)	(730,000)
Interest paid		(1,581,490)	(1,063,798)
Capital grants received			
Residual equity transfers in	21,000		9,485
Connection fees for capital purposes		423,977	479,183
Net cash provided (used) by capital and related financing activities	<u>15,081</u>	<u>(16,006,281)</u>	<u>(4,824,535)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	47,756	439,661	906,656
Net increase (decrease) in cash and cash equivalents	<u>208,641</u>	<u>(15,001,535)</u>	<u>1,290,232</u>
CASH AND CASH EQUIVALENTS, JULY 1	<u>666,595</u>	<u>24,581,544</u>	<u>16,555,078</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 875,236</u>	<u>\$ 9,580,009</u>	<u>\$ 17,845,310</u>

Storm Drain	Airport	Bus	Golf	Community Center	Totals	
					1996	1995
\$ 1,558,984	\$ (294,907)	\$ (4,951,056)	\$ 255,936	\$ (1,191,817)	\$ 2,790,440	\$ 2,943,099
126,131	291,937 75,980	526,348 165,977	294,124	749,060	6,596,917 453,240	5,614,378 309,890 1,082,377
(39,099)	3,583	6,374 (9,697)	(11,489)	42,501	(1,176,702) (2,314) (1,789,697)	(187,511) 5,387 118,574
(14,327)	1,648 (13,203)	97,729	(22,367) (134,000)	7,912	261,648 71,607 (134,000) (27,477) 141,220	187 214,784 (227,555) 27,477 (39,106)
<u>72,705</u>	<u>359,945</u>	<u>786,731</u>	<u>126,268</u>	<u>799,473</u>	<u>4,394,442</u>	<u>6,918,882</u>
<u>1,631,689</u>	<u>65,038</u>	<u>(4,164,325)</u>	<u>382,204</u>	<u>(392,344)</u>	<u>7,184,882</u>	<u>9,861,981</u>
	92,235	1,755,456 2,620,898	460,576	445,544	1,755,456 2,713,133 (181,529) 906,120	1,567,632 1,880,970 (109,624) 608,366
(204,218)	(206,260)		(368,508)		(4,149,667) (191,410)	(4,007,564) (95,688)
	52,000		(130,981)		52,000 (130,981)	130,981 (41,330)
<u>(204,218)</u>	<u>(62,025)</u>	<u>4,376,354</u>	<u>(38,913)</u>	<u>445,544</u>	<u>773,122</u>	<u>(24,927)</u>
(1,889,500)	(359,335)	(606,107)	(76,115)	(15,200)	(9,191,574) (6,319,301) (6,539,474) (2,645,288)	(10,228,745) (940,000) (2,601,455)
18,455	327,495	872,696			1,200,191 48,940 903,160	1,179,390 188,065 540,410
<u>(1,871,045)</u>	<u>(31,840)</u>	<u>266,589</u>	<u>(76,115)</u>	<u>(15,200)</u>	<u>(22,543,346)</u>	<u>(11,862,335)</u>
161,519			3,442		1,559,034	2,489,724
(282,055)	(28,827)	478,618	270,618	38,000	(13,026,308)	464,443
<u>3,297,029</u>	<u>130,139</u>	<u>2,217,909</u>	<u>735</u>	<u>27,038</u>	<u>47,476,067</u>	<u>47,011,624</u>
\$ <u>3,014,974</u>	\$ <u>101,312</u>	\$ <u>2,696,527</u>	\$ <u>271,353</u>	\$ <u>65,038</u>	\$ <u>34,449,759</u>	\$ <u>47,476,067</u>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1996**

WATER FUND

Fixed assets transferred from other funds and General Fixed Assets	\$ 146,660
Non-cash assets acquired from Del Este Water Company	19,440,214
Liabilities of Del Este Water Company assumed	13,120,913
Capitalized interest expense on certificates of participation accrued at year end	368,836

SEWER FUND

Fixed assets transferred from other funds and General Fixed Assets	10,961
Capitalized interest expense on revenue bonds accrued at year end	62,113
Capitalized interest revenue accrued at year end	33,316
Residual equity transfer of fixed assets	886,821

STORM DRAIN FUND

Fixed assets transferred from other funds and General Fixed Assets	859
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AIRPORT FUND

Fixed assets transferred from other funds and General Fixed Assets	2,588
Capital grants accrued at year end	53,442

BUS FUND

Fixed asset additions accrued at year end	1,561
Operating grants accrued at year end	1,098,992
Capital grants accrued at year end	176,434

GOLF FUND

Fixed assets transferred from other funds and General Fixed Assets	978
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COMMUNITY CENTER

Fixed assets transferred from other funds and General Fixed Assets	606
Contributed capital fixed assets returned to General Fixed Assets	1,544,577

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:

METHANE GAS GENERATION FUND - To finance and account for the City's methane gas generation program. Methane gas is now being used to heat some City buildings and to operate several City fleet vehicles.

