

CITY OF
Modesto
CALIFORNIA



COMPREHENSIVE
ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1997

The dedicated service of the Modesto Police Department in making Modesto a safe place to live and work is highlighted in photographs throughout this document.

Photography by © Kelly B. Huston

CITY OF
Modesto, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 1997

Prepared by
Finance Department

CITY OF MODESTO
 June 30, 1997
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City of Modesto Introduction





CITY of MODESTO

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November 15, 1997

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, 1997, 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, 1996 report, the thirteenth consecutive year in which the City has been so recognized. The financial section includes the general-purpose financial statements, the combining and individual fund and account group statements and schedules, and the independent auditor's report on the financial statements and schedules. The notes to the general-purpose financial statements explain the basis of accounting used, define the various fund types and account groups, and provide required disclosure information. The statistical section includes selected demographic data, financial trends, and the fiscal capacity of the City, and is generally presented for more than one year. This section also includes continuing disclosure requirements information on bonds issued after July 3, 1995, as required by Securities and Exchange Commission Rule 15 (c)2-12.

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

The area economy showed continued improvements in several sectors during 1996-97. Building activity increased substantially for the second consecutive year, with permit valuations up 36 percent over the prior year. Many retail and commercial facilities expanded during the year, resulting in some employment growth. The State Employment Development Department reported that the Modesto area's average unemployment rate improved from 14.9 percent to 13.5 percent during the period, and in August 1997 reported that unemployment dipped below double digits for the first time in seven years. Growth in retail sales continued as Modesto gained new retail facilities, including a major bookseller and several restaurants from major chains. Growth in the industrial sector was generally static, but a few smaller plants are scheduled to locate in the area during 1997-98.

Major Initiatives

In a continuing effort to revitalize the downtown area, the City of Modesto and Stanislaus County agreed to pursue a public-private partnership with a private developer. The public component will consist of a new, City-County downtown administration building and 700 space parking structure, along with the renovation of existing space and a new police administration building. The private component will have a multi-screen cinema and retail complex. Financing for the City's portion of this project is expected to be in place by Spring 1998.

Renovation of historic John Thurman Field, home of the Modesto A's minor league baseball team, was completed in May 1997. The project includes seating for 4,000, new restrooms, locker rooms, concession stands and dugouts, and expanded parking facilities. The expansion and renovation allowed the City to meet professional baseball standards and retain the Modesto A's.

A severe flood in January 1997 caused over \$3.1 million in damage to City facilities and overtime costs for the many employees involved in the initial disaster and cleanup operations. Reimbursement requests have been submitted to the Federal Emergency Management Agency (FEMA) and the Office of Emergency Services (OES). As of June 30, 1997, the City had received over \$600,000, with the additional reimbursements expected over the next two years.

The effective use of various new or increased police grants helped the City to reduce its FBI Crime Index Rate below that of Stockton for the first time in many years. Staffing levels for the Police Department are at the highest levels in the history of the department, with 263 sworn officers funded. A fourth area substation, in the Southwest area, was opened during 1997 as community policing received continuing emphasis.

"City Hall at the Mall" is scheduled to open in November 1997. Located in a storefront at Vintage Faire Mall, this City Hall annex will offer services such as a fifth police area office, city information center, community services registration, and utility and other City bill payment. In addition, certain surplus items and City souvenirs will be available for purchase. The City Hall at the Mall will provide these services to citizens for extended business hours during the evenings and weekends.

The City Council adopted a competition policy to help evaluate competitive service delivery options, and to provide general guidelines for both City employees and potential competitors. During the year, airport operations and maintenance were competitively bid to determine whether the private sector or City staff could

run the airport most efficiently. Analysis of the bids received indicated that City staff should continue both operations and maintenance of the airport. In fiscal year 1998, utility billing and collections, as well as street sweeping, will be evaluated in a similar manner, to assure that these services are provided at the highest quality for the lowest reasonable cost.

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 \$80,494,162 for the year ended June 30, 1997, an increase of 4.2 percent over the prior year. The revenues from various sources and the increase or decrease from the prior year are summarized in the following table:

<u>Revenue Source</u>	<u>Year ended June 30, 1997</u>		<u>Increase/(Decrease) From Year ended June 30, 1996</u>	
	<u>Amount</u>	<u>Percent of Total</u>	<u>Amount</u>	<u>Percent</u>
Taxes	\$45,619,198	56.6%	\$ 47,825	.1%
Licenses and permits	178,291	.2	(29,678)	(14.3)
Intergovernmental	21,349,358	26.5	1,544,101	7.8
Charges for services	7,465,356	9.3	1,906,830	34.3
Special assessments levied	285,408	.4	10,768	3.9
Interest and rent	2,751,604	3.4	(92,717)	(3.3)
Fines and forfeits	761,451	.9	99,776	15.1
Miscellaneous	<u>2,083,496</u>	<u>2.7</u>	<u>(265,892)</u>	<u>(11.3)</u>
	<u>\$80,494,162</u>	<u>100.0%</u>	<u>\$3,221,013</u>	

Sales and use, utility users, general property, and other taxes produced 56.6 percent of general revenues, compared with 58.9 percent in fiscal year 1996. A decline in the number of bingo permits issued caused the reduction in revenue received for licenses and permits. The major components of the increase in intergovernmental revenue were grant reimbursements for the 9th Street railroad track relocation and the new Amtrak station projects, as well as new and increased police grants. The upswing in building activity, along with a change in the indirect cost plan resulting in additional cost recovery from the Enterprise Funds to the General Fund, caused the increase in charges for services. Fines and forfeits revenue increased due to the addition of a charge for releasing impounded vehicles. The decrease in miscellaneous revenue was largely due to a lower PERS credit than in the previous year, based on a new actuarial valuation.

Total expenditures for general governmental purposes, as recorded in the governmental fund types, were \$87,439,842, an increase of 9.6 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, 1997		Increase/(Decrease) From Year ended June 30, 1996	
	Amount	Percent of Total	Amount	Percent
General government	\$9,229,119	10.6%	\$ (242,347)	(2.6)%
Highways and streets	10,756,336	12.3	1,236,462	13.0
Public works	3,658,718	4.2	244,319	7.2
Parks and recreation	9,269,256	10.6	555,395	6.4
Public safety	41,269,058	47.2	2,382,574	6.1
Capital expenditures	9,158,367	10.4	3,379,547	58.5
Debt service	<u>4,098,988</u>	<u>4.7</u>	<u>109,204</u>	<u>2.7</u>
	<u>\$87,439,842</u>	<u>100.0%</u>	<u>\$7,665,154</u>	

The decrease in general government costs was largely due to the lack of any election costs during fiscal 1997. Highways and streets expenditures increased primarily due to expenditures related to the 9th Street railroad track relocation project, and the start of work on the new Amtrak station. The increase in public works expenditures was due to the payment of amounts encumbered at the end of fiscal year 1996, but properly expensed in 1997. Parks and recreation expenditures increased because of costs related to the flood cleanup, as well as the payment of full year salaries for employees transferred from the Golf fund at mid-year of fiscal year 1996. Several new front-line, grant related positions added in the Police Department during 1997, coupled with officers hired during fiscal year end 1996 who were on board for the full 1997 fiscal year, accounted for the majority of the increase in public safety expenditures. Costs for renovation of John Thurman Field 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 \$3,624,357 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 \$6,552,985. Net capitalized asset increases for the year were as follows:

Land	\$156,700
Buildings	117,760
Improvements other than buildings	1,377,985
Furnishings and equipment	1,965,667
Equipment pool	<u>6,245</u>
	<u>\$3,624,357</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 \$16,034,210 to retained earnings.

The following summary compares proprietary fund operations for the fiscal years ended June 30, 1996 and 1997:

	<u>Year Ended June 30</u>		<u>Increase (Decrease)</u>
	<u>1997</u>	<u>1996</u>	
Total operating revenues	\$89,740,558	\$85,528,707	\$4,211,851
Total operating expenses	<u>83,013,095</u>	<u>82,059,764</u>	<u>953,331</u>
Operating income	6,727,463	3,468,943	3,258,520
Nonoperating revenues/(expenses)	7,635,284	5,617,132	2,018,152
Net operating transfers (out)	<u>(3,479,682)</u>	<u>(3,704,123)</u>	<u>224,441</u>
Net income	10,883,065	5,381,952	5,501,113
Add: Depreciation that reduces contributed capital	<u>5,151,145</u>	<u>5,261,162</u>	<u>(110,017)</u>
Net increase in retained earnings	<u>\$16,034,210</u>	<u>\$10,643,114</u>	<u>\$5,391,096</u>

The increase in operating revenues was due primarily to recognition of a litigation settlement in the Water Fund. Part of the increase is also attributable to rate increases for Sewer operations, and for Water services in the outlying areas formerly served by Del Este Water Company. Operating expenses increased due to both flood repairs and the development of a new indirect cost recovery plan, which resulted in higher charges to the Enterprise Funds for work performed by the General Fund. These higher expenses were partially offset by both a credit for prior years, and a reduction in the current amount paid for treated water to Modesto Irrigation District under the treatment and delivery agreement. Nonoperating revenues increased, primarily due to the receipt and accrual of flood related operating grants, and higher interest earnings on the cash balances of the Water and Sewer funds.

Debt Administration

On June 30, 1997, \$1.9 million of special assessment debt with government commitment, \$38.0 million of certificates of participation, and \$3.6 million of lease revenue bonds were outstanding in the General Long-Term Debt Account Group. Obligations under capital leases totaling \$1.2 million and a loan payable to the Yosemite Community College District in the amount of \$.7 million were also outstanding. Enterprise fund long-term debt consisted of \$46.7 million of sewer revenue bonds, \$23.1 million of water system improvement certificates of participation, and a loan payable to the State Department of Water Resources in the amount of \$3.7 million. A liability in the amount of \$3.5 million 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
- i) Other investments as may be authorized by the State

Cash temporarily idle during the past year was invested primarily in U.S. Treasury securities, federal agency issues, and the State of California Local Agency Investment Fund. The rates of interest earned ranged from 3.25 to 7.55 percent and the amount of interest earned was \$5,039,211. Investments held on June 30, 1997 had maturities ranging from one day to five years, with 25 percent available with a one day notice from the Local Agency Investment Fund.

Risk Management

The City is self-insured against liability and workers' compensation claims. As protection against catastrophic loss, the City is a member of the Authority for California Cities Excess Liability (ACCEL). Members fund a pool to finance large losses. During 1997, the City continued its proactive liability risk management role through careful monitoring of losses, working closely with ACCEL's third party claims administrator, and designing and implementing programs to minimize risks and reduce losses. In addition, the City's risk management division manages workers' compensation issues by inspecting work conditions and organizing safety training programs to reduce employee exposure to hazards.

OTHER INFORMATION

Independent Audit

The City of Modesto City Charter and Municipal Code require that a complete financial statement and report on the finances of the City be submitted to the City Council at the end of each fiscal year. The Charter also requires an annual audit of the books of account, financial records and transactions of all City departments by an independent certified public accountant selected by the City Council. The accounting firm of Macias, Gini & Company LLP was selected in 1993 to perform the City's annual financial audits for a period of five years. The auditor's report on the general purpose financial statements and combining and individual fund and account group statements and schedules is included in the financial section of this report. In addition to meeting the City Charter audit requirements, the audit was also designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133. The auditor's reports related specifically to the Single Audit will be presented separately at a later date.

Awards

For the thirteenth 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, 1996. The City

also received the Outstanding Award for Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the same report. To receive this recognition, the City must publish an easily readable and efficiently organized report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. Both awards are valid for a period of one year only. Staff believes that the current comprehensive annual financial report continues to meet the requirements of both programs, and it will be submitted to the GFOA and CSMFO to determine its eligibility.

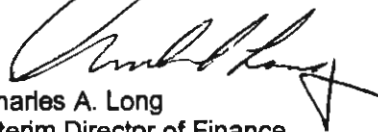
Acknowledgments

The Comprehensive Annual Financial Report is the result of the cooperative work of many people. We wish to convey our appreciation to them and, in particular, commend the Accounting Division staff responsible for preparation of the report.

Respectfully submitted,



J. Edward Tewes
City Manager



Charles A. Long
Interim Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Modesto,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1996

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.

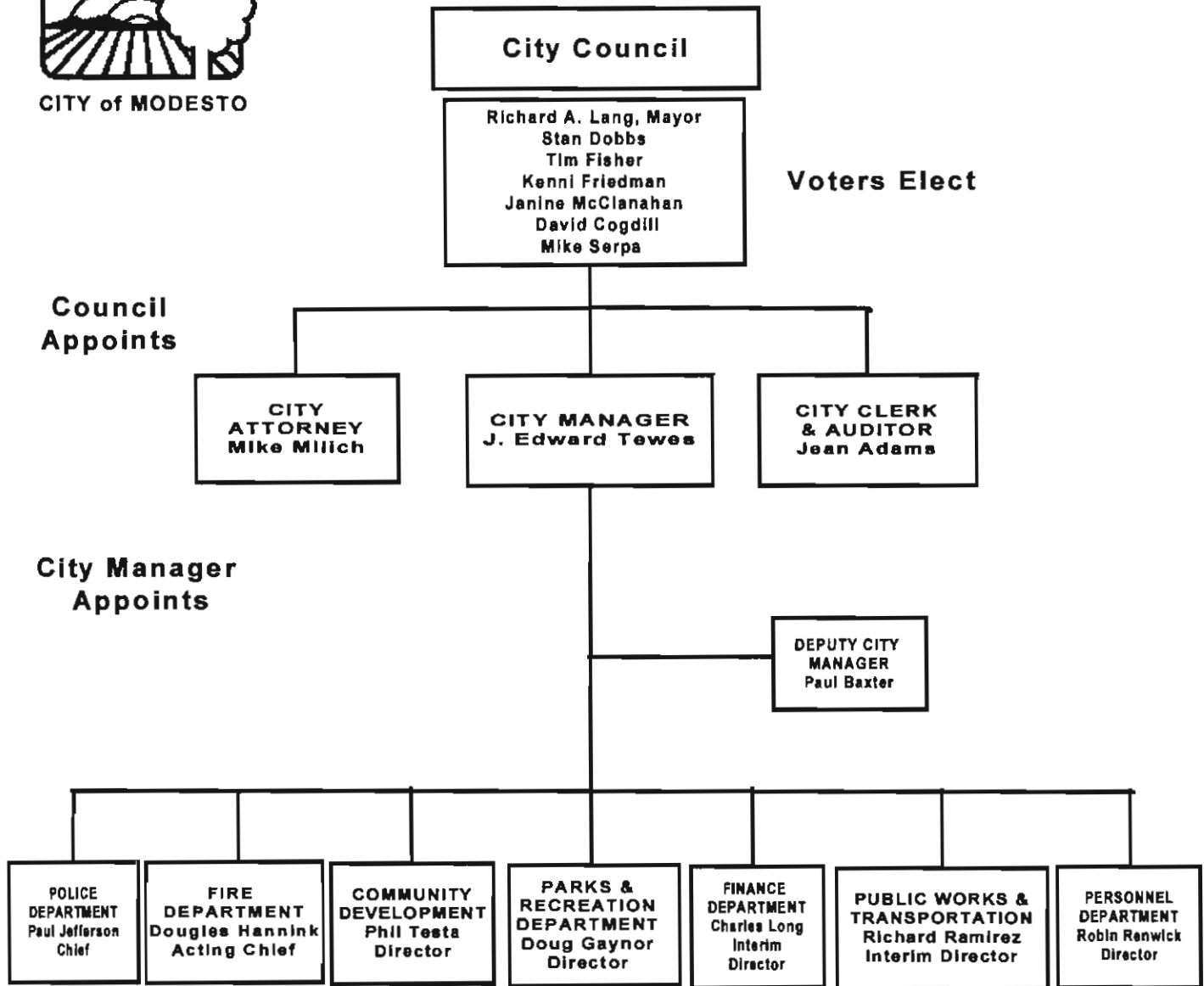


Arthur R. Lynch
President

Jeffrey L. Esler
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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 Certified Public Accountants

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City Council
 City of Modesto
 Modesto, California

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of the City of Modesto, California (City), as of and for the year ended June 30, 1997, 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, 1997, 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 3, 1997 on our consideration of the City's internal control structure and a report dated October 3, 1997 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 3, 1997



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, 1997
(With comparative totals for June 30, 1996)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
ASSETS AND OTHER DEBITS				
Cash and cash equivalents (Note III-A)	\$ 4,920,676	\$ 1,177,433	\$ 12,856,368	\$ 351,034
Cash and cash equivalents with fiscal agent (Note III-A)		624,132	895,000	4,119,241
Receivables:				
Accounts	1,019,645	137,003	571,587	52,341
Taxes	3,386,994			53,189
Special assessments				1,868,042
Notes (Note III-J)	134,249	8,804,752	707,535	
Due from governments	738,638	2,882,915	177,132	
Due from other funds (Note III-F)	404,000		396,071	
Property held for resale			662,000	
Inventories				
Prepaid expenses/expenditures		40,950		
Restricted assets - cash and cash equivalents (Note III-A)				
Advances to other funds (Note III-F)	1,072,760		469,000	
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	\$ 18,120,482	\$ 13,741,235	\$ 17,734,693	\$ 6,443,847

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	1997	1996
\$ 33,809,780	\$ 21,767,578				\$ 74,882,869	\$ 69,577,455
7,801,907					13,440,280	8,038,122
6,529,675	211,589				8,521,840	7,263,792
4,204					3,444,387	3,507,629
	79,722				1,868,042	2,092,387
1,851,015					9,726,258	7,979,439
					5,649,700	5,793,052
					800,071	240,000
					662,000	
	357,654				357,654	308,221
9,531					50,481	171,200
31,505,771		\$ 51,906,623			83,412,394	49,114,616
					1,541,760	1,030,460
					7,517,550	7,517,550
1,328,668					1,328,668	769,737
			\$ 61,946,833		61,946,833	54,545,882
202,695,569	10,475,504				213,171,073	209,432,239
				\$ 4,610,749	4,610,749	4,794,281
				40,727,591	40,727,591	37,654,489
<u>\$ 285,536,120</u>	<u>\$ 32,892,047</u>	<u>\$ 51,906,623</u>	<u>\$ 61,946,833</u>	<u>\$ 45,338,340</u>	<u>\$ 533,660,200</u>	<u>\$ 469,830,551</u>

(Continued)

CITY OF MODESTO
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
June 30, 1997
(With comparative totals for June 30, 1996)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable and accrued expenses/expenditures	\$ 2,707,422	\$ 913,075	\$ 1,032,275	\$ 2,245
Approved loans payable (Note III-K)		306,045		
Notes payable (Note III-L)			199,566	
Interest payable				
Due to other funds (Note III-F)		360,000		
Current portion - compensated absences (Note I-C 6)				
Current portion - claims liability (Note IV-A)				
Current portion - long-term debt (Notes III-C and III-D)				
Current portion - developer advances (Note III-E)				
Deferred revenues	539,223	681,165		1,830,853
Payable from restricted assets:				
Refundable deposits				
Deferred compensation (Note IV-G)				
Advances from other funds (Note III-F)			784,460	
Loans from other funds (Note III-F)			7,517,550	
Advance from joint powers agency			790,000	
Special assessment debt with government commitment (Note III-C)				
Revenue bonds payable (Note III-C)				
Loans payable (Note III-C)				
Obligations under capital leases (Note III-C)				
Lease revenue bonds (Note III-C)				
Certificates of participation (Note III-C)				
Compensated absences (Note I-C 6)				
Claims liability (Note IV-A)				
Developer advances (Note III-E)				
Total liabilities	3,246,645	2,260,285	10,323,851	1,833,098
Equity and other credits:				
Contributed capital (Note III-G)				
Investment in general fixed assets				
Retained earnings-unreserved				
Fund balances: (Note III-H)				
Reserved	8,470,811	9,341,321	5,834,898	4,610,749
Unreserved/designated:				
For carryover projects		900,973	2,865,280	
For pending projects		1,238,656	6,273,896	
For subsequent year expenditures	2,942,766			
For operating contingencies	3,460,240			
Unreserved/undesignated			(7,563,232)	
Total equity and other credits	14,873,817	11,480,950	7,410,842	4,610,749
Total liabilities, equity and other credits	\$ 18,120,462	\$ 13,741,235	\$ 17,734,693	\$ 6,443,847

