

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

The Honorable City Council
of the City of Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Modesto Community Facilities District Number 1998-2 (Carver-Bangs/Pelandale-Snyder) (the District), a component unit of the City of Modesto, California, as of and for the year ended June 30, 2020, the budgetary comparison for the special revenue fund and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2020, the respective changes in financial position thereof and the respective budgetary comparison for the special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
October 22, 2020

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

The City of Modesto Community Facilities District No. 1998-2 (Carver-Bangs/Pelandale-Snyder) (the District) has issued its financial statements in the format prescribed by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, which requires the District to provide this overview of its financial activities for the fiscal year.

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

THE PURPOSE OF THE DISTRICT

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

The District's purpose under California law is to provide a funding mechanism for public facilities and services authorized by the District. The District is the vehicle that will be used to ensure that all landowners in the Specific Plan area contribute to the cost of the public facilities and services. Additional information on the District can be found below, and in Note 1 to the accompanying financial statements.

BACKGROUND AND MANAGEMENT'S DISCUSSION

The Carver-Bangs Specific Plan (Resolution No. 97-1 61) was adopted by the City Council on April 1, 1997, and was subsequently amended on November 4, 1997 (Resolution No. 97-633). The Carver-Bangs Specific Plan has been developed under the City's Village Residential guidelines and should yield approximately 800 single-family residential units. On January 16, 1996, the City Council approved the Pelandale-Snyder Specific Plan (Resolution No. 95-16) and amended the Pelandale-Snyder Specific Plan on March 18, 1997 (Resolutions 97-136 and 97-139). The Pelandale-Snyder Specific Plan area contains approximately 227 acres designated as single-family residential and approximately 57 acres are designated multi-family residential.

In December 1998, the City formed the District to provide a funding and reimbursement mechanism for public facilities and services required to serve the Carver-Bangs and Pelandale-Snyder Specific Plan areas in the City and to fund ongoing maintenance costs. Portions of both Specific Plan areas were included within the initial boundaries of the District and the remainder of the property within both Specific Plan areas, excluding a remainder parcel, have annexed to the District.

As a condition of development, developers are required to install various public improvements that will serve the increased population generated from the projects. Many of these improvements must be provided in the early stages of development and, therefore, the first developer(s) to build within the Specific Plan areas must install the improvements. The District was established as a funding/reimbursement for many of the improvements. Up until a few years ago, developers installed most of the improvements. The developers received a cash reimbursement or tax credit equal to the cost of that improvement(s) as set forth in the Public Report adopted in connection with the formation of the District.

Over the past several years, the City has designed and overseen the installation of the improvements. Construction of the storm drain pump stations located at the East and West Basins on Prescott Road between Pelandale and Snyder was completed in the summer of 2007 while the Snyder Avenue widening project between Prescott Road and Carver Road commenced in the spring of 2008. Design of the bike trail commenced in 2009.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

FISCAL YEAR 2020 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

Government-Wide:

- The District's net position increased to \$2,036,914 for fiscal year 2020.
- Total District revenues were \$160,547.

Funds Basis:

- Capital Projects Fund revenues of \$56,358 were \$13,892 higher than the prior year due to investment earnings. Expenditures of \$10,530 were \$9,007 higher than the previous year. The Capital Projects Fund ending fund balance increased by \$45,828, with an ending fund balance of \$1,622,293.
- Special Revenue Fund revenues of \$104,189 were \$2,362 more than the prior year due to increased maintenance special tax collections. Expenditures of \$91,042 were \$3,816 more than the prior year due to an increase in repair and maintenance expenditures. The Special Revenue Fund balance increased by \$13,147 to an ending fund balance of \$414,621.

THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental activities - All of the District's basic services are considered to be governmental activities, including formation, financing, construction, and maintenance activities. These services are supported by formation deposits, special facilities taxes, and annual maintenance assessments. Government-wide financial statements are prepared on the accrual basis of accounting, which means they measure the flow of all economic resources of the District as a whole, similar to that used by the private sector.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ACTIVITIES OF THE DISTRICT AS A WHOLE

This analysis focuses on the net position and changes in net position of the District's governmental activities in the government-wide financial Statement of Net Position and Statement of Activities that follow.