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.

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

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

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

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 1996
(With comparative totals for June 30, 1995)**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Insurance</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,235,272	\$ 31,591	\$ 8,986,922
Receivables:			
Accounts	8,590		238,988
Notes			
Inventories		308,221	
Total current assets	<u>3,243,862</u>	<u>339,812</u>	<u>9,225,910</u>
Land, buildings and equipment:			
Land	270,692		
Buildings	695,066		
Improvements other than buildings	988,404	7,429	
Equipment pool	13,723,808		
Furnishings and equipment	395,572	122,612	68,363
Construction in progress	750,031		
Accumulated depreciation	<u>(8,311,449)</u>	<u>(39,612)</u>	<u>(28,792)</u>
Total land, buildings and equipment	<u>8,512,124</u>	<u>90,429</u>	<u>39,571</u>
Total assets	\$ <u>11,755,986</u>	\$ <u>430,241</u>	\$ <u>9,265,481</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$ 387,151	\$ 33,725	\$ 379,096
Current portion - compensated absences			
Current portion - claims liability			3,421,837
Current portion - long-term debt		4,186	
Total current liabilities	<u>387,151</u>	<u>37,911</u>	<u>3,800,933</u>
Other liabilities:			
Advances from other funds		463,000	
Obligations under capital leases			
Compensated absences			
Claims liability			5,209,000
Total other liabilities		<u>463,000</u>	<u>5,209,000</u>
Total liabilities	<u>387,151</u>	<u>500,911</u>	<u>9,009,933</u>
Equity:			
Contributed capital	3,534,135	63,720	920
Retained earnings (deficit)-unreserved	7,834,700	(134,390)	254,628
Total equity	<u>11,368,835</u>	<u>(70,670)</u>	<u>255,548</u>
Total liabilities and equity	\$ <u>11,755,986</u>	\$ <u>430,241</u>	\$ <u>9,265,481</u>

Employee Benefits Management	Building Services	Totals	
		1996	1995
\$ 6,973,159	\$ 150,756	\$ 19,377,700	\$ 18,016,427
57,748		305,326	774,969
73,982		73,982	76,117
		308,221	295,853
<u>7,104,889</u>	<u>150,756</u>	<u>20,065,229</u>	<u>19,163,366</u>
	383,164	653,856	653,856
	3,819,203	4,514,269	4,514,269
	1,046,399	2,042,232	3,643,940
		13,723,808	11,653,403
15,823	52,493	654,863	661,075
(1,191)	(3,204,923)	750,031	124,353
<u>14,632</u>	<u>2,096,336</u>	<u>(11,585,967)</u>	<u>(11,630,530)</u>
\$ <u>7,119,521</u>	\$ <u>2,247,092</u>	\$ <u>30,818,321</u>	\$ <u>28,783,732</u>
\$ 14,214	\$ 49,453	\$ 863,639	\$ 455,547
5,052,253		5,052,253	4,295,424
		3,421,837	3,440,200
		4,186	8,372
<u>5,066,467</u>	<u>49,453</u>	<u>9,341,915</u>	<u>8,199,543</u>
		463,000	463,000
8,199,915		8,199,915	4,186
		5,209,000	7,409,973
<u>8,199,915</u>		<u>13,871,915</u>	<u>5,739,700</u>
13,266,382	49,453	23,213,830	13,616,859
	2,092,031	5,690,806	21,816,402
(6,146,861)	105,608	1,913,685	5,490,687
<u>(6,146,861)</u>	<u>2,197,639</u>	<u>7,604,491</u>	<u>6,967,330</u>
\$ <u>7,119,521</u>	\$ <u>2,247,092</u>	\$ <u>30,818,321</u>	\$ <u>28,783,732</u>

CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	<u>Methane Gas Generation</u>	<u>Fleet Management</u>	<u>Central Services</u>
OPERATING REVENUES:			
Charges for services		\$ 4,694,237	\$ 404,401
Sales			1,308,760
Cost of sales			(1,254,932)
Total operating revenues		<u>4,694,237</u>	<u>458,229</u>
OPERATING EXPENSES:			
Salaries and wages		680,209	174,223
Contractual services		12,415	16,717
Utilities		12,252	1,005
Maintenance and supplies		1,200,955	71,808
Insurance		24,585	3,794
Claims expense			
Employee benefits		232,949	61,774
Administration services		94,341	63,695
Allocated indirect administrative costs		164,948	
Other		8,772	1,513
Depreciation		1,240,729	14,194
Total operating expenses		<u>3,672,155</u>	<u>408,723</u>
OPERATING INCOME (LOSS)		<u>1,022,082</u>	<u>49,506</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposition of fixed assets		(169,890)	(13,779)
Interest income			
Total nonoperating revenues (expenses)		<u>(169,890)</u>	<u>(13,779)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS		<u>852,192</u>	<u>35,727</u>
Operating transfers in			
Operating transfers out		(445,028)	
Total operating transfers in (out)		<u>(445,028)</u>	
NET INCOME (LOSS)		407,164	35,727
Depreciation charged to contributed capital		244,424	1,229
Increase (decrease) in retained earnings		651,588	36,956
RETAINED EARNINGS, July 1	\$ 896,306	7,183,112	(171,346)
Residual equity transfer out	(896,306)		
RETAINED EARNINGS, June 30	<u>\$</u>	<u>\$ 7,834,700</u>	<u>\$ (134,390)</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			1996	1995
\$ 8,770,939	\$ 17,243,874	\$ 1,868,467	\$ 32,981,918	\$ 31,055,181
			1,308,760	1,253,771
			(1,254,932)	(1,025,838)
<u>8,770,939</u>	<u>17,243,874</u>	<u>1,868,467</u>	<u>33,035,746</u>	<u>31,283,114</u>
220,547	36,707	720,812	1,832,498	1,775,467
25,304	12,116	27,000	93,552	73,327
338		535,402	548,997	522,883
10,632	42,211	226,001	1,551,607	1,468,215
4,776,588	499	10,269	4,815,735	3,284,876
2,816,245			2,816,245	5,117,522
67,217	18,047,242	199,960	18,609,142	14,244,676
309,224	23,724	40,949	531,933	444,884
			164,948	289,187
20,963	2,689	3,171	37,108	47,438
6,047	1,128	93,380	1,355,478	1,303,912
<u>8,253,105</u>	<u>18,166,316</u>	<u>1,856,944</u>	<u>32,357,243</u>	<u>28,572,387</u>
<u>517,834</u>	<u>(922,442)</u>	<u>11,523</u>	<u>678,503</u>	<u>2,710,727</u>
(2,448)		(6,654)	(192,771)	(22,003)
557,251	411,908		969,159	624,576
<u>554,803</u>	<u>411,908</u>	<u>(6,654)</u>	<u>776,388</u>	<u>602,573</u>
<u>1,072,637</u>	<u>(510,534)</u>	<u>4,869</u>	<u>1,454,891</u>	<u>3,313,300</u>
				86,854
		(15,548)	(460,576)	(194,319)
		<u>(15,548)</u>	<u>(460,576)</u>	<u>(107,465)</u>
<u>1,072,637</u>	<u>(510,534)</u>	<u>(10,679)</u>	<u>994,315</u>	<u>3,205,835</u>
		93,380	339,033	361,022
1,072,637	(510,534)	82,701	1,333,348	3,566,857
(818,009)	(5,636,327)	22,907	1,476,643	(2,090,214)
			(896,306)	
<u>\$ 254,628</u>	<u>\$ (6,146,861)</u>	<u>\$ 105,608</u>	<u>\$ 1,913,685</u>	<u>\$ 1,476,643</u>

CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1996
(With comparative totals for year ended June 30, 1995)