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	1997	1996
\$ 1,529,401	\$ 727,927				\$ 6,912,345	\$ 6,719,208
					306,045	88,542
833,981					199,566	199,566
440,071					833,981	573,313
	5,097,339				800,071	240,000
	3,629,261				5,097,339	5,052,253
1,473,120					3,629,261	3,421,837
149,014					1,473,120	1,268,467
3,628,346					149,014	170,318
					6,679,587	6,027,770
589,713		\$ 1,739,686			2,329,399	3,354,693
		50,166,937			50,166,937	43,413,249
294,300	483,000				1,541,760	1,030,460
					7,517,550	7,517,550
					790,000	
				\$ 1,900,000	1,900,000	2,160,000
46,773,384					46,773,384	15,881,167
3,532,306				664,187	4,196,493	4,476,150
4,171				1,204,153	1,208,324	888,828
				3,600,000	3,600,000	
23,098,364				37,970,000	61,068,364	62,066,062
	9,046,262				9,046,262	8,199,915
	4,449,620				4,449,620	5,209,000
3,164,077					3,164,077	3,313,070
<u>85,510,248</u>	<u>23,413,409</u>	<u>51,906,623</u>		<u>45,338,340</u>	<u>223,832,499</u>	<u>181,071,418</u>
108,930,136	5,572,327				114,502,463	117,606,495
					61,946,833	54,545,882
91,095,736	3,906,311		\$ 61,946,833		95,002,047	78,967,837
					28,257,779	25,112,275
					3,766,253	6,158,976
					7,512,552	6,538,818
					2,942,766	3,100,019
					3,460,240	4,252,738
					(7,563,232)	(7,523,907)
<u>200,025,872</u>	<u>9,478,638</u>		<u>61,946,833</u>		<u>309,827,701</u>	<u>288,759,133</u>
<u>\$ 285,536,120</u>	<u>\$ 32,892,047</u>	<u>\$ 51,906,623</u>	<u>\$ 61,946,833</u>	<u>\$ 45,338,340</u>	<u>\$ 533,660,200</u>	<u>\$ 469,830,551</u>

CITY OF MODESTO
ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)

	General	Special Revenue
REVENUES:		
Taxes	\$ 43,556,662	\$ 769,137
Licenses and permits	178,291	
Intergovernmental	10,013,519	10,792,001
Charges for services	5,788,128	63,999
Special assessments levied	26,403	
Interest and rent	1,159,964	254,943
Fines and forfeits	487,791	273,660
Miscellaneous	1,443,802	38,556
Total revenues	62,654,558	12,192,296
EXPENDITURES:		
Current:		
General government	9,057,853	171,266
Highways and streets	3,759,376	6,996,960
Public works	1,443,850	2,214,868
Parks and recreation	9,269,256	
Public safety	41,269,058	
Capital outlay		
Debt service:		
Principal retirement	319,891	
Interest	287,458	
Cost of issuance		
Other		
Total expenditures	65,406,742	9,383,094
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,752,184)	2,809,202
OTHER FINANCING SOURCES (USES):		
Operating transfers in (Note III-I)	6,125,693	816,702
Operating transfers out (Note III-I)	(4,083,336)	(3,366,419)
Proceeds of capital lease transactions		
Proceeds of lease revenue bonds		
TOTAL OTHER FINANCING SOURCES (USES)	2,042,357	(2,549,717)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(709,827)	259,485
FUND BALANCES, July 1	15,646,980	11,221,465
Residual equity transfers out (Note III-I)	(63,336)	
FUND BALANCES, June 30	\$ 14,873,817	\$ 11,480,950

See notes to general-purpose financial statements.

Capital Projects	Debt Service	Totals (Memorandum Only)	
		1997	1996
\$ 822,675	\$ 470,724	\$ 45,619,198	\$ 45,571,373
		178,291	207,969
507,068	36,770	21,349,358	19,805,257
1,613,231		7,465,356	5,558,526
	259,005	285,408	274,640
763,752	572,945	2,751,604	2,844,321
		761,451	661,675
601,138		2,083,496	2,349,388
<u>4,307,864</u>	<u>1,339,444</u>	<u>80,494,162</u>	<u>77,273,149</u>
		9,229,119	9,471,466
		10,756,336	9,519,874
		3,658,718	3,414,399
		9,269,256	8,713,861
9,158,367		41,269,058	38,886,484
		9,158,367	5,778,820
		1,314,778	1,415,506
99,887	895,000	2,553,515	2,523,655
3,474	2,262,583	190,875	
190,875		39,820	50,623
<u>9,452,603</u>	<u>3,197,403</u>	<u>87,439,842</u>	<u>79,774,688</u>
<u>(5,144,739)</u>	<u>(1,857,959)</u>	<u>(6,945,680)</u>	<u>(2,501,539)</u>
7,135,109	2,213,089	16,290,593	10,857,405
(4,822,494)	(538,662)	(12,810,911)	(7,153,282)
717,821		717,821	529,000
<u>3,548,952</u>		<u>3,548,952</u>	
<u>6,579,388</u>	<u>1,674,427</u>	<u>7,746,455</u>	<u>4,233,123</u>
1,434,649	(183,532)	800,775	1,731,584
5,976,193	4,794,281	37,638,919	36,037,316
		(63,336)	(129,981)
<u>\$ 7,410,842</u>	<u>\$ 4,610,749</u>	<u>\$ 38,376,358</u>	<u>\$ 37,638,919</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, 1997

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Taxes	\$ 44,150,526	\$ 43,556,662	\$ (593,864)
Licenses and permits	180,623	178,291	(2,332)
Intergovernmental	10,446,738	10,013,519	(433,219)
Charges for services	6,032,134	5,788,126	(244,008)
Special assessments levied	35,337	26,403	(8,934)
Interest and rent	1,303,783	1,159,964	(143,819)
Fines and forfeits	540,736	487,791	(52,945)
Miscellaneous	1,238,410	1,443,802	205,392
Total revenues	<u>63,928,287</u>	<u>62,654,558</u>	<u>(1,273,729)</u>
EXPENDITURES:			
Current:			
General government	9,940,794	9,057,853	882,941
Highways and streets	3,978,202	3,759,376	218,826
Public works	1,519,976	1,443,850	76,126
Parks and recreation	9,593,069	9,269,256	323,813
Public safety	43,402,980	41,269,058	2,133,922
Capital outlay			
Debt service:			
Principal retirement	373,637	319,891	53,746
Interest	310,687	287,458	23,229
Cost of issuance			
Total expenditures	<u>69,119,345</u>	<u>65,406,742</u>	<u>3,712,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,191,058)</u>	<u>(2,752,184)</u>	<u>2,438,874</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	6,472,804	6,125,693	(347,111)
Operating transfers out	(4,512,570)	(4,083,336)	429,234
Proceeds of capital lease transactions			
Proceeds of lease revenue bonds			
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,960,234</u>	<u>2,042,357</u>	<u>82,123</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(3,230,824)</u>	<u>(709,827)</u>	<u>2,520,997</u>
FUND BALANCES, July 1	15,646,980	15,646,980	
Residual equity transfers out	<u>(63,336)</u>	<u>(63,336)</u>	
FUND BALANCES, June 30	<u>\$ 12,352,820</u>	<u>\$ 14,873,817</u>	<u>\$ 2,520,997</u>

Special Revenue Fund Types		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,028,000	\$ 769,137	\$ (258,863)
20,997,130	10,792,001	(10,205,129)
112,546	63,999	(48,547)
25,909		(25,909)
183,955	254,943	70,988
127,500	273,660	146,160
14,650	38,556	23,906
<u>22,489,690</u>	<u>12,192,296</u>	<u>(10,297,394)</u>
184,554	171,266	13,288
15,789,023	6,996,960	8,792,063
4,920,026	2,214,868	2,705,158
<u>20,893,603</u>	<u>9,383,094</u>	<u>11,510,509</u>
<u>1,596,087</u>	<u>2,809,202</u>	<u>1,213,115</u>
1,177,908	816,702	(361,206)
(3,740,305)	(3,366,419)	373,886
<u>(2,562,397)</u>	<u>(2,549,717)</u>	<u>12,680</u>
(966,310)	259,485	1,225,795
11,221,465	11,221,465	
<u>\$ 10,255,155</u>	<u>\$ 11,480,950</u>	<u>\$ 1,225,795</u>

Capital Projects Fund Types		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 966,910	\$ 822,675	\$ (144,235)
2,054,565	507,068	(1,547,497)
1,635,350	1,613,231	(22,119)
576,251	763,752	187,501
800,000	601,138	(198,862)
<u>6,033,076</u>	<u>4,307,864</u>	<u>(1,725,212)</u>
28,704,046	9,158,367	19,545,679
99,887	99,887	
3,476	3,474	2
190,875	190,875	
<u>28,998,284</u>	<u>9,452,603</u>	<u>19,545,681</u>
<u>(22,965,208)</u>	<u>(5,144,739)</u>	<u>17,820,469</u>
7,921,605	7,135,109	(786,496)
(5,093,724)	(4,822,494)	271,230
737,823	717,821	(20,002)
<u>3,548,952</u>	<u>3,548,952</u>	
<u>7,114,656</u>	<u>6,579,388</u>	<u>(535,268)</u>
(15,850,552)	1,434,649	17,285,201
5,976,193	5,976,193	
<u>\$ (9,874,359)</u>	<u>\$ 7,410,842</u>	<u>\$ 17,285,201</u>

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1997	1996
OPERATING REVENUES:				
Charges for services	\$ 55,887,302	\$ 33,732,464	\$ 89,619,766	\$ 85,474,879
Sales		1,472,176	1,472,176	1,308,760
Cost of sales		(1,351,384)	(1,351,384)	(1,254,932)
Total operating revenues	<u>55,887,302</u>	<u>33,853,256</u>	<u>89,740,558</u>	<u>85,528,707</u>
OPERATING EXPENSES:				
Salaries and wages	6,027,141	1,903,356	7,930,497	7,689,709
Contractual services	8,758,762	107,687	8,866,449	6,651,832
Utilities	3,013,470	545,418	3,558,888	3,915,084
Maintenance and supplies	5,433,077	1,679,760	7,112,837	7,217,807
Water purchases	9,448,380		9,448,380	13,033,368
Insurance	273,879	5,252,626	5,526,505	5,072,519
Claims expense		2,716,518	2,716,518	2,816,245
Employee benefits	2,018,411	18,633,419	20,651,830	20,721,873
Administration services	4,930,696	473,348	5,404,044	5,272,094
Allocated indirect administrative costs	2,884,378	311,412	3,195,790	1,561,060
Other	131,098	36,561	167,659	155,778
Depreciation	6,842,811	1,590,887	8,433,698	7,952,395
Total operating expenses	<u>49,762,103</u>	<u>33,250,992</u>	<u>83,013,095</u>	<u>82,059,764</u>
OPERATING INCOME	<u>6,125,199</u>	<u>602,264</u>	<u>6,727,463</u>	<u>3,468,943</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	2,227,839		2,227,839	1,356,578
Loss on disposition of fixed assets	(159,258)	(102,722)	(261,980)	(579,175)
Taxes	2,900,479		2,900,479	2,881,614
Interest income	1,916,895	1,072,368	2,989,263	2,393,267
Rental income	418,304		418,304	453,240
Interest expense	(568,234)		(568,234)	(809,309)
Amortization of bond discount	(19,853)		(19,853)	(38,818)
Amortization of costs of issuance	(50,534)		(50,534)	(40,265)
Total nonoperating revenues (expenses)	<u>6,665,638</u>	<u>969,646</u>	<u>7,635,284</u>	<u>5,617,132</u>
INCOME BEFORE OPERATING TRANSFERS	<u>12,790,837</u>	<u>1,571,910</u>	<u>14,362,747</u>	<u>9,086,075</u>
Operating transfers in (Note III-I)	468,743	50,000	518,743	906,120
Operating transfers out (Note III-I)	(3,983,943)	(14,482)	(3,998,425)	(4,610,243)
Total operating transfers in (out)	<u>(3,515,200)</u>	<u>35,518</u>	<u>(3,479,682)</u>	<u>(3,704,123)</u>
NET INCOME	<u>9,275,637</u>	<u>1,607,428</u>	<u>10,883,065</u>	<u>5,381,952</u>
Depreciation charged to contributed capital	<u>4,765,947</u>	<u>385,198</u>	<u>5,151,145</u>	<u>5,261,162</u>
Increase in retained earnings	14,041,584	1,992,626	16,034,210	10,643,114
RETAINED EARNINGS, July 1	77,054,152	1,913,685	78,967,837	69,221,029
Residual equity transfer out (Note III-I)				(896,306)
RETAINED EARNINGS, June 30	<u>\$ 91,095,736</u>	<u>\$ 3,906,311</u>	<u>\$ 95,002,047</u>	<u>\$ 78,967,837</u>

See notes to general-purpose financial statements.

CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income	\$ 6,125,199	\$ 602,264	\$ 6,727,463	\$ 3,468,943
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	6,842,811	1,590,887	8,433,698	7,952,395
Rental income	418,304		418,304	453,240
Litigation settlement				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,175,579)	63,705	(1,111,874)	(540,323)
(Increase) in taxes receivable	(935)		(935)	(2,314)
(Increase) decrease in notes receivable		(5,740)	(5,740)	2,135
(Increase) decrease in due from governments	1,782,618		1,782,618	(1,789,697)
Decrease in due from other funds				
(Increase) in inventories		(49,433)	(49,433)	(12,369)
Decrease in prepaid expenses	(865)		(865)	261,648
Increase in accounts payable and accrued expenses	(411,017)	(135,712)	(546,729)	479,697
(Decrease) in due to other funds	440,071		440,071	(134,000)
Increase (decrease) in deferred revenue	3,389		3,389	(27,477)
Increase in compensated absences		891,433	891,433	1,546,771
Increase (decrease) in claims liability		(551,956)	(551,956)	(549,063)
Increase (decrease) in refundable deposits	169,003		169,003	141,220
Total adjustments	8,067,800	1,803,184	9,870,984	7,781,863
Net cash provided by operating activities	14,192,999	2,405,448	16,598,447	11,250,806
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants received	1,755,654		1,755,654	1,755,456
Taxes received	3,014,945		3,014,945	2,713,133
Taxes paid	(105,911)		(105,911)	(181,529)
Operating transfers in	468,743	50,000	518,743	906,120
Operating transfers out	(3,983,943)	(14,482)	(3,998,425)	(4,610,243)
Residual equity transfers out	(39,235)		(39,235)	(200,895)
New advances from other funds	142,300		142,300	52,000
Advances and loans from other funds repaid				(130,981)
Net cash provided (used) by noncapital financing activities	1,252,553	35,518	1,288,071	303,061
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of fixed assets	(9,272,562)	(1,426,243)	(10,698,805)	(12,543,190)
Purchase of Del Este Water Company, net of cash acquired				(6,319,301)
Proceeds from sale of fixed assets	30,045	183,170	213,215	41,039
Principal repayments	(10,154,140)	(4,186)	(10,158,326)	(6,547,846)
Interest paid	(2,385,200)		(2,385,200)	(2,645,288)
Capital grants received	913,388		913,388	1,200,191
Residual equity transfers in	8,800	93,771	102,571	330,876
Connection fees for capital purposes	946,468		946,468	903,160
Sale of refunding revenue bonds and revenue bonds	41,095,000		41,095,000	
Costs of issuance paid	(677,232)		(677,232)	
Bond discount paid	(301,497)		(301,497)	
Net cash (used) by capital and related financing activities	\$ 20,203,070	\$ (1,153,488)	\$ (21,066,689)	\$ (25,580,359)

(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, 1997
(With comparative totals for year ended June 30, 1996)**

	Enterprise	Internal Service	Totals (Memorandum Only)	
			1997	1996
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	\$ 3,019,077	\$ 1,102,400	\$ 4,121,477	\$ 2,361,457
Net increase (decrease) in cash and cash equivalents	38,667,699	2,389,878	941,306	(11,665,035)
CASH AND CASH EQUIVALENTS, JULY 1	<u>34,449,759</u>	<u>19,377,700</u>	<u>53,827,459</u>	<u>65,492,494</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 73,117,458</u>	<u>\$ 21,767,578</u>	<u>\$ 54,768,765</u>	<u>\$ 53,827,459</u>

**CITY OF MODESTO
ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1997**

	Enterprise	Internal Service
Fixed asset additions accrued at year end	\$ 220,784	
Fixed assets transferred from other funds and General Fixed Assets	84,674	\$ 172,948
Capitalized interest expense on long-term debt accrued at year end	734,610	
Capitalized interest revenue accrued at year end	209,634	
Operating grants accrued at year end	1,529,070	
Capital grants accrued at year end	36,070	

**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, 1997

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 and Series 1997, which are held by the City and are set aside for construction purposes, are classified as restricted assets - cash and cash equivalents on the balance sheet because their use is limited by bond covenants.

3. Receivables and Payables

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due from/due to other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions evidenced by loan agreements). Advances and loans to other funds are offset by a fund balance reserve in applicable Governmental Funds to indicate they are not available for appropriation and are not expendable available financial resources.

All property taxes are collected and allocated by the County of Stanislaus to the various taxing entities. Property taxes are determined annually as of March 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The City participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the City based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The City considers property tax as available if it is received within 60 days after year end.

Revenue from taxpayer-assessed taxes (sales and use, business license, transient occupancy, utility users, gas, and franchise fees) are accrued in the Governmental Funds when they are both measurable and available, as required by Governmental Accounting Standards Board Statement 22. The City considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur. Historically, the majority of these charges are paid within 31 days of the fiscal year end; therefore, revenue from taxpayer-assessed taxes is accrued if it is received by July 31.

Grants, entitlements or shared revenues are recorded as receivables and revenues in the General, Special Revenue and Capital Projects Funds when they are received or susceptible to accrual. Grants awarded for Proprietary Fund operating purposes are recorded as receivables and nonoperating revenues when they are earned and are measurable. Grants awarded to Proprietary Funds which are restricted to the acquisition or

construction of capital assets are recorded as contributed capital when earned. The total amount due from governments for grants, entitlements, and shared receivables and revenues at June 30, 1997 is \$5,649,700.

Utility service accounts receivable are reported net of \$398,265 allowance for doubtful collections.

4. Inventories

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

5. Land, Buildings and Equipment

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

Interest is capitalized on Proprietary Fund assets acquired with tax-exempt debt. The amount of interest capitalized is determined by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest earned on invested proceeds over the same period. \$1,460,855 of net interest expense on tax-exempt debt was capitalized in the Enterprise Funds during the fiscal year ended June 30, 1997.

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.

Newly acquired real property expected to be resold is recorded as "property held for resale" in the Governmental Funds. The reason such assets are not reported in the General Fixed Assets Account Group is that they are expected to be converted to cash in the ordinary course of their life, rather than used to provide services. Property held for resale is reported at market value. As of June 30, 1997, the Redevelopment Agency is in the process of acquiring property to be used for a mixed-use retail/government office complex in the downtown area. Property valued at \$662,000 is recorded in the Redevelopment Agency Capital Projects Fund, with the balance of other properties scheduled to be acquired and sold to the developer or the City-County Capital Improvements and Financing Agency during fiscal year 1998.

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, 1997, the total estimated liability for all compensated absences, including sick leave, is \$14,143,601. The current portion of \$5,097,339 is funded by charges to all operating funds. The estimated long-term portion is \$9,046,262.

7. Fund Equity

Reserves of fund balances represent those amounts which are not available for appropriation in future periods or which are legally segregated for specific future uses. Fund designations indicate tentative plans for future utilization of financial resources. Reservations of retained earnings are limited to outside third-party restrictions.

Enterprise and Internal Service Funds record the following as contributed capital: cash transfers of equity from other funds, grants awarded for the acquisition of land, buildings and equipment, capital assets contributed from other funds, sewer and water connection fees and contributions from developers.

D. OTHER SIGNIFICANT ACCOUNTING POLICIES

1. Employee Benefits

The City established the Employee Benefits Management Internal Service Fund to account for all compensated absences and non-insurance benefits. Insurance benefits for current employees are paid from the Insurance Internal Service Fund. The Employee Benefits Management Fund is reimbursed based on actual benefits paid and leave taken, through payroll charges to the City's operating funds. Leave earned but not taken is being funded over time by budgeted charges to the operating funds.

