

February 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is the sixth year the City of Modesto Community Facilities District No. 2000-2 (Coffee-Claratina) (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 maintenance of public improvements authorized by the District. The District is the vehicle that will be used to ensure that all landowners in the area contribute to the cost of such

maintenance. Additional information on the District can be found below, and in Note 1 to the accompanying financial statements.

BACKGROUND AND MANAGEMENT'S DISCUSSION

In November 1999, the City Council approved the Coffee-Claratina Specific Plan that set forth a plan for development of 130 acres that includes up to 1,000 residential dwelling units, 40 acres of "Regional Commercial" property and 15 acres of "Mixed Community Commercial" development. The District was formed in December 2000 to provide a funding source for maintenance and repair of the storm drain basin and dual-use flood control/recreation facility and for maintenance of median, bikeway, round-about and miscellaneous planting areas within the Coffee-Claratina Specific Plan.

FISCAL 2007 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Government-wide:

- The District's net assets increased \$79,241 in fiscal year 2007. This increase is attributed to Special Revenue Fund revenues exceeding expenses.
- At June 30, 2007, net assets were \$548,369.
- Total District revenues were \$139,732.

Fund Basis:

- Special Revenue Fund revenues were \$139,732, while expenditures were \$60,491. The Special Revenue Fund ending fund balance increased \$79,241 to \$548,369. This increase occurred because revenues exceeded expenditures. There are no differences between the amounts reported in the fund financial statements versus the government-wide statements.

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 each of the District's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, 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. Major funds present 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. All of the District's funds are presented here as major funds; their purpose is explained in Note 1 to the financial statements.

All the District's funds are governmental funds; financial statements for these funds are prepared on the modified accrual basis, which means they measure 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, total assets of \$553,862 were offset by liabilities of \$5,493. The District's net assets from governmental activities increased to \$548,369 in 2007 from \$469,128 in 2006. This increase occurred because Special Revenue Fund revenues exceeded expenditures. This increase is the change in net assets reflected in the statement of activities. All of the District's net assets are restricted for maintenance.

FISCAL YEAR 2007 GOVERNMENTAL ACTIVITIES

The District's fiscal year 2007 revenue came mainly from annual maintenance special taxes of \$118,634. Investment earnings contributed an additional \$21,098 in fiscal year 2007. District expenses of \$60,491 in fiscal year 2007 were principally for maintenance and administration.

THE DISTRICT'S FUND FINANCIAL STATEMENTS

At June 30, 2007, the District's governmental funds reported combined fund balances of \$548,369, which is an increase of \$79,241 compared with last year. This increase represented the excess of revenues over expenditures and other uses for the year. The Special Revenue Fund accounted for the entire increase, as maintenance/administration assessments exceeded current year operating expenses.

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, CA 95353.