	Methane Gas Generation	Fleet Management	Central Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)		\$ 1,022,082	\$ 49,506
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation		1,240,729	14,194
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		(8,590)	
(Increase) decrease in notes receivable			
Decrease in due from other funds			
(Increase) in inventories			(12,369)
Increase (decrease) in accounts payable and accrued expenses		300,515	2,796
Increase in compensated absences			
Increase in claims liability			
Total adjustments		<u>1,532,654</u>	<u>4,621</u>
Net cash provided (used) by operating activities		<u>2,554,736</u>	<u>54,127</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in			
Operating transfers out		(445,028)	
Residual equity transfers out	\$ (9,485)		
New advances from other funds			
Net cash provided (used) by noncapital financing activities	<u>(9,485)</u>	<u>(445,028)</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets		(3,310,178)	(21,968)
Proceeds from sale of fixed assets		41,039	
Principal repayments			(8,372)
Residual equity transfers in		274,638	7,298
Net cash provided (used) by capital and related financing activities		<u>(2,994,501)</u>	<u>(23,042)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received			
Net increase in cash and cash equivalents	(9,485)	(884,793)	31,085
CASH AND CASH EQUIVALENTS, JULY 1	<u>9,485</u>	<u>4,120,065</u>	<u>506</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$</u>	<u>\$ 3,235,272</u>	<u>\$ 31,591</u>

Insurance	Employee Benefits Management	Building Services	Totals	
			1996	1995
\$ 517,834	\$ (922,442)	\$ 11,523	\$ 678,503	\$ 2,710,727
6,047	1,128	93,380	1,355,478	1,303,912
644,969	2,135		636,379	(99,823)
			2,135	(26,861)
			(12,369)	20,481
95,185	(23,609)	33,203	408,090	(31,780)
	1,546,771		1,546,771	102,926
(549,063)			(549,063)	755,226
197,138	1,526,425	126,583	3,387,421	666,910
714,972	603,983	138,106	4,065,924	2,690,991
				86,854
		(15,548)	(460,576)	(194,319)
			(9,485)	
				27,000
		(15,548)	(470,061)	(80,465)
(1,133)	(13,847)	(4,490)	(3,351,616)	(1,100,530)
			41,039	101,682
			(8,372)	(8,372)
			281,936	319,369
(1,133)	(13,847)	(4,490)	(3,037,013)	(687,851)
448,263	354,160		802,423	624,576
1,162,102	944,296	118,068	1,361,273	5,257,978
7,824,820	6,028,863	32,688	18,016,427	12,758,449
\$ 8,986,922	\$ 6,973,159	\$ 150,756	19,377,700	\$ 18,016,427

(Continued)

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1996**

METHANE GAS GENERATION FUND

Residual equity transfer of fixed assets	\$ (886,821)
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FLEET MANAGEMENT FUND

Fixed assets transferred from other funds and General Fixed Assets	250,349
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CENTRAL SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets	6,867
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AGENCY FUNDS

Agency Funds are established to account for assets held by the City in a trustee capacity.

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. All salaried employees may defer a portion of their gross compensation under this plan. The City matches up to 2% of the deferral, with the matching rate dependent on length of service and employee group. Part time employees are required to defer a portion of their wages in lieu of mandatory social security contributions.

**CITY OF MODESTO
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 1996**

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
REFUNDABLE DEPOSITS				
ASSETS				
Restricted assets - cash deposits	\$ <u>2,579,274</u>	\$ <u>1,937,990</u>	\$ <u>1,583,281</u>	\$ <u>2,933,983</u>
LIABILITIES				
Refundable deposits	\$ <u>2,579,274</u>	\$ <u>1,937,990</u>	\$ <u>1,583,281</u>	\$ <u>2,933,983</u>
DEFERRED COMPENSATION				
ASSETS				
Restricted assets - cash and investments	\$ <u>37,739,939</u>	\$ <u>7,650,058</u>	\$ <u>1,976,748</u>	\$ <u>43,413,249</u>
LIABILITIES				
Deferred compensation	\$ <u>37,739,939</u>	\$ <u>7,650,058</u>	\$ <u>1,976,748</u>	\$ <u>43,413,249</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Restricted assets - cash and investments	\$ <u>40,319,213</u>	\$ <u>9,588,048</u>	\$ <u>3,560,029</u>	\$ <u>46,347,232</u>
LIABILITIES				
Payable from restricted assets:				
Refundable deposits	\$ 2,579,274	\$ 1,937,990	\$ 1,583,281	\$ 2,933,983
Deferred compensation	<u>37,739,939</u>	<u>7,650,058</u>	<u>1,976,748</u>	<u>43,413,249</u>
Total liabilities	\$ <u>40,319,213</u>	\$ <u>9,588,048</u>	\$ <u>3,560,029</u>	\$ <u>46,347,232</u>