2. Interfund Transactions

The City transfers resources among funds in the course of normal operations. Quasi-external transactions, such as equipment pool rental, are accounted for as revenues and expenditures or expenses. Transactions to reimburse a fund for expenditures/expenses initially made from it that are applicable to another fund are recorded as expenditures/expenses in the correct fund and as reductions of expenditures/expenses in the original fund. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers of land, buildings and equipment into the Proprietary Funds (where the assets were originally purchased by the Governmental Funds) or between Proprietary Funds are recorded as contributed capital in the Proprietary Funds and as deletions from the General Fixed Assets Account Group. Other nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

3. Governmental Accounting Standards Board Statement 20

Pursuant to Governmental Accounting Standards Board (GASB) Statement 20, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989 are applied to Proprietary Funds unless they conflict with GASB pronouncements. The City has elected not to apply FASB statements issued subsequent to November 30, 1989.

4. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

5. Comparative Data

Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City follows these procedures annually in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget at specially scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is legally adopted through passage of an ordinance.
4. The City Manager is authorized to transfer funds within departmental budgets, between departments within the General Fund, among major object classifications, and between capital projects in the same fund. The City Council must authorize transfers between funds and from the designated fund balances for specific purposes.
5. Formal budgetary accounting is employed as a management tool for all funds, except the Agency Funds which do not have revenues or expenditures. Annual budgets are legally adopted and amended as required for the General, Special Revenue, Capital Projects, Enterprise and Internal Service Funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP), and budgetary comparisons for the governmental funds are presented on this basis in this report. A debt service payment schedule for the Debt Service Funds is also approved as part of the budget process.
6. Budget amounts are reflected after all applicable amendments and revisions.
7. For each legally adopted operating budget, expenditures may not exceed budgeted appropriations at the activity level. The legal appropriation basis is at the level called "department". A "department" for legal appropriation purposes may be a single organization (e.g., City Attorney), or an entire department having multiple organizations (e.g., Parks and Recreation), or an entire fund (e.g., Special Fund for Capital Outlays). All departments and funds completed the year within their legally authorized expenditures. Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded to reserve the applicable appropriations, is employed in the General, Special Revenue and Capital Projects Funds.

Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. The City does, however, honor the contracts represented by year-end encumbrances and the subsequent year's appropriations provide authority to complete these transactions. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. DEFICIT FUND EQUITY

The Redevelopment Agency Capital Projects Fund deficit of \$5,801,945 exists because the operations of this fund were originally 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 \$292,464 at June 30, 1997, as a result of fund expenses and transfers out exceeding operating revenues and transfers in. To eliminate this deficit, the City continues to pursue greater operating revenue, more rental income, and reduced expenses. During the fiscal year ended June 30, 1997, a competitive bid process was undertaken to determine if the private sector could operate and maintain the airport more efficiently than the City. Analysis of the bids received showed that City staff should continue both operations and maintenance, with anticipated efficiencies and increased revenue.

The Employee Benefits Management Internal Service Fund has a retained earnings deficit of \$6,048,733. 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 five years ago, and has not yet been fully funded. The City is planning to reduce this deficit over time by increasing the benefit rates charged to the operating funds, and by continuing to deposit in this Fund portions of one-time revenues related to employee benefits.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. The City also maintains "cash and cash equivalents with fiscal agent" which represent monies held by fiscal agents for payment of various City debt and capital projects costs. The fiscal agents invest these monies in investments authorized by the City. The assets of the Agency Funds, certain deposits held in trust in other funds, and proceeds of the Wastewater Revenue Bonds, Series 1993 and Series 1997 held by the City under the bond indentures for construction purposes are displayed on the balance sheet as "restricted assets - cash and cash equivalents". In addition, cash and investments in the amount of \$600,000 are pledged as collateral for one capital lease.

Each fund type's portion of the City's cash and investment pool is displayed on the combined balance sheet as "cash and cash equivalents". Each fund is allocated interest on average monthly cash balances held by the funds throughout the year.

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

Cash and cash equivalents	\$ 74,882,869
Cash and cash equivalents with fiscal agent	13,440,280
Restricted assets - cash and cash equivalents	<u>83,412,394</u>
Total cash and investments	<u>\$171,735,543</u>

Deposits

All deposits are entirely insured and/or collateralized. At year-end, the reconciled book balance of the City's deposits was \$42,081 and the bank balance was \$3,533,849. Of the bank balance, \$401,592 was covered by federal depository insurance and \$3,132,257 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 \$22,264,145. The total amount invested by all public agencies in LAIF is \$27,138,706,565, managed by the State Treasurer. Of that amount, 95.8 percent is invested in non-derivative financial products, and 4.2 percent in derivative financial products.

The City's investments are categorized in the following table to give an indication of the level of risk associated with each investment at year-end. Category one includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category two includes uninsured and unregistered investments, with securities held by the counter party's trust department or agent in the City's name. Category three includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent but not in the City's name. The table also includes investments not subject to categorization, and deposits.

	<u>Category</u>			<u>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	\$ 998,989	2,235,606		3,234,595	3,198,652
U.S. Government agencies	72,062,828			72,062,828	71,858,152
Commercial paper	3,982,014			3,982,014	3,981,378
Bankers' acceptances	<u>5,049,926</u>			<u>5,049,926</u>	<u>5,049,036</u>
Total investments	<u>\$82,093,757</u>	<u>\$4,212,656</u>		<u>86,306,413</u>	<u>86,064,268</u>
Deposits				42,081	42,081
Money market funds				7,695,251	7,695,251
Pooled investments:					
Local Agency Investment Fund				22,264,145	22,264,145
California Asset Management Program				4,331,053	4,331,053
Other government pooled investments				929,663	929,663
Deferred compensation				<u>50,166,937</u>	<u>50,166,937</u>
				<u>\$171,735,543</u>	<u>\$171,493,398</u>

B. LAND, BUILDINGS AND EQUIPMENT

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

	Balance July 1, 1996	Additions	Deletions	Transfers	Balance June 30, 1997
Land	\$13,687,371	\$ 2,359		\$ 154,341	\$13,844,071
Buildings	8,109,794	117,760			8,227,554
Improvements other than buildings	18,018,780	255,553		1,122,432	19,396,765
Furnishings and equipment	11,835,466	1,744,622	\$299,174	520,219	13,801,133
Equipment pool	118,080	6,245			124,325
Construction in progress	<u>2,776,391</u>	<u>5,575,196</u>	<u>1,610</u>	<u>(1,796,992)</u>	<u>6,552,985</u>
	<u>\$54,545,882</u>	<u>\$7,701,735</u>	<u>\$300,784</u>		<u>\$61,946,833</u>

Land, buildings, equipment, and other fixed assets of Proprietary Fund types at June 30, 1997 include:

	Enterprise	Internal Service
Land	\$22,484,233	\$ 653,856
Buildings	50,418,639	4,514,269
Improvements other than buildings	96,737,077	2,172,021
Equipment pool	-	13,689,619
Furnishings and equipment	4,037,308	685,857
Buses and fareboxes	5,293,509	
Pipelines	74,040,130	
Construction in progress	<u>10,303,136</u>	<u>254,219</u>
	\$263,314,032	\$21,969,841
Less: accumulated depreciation	<u>(60,618,463)</u>	<u>(11,494,337)</u>
	<u>\$202,695,569</u>	<u>\$ 10,475,504</u>

C. LONG-TERM DEBT

Loans Payable

General Long-Term Debt Account Group:

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

\$ 664,187

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.

3,681,208

Less: Current portion

(148,902)

Net Water Fund loan payable

3,532,306

Total loans payable

\$ 4,196,493

Special Assessment Debt with Government Commitment - General Long-Term Debt Account Group:

1915 Act Special Assessment Bonds; interest rates range from 5.75% to 10.75%, maturities range through 2006. The general credit of the City is obligated only to the extent that liens foreclosed against the properties in the special assessment districts are insufficient to retire outstanding bonds.

\$ 1,900,000

Certificates of Participation

General Long-Term Debt Account Group:

1993 Refunding Certificates of Participation (Community Center Project); serial certificates with annual maturities on November 1, in amounts from \$195,000 to \$1,040,000; interest rates from 4.25% - 5.6%; term certificates at 5.6% in the amount of \$4,740,000 maturing November 1, 2014, and in the amount of \$12,235,000 at 5.0% maturing November 1, 2023, with annual payments of \$1,090,000 to \$1,610,000 beginning in 2011.

\$26,735,000

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 4.25% to 5.5%; term certificates at 5.6% in the amount of \$1,390,000 due November 1, 2014, and in the amount of \$3,585,000 at 5.0% due November 1, 2023, with annual payments ranging from \$250,000 to \$480,000 beginning in 2010.

7,310,000

1989 Certificates of Participation (Airport Improvement Projects); annual maturities on December 1, in amounts from \$170,000 to \$195,000; interest rates from 7.2% to 7.4%; final payment December 1, 1999.

550,000

1986 Certificates of Participation (Capital Improvement Projects); serial certificates with one remaining annual maturity on July 1, in the amount of \$125,000, bearing interest at 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, with annual payments ranging from \$130,000 to \$635,000 beginning July 1, 1998.

3,375,000

Total General Long-Term Debt Account Group certificates of participation

\$37,970,000

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 \$375,000 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, with annual payments from \$745,000 to \$1,800,000 beginning in 2008.

\$23,785,000

Less: Current portion

(375,000)

Unamortized bond discount

(311,636)

Water Fund certificates of participation - long-term portion

23,098,364

Total certificates of participation

\$61,068,364

Lease Revenue Bonds - General Long-Term Debt Account Group

1997 Lease Revenue Bonds (John Thurman Field Renovation Project); term certificates bearing interest at 6.125% maturing November 1, 2016, with mandatory annual redemption of amounts from \$95,000 to \$305,000 beginning November 1, 1997.

\$3,600,000

Revenue Bonds-Sewer Enterprise Fund

Wastewater Treatment Facility Revenue Bonds, Series 1997; interest payable on May 1 and November 1; serial certificates with annual maturities on November 1 beginning in 2000, in amounts from \$5,000 to \$1,335,000, with interest rates from 4.6% to 6.0%; term certificates in the amount of \$10,955,000 at 5.625% maturing November 1, 2017, and in the amount of \$15,435,000 at 5.75% maturing November 1, 2022, with annual payments ranging from \$1,410,000 to \$3,450,000 beginning in 2013.

\$32,400,000

Wastewater Treatment Facility Refunding Revenue Bonds, Series 1996; interest payable on May 1 and November 1; serial certificates with annual maturities on November 1, in amounts from \$635,000 to \$815,000, with interest rates from 4.0% to 5.3%; term certificates at 5.5% in the amount of \$1,920,000 maturing November 1, 2007 with annual payments of \$935,000 to \$985,000 beginning in 2006.

8,465,000

Wastewater Revenue Bonds, Series 1993; interest rates from 3.6% to 5.1% payable semi-annually on May 1 and November 1; principal amounts from \$290,000 to \$660,000, final payment on November 1, 2013; bonds maturing on or after November 1, 2004 are subject to call.

7,800,000

Less: Current portion

1996 Bonds \$(635,000)

1993 Bonds (290,000)

(925,000)

Unamortized bond discount

1997 Bonds (258,470)

1996 Bonds (38,091)

(296,561)

Deferred amount on refunding

1996 Bonds (670,055)

(670,055)

Total revenue bonds - long-term portion

\$46,773,384

The following is a summary of changes in the General Long-Term Debt Account Group for the fiscal year ended June 30, 1997:

	<u>July 1, 1996</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 1997</u>
Loans payable	\$ 794,942		\$ 130,755	\$ 664,187
Special assessment debt	2,160,000		260,000	1,900,000
Certificates of participation	38,605,000		635,000	37,970,000
Lease revenue bonds		\$3,600,000		3,600,000
Obligations under capital leases	<u>888,828</u>	<u>717,821</u>	<u>402,496</u>	<u>1,204,153</u>
	<u>\$42,448,770</u>	<u>\$4,317,821</u>	<u>\$1,428,251</u>	<u>\$45,338,340</u>

Debt service requirements to maturity of all long-term debt, including total interest of \$103,975,090 are summarized below (see Note III-D for capital leases):

<u>Year Ending June 30</u>	<u>Loans Payable</u>	<u>Special Assessment Debt</u>	<u>Certificates of Participation</u>	<u>Lease Revenue Bonds</u>	<u>Revenue Bonds</u>	<u>Total Debt Service</u>
1998	\$ 342,296	\$ 361,812	\$ 4,467,352	\$ 312,591	\$ 3,637,239	\$ 9,121,290
1999	342,296	321,155	4,553,086	311,619	3,551,320	9,079,476
2000	342,296	329,315	4,601,033	310,341	3,549,445	9,132,430
2001	342,296	278,245	4,654,500	313,603	3,549,180	9,137,824
2002	342,296	278,427	4,654,387	311,407	3,550,019	9,136,536
Later years	<u>4,349,399</u>	<u>927,310</u>	<u>94,099,311</u>	<u>4,685,214</u>	<u>74,571,695</u>	<u>178,632,929</u>
Total requirements	6,060,879	2,496,264	117,029,669	6,244,775	92,408,898	\$224,240,485
Less: interest	<u>(1,715,484)</u>	<u>(596,264)</u>	<u>(55,274,669)</u>	<u>(2,644,775)</u>	<u>(43,743,898)</u>	<u>(103,975,090)</u>
Principal balances	4,345,395	1,900,000	61,755,000	3,600,000	48,665,000	120,265,395
Less:						
Current portion	(148,902)		(375,000)		(925,000)	(1,448,902)
Unamortized bond discount			(311,636)		(296,561)	(608,197)
Deferred amount on refunding					(670,055)	(670,055)
Long-term debt	<u>\$4,196,493</u>	<u>\$1,900,000</u>	<u>\$61,068,364</u>	<u>\$ 3,600,000</u>	<u>\$46,773,384</u>	<u>\$117,538,241</u>

D. LEASES

The City leases fire trucks, computer equipment, portable buildings, turf equipment and lighting under capital lease agreements. The related liabilities are included in obligations under capital leases in the general long-term debt account group. In addition, cash and investments in the amount of \$600,000 are pledged as collateral for one capital lease. The following is a schedule of the future minimum lease payments on capital leases as of June 30, 1997:

Year ending	
<u>June 30</u>	
1998	\$332,572
1999	260,489
2000	248,998
2001	206,366
2002	77,741
Later years	<u>321,023</u>
Total	1,447,189
Less interest	<u>(243,036)</u>
Present value of future minimum lease payments	<u>\$1,204,153</u>

Assets subject to the above capital leases valued at \$1,643,179 have been recorded in the General Fixed Assets Account Group. Rental expenses incurred under operating leases are not material.

Leases - Enterprise Fund

The City leases pickup trucks under a lease/purchase agreement, payable from the Water Enterprise Fund. The value of the trucks, net of \$8,487 accumulated depreciation, is \$39,284, and is recorded in the Fleet Management Internal Service Fund. The following is a schedule of the future minimum lease payments on this capital lease as of June 30, 1997:

Year ending	
<u>June 30</u>	
1998	\$24,218
1999	<u>4,171</u>
Total minimum lease payments	28,389
Less current portion	<u>(24,218)</u>
Long-term portion of capital lease	<u>\$ 4,171</u>

E. DEVELOPER ADVANCES

The Del Este Water Company (Del Este) entered into various agreements with developers under which infrastructure components were either constructed on behalf of Del Este or cash was advanced to the company to construct the infrastructure. Agreements in existence at the time of the City's acquisition of Del Este were assumed by the City. The terms of repayment call for no interest, with principal paid over a 40 year period. As of June 30, 1997, the total outstanding balance due under the agreements is \$3,313,091. The total annual payments fluctuate depending on the ending date of each agreement. At June 30, 1997, the amount of \$149,014, due during fiscal year 1998, has been reported as "current portion-developer advances" on the Enterprise Funds balance sheet. The remaining \$3,164,077 of outstanding principal has been reported under other liabilities, as "developer advances".

F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances as of June 30, 1997 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	\$360,000
	Airport	44,000
Special Fund for Capital Outlays	Golf	<u>396,071</u>
Total		<u>\$800,071</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Facilities Fees	\$ 415,460
	Airport	122,300
	Golf	72,000
	Central Services	463,000
Special Fund for Capital Outlays	Parks	369,000
	Airport	<u>100,000</u>
Total		<u>\$1,541,760</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, 1997:

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, 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
Additions:									
Capital grants					532,601	285,201			817,802
Equity transfers		8,800							8,800
Fixed asset donations		63,659	11,255	854				8,906	84,674
Connection fees		479,948	466,520						946,468
		552,407	477,775	854	532,601	285,201		8,906	1,857,744
Deductions:									
Equity transfers			(39,235)						(39,235)
Fixed asset donations						(38,115)			(38,115)
Depreciation	(66,194)	(582,482)	(2,389,589)	(30,410)	(299,736)	(371,622)	(278,005)	(747,909)	(4,765,947)
	(66,194)	(582,482)	(2,428,824)	(30,410)	(299,736)	(409,737)	(278,005)	(747,909)	(4,843,297)
Balance June 30, 1997	\$1,156,154	\$13,131,213	\$53,219,437	\$ 26,339	\$6,748,263	\$8,655,417	\$5,245,787	\$20,747,526	\$108,930,136

Internal Service Funds

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Insurance</u>	<u>Building Services</u>	<u>Total</u>
Balance July 1, 1996	\$3,534,135	\$63,720	\$ 920	\$2,092,031	\$5,690,806
Additions:					
Equity transfers	93,771				93,771
Fixed asset donations	168,284	4,164		500	172,948
	262,055	4,164		500	266,719
Deductions:					
Depreciation	(298,617)	(338)		(86,243)	(385,198)
Balance June 30, 1997	\$3,497,573	\$67,546	\$920	\$2,006,288	\$5,572,327

H. RESERVES AND DESIGNATIONS OF FUND BALANCES

The City's reserves and designations at June 30, 1997 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	\$ 816,672	\$ 727,614	\$2,692,045	
Interfund loans	6,443,500	74,050	1,000,000	
Petty cash	3,630			
Loan programs	134,249	8,498,707	707,535	
Prepaid expenditures		40,950		
Interfund advances	1,072,760		469,000	
Redevelopment Agency set-aside requirement			304,318	
Property held for resale			662,000	
Debt service				<u>\$4,610,749</u>
Total reserves	<u>\$8,470,811</u>	<u>\$9,341,321</u>	<u>\$5,834,898</u>	<u>\$4,610,749</u>
Designations:				
Carryover projects		\$ 900,973	\$2,865,280	
Pending projects		1,238,656	6,273,896	
Subsequent year expenditures	\$2,942,766			
Operating contingencies	<u>3,460,240</u>			
Total designations	<u>\$6,403,006</u>	<u>\$2,139,629</u>	<u>\$9,139,176</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 property held for resale - An amount equal to the property held for resale in the Redevelopment Agency Capital Projects Fund has been reserved to indicate that this asset does not represent available expendable financial resources.
9. Reserve for debt service - The total fund balances of the debt service funds are reserved for future debt service requirements.
10. 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.
11. Designation for pending projects - Designations for pending projects are established to fund projects approved but not yet appropriated.

12. Designation for subsequent year expenditures - An amount equal to taxpayer-assessed taxes accrued but not received as of June 30, 1997 has been designated for subsequent year expenditures.

13. Designation for operating contingencies - The remainder of the unreserved fund balance of the General Fund at June 30, 1997 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	\$ 6,125,693	\$ 4,083,336
Special Revenue Funds:		
Local Transportation	163,000	805,111
Traffic Safety		152,500
Special Gas Tax Street Improvements	503,702	2,389,582
Housing and Community Development		19,226
Strategic Planning	150,000	
Capital Projects Funds:		
Special Fund for Capital Outlays	5,973,228	265,442
Capital Facility Fees	10,116	112,563
Parks	313,354	
State Parks and Recreation	52,768	3,000
Redevelopment Agency	764,662	
Drainage Areas	20,981	1,082,202
Public Financing Authority		3,359,287
Debt Service Funds:		
Redevelopment Agency	702,713	538,662
Capital Improvement Projects	348,484	
Public Financing Authority	1,161,892	
Enterprise Funds:		
Parking		6,400
Water		1,400,429
Sewer		1,805,878
Storm Drain		9,500
Airport		203,770
Golf		557,966
Community Center	468,743	
Internal Service Funds:		
Fleet Management		14,482
Employee Benefits Management	<u>50,000</u>	
Total operating transfers	<u>\$16,809,336</u>	<u>\$16,809,336</u> (continued)

INTERFUND TRANSFERS (continued):

Residual equity transfers:

General Fund		\$ 63,336
Residual equity transfers closed to contributed capital (Note III G):		
Enterprise Funds:		
Water	\$ 8,800	
Sewer		39,235
Internal Service Funds:		
Fleet Management	<u>93,771</u>	<u> </u>
Total residual equity transfers	<u>102,571</u>	<u>102,571</u>
Total interfund transfers	<u>\$16,911,907</u>	<u>\$16,911,907</u>

J. NOTES RECEIVABLE

The notes receivable in the Housing and Community Development Special Revenue Fund of \$8,804,752, net of \$65,689 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 \$707,535 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 \$79,722 notes receivable balance in the Employee Benefits Management Fund. The maximum loan period is 3 years, with payment deducted from paychecks.