As of June 30, 2020, total assets of \$2,045,233 were offset by liabilities of \$8,319. The District's net position from governmental activities increased to \$2,036,914 in 2020 from \$1,977,939 in 2019. All of the District's net position is restricted as follows: \$1,622,293 for acquisition or construction of infrastructure and \$414,621 for maintaining that infrastructure.

The following is a condensed Statement of Net Position as of June 30, 2020 and 2019:

Statement of Net Position - Governmental Activities

	2020	2019	Change
Cash and investments	\$ 2,037,791	\$ 1,976,758	\$ 61,033
Assessments receivable	801	1,052	(251)
Interest receivable	6,641	6,540	101
	<hr/>	<hr/>	<hr/>
Total assets	2,045,233	1,984,350	60,883
	<hr/>	<hr/>	<hr/>
Current and other liabilities	8,319	6,411	1,908
	<hr/>	<hr/>	<hr/>
Net position:			
Restricted for:			
Capital projects	1,622,293	1,576,465	45,828
District maintenance	414,621	401,474	13,147
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ 2,036,914</u>	<u>\$ 1,977,939</u>	<u>\$ 58,975</u>

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

FISCAL YEAR 2020 GOVERNMENTAL ACTIVITIES

The District's fiscal year 2020 revenue came primarily from maintenance special tax of \$91,492 and investment earnings of \$69,055. Facilities special tax revenue was not collected in fiscal year 2020, as these revenues are collected at the time of building permit issuance, and no such development occurred in the District in fiscal year 2020. District expenses of \$101,572 were for professional services and utilities expenses.

The following is a condensed Statement of Activities for the years ended June 30, 2020 and 2019, and the respective changes:

Statement of Activities - Governmental Activities

	2020	2019	Change
Revenues:			
General revenues:			
Maintenance special tax	\$ 91,492	\$ 92,631	\$ (1,139)
Investment earnings	69,055	51,662	17,393
	<hr/>	<hr/>	<hr/>
Total revenues	160,547	144,293	16,254
Expenses:			
Community development	<hr/> 101,572	<hr/> 88,749	<hr/> 12,823
Change in net position	58,975	55,544	<u>\$ 3,431</u>
Net position, beginning of year	<hr/> 1,977,939	<hr/> 1,922,395	
Net position, end of year	<u>\$ 2,036,914</u>	<u>\$ 1,977,939</u>	

Fund Financial Statements

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

The fund financial statements provide detailed information about each of the District's most significant funds, called major funds. Major funds present the major activities of the District for the year and may change from year to year as a result of changes in the pattern of the District's activities. All of the District's funds are presented here as major funds; their purpose is explained in Note 1 to the financial statements. The District's fund is a governmental fund; financial statements for this fund are prepared on the modified accrual basis of accounting, which means it measures only current financial resources and uses.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

All the District's funds are governmental funds; financial statements for these funds are prepared on the modified accrual basis of accounting, which means they measure only current financial resources and uses.

The following is a condensed Statement of Revenues, Expenditures, and Changes in Fund Balance for both the Capital Projects Fund and the Special Revenue Fund for the years ended June 30, 2020 and 2019, and the respective changes:

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Capital Projects Fund**

	2020	2019	Change
Revenues	\$ 56,358	\$ 42,466	\$ 13,892
Expenditures	<u>10,530</u>	<u>1,523</u>	<u>9,007</u>
Changes in fund balances	45,828	40,943	<u>\$ 4,885</u>
Fund balances, beginning of year	<u>1,576,465</u>	<u>1,535,522</u>	
Fund balances, end of year	<u>\$ 1,622,293</u>	<u>\$ 1,576,465</u>	

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Special Revenue Fund**

	2020	2019	Change
Revenues	\$ 104,189	\$ 101,827	\$ 2,362
Expenditures	<u>91,042</u>	<u>87,226</u>	<u>3,816</u>
Changes in fund balances	13,147	14,601	<u>\$ (1,454)</u>
Fund balances, beginning of year	<u>401,474</u>	<u>386,873</u>	
Fund balances, end of year	<u>\$ 414,621</u>	<u>\$ 401,474</u>	