GENERAL FIXED ASSETS

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

CITY OF MODESTO
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
June 30, 1996

	Total	Land	Buildings	Improvements Other Than Buildings	Furnishings and Equipment	Equipment Pool
General government:						
City council	\$ 32,395			\$ 11,775	\$ 20,620	
City manager	584,817			22,146	562,671	
Personnel	107,636			18,761	88,875	
City attorney	100,688			5,695	94,993	
City clerk/auditor	36,371			11,676	24,695	
Finance	2,545,591			268,011	2,277,580	
Community development	784,721	\$ 235,418	\$ 39,231	29,724	480,348	
Parking and traffic	954,191	420,038	325,000	7,890	201,263	
Total general government	<u>5,146,410</u>	<u>655,456</u>	<u>364,231</u>	<u>375,678</u>	<u>3,751,045</u>	
Public safety:						
Fire	7,464,213	194,563	2,460,083	491,620	4,317,947	
Police	5,189,572	1,304,982	881,915	335,518	2,549,077	\$ 118,080
Total public safety	<u>12,653,785</u>	<u>1,499,545</u>	<u>3,341,998</u>	<u>827,138</u>	<u>6,867,024</u>	<u>118,080</u>
Public works	<u>674,250</u>	<u>4,000</u>		<u>196,483</u>	<u>473,767</u>	
Highways and streets	<u>251,885</u>	<u>78,064</u>		<u>15,107</u>	<u>158,714</u>	
Parks and recreation	<u>33,043,161</u>	<u>11,450,306</u>	<u>4,403,565</u>	<u>16,604,374</u>	<u>584,916</u>	
Total general fixed assets allocated to functions	<u>51,769,491</u>	<u>\$ 13,687,371</u>	<u>\$ 8,109,794</u>	<u>\$ 18,018,780</u>	<u>\$ 11,835,466</u>	<u>\$ 118,080</u>
Construction in progress	<u>2,776,391</u>					
Total general fixed assets	<u>\$ 54,545,882</u>					

CITY OF MODESTO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
Year ended June 30, 1996

	General Fixed Assets July 1, 1995	Additions	Deductions	General Fixed Assets June 30, 1996
General government	\$ 5,286,278	\$ 553,023	\$ 692,891	\$ 5,146,410
Public safety	12,463,448	480,805	290,468	12,653,785
Public works	746,164	93,309	165,223	674,250
Highways and streets	233,486	39,700	21,301	251,885
Parks and recreation	31,326,860	1,812,427	96,126	33,043,161
Construction in progress	<u>2,130,214</u>	<u>1,444,115</u>	<u>797,938</u>	<u>2,776,391</u>
 Total changes by function	 <u>\$ 52,186,450</u>	 <u>\$ 4,423,379</u>	 <u>\$ 2,063,947</u>	 <u>\$ 54,545,882</u>

CITY OF MODESTO
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 1996

GENERAL FIXED ASSETS:

Land	\$ 13,687,371
Buildings	8,109,794
Improvements	18,018,780
Furnishing and equipment	11,835,466
Equipment pool	118,080
Construction in progress	<u>2,776,391</u>
 Total general fixed assets	 <u>\$ 54,545,882</u>

INVESTMENT IN GENERAL FIXED ASSETS FROM:

City funding	\$ 41,046,196
State grants	2,479,846
Federal grants	8,723,209
Contributions/donations	<u>2,296,631</u>
 Total investment in general fixed assets	 <u>\$ 54,545,882</u>



City of Modesto Statistical Section



STATISTICAL TABLES

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

The schedule of Revenue Bond coverage for the Wastewater Treatment Facility Refunding Revenue Bonds, is applicable only for the last nine years.