K. APPROVED LOANS PAYABLE

The approved loans payable in the Housing and Community Development Special Revenue Fund of \$306,045 consist of amounts being held for rehabilitation of properties using funds provided by federal grants. The liability is expected to be liquidated within one year.

L. NOTES PAYABLE

The notes 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 no later than 36 months following the termination, bearing interest at the tax exempt rate in effect, and beginning, as of the date of termination. The

DDA with this developer was, in fact, terminated during fiscal year 1997. However, the property acquisition and sale is still planned for fiscal year 1998.

M. ADVANCE FROM JOINT POWERS AGENCY

The \$790,000 advance recorded in the Redevelopment Agency Capital Projects Fund was received pursuant to an interim financing agreement between the Redevelopment Agency (RDA), the City, Stanislaus County and the City-County Capital Improvements and Financing Authority (JPA), dated April 30, 1997. The JPA advanced the funds to the RDA, on an interest free basis, to be used by the RDA for the deposit of probable compensation in connection with the acquisition of real property for the 10th Street Place project. The funds are to be treated as a credit against the properties to be purchased by the JPA from the RDA once the project site is fully acquired by the RDA and all parties' financing is obtained (anticipated for spring 1998). If the project does not proceed, the RDA shall reimburse the JPA, on or before May 1, 2000, together with interest at the LAIF rate as of July 1 of each year during the term of the obligation.

IV. OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss. Under this program, the City is self-insured for the following risks up to the maximum amount per claim as follows: workers' compensation \$400,000; liability \$1,000,000; employee disability \$123,000; and dental care \$1,200. The maximum allowed per covered employee under the self-insured vision plan is \$1,000 over a two year period. In July 1995, the City dropped its self-insured health plan, and now offers a variety of commercial plans to its employees. The City purchases commercial insurance for property loss, as well as for claims in excess of the preceding coverage amounts.

For liability claims, the City is one of 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, 1997 is \$8,078,881 consisting of \$5,606,000 workers' compensation, \$2,156,000 general liability, \$205,200 dental, \$69,400 disability, and \$42,281 vision. The current portion of the total claims liability is estimated to be \$3,629,261 and the balance of \$4,449,620 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, 1997. Changes in the Insurance Fund claims liability during the fiscal years ended June 30, 1996 and June 30, 1997 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>
1995-96	\$9,179,900	\$2,816,245	\$(3,365,308)	\$8,630,837
1996-97	8,630,837	2,716,518	(3,268,474)	8,078,881

B. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>	<u>Airport</u>	<u>Bus</u>	<u>Golf</u>	<u>Community Center</u>	<u>Total</u>
Operating revenues	\$368,634	\$28,772,399	\$17,692,175	\$4,442,691	\$ 546,834	\$1,476,581	\$1,915,381	\$ 672,607	\$55,887,302
Depreciation	66,194	1,588,703	3,273,144	200,067	299,736	371,622	295,436	747,909	6,842,811
Operating income (loss)	129,795	8,023,689	3,422,932	1,430,694	(262,200)	(4,813,879)	(577,512)	(1,228,320)	6,125,199
Operating grants			426,668	54,886	4,317	1,359,505	382,463		2,227,839
Tax revenues					71,374	2,935,016			3,006,390
Operating transfers in								468,743	468,743
Operating transfers out	(6,400)	(1,400,429)	(1,805,878)	(9,500)	(203,770)		(557,966)		(3,983,943)
Net income (loss)	185,011	7,082,635	2,509,145	1,652,415	(308,221)	(359,954)	(725,756)	(759,638)	9,275,637
Current capital contributions		552,407	477,775	854	532,601	285,201		8,906	1,857,744
Property, plant and equipment: Net changes	591	2,198,237	5,809,610	1,805,706	683,421	210,744	11,845	21,253	10,741,407
Net working capital	1,124,399	18,413,507	18,582,171	3,457,472	71,811	341,115	(75,361)	37,065	41,952,179
Total assets	3,864,339	78,514,827	146,674,917	9,380,575	6,786,731	12,912,568	6,548,367	20,853,796	285,536,120
Bonds and other long-term liabilities		29,798,918	46,773,384						76,572,302
Total equity	3,864,199	46,868,671	97,853,970	9,207,147	6,455,799	8,882,580	6,061,493	20,832,013	200,025,872

C. REFUNDING OF WASTEWATER TREATMENT FACILITY REFUNDING REVENUE BONDS

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 remaining in the interest account 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 full redemption price and call premium due on the 1987 bonds. As a result, the 1987 bonds have been removed from the Sewer Enterprise Fund balance sheet.

Although the refunding resulted in a deferred amount on refunding of \$729,862 to be amortized through November 1, 2007, the City in effect reduced its aggregate debt service payments by \$1,079,443 over 12 fiscal years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$753,951.

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, 1997, certificates of participation in the amount of \$41,060,000 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, 1997, the \$5,780,000 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, 1997, 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 \$70,684,500. 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-A).

The City receives funding from a number of federal, state and local grant programs, principally the Federal Highway Administration, Community Development Block Grants, and Federal Transit Administration grants. These programs are subject to financial and compliance review by the grantors. Accordingly, the City's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time. The City does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the general purpose financial statements. Receipt of these federal, state and local grant revenues is not assured in the future.

The City has commitments of \$11,165,443 as of June 30, 1997 for contracts awarded but not completed and other outstanding purchase orders. This amount consists of \$816,672 in the General Fund, \$727,614 in the Special Revenue Funds, \$2,692,045 in the Capital Projects Funds, \$5,741,140 in the Enterprise Funds, and \$1,187,972 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, cannery segregation, grit handling facility and other wastewater projects, new transit buses, Briggsmore/Coffee intersection and other street improvements, and fleet vehicle purchases.

Proposition 218, which was approved by the voters in November 1996, provides certain limitations over the ability of local governments within the State of California to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that taxes, assessments and fees are subject to the voter initiative process and may, in some circumstances, be rescinded in the future by the voters. As a result, the ability of local governments to finance the services for which the taxes, assessments and fees were imposed could be significantly impaired. Significant taxes, fees, and assessments that may be subject to the provisions of Proposition 218 which the City of Modesto currently imposes for its own benefit or as an agent for a special district, or receives from other governmental agencies, potentially include business license tax, landscape and lighting district assessments, water, sewer, and storm drain utility fees, utility users tax, and Village One community facilities district taxes. The City's management believes that language in the initiative is unclear as to the scope and impact of the proposition. Future court rulings or state legislation may clarify these issues. At this time, management is uncertain as to the effect Proposition 218 will have on the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees, or its effect on interfund payments from Enterprise Funds to the General Fund. Also unclear is the extent to which Proposition 218 is impacted by a 1995 California Supreme Court ruling (the *Guardino* case) that upheld the voter approval requirements of a previously enacted state initiative (Proposition 62), particularly with regard to taxes imposed or increased between November 5, 1986 and December 11, 1995.

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.

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

The deferred compensation liability as of June 30, 1997 was \$50,166,937, 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 \$41,670 for the fiscal year ended June 30, 1997. As of June 30, 1997 the City's equity interest in fixed assets was \$1,064,971, 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, 1997 was \$510,939. The City's equity interest of 56% in the fixed assets of the SDEA was \$712,252 as of June 30, 1997. 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 \$42,467 is reported as part of due from governments in the General Fund. Financial statements of the SDEA are available at the Modesto Police Department.

City-County Capital Improvements and Financing Agency

The City and Stanislaus County formed the City-County Capital Improvements and Financing Agency (Agency) to provide for the design, construction, ownership, operation, management and financing of a City-County administration center. The center is to be located in Modesto's downtown redevelopment area. The governing body is a commission consisting of 2 members of the City Council, 2 members of the County board of Supervisors, the County Chief Executive Officer, and the City Manager. The commission is responsible for developing an annual budget and determining the annual contribution rates, subject to approval by both the City and the County. Proportionate share of project costs, as well as the equity interests in fixed assets, will be developed by the commission in connection with the project and annual budgets of the Agency. The City's initial contribution during the fiscal year ended June 30, 1997 was \$520,000. Financial statements of the Agency are prepared by Stanislaus County.

Stanislaus Waste-to-Energy Financing Agency

The City participates with Stanislaus County in the Stanislaus Waste-to-Energy Financing Agency (Agency). The Agency was created to provide financing for a facility which generates power from solid waste. The costs of operating the Agency, if any, are shared equally by the participants. The governing body consists of 2 members each from the County Board of Supervisors and the Modesto City Council. Stanislaus County Treasurer's office prepares the Agency's financial statements.

Regional Fire Training Center

The City has entered into an agreement with the Yosemite Community College District (YCCD) and Stanislaus County for the use and management of the regional fire training center at Modesto Junior College. The executive board consists of the YCCD chancellor, the president of Modesto Junior College, the city manager of the City of Modesto, and the chief executive officer of Stanislaus County. The YCCD is responsible for accounting and for monitoring the center's budget. All three entities share in the operating costs. Initial construction costs were paid by the YCCD from borrowed funds, with the City and County reimbursing a portion of these costs in exchange for future use of the center. City payments for construction costs, plus interest, were \$89,810 during the fiscal year ended June 30, 1997. The City's balance due for construction costs was also reduced this year by \$104,540 because the YCCD received reimbursement from the State for a portion of the project costs. After this adjustment, the City's remaining balance is \$664,187, 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 (Note III-C). The minimum annual amount payable to MID, consisting of the debt service component only, is \$7,123,978. 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, 1997 was \$9,448,380, 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 \$2,901,970 as of June 30, 1997. The current portion of \$334,210 is fully funded. The long-term portion of \$2,567,760 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, 1997 was \$47,660,810. The total payroll for all City employees was \$50,198,945.

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, 1997 the City pays the majority 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 June 30, 1996 actuarial valuation was unavailable from PERS at the time this report was issued.

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 1996-97, based on an actuarial valuation performed as of June 30, 1995, were 21.428 percent of current safety payroll and 12.405 percent of current miscellaneous payroll. The total contribution of \$7,753,316 consisted entirely of normal cost. The City's required contributions were \$4,008,993 (12.428 percent of current safety payroll and 5.405 percent of current miscellaneous payroll). Employee contributions were \$3,744,323 (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 1995, 1996, and 1997, the City's employer contribution rates to the system were, respectively, 12.454, 12.454, and 12.428 percent of covered payroll for safety employees, and 6.733, 6.673, and 5.405 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

<u>Fiscal Year</u>	<u>(1) Net Assets Available for Benefits</u>	<u>(2) Pension Benefit Obligation</u>	<u>(3) Percentage Funded (1/2)</u>	<u>(4) Unfunded (Net Assets in Excess of) Pension Benefit Obligation (2-1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) Unfunded (Net Assets in Excess of) Pension Benefit Obligation as a Percentage of Covered Payroll (4/5)</u>
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, 1997, the City issued \$12,000,000 in Tax and Revenue Anticipation Notes bearing interest at a stated rate of 4.5% and an effective rate of 3.8%. The notes are due on June 30, 1998.

M. FUTURE GASB STATEMENT IMPLEMENTATION

In November 1994, the Governmental Accounting Standards Board issued Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." This statement establishes measurement, recognition, and display standards for pension expenditures/expenses and related liabilities, assets, note disclosures, and required supplementary information in the financial reports of state and local governmental employers. When the statement is adopted, the previously required standard pension disclosure, pension benefit obligation, will no longer be required. Instead, entities will disclose information consistent with their funding policy. Employers which participate in agent multiple-employer defined benefit pension plans will report an annual pension cost equal to

the annual required contribution, with any cumulative difference between these numbers reported as the net pension obligation. Statement No. 27 is effective for periods beginning June 15, 1997.

In March 1997, the Governmental Accounting Standards Board issued Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement establishes fair value standards for certain investments which have readily determinable fair values. Governmental entities will be required to report these investments at fair value, which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, in the balance sheet. All investment income, including changes in the fair value, will be reported as revenue in the operating statement. Statement No. 31 is effective for periods beginning June 15, 1997.

**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.

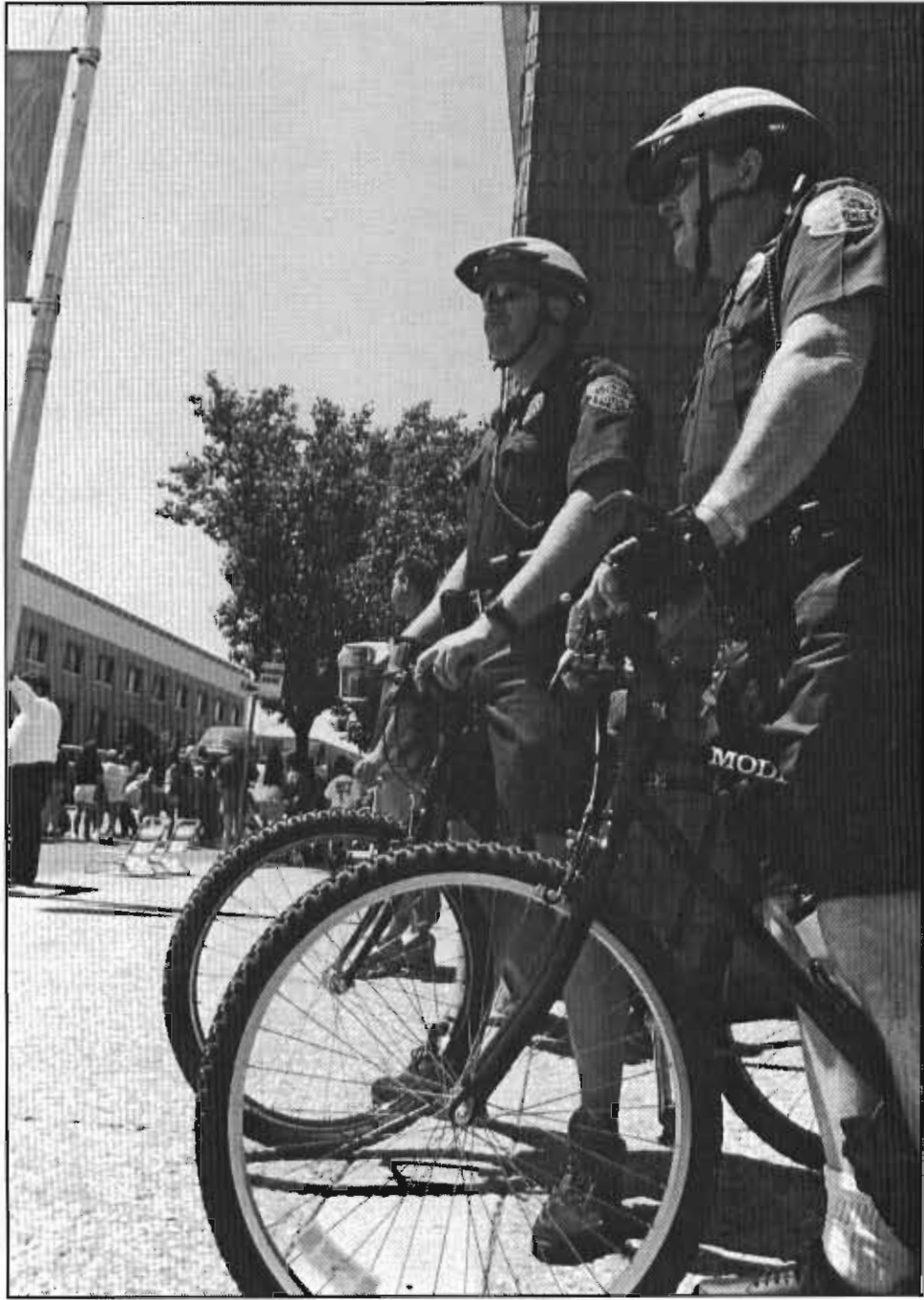
Expenditures include the operating costs for most City services. These services include fire and police protection, park and recreation activities, various public works activities, and general government functions.

**CITY OF MODESTO
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 1997 and 1996**

	1997	1996
ASSETS		
Cash and cash equivalents	\$ 4,920,676	\$ 5,476,729
Receivables:		
Accounts	1,019,645	914,252
Taxes	3,386,994	3,450,778
Notes	134,249	134,249
Due from governments	738,638	351,117
Due from other funds	404,000	240,000
Prepaid expenditures		121,468
Advances to other funds	1,072,760	930,460
Loans to other funds	6,443,500	6,443,500
 Total assets	 \$ 18,120,462	 \$ 18,062,553
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenditures	\$ 2,707,422	\$ 2,415,573
Deferred revenues	539,223	
Total liabilities	3,246,645	2,415,573
Fund balances:		
Reserved:		
For encumbrances	816,672	660,916
For interfund loans	6,443,500	6,443,500
For petty cash	3,630	3,630
For loan programs	134,249	134,249
For prepaid expenditures		121,468
For interfund advances	1,072,760	930,460
Unreserved:		
Designated:		
For subsequent year expenditures	2,942,766	3,100,019
For operating contingencies	3,460,240	4,252,738
Total fund balances	14,873,817	15,646,980
	\$ 18,120,462	\$ 18,062,553

**CITY OF MODESTO
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT, COMPARED TO BUDGET, (GAAP BASIS)
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)**

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
General government:				
City council	\$ 215,043	\$ 204,359	\$ 10,684	\$ 195,431
Personnel/training	742,778	738,528	4,250	672,029
City manager	1,301,275	1,105,808	195,467	965,819
City attorney	787,476	672,940	114,536	690,401
City clerk/auditor	332,642	326,300	6,342	516,445
Finance	2,928,547	2,809,146	119,401	2,853,568
Community development	3,633,033	3,200,772	432,261	3,333,606
Total general government	<u>9,940,794</u>	<u>9,057,853</u>	<u>882,941</u>	<u>9,227,299</u>
Highways and streets:				
Parking and traffic - administration	880,499	815,504	64,995	812,159
Public works and transportation:				
Electrical division	1,609,721	1,536,047	73,674	1,502,660
Streets division	1,487,982	1,407,825	80,157	1,300,141
Total highways and streets	<u>3,978,202</u>	<u>3,759,376</u>	<u>218,826</u>	<u>3,614,960</u>
Public works:				
Engineering design	134,828	68,730	66,098	105,294
Construction administration/permits	303,530	302,213	1,317	264,950
Engineering administration	55,434	63,021	(7,587)	86,817
Administration	1,026,184	1,009,886	16,298	805,857
Total public works	<u>1,519,976</u>	<u>1,443,850</u>	<u>76,126</u>	<u>1,262,918</u>
Parks and recreation:				
Administration	578,218	548,290	29,928	554,583
Service division	4,086,540	4,099,826	(13,286)	3,715,347
Tree maintenance	2,155,440	2,103,216	52,224	2,067,825
Culture	424,914	391,219	33,695	438,968
Recreation division	2,203,283	1,982,031	221,252	1,832,745
Facilities	144,674	144,674		104,393
Total parks and recreation	<u>9,593,069</u>	<u>9,269,256</u>	<u>323,813</u>	<u>8,713,861</u>
Public safety:				
Fire protection	14,281,758	13,895,880	385,878	13,409,043
Police protection	29,121,222	27,373,178	1,748,044	25,477,441
Total public safety	<u>43,402,980</u>	<u>41,269,058</u>	<u>2,133,922</u>	<u>38,886,484</u>
Total expenditures by department	<u>68,435,021</u>	<u>64,799,393</u>	<u>3,635,628</u>	<u>61,705,522</u>
Debt service:				
Principal retirement	373,637	319,891	53,746	325,438
Interest	310,687	287,458	23,229	235,143
Total debt service	<u>684,324</u>	<u>607,349</u>	<u>76,975</u>	<u>560,581</u>
Total general fund	<u>\$ 69,119,345</u>	<u>\$ 65,406,742</u>	<u>\$ 3,712,603</u>	<u>\$ 62,266,103</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.

