

February 25, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This is the sixth year the City of Modesto Community Facilities District No. 1998-1 (Enterprise Business Park) (the District) has issued its financial statements in the format prescribed by the provisions of Government Accounting Standards Board Statement No. 34 (GASB 34), which requires the District to provide this overview of its financial activities for the fiscal year. This change in financial statement format was necessary because the District is a component unit of the City of Modesto (City), which has implemented GASB 34.

Please read this overview in conjunction with your reading of the accompanying basic financial statements.

### **THE PURPOSE OF THE DISTRICT**

The District is a component unit of the City. It is controlled by the City, and the City Council is the District's governing body. City employees perform most all the duties and functions required of the District, but certain tasks are provided by third parties under contract.

The District's purpose under California law is to provide a funding mechanism for needed public facilities and services authorized by the District. The District is the vehicle that will be used to ensure that all landowners within the District pay their fair share of the public improvements and services. Additional information on the District can be found below, and in Note 1 to the accompanying financial statements.

## **BACKGROUND AND MANAGEMENT'S DISCUSSION**

On April 7, 1997 the City of Modesto's Planning Commission approved a vesting tentative map for the Enterprise Business Park subdivision. The project area included two assessor's parcels and more than eighty acres of property located in the southwestern section of the City. Upon recordation of the final map, the property was subdivided into eight parcels ranging in size from 1.12 to 24.17 acres. The parcels are zoned M-2, a heavy industrial designation allowing for development of warehouse, distribution, processing, manufacturing and other related uses.

In July 1998 the City Council formed the District and authorized that the District to issue up to \$2.05 million in bonds to fund certain street improvements, water and sewer main extensions and other water, sewer and storm drainage improvements required to serve the District. All CFD-funded improvements have been completed.

## **FISCAL 2007 FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

### *Government-wide:*

- The District's net assets increased \$59 in fiscal 2007.
- At June 30, 2007, net assets were \$118,274.
- Total District revenues were \$8,477.

### *Fund Basis:*

- Special Revenue Fund revenues of \$8,477 were \$14,762 more than last year, and expenditures of \$8,418 were \$1,796 less than the previous year.
- Special Revenue Fund ending fund balance increased \$59 to \$118,274. This increase is attributed to \$6,813 in interest income and \$1,664 in Maintenance Special Taxes.

## **THE BASIC FINANCIAL STATEMENTS**

The basic financial statements comprise the government-wide financial statements and the fund financial statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

### *The Government-wide Financial Statements*

The government-wide financial statements provide a longer-term view of the District's activities as a whole and comprise the statement of net assets and the statement of activities. The statement of net assets provides information about the financial position of the District as a whole, including all its capital assets and long-term liabilities. The statement of activities provides information about the District's revenues and all its expenses. The statement of activities explains in detail the change in net assets for the year.

The statement of net assets and the statement of activities present information about the following:

- ***Governmental activities***—All of the District's basic services are considered to be governmental activities, including formation, financing, construction and maintenance activities. These services are supported by formation deposits, special facilities taxes and annual maintenance assessments.

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole, similar to that used by the private sector.

### *Fund Financial Statements*

The fund financial statements report the District's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the District's one fund. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

The fund financial statements provide detailed information about the District's significant fund, called a major fund. The concept of a major fund, and the determination of which is a major fund, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules present the detail of these non-major funds. The Major fund presents the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of District's activities. The District's fund is presented here as major funds; its purpose is explained in Note 1 to the financial statements.

The District's fund is a governmental fund; financial statements for this fund is prepared on the modified accrual basis, which means it measures only current financial resources and uses.

### **FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE**

This analysis focuses on the net assets and changes in net assets of the District's governmental activities in the government-wide statement of net assets and statement of activities that follow.

As of June 30, 2007, the District total assets were \$118,589. The District's net assets from governmental activities increased from \$118,215 in fiscal 2006 to \$118,274 in fiscal 2007. All of the District's net assets are restricted for district maintenance.

### **Fiscal Year 2007 Governmental Activities**

The District's fiscal 2007 revenue came from investment earnings generating \$6,813 and from maintenance special taxes generating \$1,664.

District expenses of \$8,418 in fiscal year 2007 were for maintenance and on-going administrative expenses.

### **THE DISTRICT'S FUND FINANCIAL STATEMENTS**

At June 30, 2007, the District's governmental fund reported a fund balance of \$118,274 which was an increase of \$59 from fiscal year 2006.

### **CAPITAL ASSETS**

Under GASB 34, the District is required to record all its capital assets, including infrastructure, at their historical cost, and to depreciate these assets over their estimated useful lives. However, title to all infrastructure assets acquired or constructed by the District is turned over to the City of Modesto upon completion and acceptance. Accordingly, capital outlay expenditures are reported in both the District's fund and government-wide financial statements. Therefore, the District reports no long-term capital assets.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

These Component Unit Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about

this Report should be directed to the City of Modesto, IFP Administrator, P.O. Box 642,  
Modesto, California 95353.