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 Refunding Revenue Bonds, Series 1987 and 1993

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
1987	\$ 6,838,658	\$ 6,892,337	\$ 3,437,577	\$ 6,242,272	\$ 19,986,487	\$ 1,629,156	\$ 45,026,487
1988	6,991,010	6,355,023	3,910,101	6,702,793	21,656,740	2,466,784	48,082,451
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

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
1987	\$ 27,265,302	\$ 138,913	\$ 9,348,609	\$ 2,949,364		\$ 1,648,057	\$ 921,729	\$ 279,209	\$ 42,551,183
1988	29,774,621	160,227	9,645,145	3,194,178	\$ 183,672	1,998,355	974,608	628,512	46,559,318
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

NOTE: (1) Includes General, Special Revenue, and Debt Service Funds.
(2) Includes the following taxes (with percent of total taxes for 1996):

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

Year Ended June 30,	Total Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections As Percent of Current Levy (2)	Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
1987	\$ 4,931,423	\$ 4,800,478	97.34%	\$ 454,734	\$ 5,255,212	106.57%	\$ 258,129	5.23%
1988	5,373,744	5,190,722	96.59	294,350	5,485,072	102.07	208,010	3.87
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		

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	
1987	\$ 3,533,505,659	\$ 3,533,505,659	\$ 131,466,834	\$ 131,466,834	\$ 3,664,972,493	\$ 3,664,972,493	100%
1988	3,892,424,156	3,892,424,156	151,080,851	151,080,851	4,043,505,007	4,043,505,007	100
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

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

Year Ended June 30	Stanislaus County	Sewer District	School Bonds (1)	Total
1987	1.00	.0108	.0205	1.0313
1988	1.00	.0098	.0172	1.0270
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

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>
1987	\$ 89,787	\$ 89,787	100	\$ 1,163,685
1988	85,852	85,852	100	1,713,102
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

CITY OF MODESTO
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 1996

Net assessed value (1)		\$ 6,749,504,696
Plus homeowners' exemption (1)		<u>221,272,777</u>
Gross assessed value (1)		\$ 6,970,777,473
Debt limit - 15% of gross assessed value (2)		\$ 1,045,616,621
Amount of debt applicable to debt limit:		
Total general bonded debt, including special assessment debt	\$ 2,160,000	
Less: Assets in debt service funds available for payment of principal	\$ 678,804	
Other deductions: Special assessment debt	<u>2,160,000</u>	
Total deductions		2,838,804
Total amount of debt applicable to debt limit		<u>0</u>
Legal debt margin		<u>\$ 1,045,616,621</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, 1996

<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	149,069	35.0	52,174
Modesto Elementary School District	22,484,151	72.5	16,301,009
Modesto High School District	34,055,799	68.5	23,328,222
Sylvan School District	13,701,398	85.0	11,646,188
Salida Union Elementary District	2,469,061	27.0	666,646
Stanislaus Union School District	5,889,959	33.0	1,943,686
Total	\$ 80,230,633		\$ 55,419,121

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, 1996

Modesto Irrigation District Financing Authority
Domestic Water Project Revenue Bonds, Series 1995C (1)

Fiscal Year	City Municipal Water System		
	Service Area Total Production (Million Gallons)	Typical Monthly Residential Account Service Charges	Average Rate Increase (%)
1990	N/A	\$ 7.31	30%
1991	14,155	9.50	30
1992	13,653	12.83	35
1993	14,566	16.68	30
1994	15,066	21.68	30
1995	14,772	21.68	0
1996	20,565	21.68	0

(1) Water Fund parity debt obligation, issued July 1995 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. Disclosure of water system revenues and expenses is contained in the Enterprise Funds Combining Statement of Revenues, Expenses and Changes in Retained Earnings on page 90.

(continued)

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 1996

Wastewater Treatment Facility Refunding Revenue Bonds, Series 1996 (1)

Sewer rate increase, year ended 6/30/96 : 4%

Connection charge information:

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

Connection charge: Approximately \$500 per Equivalent Dwelling Unit for residential units
 Approximately \$2,000 per acre for commercial and industrial property

Sub-trunk sewer charge: Approximately \$400 per acre

Connection (lateral) charge: Adjusted for the cost of construction based on frontage in feet, which amounts to one-half the cost of the construction of the lateral

Customer Base of the Enterprise, Year Ended 6/30/96

Category	Number of Accounts	% of Total Accounts	% of Total Revenues
Residential	49,073	94.46	41.2
Commercial	2,791	5.37	16.9
Industrial	86	.17	41.9