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, 1997
(With comparative totals for June 30, 1996)**

	<u>Local Transportation</u>	<u>Traffic Safety</u>	<u>Special Gas Tax Street Improvement</u>
ASSETS			
Cash and cash equivalents	\$ 335,433	\$ 152,347	\$ 280,771
Cash and cash equivalents with fiscal agent			24,019
Receivables:			
Accounts	8,129		43,326
Notes			
Due from governments	353,589		1,760,416
Prepaid expenditures			
Loans to other funds			
Total assets	<u>\$ 697,151</u>	<u>\$ 152,347</u>	<u>\$ 2,108,532</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenditures	\$ 7,394		\$ 823,583
Approved loans payable			
Due to other funds			
Deferred revenues	681,165		
Total liabilities	<u>688,559</u>		<u>823,583</u>
Fund balances:			
Reserved:			
For encumbrances			685,171
For interfund loans			
For loan programs			
For prepaid expenditures			
Unreserved:			
Designated:			
For carryover projects			314,196
For pending projects	8,592	\$ 152,347	285,582
Total fund balances	<u>8,592</u>	<u>152,347</u>	<u>1,284,949</u>
 Total liabilities and fund balances	 <u>\$ 697,151</u>	 <u>\$ 152,347</u>	 <u>\$ 2,108,532</u>

Downtown Improvement District	Housing and Community Development	Strategic Planning and Development	Totals	
			1997	1996
\$ 123,508	\$ 2,120 600,113	\$ 283,254	\$ 1,177,433 624,132	\$ 2,723,706 740,652
2,507	78,098 8,804,752 768,910 40,950 74,050	4,943	137,003 8,804,752 2,882,915 40,950 74,050	95,892 7,462,626 1,388,436 41,066 74,050
<u>\$ 126,015</u>	<u>\$ 10,368,993</u>	<u>\$ 288,197</u>	<u>\$ 13,741,235</u>	<u>\$ 12,526,428</u>
	\$ 82,098 306,045 360,000		\$ 913,075 306,045 360,000 681,165	\$ 547,570 85,931 240,000 431,462
	<u>748,143</u>		<u>2,260,285</u>	<u>1,304,963</u>
	1,749 74,050 8,498,707 40,950	\$ 40,694	727,614 74,050 8,498,707 40,950	930,420 74,050 7,376,695 41,066
\$ 126,015	586,777 418,617	247,503	900,973 1,238,656	1,879,391 919,843
<u>126,015</u>	<u>9,620,850</u>	<u>288,197</u>	<u>11,480,950</u>	<u>11,221,465</u>
<u>\$ 126,015</u>	<u>\$ 10,368,993</u>	<u>\$ 288,197</u>	<u>\$ 13,741,235</u>	<u>\$ 12,526,428</u>

CITY OF MODESTO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)

	Local Transportation	Traffic Safety	Special Gas Tax Street Improvement
REVENUES:			
Taxes	\$ 634,765		
Intergovernmental	452,420		\$ 7,328,004
Charges for services			50,999
Interest and rent	22,562		60,027
Fines and forfeits		\$ 273,660	
Miscellaneous			
Total revenues	<u>1,109,747</u>	<u>273,660</u>	<u>7,439,030</u>
EXPENDITURES:			
Current expenditures:			
General government			
Highways and streets	459,044		6,537,916
Public works			
Total expenditures	<u>459,044</u>		<u>6,537,916</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>650,703</u>	<u>273,660</u>	<u>901,114</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	163,000		503,702
Operating transfers out	<u>(805,111)</u>	<u>(152,500)</u>	<u>(2,389,582)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(642,111)</u>	<u>(152,500)</u>	<u>(1,885,880)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,592	121,160	(984,766)
FUND BALANCES, JULY 1		31,187	2,269,715
Residual equity transfer out			
FUND BALANCES, JUNE 30	<u>\$ 8,592</u>	<u>\$ 152,347</u>	<u>\$ 1,284,949</u>

Downtown Improvement District	Housing and Community Development	Strategic Planning and Development	Totals	
			1997	1996
\$ 134,372	\$ 3,011,577		\$ 769,137	\$ 1,451,741
			10,792,001	9,899,809
6,457	147,702	\$ 13,000	63,999	103,359
		18,195	254,943	354,715
	38,478	78	273,660	129,788
<u>140,829</u>	<u>3,197,757</u>	<u>31,273</u>	<u>38,556</u>	<u>60,956</u>
			12,192,296	12,000,368
		171,266	171,266	244,167
134,888	2,079,980		6,996,960	5,904,914
<u>134,888</u>	<u>2,079,980</u>	<u>171,266</u>	<u>2,214,868</u>	<u>2,151,481</u>
			9,383,094	8,300,562
5,941	1,117,777	(139,993)	2,809,202	3,699,806
		150,000	816,702	1,326,425
	(19,226)		(3,366,419)	(4,043,647)
	<u>(19,226)</u>	<u>150,000</u>	<u>(2,549,717)</u>	<u>(2,717,222)</u>
5,941	1,098,551	10,007	259,485	982,584
120,074	8,522,299	278,190	11,221,465	10,259,881
				(21,000)
<u>\$ 126,015</u>	<u>\$ 9,620,850</u>	<u>\$ 288,197</u>	<u>\$ 11,480,950</u>	<u>\$ 11,221,465</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Taxes - sales taxes	\$ 878,000	\$ 634,765	\$ (243,235)	\$ 1,322,152
Intergovernmental	2,143,000	452,420	(1,690,580)	
Interest and rent - interest	23,000	22,562	(438)	48,342
Total revenues	<u>3,044,000</u>	<u>1,109,747</u>	<u>(1,934,253)</u>	<u>1,370,494</u>
EXPENDITURES - highways and streets:				
Bike lanes and parking facilities	<u>2,419,105</u>	<u>459,044</u>	<u>1,960,061</u>	<u>192,957</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>624,895</u>	<u>650,703</u>	<u>25,808</u>	<u>1,177,537</u>
OTHER FINANCING (USES):				
Operating transfers in	163,000	163,000		
Operating transfers out	<u>(1,142,640)</u>	<u>(805,111)</u>	<u>337,529</u>	<u>(1,177,537)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(979,640)</u>	<u>(642,111)</u>	<u>337,529</u>	<u>(1,177,537)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(354,745)</u>	<u>8,592</u>	<u>363,337</u>	
FUND BALANCES, JULY 1				
FUND BALANCES, JUNE 30	<u>\$ (354,745)</u>	<u>\$ 8,592</u>	<u>\$ 363,337</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES - fines and forfeits:				
Motor vehicle fines	\$ 127,500	\$ 273,660	\$ 146,160	\$ 129,788
OTHER FINANCING (USES):				
Operating transfers out	(152,500)	(152,500)		(125,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(25,000)	121,160	146,160	4,788
FUND BALANCES, JULY 1	31,187	31,187		25,399
FUND BALANCES, JUNE 30	\$ 6,187	\$ 152,347	\$ 146,160	\$ 31,187

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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Intergovernmental:				
State grants	\$ 3,561,242	\$ 3,277,024	\$ (284,218)	\$ 3,241,530
County grants	108,460	1,460	(107,000)	
Federal grants	9,091,733	4,049,520	(5,042,213)	3,113,579
Total intergovernmental revenues	<u>12,761,435</u>	<u>7,328,004</u>	<u>(5,433,431)</u>	<u>6,355,109</u>
Charges for services	99,546	50,999	(48,547)	103,359
Special assessments	25,909		(25,909)	
Interest and rent - interest	100,000	60,027	(39,973)	106,703
Total revenues	<u>12,986,890</u>	<u>7,439,030</u>	<u>(5,547,860)</u>	<u>6,565,171</u>
EXPENDITURES:				
Highway and streets	<u>13,369,918</u>	<u>6,537,916</u>	<u>6,832,002</u>	<u>5,711,957</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(383,028)</u>	<u>901,114</u>	<u>1,284,142</u>	<u>853,214</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	864,908	503,702	(361,206)	1,203,925
Operating transfers out	<u>(2,399,960)</u>	<u>(2,389,582)</u>	<u>10,378</u>	<u>(2,188,795)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,535,052)</u>	<u>(1,885,880)</u>	<u>(350,828)</u>	<u>(984,870)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,918,080)</u>	<u>(984,766)</u>	<u>933,314</u>	<u>(131,656)</u>
FUND BALANCES, JULY 1	<u>2,269,715</u>	<u>2,269,715</u>		<u>2,401,371</u>
FUND BALANCES, JUNE 30	<u>\$ 351,635</u>	<u>\$ 1,284,949</u>	<u>\$ 933,314</u>	<u>\$ 2,269,715</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Taxes - business license tax	\$ 150,000	\$ 134,372	\$ (15,628)	\$ 129,589
Interest and rent - interest	9,400	6,457	(2,943)	7,454
Total revenues	<u>159,400</u>	<u>140,829</u>	<u>(18,571)</u>	<u>137,043</u>
EXPENDITURES - public works:				
Downtown improvement district administration:				
Professional and contractual services	131,638	122,391	9,247	126,508
Materials and supplies	3,350	3,273	77	3,347
Other	7,500	5,224	2,276	10,217
Downtown improvements	4,000	4,000		4,000
Total expenditures	<u>146,488</u>	<u>134,888</u>	<u>11,600</u>	<u>144,072</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	12,912	5,941	(6,971)	(7,029)
FUND BALANCES, JULY 1	<u>120,074</u>	<u>120,074</u>		<u>127,103</u>
FUND BALANCES, JUNE 30	<u>\$ 132,986</u>	<u>\$ 126,015</u>	<u>\$ (6,971)</u>	<u>\$ 120,074</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - federal grants	\$ 6,092,695	\$ 3,011,577	\$ (3,081,118)	\$ 3,544,700
Interest and rent - interest	27,555	147,702	120,147	168,641
Miscellaneous	14,650	38,478	23,828	60,930
Total revenues	<u>6,134,900</u>	<u>3,197,757</u>	<u>(2,937,143)</u>	<u>3,774,271</u>
EXPENDITURES - public works:				
Housing program	3,723,194	1,572,612	2,150,582	1,799,127
Removal of architectural barriers	1,014,844	480,050	534,794	177,046
Miscellaneous improvements	35,500	27,318	8,182	31,236
Total expenditures	<u>4,773,538</u>	<u>2,079,980</u>	<u>2,693,558</u>	<u>2,007,409</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,361,362</u>	<u>1,117,777</u>	<u>(243,585)</u>	<u>1,766,862</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(45,205)</u>	<u>(19,226)</u>	<u>25,979</u>	<u>(552,315)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,316,157	1,098,551	(217,606)	1,214,547
FUND BALANCES, JULY 1	<u>8,522,299</u>	<u>8,522,299</u>		<u>7,307,752</u>
FUND BALANCES, JUNE 30	<u>\$ 9,838,456</u>	<u>\$ 9,620,850</u>	<u>\$ (217,606)</u>	<u>\$ 8,522,299</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Charges for services	\$ 13,000	\$ 13,000		
Interest and rent - interest	24,000	18,195	\$ (5,805)	\$ 23,575
Miscellaneous		78	78	26
Total revenues	<u>37,000</u>	<u>31,273</u>	<u>(5,727)</u>	<u>23,601</u>
EXPENDITURES - general government:				
Professional and contractual services	184,554	171,266	13,288	244,167
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(147,554)</u>	<u>(139,993)</u>	<u>7,561</u>	<u>(220,566)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	150,000	150,000		122,500
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,446	10,007	7,561	(98,066)
FUND BALANCES, JULY 1	<u>278,190</u>	<u>278,190</u>		<u>376,256</u>
FUND BALANCES, JUNE 30	<u>\$ 280,636</u>	<u>\$ 288,197</u>	<u>\$ 7,561</u>	<u>\$ 278,190</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.

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.

PUBLIC FINANCING AUTHORITY FUND - To account for the financing of various projects authorized by the Modesto Public Financing Authority.

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

June 30, 1997

(With comparative totals for June 30, 1996)

	<u>Special Fund for Capital Outlays</u>	<u>Capital Facility Fees</u>	<u>Parks</u>	<u>Parks and Recreation Facilities</u>
ASSETS				
Cash and cash equivalents	\$ 2,720,413	\$ 8,402,529	\$ 899,206	\$ 32,714
Cash and cash equivalents with fiscal agent				
Receivables:				
Accounts	411,272	150,259	5,058	1,042
Taxes				
Notes				
Due from governments		177,132		
Due from other funds	396,071			
Property held for resale				
Advances to other funds	469,000			
Loans to other funds	1,000,000			
Total assets	<u>\$ 4,996,756</u>	<u>\$ 8,729,920</u>	<u>\$ 904,264</u>	<u>\$ 33,756</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenditures	\$ 470,422	\$ 372,916	\$ 24,226	
Approved loans payable				
Notes payable				
Advances from other funds		415,460	369,000	
Loans from other funds				
Advance from joint powers agency				
Total liabilities	<u>470,422</u>	<u>788,376</u>	<u>393,226</u>	
Fund balances (deficits):				
Reserved:				
For encumbrances	189,233	2,254,566	110,309	\$ 14,435
For interfund loans	1,000,000			
For interfund advances	469,000			
For loan programs				
For set-aside requirement				
For property held for resale				
Unreserved:				
Designated:				
For carryover projects	122,433	2,326,118	400,729	16,000
For pending projects	2,745,668	3,360,860		3,321
Undesignated				
Total fund balances (deficits)	<u>4,526,334</u>	<u>7,941,544</u>	<u>511,038</u>	<u>33,756</u>
Total liabilities and fund balances	<u>\$ 4,996,756</u>	<u>\$ 8,729,920</u>	<u>\$ 904,264</u>	<u>\$ 33,756</u>

State Parks and Recreation	McHenry Mansion Restoration	Redevelopment Agency	Improvement Districts	Totals	
				1997	1996
\$ 39,788	\$ 4,469	\$ 596,877	\$ 160,372	\$ 12,856,368	\$ 12,879,034
		895,000		895,000	
535	106	3,315		571,587	148,403
		707,535		707,535	13,905
		662,000		177,132	308,582
				396,071	907,991
				662,000	
				469,000	100,000
				1,000,000	1,000,000
<u>\$ 40,323</u>	<u>\$ 4,575</u>	<u>\$ 2,864,727</u>	<u>\$ 160,372</u>	<u>\$ 17,734,693</u>	<u>\$ 15,357,915</u>
\$ 5,155		\$ 159,556		\$ 1,032,275	\$ 1,246,535
		199,566		2,611	
		7,517,550		199,566	199,566
		790,000		784,460	415,460
		8,666,672		7,517,550	7,517,550
<u>5,155</u>				790,000	
				10,323,851	9,381,722
35,168	900	87,434		2,692,045	1,735,758
		707,535		1,000,000	1,000,000
		304,318		469,000	100,000
		662,000		707,535	308,582
				304,318	457,200
				662,000	
	3,675		\$ 160,372	2,865,280	4,279,585
		(7,563,232)		6,273,896	5,618,975
<u>35,168</u>	<u>4,575</u>	<u>(5,801,945)</u>	<u>160,372</u>	<u>(7,563,232)</u>	<u>(7,523,907)</u>
				7,410,842	5,976,193
<u>\$ 40,323</u>	<u>\$ 4,575</u>	<u>\$ 2,864,727</u>	<u>\$ 160,372</u>	<u>\$ 17,734,693</u>	<u>\$ 15,357,915</u>

**CITY OF MODESTO
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)**

	Special Fund for Capital Outlays	Capital Facility Fees	Parks	Parks and Recreation Facilities
REVENUES:				
Taxes				
Intergovernmental		\$ 507,068		
Charges for services		1,604,941		\$ 8,290
Special assessments levied				
Interest and rent	\$ 189,490	504,185	\$ 56,513	1,763
Miscellaneous	399,980		200,000	
Total revenues	<u>589,470</u>	<u>2,616,194</u>	<u>256,513</u>	<u>10,053</u>
EXPENDITURES:				
Capital outlay:				
General government	790,723	6,924		
Highways and streets	92,478	1,967,891		
Parks and recreation	4,064,951	387,880	296,179	1,568
Public safety	806,103	13,476		
Debt service:				
Principal retirement	60,915	38,972		
Interest	1,964	1,510		
Cost of issuance				
Total expenditures	<u>5,817,134</u>	<u>2,416,653</u>	<u>296,179</u>	<u>1,568</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,227,664)</u>	199,541	<u>(39,666)</u>	8,485
OTHER FINANCING SOURCES (USES):				
Operating transfers in	5,973,228	10,116	313,354	
Operating transfers out	(265,442)	(112,563)		
Proceeds of capital lease transactions	717,821			
Proceeds of lease revenue bonds				
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,425,607</u>	<u>(102,447)</u>	<u>313,354</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,197,943	97,094	273,888	8,485
FUND BALANCES, July 1	3,328,391	7,844,450	237,350	25,271
Residual equity transfers out				
FUND BALANCES, June 30	<u>\$ 4,526,334</u>	<u>\$ 7,941,544</u>	<u>\$ 511,038</u>	<u>\$ 33,756</u>

