

February 25, 2008

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

This is the sixth year the City of Modesto Community Facilities District No. 2002-1 (NorthPointe) (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 is 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 public facilities and services authorized by the District. The District is the vehicle that will be used to ensure that all landowners in the Specific Plan area pay their fair share of the public improvements. 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 1, 1997 the City Council approved the Kiernan Business Park Specific Plan that set forth a plan of development for approximately 614 acres that were, at that time, located adjacent to the City's northern border, east of Highway 99 and south of Kiernan Avenue in a portion of unincorporated Stanislaus County. To date, approximately 250 acres within the Kiernan Business Park Specific Plan have been annexed into the City. Approximately 55 of the City-annexed acres are included within the NorthPointe CFD. The Kiernan Business Park Specific Plan is intended to provide for the development of new business park, commercial and industrial uses that will assist in implementing the City's long-range objectives to enhance its local economy, generate jobs for residents and create a better jobs/housing balance.

The District was formed by the City Council in February 2002 to generate funding for landscaping improvements, a variety of maintenance responsibilities (weed control, litter removal, landscape maintenance and maintenance and replacement of storm drainage facilities) and improvement and replacement costs necessitated by development of the projects within the District. The Capital Project Fund, earmarked to fund the storm drain basin landscape improvements, will be utilized once the final configuration of the storm drain basin has been determined.

## **FISCAL 2007 FINANCIAL HIGHLIGHTS**

Financial highlights of the year include the following:

### *Government-wide:*

- At June 30, 2007, net assets were \$368,069.
- Total District revenues were \$47,451.
- Total District expenditures were \$15,164.

*Fund Basis:*

- The District consists of one Capital Project Fund and one Special Revenue Fund. There are no differences between the amounts reported in the fund financial statements vs. 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 two funds. 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 \$368,899 were offset with liabilities of \$830. The District's net assets from governmental activities increased from \$335,782 in 2006 to

\$368,069 in 2007. This increase is due to an excess of revenues over expenses. All of the District's assets are restricted as follows: \$103,150 for acquisition or construction of infrastructure and \$264,919 for maintenance and pump station replacement.

### **FISCAL YEAR 2007 GOVERNMENTAL ACTIVITIES**

The District's fiscal 2007 revenue primarily came from annual maintenance special taxes, which amounted to \$32,349. Investment earnings contributed an additional \$15,102. District expenses of \$15,164 in fiscal year 2007 were primarily for maintenance and administration.

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

At June 30, 2007 the District's governmental funds reported fund balances of \$368,069. This represents the excess of revenues over expenditures for the year. A portion will be used to fund future capital projects while the balance will be used to fund maintenance and administrative 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.