Ten Largest Users of Sewer Facilities, Year Ended 6/30/96

User	% of Sewer Operating Revenue
1) Tri-Valley Growers	11.96
2) Stanislaus Foods	6.22
3) Frito-Lay, Inc.	4.84
4) E&J Gallo Winery	3.08
5) Del Monte	2.24
6) Foster Farms	1.92
7) City of Ceres	1.67
8) Nestle Food Company	1.12
9) Campbell Soup	0.73
10) Basic Vegetable Products	0.57

(1) Sewer Fund debt obligation, to refund 1987 Revenue Bonds. The 1996 bonds will be issued on November 1, 1996. Updates of other required disclosures also may be found elsewhere in this report:

General Fund Revenues and Expenditures	Page 10
Historical Debt Service Coverage	Page 124
Property Tax Levies and Collections	Page 114
Assessed Value of Taxable Property, Last 5 Fiscal Years	Page 115
Property Value and Construction Activity, Last 5 Fiscal Years	Page 125

Note: Although these bonds will not be issued until fiscal year 1997, this information is included for early compliance with requirements of the Continuing Disclosure Agreement for the 1996 Refunding Revenue Bonds.

**CITY OF MODESTO
REVENUE BOND COVERAGE
WASTEWATER TREATMENT FACILITY REVENUE BONDS, SERIES 1987 AND 1993**

Year Ended June 30,	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage (3)
				Refunding Series 1987 Bonds	Series 1993 Bonds	Total Debt Service	
1988	\$ 8,426,750	\$ 4,940,095	\$ 3,486,655	356,857		\$ 356,857	9.77
1989	11,072,846	5,558,010	5,514,836	1,237,767		1,237,767	4.46
1990	12,680,004	6,072,390	6,607,614	1,149,220		1,149,220	5.75
1991	12,407,613	7,566,310	4,841,303	1,155,303		1,155,303	4.19
1992	13,643,802	7,011,203	6,632,599	1,151,050		1,151,050	5.76
1993	15,429,482	7,281,669	8,147,813	1,146,945		1,146,945	7.10
1994	16,411,093	7,480,437	8,930,656	1,471,832	\$ 257,603	1,729,435	5.16
1995	17,396,410	8,349,453	9,046,957	1,209,993	583,805	1,793,798	5.04
1996	18,753,549	9,615,007	9,138,542	1,141,855	651,943	1,793,798	5.09

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

(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) Calculation of debt service coverage beginning with fiscal year 1996 is based on calculation recommended for continuing disclosure under a refunding issue which will close in November, 1996. 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	
1987	61	\$ 17,592,612	2,694	\$ 146,109,445	\$ 3,664,972,493	\$ 268,566,913	\$ 1,079,688,000
1988	68	24,521,551	2,378	136,465,568	4,043,505,007	286,957,269	1,111,664,000
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	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 1995.

CITY OF MODESTO
PRINCIPAL PAYERS OF PROPERTY TAX
Year Ended June 30, 1996

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percent of Total</u>
National Medical Hospitals	Medical	\$ 100,277,447	1.72 %
Teachers Insurance & Annuity Association	Shopping Centers	74,559,618	1.28
Foster Farms Dairy	Food Processing	49,172,627	0.69
McClatchy Newspapers	Publishing	37,391,285	0.55
General Foods	Food Processing	39,309,942	0.70
Liljenquist Modesto Co.	Real Estate	38,278,813	0.64
Stanislaus Partners	Food Processing	31,786,808	0.43
Basic Vegetable Products	Food Processing	24,658,446	0.47
Lyon Development Association	General Contractors	17,040,964	0.29
Fifteen-24 Mc Henry Investors	Medical Building	14,350,000	0.31
All others			<u>92.92</u> <u>100.00 %</u>

Source of Data: Stanislaus County Tax Collector.