State Parks and Recreation	McHenry Mansion Restoration	Redevelopment Agency	Improvement Districts	Drainage Areas	Public Financing Authority	Totals	
						1997	1996
		\$ 822,675				\$ 822,675	\$ 964,229
						507,068	968,195
						1,613,231	1,267,097
							22,760
\$ 108	\$ 267	10,216			\$ 1,210	763,752	717,770
		1,158				601,138	55
<u>108</u>	<u>267</u>	<u>834,049</u>			<u>1,210</u>	<u>4,307,864</u>	<u>3,940,106</u>
		712,696				1,510,343	878,167
17,498						2,060,369	2,875,844
						4,768,076	1,336,290
						819,579	688,519
						99,887	189,818
						3,474	16,907
					190,875	190,875	
<u>17,498</u>		<u>712,696</u>			<u>190,875</u>	<u>9,452,603</u>	<u>5,985,545</u>
(17,390)	267	121,353			(189,665)	(5,144,739)	(2,045,439)
52,768		764,662		\$ 20,981		7,135,109	1,634,773
(3,000)				(1,082,202)	(3,359,287)	(4,822,494)	(322,938)
						717,821	529,000
<u>49,768</u>		<u>764,662</u>		<u>(1,061,221)</u>	<u>189,665</u>	<u>3,548,952</u>	<u>1,840,835</u>
32,378	267	886,015		(1,061,221)		1,434,649	(204,604)
2,790	4,308	(6,687,960)	160,372	1,061,221		5,976,193	6,229,252
							(48,455)
<u>\$ 35,168</u>	<u>\$ 4,575</u>	<u>\$ (5,801,945)</u>	<u>\$ 160,372</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7,410,842</u>	<u>\$ 5,976,193</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Charges for services				\$ 4,661
Interest and rent - interest	\$ 85,000	\$ 189,490	\$ 104,490	89,077
Miscellaneous	400,000	399,980	(20)	
Total revenues	<u>485,000</u>	<u>589,470</u>	<u>104,470</u>	<u>93,738</u>
EXPENDITURES:				
Capital outlay:				
General government	11,021,234	790,723	10,230,511	59,766
Highways and streets	371,035	92,478	278,557	71,931
Parks and recreation	4,014,410	4,064,951	(50,541)	121,651
Public safety	905,382	806,103	99,279	669,777
Debt service:				
Principal retirement	60,915	60,915		116,181
Interest	1,965	1,964	1	9,579
Total expenditures	<u>16,374,941</u>	<u>5,817,134</u>	<u>10,557,807</u>	<u>1,048,885</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(15,889,941)</u>	<u>(5,227,664)</u>	<u>10,662,277</u>	<u>(955,147)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	6,435,405	5,973,228	(462,177)	1,326,759
Operating transfers out	(503,467)	(265,442)	238,025	(180,000)
Proceeds of capital lease transactions	737,823	717,821	(20,002)	529,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,669,761</u>	<u>6,425,607</u>	<u>(244,154)</u>	<u>1,675,759</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(9,220,180)</u>	<u>1,197,943</u>	<u>10,418,123</u>	<u>720,612</u>
FUND BALANCES, JULY 1	<u>3,328,391</u>	<u>3,328,391</u>		<u>2,637,779</u>
Residual equity transfers out				(30,000)
FUND BALANCES, JUNE 30	<u>\$ (5,891,789)</u>	<u>\$ 4,526,334</u>	<u>\$ 10,418,123</u>	<u>\$ 3,328,391</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Intergovernmental - county grants and apportionments	\$ 2,054,565	\$ 507,068	\$ (1,547,497)	\$ 962,258
Charges for services	1,628,290	1,604,941	(23,349)	1,253,521
Interest and rent - interest	459,641	504,185	44,544	553,524
Total revenues	<u>4,142,496</u>	<u>2,616,194</u>	<u>(1,526,302)</u>	<u>2,769,303</u>
EXPENDITURES:				
Capital outlay:				
General government	40,000	6,924	33,076	36,795
Highways and streets	7,846,123	1,967,891	5,878,232	2,803,913
Parks and recreation	1,360,172	387,880	972,292	499,098
Public safety	94,926	13,476	81,450	18,742
Debt service:				
Principal retirement	38,972	38,972		73,637
Interest	1,511	1,510	1	7,328
Total expenditures	<u>9,381,704</u>	<u>2,416,653</u>	<u>6,965,051</u>	<u>3,439,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,239,208)</u>	<u>199,541</u>	<u>5,438,749</u>	<u>(670,210)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	136,000	10,116	(125,884)	
Operating transfers out	(129,768)	(112,563)	17,205	(94,437)
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,232</u>	<u>(102,447)</u>	<u>(108,679)</u>	<u>(94,437)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(5,232,976)</u>	<u>97,094</u>	<u>5,330,070</u>	<u>(764,647)</u>
FUND BALANCES, JULY 1	<u>7,844,450</u>	<u>7,844,450</u>		<u>8,609,097</u>
FUND BALANCES, JUNE 30	<u>\$ 2,611,474</u>	<u>\$ 7,941,544</u>	<u>\$ 5,330,070</u>	<u>\$ 7,844,450</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Taxes - property taxes				\$ 244,381
Intergovernmental - state grants and apportionments				5,937
Interest and rent - interest	\$ 28,000	\$ 56,513	\$ 28,513	31,919
Miscellaneous	200,000	200,000		
Total revenues	<u>228,000</u>	<u>256,513</u>	<u>28,513</u>	<u>282,237</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>1,178,439</u>	<u>296,179</u>	<u>882,260</u>	<u>660,826</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(950,439)</u>	<u>(39,666)</u>	<u>910,773</u>	<u>(378,589)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>329,354</u>	<u>313,354</u>	<u>(16,000)</u>	<u>262,697</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(621,085)	273,688	894,773	(115,892)
FUND BALANCES, JULY 1	<u>237,350</u>	<u>237,350</u>		<u>353,242</u>
FUND BALANCES, JUNE 30	<u>\$ (383,735)</u>	<u>\$ 511,038</u>	<u>\$ 894,773</u>	<u>\$ 237,350</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Charges for services - park fees	\$ 7,060	\$ 8,290	\$ 1,230	\$ 8,915
Interest and rent - interest	2,000	1,763	(237)	4,245
Miscellaneous				
Total revenues	<u>9,060</u>	<u>10,053</u>	<u>993</u>	<u>13,160</u>
EXPENDITURES - capital outlay:				
Parks and recreation	<u>16,003</u>	<u>1,568</u>	<u>14,435</u>	<u>12,997</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,943)</u>	<u>8,485</u>	<u>15,428</u>	<u>163</u>
OTHER FINANCING (USES):				
Operating transfers out	<u>(16,000)</u>		<u>16,000</u>	<u>(44,835)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(22,943)</u>	<u>8,485</u>	<u>31,428</u>	<u>(44,672)</u>
FUND BALANCES, JULY 1	<u>25,271</u>	<u>25,271</u>		<u>69,943</u>
FUND BALANCES, JUNE 30	<u>\$ 2,328</u>	<u>\$ 33,756</u>	<u>\$ 31,428</u>	<u>\$ 25,271</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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest	\$ 200	\$ 108	\$ (92)	\$ 248
EXPENDITURES - capital outlay:				
Parks and recreation	985,203	17,498	967,705	38,873
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(985,003)	(17,390)	967,613	(38,625)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	235,203	52,768	(182,435)	38,874
Operating transfers out	(3,000)	(3,000)		
TOTAL OTHER FINANCING SOURCES (USES)	232,203	49,768	(182,435)	38,874
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(752,800)	32,378	785,178	249
FUND BALANCES, JULY 1	2,790	2,790		2,541
FUND BALANCES, JUNE 30	\$ (750,010)	\$ 35,168	\$ 785,178	\$ 2,790

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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest	\$ 200	\$ 267	\$ 67	\$ 288
EXPENDITURES - capital outlay:				
Parks and recreation	900		900	2,845
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(700)	267	967	(2,557)
FUND BALANCES, JULY 1	4,308	4,308		6,865
FUND BALANCES, JUNE 30	\$ 3,608	\$ 4,575	\$ 967	\$ 4,308

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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Taxes - property taxes	\$ 966,910	\$ 822,675	\$ (144,235)	\$ 719,848
Interest and rent - interest		10,216	10,216	38,418
Miscellaneous	200,000	1,158	(198,842)	55
Total revenues	<u>1,166,910</u>	<u>834,049</u>	<u>(332,861)</u>	<u>758,321</u>
EXPENDITURES - capital outlay:				
General government	<u>870,219</u>	<u>712,696</u>	<u>157,523</u>	<u>781,806</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>296,691</u>	<u>121,353</u>	<u>(175,338)</u>	<u>(23,285)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	<u>764,662</u>	<u>764,662</u>		<u>6,443</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,061,353	886,015	(175,338)	(16,842)
FUND BALANCES, JULY 1	<u>(6,687,960)</u>	<u>(6,687,960)</u>		<u>(6,671,118)</u>
FUND BALANCES, JUNE 30	<u>\$ (5,626,607)</u>	<u>\$ (5,801,945)</u>	<u>\$ (175,338)</u>	<u>\$ (6,687,960)</u>

CITY OF MODESTO
IMPROVEMENT DISTRICTS CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)

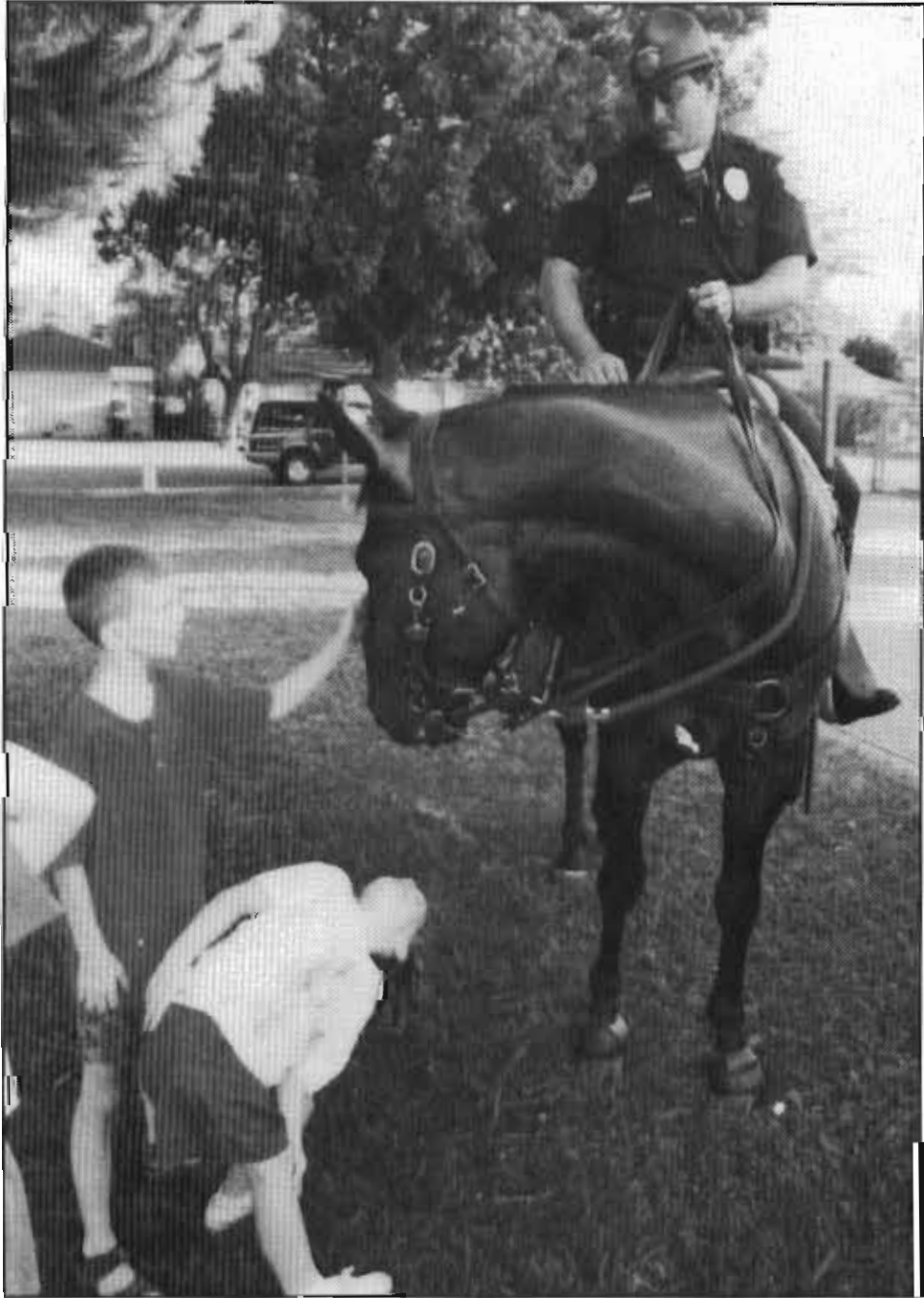
	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
FUND BALANCES, JULY 1	\$ 160,372	\$ 160,372		\$ 160,372
FUND BALANCES, JUNE 30	\$ 160,372	\$ 160,372		\$ 160,372

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, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Special assessments levied				\$ 22,760
Interest and rent - interest				51
Total revenues				<u>22,811</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	\$ 20,981	\$ 20,981		
Operating transfers out	<u>(1,082,202)</u>	<u>(1,082,202)</u>		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,061,221)</u>	<u>(1,061,221)</u>		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,061,221)	(1,061,221)		22,811
FUND BALANCES, JULY 1	1,061,221	1,061,221		1,056,885
Residual equity transfers out				<u>(18,455)</u>
FUND BALANCES, JUNE 30	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,061,221</u>

CITY OF MODESTO
PUBLIC FINANCING AUTHORITY CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
REVENUES:				
Interest and rent - interest	\$ 1,210	\$ 1,210		
EXPENDITURES:				
Cost of issuance	190,875	190,875		
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(189,665)	(189,665)		
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(3,359,287)	(3,359,287)		
Proceeds of lease revenue bonds	3,548,952	3,548,952		
TOTAL OTHER FINANCING SOURCES (USES)	189,665	189,665		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES				
FUND BALANCES, JULY 1				
FUND BALANCES, JUNE 30	\$	\$	\$	\$



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, 1997
(With comparative totals for June 30, 1996)

	Redevelopment Agency	Capital Improvement Projects
ASSETS		
Cash and cash equivalents		
Cash and cash equivalents with fiscal agent	\$ 2,092,054	\$ 645,450
Receivables:		
Accounts	16,859	13
Taxes	53,189	
Special assessments		
	\$ 2,162,102	\$ 645,463
Total assets	\$ 2,162,102	\$ 645,463
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenditures		
Deferred revenues		
Total liabilities		
Fund balances:		
Reserved for debt service	\$ 2,162,102	\$ 645,463
Total liabilities and fund balances	\$ 2,162,102	\$ 645,463

Improvement Districts	Public Financing Authority	Totals	
		1997	1996
\$ 351,024	\$ 10	\$ 351,034	\$ 1,083,647
268,203	1,113,534	4,119,241	3,651,734
35,454	15	52,341	20,223
1,868,042		53,189	40,632
		<u>1,868,042</u>	<u>2,092,387</u>
<u>\$ 2,522,723</u>	<u>\$ 1,113,559</u>	<u>\$ 6,443,847</u>	<u>\$ 6,888,623</u>
\$ 2,245		\$ 2,245	\$ 1,955
<u>1,830,853</u>		<u>1,830,853</u>	<u>2,092,387</u>
<u>1,833,098</u>		<u>1,833,098</u>	<u>2,094,342</u>
<u>689,625</u>	<u>\$ 1,113,559</u>	<u>4,610,749</u>	<u>4,794,281</u>
<u>\$ 2,522,723</u>	<u>\$ 1,113,559</u>	<u>\$ 6,443,847</u>	<u>\$ 6,888,623</u>

**CITY OF MODESTO
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)**

	<u>Redevelopment Agency</u>	<u>Capital Improvement Projects</u>
REVENUES:		
Taxes	\$ 470,724	
Intergovernmental - state	36,770	
Special assessments levied		
Interest and rent	<u>329,024</u>	\$ 21,229
Total revenues	<u>836,518</u>	<u>21,229</u>
EXPENDITURES - debt service:		
Principal retirement	145,000	115,000
Interest	1,389,258	244,580
Other	7,040	3,813
Total expenditures	<u>1,541,298</u>	<u>363,393</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(704,780)</u>	<u>(342,164)</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	702,713	348,484
Operating transfer out	<u>(538,662)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>164,051</u>	<u>348,484</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(540,729)</u>	6,320
FUND BALANCES, JULY 1	<u>2,702,831</u>	<u>639,143</u>
FUND BALANCES, JUNE 30	<u>\$ 2,162,102</u>	<u>\$ 645,463</u>

Improvement Districts	Public Financing Authority	Totals	
		1997	1996
		\$ 470,724	\$ 598,774
		36,770	37,746
\$ 259,005		259,005	220,755
182,060	\$ 40,632	572,945	497,683
<u>441,065</u>	<u>40,632</u>	<u>1,339,444</u>	<u>1,354,958</u>
260,000	375,000	895,000	900,250
153,365	475,380	2,262,583	2,271,605
16,879	12,088	39,820	50,623
<u>430,244</u>	<u>862,468</u>	<u>3,197,403</u>	<u>3,222,478</u>
10,821	(821,836)	(1,857,959)	(1,867,520)
	1,161,892	2,213,089	1,610,199
		(538,662)	(226,000)
	<u>1,161,892</u>	<u>1,674,427</u>	<u>1,384,199</u>
10,821	340,056	(183,532)	(483,321)
<u>678,804</u>	<u>773,503</u>	<u>4,794,281</u>	<u>5,277,602</u>
\$ <u>689,625</u>	\$ <u>1,113,559</u>	\$ <u>4,610,749</u>	\$ <u>4,794,281</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, 1997
(With comparative totals for June 30, 1996)**

<u>ASSETS</u>	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
Current assets:				
Cash and cash equivalents	\$ 1,122,143	\$ 13,892,021	\$ 12,561,883	\$ 3,101,670
Cash and cash equivalents with fiscal agent		2,463,675	5,303,569	
Receivables:				
Accounts	2,396	3,380,349	2,546,936	529,230
Taxes		3,249		
Due from governments			149,084	
Prepaid expenses				
Total current assets	<u>1,124,539</u>	<u>19,739,294</u>	<u>20,561,472</u>	<u>3,630,900</u>
Restricted assets-cash and cash equivalents:				
Cash deposits		521,451	68,262	
Revenue bond construction account			30,916,058	
Total restricted assets-cash and cash equivalents		<u>521,451</u>	<u>30,984,320</u>	
Other assets:				
Unamortized costs of issuance		421,356	907,312	
Total other assets		<u>421,356</u>	<u>907,312</u>	
Land, buildings and equipment:				
Land	1,613,168	1,353,770	11,534,879	626,597
Buildings	2,121,462	3,669,876	13,212,604	
Improvements other than buildings	465,315	21,499,094	57,296,412	4,786,695
Furnishings and equipment	21,687	666,417	1,924,673	127,057
Buses and fareboxes				
Pipelines		35,209,421	38,626,950	203,759
Construction in progress		5,043,739	3,673,716	487,373
Accumulated depreciation	(1,481,832)	(9,609,591)	(32,047,421)	(481,806)
Total land, buildings and equipment	<u>2,739,800</u>	<u>57,832,726</u>	<u>94,221,813</u>	<u>5,749,675</u>
 Total assets	 <u>\$ 3,864,339</u>	 <u>\$ 78,514,827</u>	 <u>\$ 146,674,917</u>	 <u>\$ 9,380,575</u>

Airport	Bus	Golf	Community Center	Totals	
				1997	1996
\$ 1,190	\$ 3,115,158 34,663	\$ 14,838	\$ 877	\$ 33,809,780 7,801,907	\$ 28,036,639 3,645,736
2,350 955	4,302	6,141	57,971	6,529,675 4,204	5,779,696 2,314
166,417 9,531	1,216,980	318,534		1,851,015 9,531	3,145,508 8,666
<u>180,443</u>	<u>4,371,103</u>	<u>339,513</u>	<u>58,848</u>	<u>50,006,112</u>	<u>40,618,559</u>
				589,713	420,710
				30,916,058	2,346,674
				<u>31,505,771</u>	<u>2,767,384</u>
				1,328,668	769,737
				<u>1,328,668</u>	<u>769,737</u>
929,891	2,483,167	275,741	3,667,020	22,484,233	21,857,637
3,480,565	3,974,291	1,102,879	22,856,962	50,418,639	50,303,172
5,790,488	323,948	6,069,217	505,908	96,737,077	88,552,789
263,807	532,358	75,262	426,047	4,037,308	2,737,259
	5,293,509			5,293,509	5,293,509
				74,040,130	73,529,452
528,827	173,455	396,026		10,303,136	10,298,807
<u>(4,387,290)</u>	<u>(4,239,263)</u>	<u>(1,710,271)</u>	<u>(6,660,989)</u>	<u>(60,618,463)</u>	<u>(53,893,478)</u>
<u>6,606,288</u>	<u>8,541,465</u>	<u>6,208,854</u>	<u>20,794,948</u>	<u>202,695,569</u>	<u>198,679,147</u>
\$ <u>6,786,731</u>	\$ <u>12,912,568</u>	\$ <u>6,548,367</u>	\$ <u>20,853,796</u>	\$ <u>285,536,120</u>	\$ <u>242,834,827</u>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 1997
(With comparative totals for June 30, 1996)**

<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	\$ 140	\$ 235,319	\$ 613,654	\$ 173,428
Interest payable		393,334	440,647	
Due to other funds				
Current portion - long-term debt		548,120	925,000	
Current portion - developer advances		149,014		
Deferred revenues				
Total current liabilities	<u>140</u>	<u>1,325,787</u>	<u>1,979,301</u>	<u>173,428</u>
Other liabilities:				
Payable from restricted assets - refundable deposits		521,451	68,262	
Advances from other funds				
Revenue bonds payable			46,773,384	
Loans payable		3,532,306		
Obiligations under capital leases		4,171		
Certificates of participation		23,098,364		
Developer advances		3,164,077		
Total other liabilities		<u>30,320,369</u>	<u>46,841,646</u>	
Total liabilities	<u>140</u>	<u>31,646,156</u>	<u>48,820,947</u>	<u>173,428</u>
Equity:				
Contributed capital	1,156,154	13,131,213	53,219,437	26,339
Retained earnings (deficit)-unreserved	<u>2,708,045</u>	<u>33,737,458</u>	<u>44,634,533</u>	<u>9,180,808</u>
Total equity	<u>3,864,199</u>	<u>46,868,671</u>	<u>97,853,970</u>	<u>9,207,147</u>
Total liabilities and equity	<u>\$ 3,864,339</u>	<u>\$ 78,514,827</u>	<u>\$ 146,674,917</u>	<u>\$ 9,380,575</u>

Airport	Bus	Golf	Community Center	Totals	
				1997	1996
\$ 61,243	\$ 405,031	\$ 18,803	\$ 21,783	\$ 1,529,401	\$ 1,643,936
44,000		396,071		833,981	573,313
				440,071	
				1,473,120	1,264,281
				149,014	170,318
3,389	3,624,957			3,628,346	3,503,921
<u>108,632</u>	<u>4,029,988</u>	<u>414,874</u>	<u>21,783</u>	<u>8,053,933</u>	<u>7,155,769</u>
				589,713	420,710
222,300		72,000		294,300	152,000
				46,773,384	15,681,167
				3,532,306	3,681,208
				4,171	
				23,098,364	23,461,062
				3,164,077	3,313,070
<u>222,300</u>		<u>72,000</u>		<u>77,456,315</u>	<u>46,709,217</u>
<u>330,932</u>	<u>4,029,988</u>	<u>486,874</u>	<u>21,783</u>	<u>85,510,248</u>	<u>53,864,986</u>
6,748,263	8,655,417	5,245,787	20,747,526	108,930,136	111,915,689
(292,464)	227,163	815,706	84,487	91,095,736	77,054,152
<u>6,455,799</u>	<u>8,882,580</u>	<u>6,061,493</u>	<u>20,832,013</u>	<u>200,025,872</u>	<u>188,969,841</u>
\$ <u>6,786,731</u>	\$ <u>12,912,568</u>	\$ <u>6,548,367</u>	\$ <u>20,853,796</u>	\$ <u>285,536,120</u>	\$ <u>242,834,827</u>

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)**

	<u>Parking</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm Drain</u>
OPERATING REVENUES:				
Charges for services	\$ 368,634	\$ 28,772,399	\$ 17,692,175	\$ 4,442,691
OPERATING EXPENSES:				
Salaries and wages	17,571	1,370,692	2,705,946	668,698
Contractual services	16,190	993,130	1,535,947	307,876
Utilities	13,998	1,317,525	1,395,958	6,874
Maintenance and supplies	18,170	1,856,683	1,880,729	789,290
Water purchases		9,448,380		
Insurance	3,182	44,443	106,684	15,151
Employee benefits	1,477	589,808	816,485	259,832
Administration services	85,761	2,425,777	1,467,584	608,889
Allocated indirect administrative costs	16,256	1,089,765	1,048,514	153,334
Other	40	23,804	38,252	1,986
Depreciation	66,194	1,588,703	3,273,144	200,067
Total operating expenses	<u>238,839</u>	<u>20,748,710</u>	<u>14,269,243</u>	<u>3,011,997</u>
OPERATING INCOME (LOSS)	<u>129,795</u>	<u>8,023,689</u>	<u>3,422,932</u>	<u>1,430,694</u>
NONOPERATING REVENUES (EXPENSES)				
Operating grants			426,668	54,886
Gain (loss) on disposition of fixed assets	(161)	(117,780)	(54,540)	(9,297)
Taxes		(33,746)	(72,165)	
Interest income	61,777	749,809	919,677	185,632
Rental income		10,991	161,173	
Interest expense		(120,965)	(447,269)	
Amortization of bond discount		(12,302)	(7,551)	
Amortization of costs of issuance		(16,632)	(33,902)	
Total nonoperating revenues (expenses)	<u>61,616</u>	<u>459,375</u>	<u>892,091</u>	<u>231,221</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>191,411</u>	<u>8,483,064</u>	<u>4,315,023</u>	<u>1,661,915</u>
Operating transfers in				
Operating transfers out	(6,400)	(1,400,429)	(1,805,878)	(9,500)
Total operating transfers in (out)	<u>(6,400)</u>	<u>(1,400,429)</u>	<u>(1,805,878)</u>	<u>(9,500)</u>
NET INCOME (LOSS)	185,011	7,082,635	2,509,145	1,652,415
Depreciation charged to contributed capital	66,194	582,482	2,389,589	30,410
Increase (decrease) in retained earnings	251,205	7,665,117	4,898,734	1,682,825
RETAINED EARNINGS (DEFICIT), July 1	2,456,840	26,072,341	39,735,799	7,497,983
RETAINED EARNINGS (DEFICIT), June 30	<u>\$ 2,708,045</u>	<u>\$ 33,737,458</u>	<u>\$ 44,634,533</u>	<u>\$ 9,180,808</u>

Airport	Bus	Golf	Community Center	Totals	
				1997	1996
\$ 546,834	\$ 1,476,581	\$ 1,915,381	\$ 672,607	\$ 55,887,302	\$ 52,492,961
236,949	446,701	55,609	524,975	6,027,141	5,857,211
7,042	4,012,340	1,804,860	81,377	8,758,762	6,558,280
44,400	32,672	36,098	165,945	3,013,470	3,366,087
49,513	643,409	21,705	173,578	5,433,077	5,666,200
				9,448,380	13,033,368
16,306	12,320	42,733	33,060	273,879	256,784
67,683	131,882	30,996	120,248	2,018,411	2,112,731
18,191	219,780	64,194	40,520	4,930,696	4,740,161
64,302	412,091	100,116		2,884,378	1,396,112
4,912	7,643	41,146	13,315	131,098	118,670
299,736	371,622	295,436	747,909	6,842,811	6,596,917
809,034	6,290,460	2,492,893	1,900,927	49,762,103	49,702,521
(262,200)	(4,813,879)	(577,512)	(1,228,320)	6,125,199	2,790,440
4,317	1,359,505	382,463		2,227,839	1,356,578
(451)	(4,227)	27,259	(61)	(159,258)	(386,404)
71,374	2,935,016			2,900,479	2,881,614
				1,916,895	1,424,108
82,509	163,631			418,304	453,240
				(568,234)	(809,309)
				(19,853)	(38,818)
				(50,534)	(40,265)
157,749	4,453,925	409,722	(61)	6,665,638	4,840,744
(104,451)	(359,954)	(167,790)	(1,228,381)	12,790,837	7,631,184
			468,743	468,743	906,120
(203,770)		(557,966)		(3,983,943)	(4,149,667)
(203,770)		(557,966)	468,743	(3,515,200)	(3,243,547)
(308,221)	(359,954)	(725,756)	(759,638)	9,275,637	4,387,637
299,736	371,622	278,005	747,909	4,765,947	4,922,129
(8,485)	11,668	(447,751)	(11,729)	14,041,584	9,309,766
(283,979)	215,495	1,263,457	96,216	77,054,152	67,744,386
\$ (292,464)	\$ 227,163	\$ 815,706	\$ 84,487	\$ 91,095,736	\$ 77,054,152

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)**

	Parking	Water	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 129,795	\$ 8,023,689	\$ 3,422,932
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	66,194	1,588,703	3,273,144
Rental income		10,991	161,173
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	3,722	(875,864)	(281,736)
(Increase) in taxes receivable		(935)	
(Increase) decrease in due from governments		1,780,000	
(Increase) decrease in prepaid expenses			
Increase (decrease) in accounts payable and accrued expenses	(1,310)	(783,533)	170,649
Increase (decrease) in due to other funds			
Increase (decrease) in deferred revenue			
Increase (decrease) in refundable deposits		138,719	30,284
Total adjustments	<u>68,606</u>	<u>1,858,081</u>	<u>3,353,514</u>
Net cash provided (used) by operating activities	<u>198,401</u>	<u>9,881,770</u>	<u>6,776,446</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants received			277,584
Taxes received			
Taxes paid		(33,746)	(72,165)
Operating transfers in			
Operating transfers out	(6,400)	(1,400,429)	(1,805,878)
Residual equity transfers out			(39,235)
New advances from other funds			
Advances and loans from other funds repaid			
Net cash provided (used) by noncapital financing activities	<u>(6,400)</u>	<u>(1,434,175)</u>	<u>(1,639,694)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(752)	(886,380)	(5,713,163)
Proceeds from sale of fixed assets			
Purchase of Del Este Water Company, net of cash acquired			
Principal repayments		(683,961)	(9,470,179)
Interest paid		(1,587,764)	(797,436)
Capital grants received			
Residual equity transfers in		8,800	
Connection fees for capital purposes		479,948	466,520
Sale of refunding revenue bonds and revenue bonds			41,095,000
Costs of issuance paid			(677,232)
Bond discount paid			(301,497)
Net cash provided (used) by capital and related financing activities	<u>(752)</u>	<u>(2,669,357)</u>	<u>24,602,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	55,658	1,518,900	1,265,697
Net increase (decrease) in cash and cash equivalents	<u>246,907</u>	<u>7,297,138</u>	<u>31,004,462</u>
CASH AND CASH EQUIVALENTS, JULY 1	<u>875,236</u>	<u>9,580,009</u>	<u>17,845,310</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 1,122,143</u>	<u>\$ 16,877,147</u>	<u>\$ 48,849,772</u>

Storm Drain	Airport	Bus	Golf	Community Center	Totals	
					1997	1996
\$ 1,430,694	\$ (262,200)	\$ (4,813,879)	\$ (577,512)	\$ (1,228,320)	\$ 6,125,199	\$ 2,790,440
200,067	299,736 82,509	371,622 163,631	295,436	747,909	6,842,811 418,304	6,596,917 453,240
(23,340)	7,047	(2,392)	19,991	(23,007)	(1,175,579) (935)	(1,176,702) (2,314)
	(865)	2,618			1,782,618 (865)	(1,789,697) 261,648
(17,166)	(3,478) 44,000 3,389	222,866	17,488 396,071	(16,533)	(411,017) 440,071 3,389 169,003	71,607 (134,000) (27,477) 141,220
<u>159,561</u>	<u>432,338</u>	<u>758,345</u>	<u>728,986</u>	<u>708,369</u>	<u>8,067,800</u>	<u>4,394,442</u>
<u>1,590,255</u>	<u>170,138</u>	<u>(4,055,534)</u>	<u>151,474</u>	<u>(519,951)</u>	<u>14,192,999</u>	<u>7,184,882</u>
54,886	4,317 70,419	1,354,938 2,944,526	63,929		1,755,654 3,014,945 (105,911)	1,755,456 2,713,133 (181,529)
(9,500)	(203,770)		(557,966)	468,743	468,743 (3,983,943) (39,235) 142,300	906,120 (4,149,667) (191,410) 52,000 (130,981)
<u>45,386</u>	<u>(58,734)</u>	<u>4,299,464</u>	<u>(422,037)</u>	<u>468,743</u>	<u>1,252,553</u>	<u>773,122</u>
(1,727,740)	(631,152)	(284,398)	(16,024) 30,045	(12,953)	(9,272,562) 30,045	(9,191,574) (6,319,301)
	419,626	493,762			(10,154,140) (2,385,200) 913,388 8,800 946,468 41,095,000 (677,232) (301,497)	(6,539,474) (2,645,288) 1,200,191 48,940 903,160
<u>(1,727,740)</u>	<u>(211,526)</u>	<u>209,364</u>	<u>14,021</u>	<u>(12,953)</u>	<u>20,203,070</u>	<u>(22,543,346)</u>
178,795			27		3,019,077	1,559,034
86,686	(100,122)	453,294	(256,515)	(64,161)	38,667,699	(13,026,308)
<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>
\$ <u>3,101,670</u>	\$ <u>1,190</u>	\$ <u>3,149,821</u>	\$ <u>14,838</u>	\$ <u>877</u>	\$ <u>73,117,458</u>	\$ <u>34,449,759</u>

(Continued)

**CITY OF MODESTO
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1997**

WATER FUND

Fixed asset additions accrued at year end	\$	22,751
Fixed assets transferred from other funds and General Fixed Assets		63,659
Capitalized interest expense on certificates of participation accrued at year end		364,024

SEWER FUND

Fixed asset additions accrued at year end		43,306
Fixed assets transferred from other funds and General Fixed Assets		11,255
Capitalized interest expense on revenue bonds accrued at year end		370,586
Capitalized interest revenue accrued at year end		209,634
Operating grants for flood relief accrued at year end		149,084

STORM DRAIN FUND

Fixed asset additions accrued at year end		99,044
Fixed assets transferred from other funds and General Fixed Assets		854

AIRPORT FUND

Fixed asset additions accrued at year end		54,878
Capital grants accrued at year end		166,417

BUS FUND

Fixed asset additions accrued at year end		805
Operating grants accrued at year end		1,061,452
Capital grants accrued at year end		36,070

GOLF FUND

Operating grants for flood relief accrued at year end		318,534
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COMMUNITY CENTER

Fixed assets transferred from other funds and General Fixed Assets		8,906
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INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and commodities furnished by a designated agency of a governmental unit to other departments of the same governmental unit. Since the services and commodities are supplied exclusively to other departments of a governmental jurisdiction, they are distinguishable from those public services which are rendered to the public in general and which are accounted for in General, Special Revenue, or Enterprise Funds. Internal Service Funds include:

FLEET MANAGEMENT FUND - To provide the maintenance necessary for the City's equipment pool, which serves the needs of all City departments.

CENTRAL SERVICES FUND - To provide office supplies, various maintenance and construction materials, records storage, and mail services to all City departments.

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, 1997
(With comparative totals for June 30, 1996)**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Insurance</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,967,268	\$ 175,139	\$ 9,373,916
Receivables:			
Accounts	2,506	379	132,089
Notes			
Inventories		357,654	
Total current assets	<u>3,969,774</u>	<u>533,172</u>	<u>9,506,005</u>
Land, buildings and equipment:			
Land	270,692		
Buildings	695,066		
Improvements other than buildings	1,108,010	12,377	
Equipment pool	13,689,619		
Furnishings and equipment	413,342	117,254	72,542
Construction in progress	254,219		
Accumulated depreciation	<u>(8,123,231)</u>	<u>(43,519)</u>	<u>(34,290)</u>
Total land, buildings and equipment	<u>8,307,717</u>	<u>86,112</u>	<u>38,252</u>
Total assets	<u>\$ 12,277,491</u>	<u>\$ 619,284</u>	<u>\$ 9,544,257</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	\$ 146,705	\$ 79,328	\$ 412,867
Current portion - compensated absences			3,629,261
Current portion - claims liability			
Current portion - long-term debt			
Total current liabilities	<u>146,705</u>	<u>79,328</u>	<u>4,042,128</u>
Other liabilities:			
Advances from other funds		463,000	
Compensated absences			
Claims liability			4,449,620
Total other liabilities		<u>463,000</u>	<u>4,449,620</u>
Total liabilities	<u>146,705</u>	<u>542,328</u>	<u>8,491,748</u>
Equity:			
Contributed capital	3,497,573	67,546	920
Retained earnings (deficit)-unreserved	8,633,213	9,410	1,051,589
Total equity	<u>12,130,786</u>	<u>76,956</u>	<u>1,052,509</u>
Total liabilities and equity	<u>\$ 12,277,491</u>	<u>\$ 619,284</u>	<u>\$ 9,544,257</u>

Employee Benefits Management	Building Services	Totals	
		1997	1996
\$ 7,962,425	\$ 288,830	\$ 21,767,578	\$ 19,377,700
76,615		211,589	305,326
79,722		79,722	73,982
		357,654	308,221
<u>8,118,762</u>	<u>288,830</u>	<u>22,416,543</u>	<u>20,065,229</u>
	383,164	653,856	653,856
	3,819,203	4,514,269	4,514,269
	1,051,634	2,172,021	2,042,232
		13,689,619	13,723,808
18,054	64,665	685,857	654,863
(2,764)	(3,290,533)	254,219	750,031
<u>15,290</u>	<u>2,028,133</u>	<u>(11,494,337)</u>	<u>(11,585,967)</u>
\$ <u>8,134,052</u>	\$ <u>2,316,963</u>	\$ <u>32,892,047</u>	\$ <u>30,818,321</u>
\$ 39,184	\$ 49,843	\$ 727,927	\$ 863,639
5,097,339		5,097,339	5,052,253
		3,629,261	3,421,837
			4,186
<u>5,136,523</u>	<u>49,843</u>	<u>9,454,527</u>	<u>9,341,915</u>
		463,000	463,000
9,046,262		9,046,262	8,199,915
		4,449,620	5,209,000
<u>9,046,262</u>		<u>13,958,882</u>	<u>13,871,915</u>
<u>14,182,785</u>	<u>49,843</u>	<u>23,413,409</u>	<u>23,213,830</u>
	2,006,288	5,572,327	5,690,806
(6,048,733)	260,832	3,906,311	1,913,685
<u>(6,048,733)</u>	<u>2,267,120</u>	<u>9,478,638</u>	<u>7,604,491</u>
\$ <u>8,134,052</u>	\$ <u>2,316,963</u>	\$ <u>32,892,047</u>	\$ <u>30,818,321</u>

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)**

	<u>Fleet Management</u>	<u>Central Services</u>	<u>Insurance</u>
OPERATING REVENUES:			
Charges for services	\$ 4,761,032	\$ 449,086	\$ 8,742,995
Sales		1,472,176	
Cost of sales		(1,351,384)	
Total operating revenues	<u>4,761,032</u>	<u>569,878</u>	<u>8,742,995</u>
OPERATING EXPENSES:			
Salaries and wages	682,983	191,353	234,171
Contractual services	12,577	22,678	31,533
Utilities	7,938	1,152	1,144
Maintenance and supplies	1,300,591	64,579	10,564
Insurance	31,811	5,347	5,198,840
Claims expense			2,718,518
Employee benefits	215,694	60,261	70,185
Administration services	95,156	61,235	249,256
Allocated Indirect administrative costs	311,412		
Other	11,018	2,121	17,170
Depreciation	1,485,658	11,195	6,218
Total operating expenses	<u>4,154,838</u>	<u>419,921</u>	<u>8,535,599</u>
OPERATING INCOME (LOSS)	<u>606,194</u>	<u>149,957</u>	<u>207,396</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposition of fixed assets	(91,816)	(6,495)	(80)
Interest income			589,645
Total nonoperating revenues (expenses)	<u>(91,816)</u>	<u>(6,495)</u>	<u>589,565</u>
INCOME BEFORE OPERATING TRANSFERS	<u>514,378</u>	<u>143,462</u>	<u>796,961</u>
Operating transfers in			
Operating transfers out	(14,482)		
Total operating transfers in (out)	<u>(14,482)</u>		
NET INCOME	499,896	143,462	796,961
Depreciation charged to contributed capital	298,617	338	
Increase in retained earnings	798,513	143,800	796,961
RETAINED EARNINGS (DEFICIT), July 1	7,834,700	(134,390)	254,628
Residual equity transfer out			
RETAINED EARNINGS (DEFICIT), June 30	<u>\$ 8,633,213</u>	<u>\$ 9,410</u>	<u>\$ 1,051,589</u>

Employee Benefits Management	Building Services	Totals	
		1997	1996
\$ 17,839,231	\$ 1,940,120	\$ 33,732,464	\$ 32,981,918
		1,472,176	1,308,760
		(1,351,384)	(1,254,932)
<u>17,839,231</u>	<u>1,940,120</u>	<u>33,853,256</u>	<u>33,035,746</u>
85,620	709,229	1,903,356	1,832,498
15,060	25,839	107,687	93,552
	535,184	545,418	548,997
34,626	269,400	1,679,760	1,551,607
775	15,853	5,252,626	4,815,735
		2,716,518	2,816,245
18,098,979	188,300	18,633,419	18,609,142
31,190	36,511	473,348	531,933
		311,412	164,948
4,911	1,341	36,561	37,108
1,573	86,243	1,590,887	1,355,478
<u>18,272,734</u>	<u>1,867,900</u>	<u>33,250,992</u>	<u>32,357,243</u>
<u>(433,503)</u>	<u>72,220</u>	<u>602,264</u>	<u>678,503</u>
(1,092)	(3,239)	(102,722)	(192,771)
482,723		1,072,368	969,159
<u>481,631</u>	<u>(3,239)</u>	<u>969,646</u>	<u>776,388</u>
<u>48,128</u>	<u>68,981</u>	<u>1,571,910</u>	<u>1,454,891</u>
50,000		50,000	
		(14,482)	(460,576)
<u>50,000</u>		<u>35,518</u>	<u>(460,576)</u>
98,128	68,981	1,607,428	994,315
	86,243	385,198	339,033
98,128	155,224	1,992,626	1,333,348
(6,146,861)	105,608	1,913,685	1,476,643
			(896,306)
<u>\$ (6,048,733)</u>	<u>\$ 260,832</u>	<u>\$ 3,906,311</u>	<u>\$ 1,913,685</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1997
(With comparative totals for year ended June 30, 1996)

	Fleet Management	Central Services	Insurance
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 606,194	\$ 149,957	\$ 207,396
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,485,658	11,195	6,218
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	6,084	(379)	58,000
(Increase) decrease in notes receivable			
(Increase) in inventories		(49,433)	
Increase (decrease) in accounts payable and accrued expenses	(240,446)	45,602	33,771
Increase in compensated absences			
(Decrease) in claims liability			(551,956)
Total adjustments	<u>1,251,296</u>	<u>6,985</u>	<u>(453,967)</u>
Net cash provided (used) by operating activities	<u>1,857,490</u>	<u>156,942</u>	<u>(246,571)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in			
Operating transfers out	(14,482)		
Residual equity transfers out			
Net cash provided (used) by noncapital financing activities	<u>(14,482)</u>		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of fixed assets	(1,387,953)	(9,208)	(4,979)
Proceeds from sale of fixed assets	183,170		
Principal repayments		(4,186)	
Residual equity transfers in	93,771		
Net cash (used) by capital and related financing activities	<u>(1,111,012)</u>	<u>(13,394)</u>	<u>(4,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received			638,544
Net increase in cash and cash equivalents	731,996	143,548	386,994
CASH AND CASH EQUIVALENTS, JULY 1	<u>3,235,272</u>	<u>31,591</u>	<u>8,986,922</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 3,967,268</u>	<u>\$ 175,139</u>	<u>\$ 9,373,916</u>