CITY OF MODESTO
SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 1996

Coverage	Company	Policy Number(s)	Limits of Liability	Term	Premium	Retention or Deductible
Airport Comprehensive Gen. Liability Hangerkeepers Legal Liability Contractual Liability	National Union	467977-2	\$ 25,000,000	4/1/96 - 4/1/97	\$ 11,554	\$ 250 Hangerkeepers
Gen. Liability Auto Liability Errors & Omissions (excludes Airport)	ACCEL	ACC 9697	\$ 19,000,000	7/1/96 - 7/1/97	\$281,835	\$ 1,000,000 (SIR)
Boiler & Machinery	Kemper Ins.	3XL134901-00	\$ 50,000,000	5/15/96 - 5/15/97	\$ 8,066	\$ 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.
City Property (buildings & contents) Fire Trucks-(Collison) All vehicles Flood (\$1 million)	PEPIP	Various	\$250,000,000 per location \$500,000,000 per occurrence	5/15/96 - 5/15/97	\$ 78,395	\$ 5,000 \$ 25,000 Flood
Tuolumne River Regional Park Errors and Omissions	Insurance Co. State of PA	4796-4649	\$ 5,000,000	7/1/96 - 7/1/97	\$ 2,070	\$ 0
Workers' Compensation	Continental Casualty Co.	W128579898	\$ 2,000,000	5/1/96 - 5/1/97	\$ 19,825	\$ 400,000 (SIR)
Faithful Performance and Crime Bond (All Officers & Employees)	National Union	467975	\$ 1,000,000	4/1/96 - 4/1/97	\$ 3,744	\$ 5,000
Excess Liability	ACCEL	ACC12345	\$ 10,000,000	7/1/96 - 7/1/97	\$ 25,971	\$ 0

Source of data: City of Modesto Risk Manager

CITY OF MODESTO
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
June 30, 1996

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
J. Edward Tewes, City Manager	\$ 102,527	\$ 25,000
Jean Adams, City Clerk/Auditor	52,887	50,000
Judy Hall, Assistant City Clerk/Auditor	41,495	50,000
Kevin Riper, Director of Finance	87,564	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, 1996

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
06/30/96	178,698
Projected 2000 (Dept. of Finance)	235,100
Housing units:	
1980 (2)	42,570
1990 (3)	60,878
1996 (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	79,689
Votes cast, last municipal election	21,887
Percentage of voter balloting	27.4

(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, 1996

Permanent employees authorized	1,083
Fire Protection: Underwriter's Classification - Class 2	
Fire Stations	10
Positions authorized	153
Number of fire hydrants	5,804
Police Protection:	
Police Station	1
Area command offices	4
Positions authorized	326
Number of vehicles	203
Recreational Areas (acres):	
Developed Parks	
52 fully or partially developed	387.24
Undeveloped Parks	
8 Neighborhood	56.46
1 Community	25.00
1 Area	100.00
Total: 10 Undeveloped Parks	181.46
Special Facilities	
1 Baseball stadium	20.00
3 Golf courses	363.29
Total: 4 Special Facilities	383.29
Total Recreational Areas	951.99
Building Permits:	
Permits issued in 1995-96	4,186
Estimated cost of construction	\$113,620,389
Streets:	
Streets, paved or oiled (miles)	553
Street lights	12,865
Traffic signals	198
Parking Facilities:	
Number of parking lots	24
Number of off-street parking spaces	2,245

(Continued)

CITY OF MODESTO
DEMOGRAPHIC AND MISCELLANEOUS STATISTICAL DATA (continued)
June 30, 1996

Elderly and handicapped van service:

Number of vehicles	8
Seating capacity vans	12
Average daily number of passengers	274
Average miles per month	42,000

Airport:

For year ended June 30, 1996

Number of passengers enplaned	22,865
Number of passengers deplaned	22,907
Total aircraft movements	70,677
Annual fuel consumption in gallons	695,030
Total number of tenant aircraft	183
Total acreage	450
Parking apron acreage	9
Aircraft tie down acreage	26
Automobile parking acreage	10
Length of longest runway in feet	5,911
Number of hangars	23
Number of air carriers scheduled per day	6
Number of runways	2

Bus Service:

Number of buses	35
Number of routes	17
Miles of routes	269
Seating capacity per bus	36
Average daily number of passengers	6,320
Average miles per month	108,000
Frequency of service	30 min. & 60 min.

Sewer Service:

Plant capacity in gallons per day	62,500,000
Miles of storm sewers	75
Miles of sanitary laterals	424
Miles of sanitary trunks and industrial	77.49

Water Service:

Average daily consumption in gallons	64,399,666
Number of wells	139
Miles of water mains	835

Sources of data: Various City departments