Employee Benefits Management	Building Services	Totals	
		1997	1996
\$ (433,503)	\$ 72,220	\$ 602,264	\$ 678,503
1,573	86,243	1,590,887	1,355,478
(5,740)		63,705	636,379
		(5,740)	2,135
		(49,433)	(12,369)
24,970	391	(135,712)	408,090
891,433		891,433	1,546,771
		(551,956)	(549,063)
<u>912,236</u>	<u>86,634</u>	<u>1,803,184</u>	<u>3,387,421</u>
<u>478,733</u>	<u>158,854</u>	<u>2,405,448</u>	<u>4,065,924</u>
50,000		50,000	
		(14,482)	(460,576)
			(9,485)
<u>50,000</u>		<u>35,518</u>	<u>(470,061)</u>
(3,323)	(20,780)	(1,426,243)	(3,351,616)
		183,170	41,039
		(4,186)	(8,372)
		93,771	281,936
<u>(3,323)</u>	<u>(20,780)</u>	<u>(1,153,488)</u>	<u>(3,037,013)</u>
463,856		1,102,400	802,423
989,266	138,074	2,389,878	1,361,273
6,973,159	150,756	19,377,700	18,016,427
<u>\$ 7,962,425</u>	<u>\$ 288,830</u>	<u>\$ 21,767,578</u>	<u>\$ 19,377,700</u>

(Continued)

**CITY OF MODESTO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES
Year ended June 30, 1997**

FLEET MANAGEMENT FUND

Fixed assets transferred from other funds and General Fixed Assets	\$ 168,284
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CENTRAL SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets	4,164
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BUILDING SERVICES FUND

Fixed assets transferred from other funds and General Fixed Assets	500
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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, 1997**

	Balance July 1, 1996	Additions	Deductions	Balance June 30, 1997
REFUNDABLE DEPOSITS				
ASSETS				
Restricted assets - cash deposits	\$ 2,933,983	\$ 644,152	\$ 1,838,449	\$ 1,739,686
LIABILITIES				
Refundable deposits	\$ 2,933,983	\$ 644,152	\$ 1,838,449	\$ 1,739,686
DEFERRED COMPENSATION				
ASSETS				
Restricted assets - cash and investments	\$ 43,413,249	\$ 10,188,045	\$ 3,434,357	\$ 50,166,937
LIABILITIES				
Deferred compensation	\$ 43,413,249	\$ 10,188,045	\$ 3,434,357	\$ 50,166,937
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Restricted assets - cash and investments	\$ 46,347,232	\$ 10,832,197	\$ 5,272,806	\$ 51,906,623
LIABILITIES				
Payable from restricted assets:				
Refundable deposits	\$ 2,933,983	\$ 644,152	\$ 1,838,449	\$ 1,739,686
Deferred compensation	43,413,249	10,188,045	3,434,357	50,166,937
Total liabilities	\$ 46,347,232	\$ 10,832,197	\$ 5,272,806	\$ 51,906,623

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, 1997

	Total	Land	Buildings	Improvements Other Than Buildings	Furnishings and Equipment	Equipment Pool
General government:						
City council	\$ 33,553			\$ 11,775	\$ 21,778	
City manager	812,047			22,145	789,902	
Personnel	95,690			18,761	76,929	
City attorney	119,597			3,042	116,555	
City clerk/auditor	38,637			11,676	26,961	
Finance	2,732,938			268,011	2,464,927	
Community development	812,602	\$ 235,418	\$ 39,231	29,724	508,229	
Parking and traffic	966,663	420,038	325,000	7,890	213,735	
Total general government	<u>5,611,727</u>	<u>655,456</u>	<u>364,231</u>	<u>373,024</u>	<u>4,219,016</u>	
Public safety:						
Fire	8,611,155	194,563	2,460,083	512,686	5,443,823	
Police	5,581,530	1,304,982	983,571	336,620	2,832,032	\$ 124,325
Total public safety	<u>14,192,685</u>	<u>1,499,545</u>	<u>3,443,654</u>	<u>849,306</u>	<u>8,275,855</u>	<u>124,325</u>
Public works	<u>680,216</u>			<u>196,483</u>	<u>483,733</u>	
Highways and streets	<u>283,128</u>	<u>82,064</u>		<u>15,107</u>	<u>185,957</u>	
Parks and recreation	<u>34,626,092</u>	<u>11,607,006</u>	<u>4,419,669</u>	<u>17,962,845</u>	<u>636,572</u>	
Total general fixed assets allocated to functions	<u>55,393,848</u>	<u>\$ 13,844,071</u>	<u>\$ 8,227,554</u>	<u>\$ 19,396,765</u>	<u>\$ 13,801,133</u>	<u>\$ 124,325</u>
Construction in progress	<u>6,552,985</u>					
Total general fixed assets	<u>\$ 61,946,833</u>					

CITY OF MODESTO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
Year ended June 30, 1997

	General Fixed Assets July 1, 1996	Additions	Deductions	General Fixed Assets June 30, 1997
General government	\$ 5,146,410	\$ 717,601	\$ 252,284	\$ 5,611,727
Public safety	12,653,785	1,762,984	224,084	14,192,685
Public works	674,250	85,264	79,298	680,216
Highways and streets	251,885	41,023	9,780	283,128
Parks and recreation	33,043,161	1,617,854	34,923	34,626,092
Construction in progress	<u>2,776,391</u>	<u>5,575,196</u>	<u>1,798,602</u>	<u>6,552,985</u>
Total changes by function	<u>\$ 54,545,882</u>	<u>\$ 9,799,922</u>	<u>\$ 2,398,971</u>	<u>\$ 61,946,833</u>

CITY OF MODESTO
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 1997

GENERAL FIXED ASSETS:

Land	\$ 13,844,071
Buildings	8,227,554
Improvements	19,396,765
Furnishing and equipment	13,801,133
Equipment pool	124,325
Construction in progress	<u>6,552,985</u>
Total general fixed assets	<u>\$ 61,946,833</u>

INVESTMENT IN GENERAL FIXED ASSETS FROM:

City funding	\$ 48,258,897
State grants	2,486,412
Federal grants	8,815,957
Contributions/donations	<u>2,385,567</u>
Total investment in general fixed assets	<u>\$ 61,946,833</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 statistical schedules presented are:

General Governmental Expenditures by Function - Last Ten Fiscal Years

General Revenues by Source - Last Ten Fiscal Years

Property Tax Levies and Collections - Last Ten Fiscal Years

Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years

Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years

Special Assessment Billings and Collections - Last Ten Fiscal Years

Computation of Legal Debt Margin

Computation of Direct and Overlapping Debt

Continuing Disclosure Requirements Information

Revenue Bond Coverage - Wastewater Treatment Facility Revenue Bonds - Last Ten Fiscal Years

Property Value, Construction and Bank Deposits - Last Ten Fiscal Years

Principal Payers of Property Tax

Schedule of Insurance Policies in Force

Salaries and Surety Bonds of Principal Officials

Demographic and Miscellaneous Statistical Data

CITY OF MODESTO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years

Year Ended June 30,	General Government	Highways and Streets	Public Works	Parks and Recreation	Public Safety	Debt Service	Total
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
1997	9,229,119	10,756,336	3,658,718	9,269,256	41,269,058	3,804,752	77,987,239

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
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
1997	44,796,523	178,291	20,842,290	5,852,125	285,408	1,987,852	761,451	1,482,358	76,186,298

NOTE: (1) Includes General, Special Revenue, and Debt Service Funds.
(2) Includes the following taxes (with percent of total taxes for 1997):

Sales Tax -	39%
Utility Users Tax -	23
Property Tax -	16
Business License Tax -	12
Other -	<u>10</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
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		
1997	6,874,632	6,805,779	99.00	(9,055)	6,796,724	98.87		

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	
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	6,656,660,668	6,656,660,668	312,116,805	312,116,805	6,970,777,473	6,970,777,473	100
1997	6,696,422,127	6,696,422,127	301,300,024	301,300,024	6,997,736,965	6,997,736,965	100

NOTES: (1) Source of Information: Stanislaus County Assessor; Last Equalized Roll.

CITY OF MODESTO
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
Last Ten Fiscal Years

<u>Year Ended June 30</u>	<u>Stanislaus County</u>	<u>Sewer District</u>	<u>School Bonds (1)</u>	<u>Total</u>
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
1997	1.00		.1009	1.1009

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

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

Year Ended June 30,	Current Assessments Billed (1)	Current Assessments Collected (2)	Ratio of Collections to Amount Due	Outstanding Assessments (3)
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
1997	256,195	251,065	98	1,868,041

Notes: (1) Principal levied on prior year tax roll in 1996/97
(2) Total received on current year tax roll
(3) Total of Assessment Receivable

CITY OF MODESTO
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 1997

Net assessed value (1)		\$ 6,777,620,722
Plus homeowners' exemption (1)		<u>220,116,243</u>
Gross assessed value (1)		\$ 6,997,736,965
Debt limit - 15% of gross assessed value (2)		\$ 1,049,660,545
Amount of debt applicable to debt limit:		
Total general bonded debt, including special assessment debt	\$ 1,900,000	
Less: Assets in debt service funds available for payment of principal	\$ 689,625	
Other deductions: Special assessment debt	<u>1,900,000</u>	
Total deductions	\$ 2,589,625	
Total amount of debt applicable to debt limit		<u>0</u>
Legal debt margin		<u>\$ 1,049,660,545</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, 1997

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Modesto (2)</u>	<u>Amount Applicable to City of Modesto</u>
City of Modesto	\$ 1,481,196	100%	\$ 1,481,196
School Districts:			
Ceres Unified District		10.0	
Empire Union School District		35.0	
Modesto Elementary School District	21,135,389	72.5	15,323,157
Modesto High School District	31,922,216	68.5	21,866,718
Sylvan School District	13,270,289	85.0	11,279,746
Salida Union Elementary District	2,724,891	27.0	735,721
Stanislaus Union School District	5,827,802	33.0	1,923,175
Total	\$ 76,361,783		\$ 52,609,713

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, 1997

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	14,586	16.68	30
1994	15,066	21.68	30
1995	14,772	21.68	0
1996	23,469	21.68	0
1997	21,966	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.

(2) "Total Production" is for the calendar year ended within the fiscal year shown.

(continued)

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 1997

Wastewater Treatment Facility, Refunding Revenue Bonds Series 1996, and Revenue Bonds Series 1997

Sewer rate increase, year ended 6/30/97 : 3%

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

<u>Customer Base of the Enterprise, Year Ended 6/30/97</u>			
<u>Category</u>	<u>Number of Accounts</u>	<u>% of Total Accounts</u>	<u>% of Total Revenues</u>
Residential	49,704	95.63	40.4
Commercial	2,202	4.24	18.2
Industrial	71	.14	41.4

Ten Largest Users of Sewer Facilities, Year Ended 6/30/97

<u>User</u>	<u>% of Sewer Operating Revenue</u>
1) Tri-Valley Growers	11.04
2) Stanislaus Foods	6.61
3) E&J Gallo Winery	3.47
4) Frito-Lay, Inc.	3.30
5) Del Monte	2.76
6) City of Ceres	1.38
7) Foster Farms	1.35
8) Basic Vegetable Products	1.19
9) Nestle Food Company	1.08
10) Basic Vegetable Products	0.91

The 1997-98 Annual Budget of the City of Modesto is available from the City of Modesto Finance Department.

Updates of other required disclosures may be found elsewhere in this report:

Statement of Revenues, Expenses and Changes in Retained Earnings	Page 90	
General Fund Revenues, Expenditures and Changes in Fund Balance	Page 10	
Principal Amount of Bonds and Other Parity Debt	Page 28	(Note III-C)
Historical Debt Service Coverage	Page 123	
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 124	

(continued)

CITY OF MODESTO
CONTINUING DISCLOSURE REQUIREMENTS INFORMATION (continued)
Year Ended June 30, 1997

Modesto Public Financing Authority Lease Revenue Bonds, Series 1997
John Thurman Field Renovation Project

Update of Stadium and Insurance Information

In connection with its agreement with the Modesto A's minor league professional baseball team to continue playing baseball in Modesto, the City renovated and improved the John Thurman Field stadium. This project was partially funded by the Series 1997 Lease Revenue Bonds. The improvements, which were substantially complete by opening day of the 1997 baseball season, meet or exceed the requirements of the Professional Baseball Agreement between Major League Baseball and the National Association of Professional Baseball Leagues, which governs minor league baseball. Stadium improvements included expansion of seating from 2,500 to 4,000; expanded parking capacity, with improved lighting and security; renovation to the club house for both the Modesto A's and visiting teams; expansion of outfield dimensions; and addition of a state-of-the-art public address and speaker system. The Modesto A's began playing their home games in the renovated stadium on May 7, 1997.

All insurance required by the Lease Revenue Bond legal documents is currently in full effect. Coverage includes public liability, property damage, fire and extended coverage, and rental interruption insurance.

The Annual Budget of the City of Modesto is available from the City of Modesto Finance Department.

**CITY OF MODESTO
REVENUE BOND COVERAGE
WASTEWATER TREATMENT FACILITY REVENUE BONDS
Last Ten Fiscal Years**

Year Ended June 30	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Total Debt Service (3)	Coverage (4)
1988	\$ 8,426,750	\$ 4,940,095	\$ 3,486,655	\$ 356,857	9.77
1989	11,072,846	5,558,010	5,514,836	1,237,767	4.46
1990	12,680,004	6,072,390	6,607,614	1,149,220	5.75
1991	12,407,613	7,566,310	4,841,303	1,155,303	4.19
1992	13,643,802	7,011,203	6,632,599	1,151,050	5.76
1993	15,429,482	7,281,669	8,147,813	1,146,945	7.10
1994	16,411,093	7,480,437	8,930,656	1,729,435	5.16
1995	17,396,410	8,349,453	9,046,957	1,793,798	5.04
1996	18,753,549	9,615,007	9,138,542	1,793,798	5.09
1997	19,239,545	11,068,264	8,171,281	1,721,999	4.75

- Notes: (1) Gross revenue consists of charges for services, interest and rental income, and connection fees of the Sewer Fund.
- (2) Total Sewer Fund operating expenses exclusive of depreciation. Beginning with fiscal year 1996 this figure also includes allocated indirect costs and property taxes.
- (3) Includes total principal and interest of Wastewater Treatment Facility Revenue Bonds, Series 1993 and 1997, and Refunding Revenue Bonds, Series 1987 and 1996. The 1987 Refunding Bonds were refunded and called on November 1, 1996.
- (4) Calculation of debt service coverage beginning with fiscal year 1996 is based on the calculation method recommended for continuing disclosure under the Series 1996 Refunding Revenue Bonds and the Series 1997 Revenue Bonds. Previous years have not been changed to agree with new calculation method.

CITY OF MODESTO
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years

Year Ended June 30,	Construction		Residential Construction		Property Value (2)		Bank Deposits (3)
	# Units (1)	Value	# Units (1)	Value	Total	Nontaxable	
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	1,383,751,000
1997	45	10,535,229	342	33,969,698	7,220,036,341	450,211,445	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, 1997

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>Percent of Total</u>
National Medical Hospitals	Medical	\$ 110,077,975	2.10 %
Vintage Faire Associates	Shopping Center	74,818,864	1.58
Foster Farms Dairy	Food Processing	48,218,633	0.90
McClatchy Newspapers	Publishing	37,180,869	0.68
Liljenquist Modesto Co.	Real Estate	37,645,598	0.79
Phenix Management Corp.	Food Processing	48,555,049	0.83
Stanislaus Partners	Food Processing	31,561,857	0.58
U. S. National Bank of Oregon	Hotel	15,147,722	0.07
Basic Vegetable Products	Food Processing	22,439,831	0.52
Alcort Realty Group, Inc.	Real Estate	21,583,677	0.33
All others			91.62
			<u>100.00 %</u>

Source of Data: Stanislaus County Tax Collector.

CITY OF MODESTO
SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 1997

Coverage	Company	Policy Number(s)	Limits of Liability	Term	Premium	Retention or Deductible
Airport Comprehensive Gen. Liability Hangerkeepers Legal Liability Contractual Liability	National Union	AP3223414-03	\$ 25,000,000	4/1/97 - 4/1/98	\$ 12,709	\$ 250 Hangerkeepers
Gen. Liability Auto Liability Errors & Omissions (excludes Airport)	ACCEL	ACC 9798	\$ 19,000,000	7/1/97 - 7/1/98	\$292,578	\$ 1,000,000 (SIR)
Boiler & Machinery	Kemper Ins.	3XL134901-00	\$ 50,000,000	5/15/97 - 5/15/98	\$ 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	5/15/97 - 5/15/98	\$105,567	\$ 5,000 \$ 25,000 Flood
Tuolumne River Regional Park Errors and Omissions	Insurance Co. State of PA	4796-4649	\$ 5,000,000	7/1/97 - 7/1/98	\$ 2,070	\$ 0
Workers' Compensation	Continental Casualty Co.	W128579898	\$ 2,000,000	5/1/97 - 5/1/98	\$ 20,753	\$ 400,000 (SIR)
Faithful Performance and Crime Bond (All Officers & Employees)	National Union	467975	\$ 1,000,000	4/1/97 - 4/1/98	\$ 11,965 3-Yr Prepaid Net Premium	\$ 5,000
Excess Liability	ACCEL	ACC12345	\$ 10,000,000	7/1/97 - 7/1/98	\$ 18,148	\$ 0

Source of data: City of Modesto Risk Manager

CITY OF MODESTO
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
June 30, 1997

<u>Name and Title of Official</u>	<u>Annual Salary</u>	<u>Amount of Surety Bond</u>
J. Edward Tewes, City Manager	\$ 107,654	\$ 25,000
Jean Adams, City Clerk/Auditor	52,887	50,000
Judy Hall, Assistant City Clerk/Auditor	42,324	50,000
Charles Long, Interim Director of Finance	91,808	500,000
All Other Employees		25,000

Source of data: City of Modesto City Clerk/Auditor

CITY OF MODESTO
DEMOGRAPHIC AND MISCELLANEOUS STATISTICAL DATA
June 30, 1997

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
06/30/97	179,770
Projected 2000 (Dept. of Finance)	235,100

Housing units:	
1980 (2)	42,570
1990 (3)	60,878
1997 (1)	65,406

Median housing unit value (3)	\$130,700
Median monthly rent (3)	\$448
Median age (3)	29
Median family income (3)	\$34,500

Education level of population 25 or older (3):	
Elementary	25.3%
High School	58.9%
College	15.8%

Election Information:	
Registered voters, last general municipal election	79,689
Votes cast, last municipal election	23,658
Percentage of voter balloting	29.6

(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, 1997

Permanent employees authorized	1,134
Fire Protection: Underwriter's Classification - Class 2	
Fire Stations	10
Positions authorized	161
Number of fire hydrants	5,860
Police Protection:	
Police Station	1
Area command offices	4
Positions authorized	355
Number of vehicles	172
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 1996-97	4,323
Estimated cost of construction	\$116,713,565
Streets:	
Streets, paved or oiled (miles)	557
Street lights	13,500
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, 1997

Elderly and handicapped van service:

Number of vehicles	8
Seating capacity vans	12
Average daily number of passengers	263
Average miles per month	41,380

Airport:

For year ended June 30, 1997

Number of passengers enplaned	21,450
Number of passengers deplaned	20,195
Total aircraft movements	66,291
Annual fuel consumption in gallons	723,378
Total number of tenant aircraft	181
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	5
Number of runways	2

Bus Service:

Number of buses	35
Number of routes	17
Miles of routes	248
Seating capacity per bus	36
Average daily number of passengers	6,373
Average miles per month	110,490
Frequency of service	30 min. & 60 min.

Sewer Service:

Plant capacity in gallons per day	62,500,000
Miles of storm sewers	81.6
Miles of sanitary laterals	425
Miles of sanitary trunks and industrial	77.48

Water Service:

Average daily consumption in gallons	60,017
Number of wells	132
Miles of water mains	1,300

Sources of data: Various City departments