THE DISTRICT'S FUND FINANCIAL STATEMENTS

At June 30, 2020, the District's governmental funds reported combined fund balances of \$2,036,914, which was a \$58,975 increase from fiscal year 2019. The Capital Projects Fund realized a \$45,828 increase, due to interest revenues, while the Special Revenue Fund realized a \$13,147 increase due to professional services and utilities expenditures being exceeded by maintenance special tax and investment revenues.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These basic financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this report should be directed to the City of Modesto, Administrator, Infrastructure Financing Programs, P.O. Box 642, Modesto, California 95353.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA**

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire District's financial activities and financial position. They are prepared on the same basis of accounting as that used by most businesses, which means they include all the District's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis of accounting – the effect of all the District's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between District funds have been eliminated.

The Statement of Net Position reports the difference between the District's total assets and the District's total liabilities, including all the District's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the District's net position, by subtracting total liabilities from total assets. The Statement of Net Position summarizes the financial position of the District in a single column.

The Statement of Activities reports increases and decreases in the District's net position. It is also prepared on the full accrual basis of accounting, which means it includes all the District's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis of accounting used in the fund financial statements, which reflect only current assets, current liabilities, available revenues, and measurable expenditures.

The format of the Statement of Activities presents the District's expenses, which are listed by program, first. Program revenues – that is, revenues which are generated directly by these programs – are then deducted from program expenses to arrive at the net program revenue (expense). General revenues – that is, revenues which are not generated directly by these programs – are then added to arrive at the change in net position and reconciled with the Statement of Net Position.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2020**

ASSETS

Cash and investments	\$	2,037,791
Assessments receivable		801
Interest receivable		6,641
		6,641
Total Assets		2,045,233

LIABILITIES

Accounts payable		8,319
		8,319
Total Liabilities		8,319

NET POSITION

Restricted for:		
Capital projects		1,622,293
District maintenance		414,621
		414,621
Total Net Position	\$	2,036,914

The accompanying notes are an integral part of the financial statements.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues Operating Grants & Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Community Development	\$ 101,572	\$ -	\$ (101,572)
	\$ 101,572	\$ -	(101,572)
General Revenues:			
Maintenance special tax			91,492
Investment earnings			69,055
Total General Revenues			160,547
Change in Net Position			58,975
Net Position, Beginning of Year			1,977,939
Net Position, End of Year			\$ 2,036,914

The accompanying notes are an integral part of the financial statements.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA**

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The District determined all its funds to be major funds. They are:

The **Capital Projects** Fund accounts for all financial resources and uses related to acquisition, construction, and formation/annexation activities.

The **Special Revenue** Fund accounts for all financial resources and uses related to maintenance of parkways and open space within the District.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Capital Projects Fund	Special Revenue Fund	Total
ASSETS			
Cash and investments	\$ 1,616,916	\$ 420,875	\$ 2,037,791
Assessments receivable	-	801	801
Interest receivable	5,377	1,264	6,641
	\$ 1,622,293	\$ 422,940	\$ 2,045,233
LIABILITIES			
Accounts payable	\$ -	\$ 8,319	\$ 8,319
	-	8,319	8,319
FUND BALANCES			
Restricted for:			
Capital projects	1,622,293	-	1,622,293
District maintenance	-	414,621	414,621
	1,622,293	414,621	2,036,914
	\$ 1,622,293	\$ 422,940	\$ 2,045,233
 Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position:			
Total Fund Balances - Governmental Funds			\$ 2,036,914
Adjustments to the Balance Sheet of the Governmental Funds to reconcile with the Statement of Net Position:			-
Total Net Position - Governmental Activities			\$ 2,036,914

The accompanying notes are an integral part of the financial statements.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Capital Projects Fund	Special Revenue Fund	Total
REVENUES			
Maintenance special tax	\$ -	\$ 91,492	\$ 91,492
Interest income	26,960	6,011	32,971
Change in fair value of investments	29,398	6,686	36,084
	<u>56,358</u>	<u>104,189</u>	<u>160,547</u>
EXPENDITURES			
Services - professional and other	-	76,874	76,874
Utilities	-	14,168	14,168
Capital outlay	10,530	-	10,530
	<u>10,530</u>	<u>91,042</u>	<u>101,572</u>
Changes in Fund Balances	45,828	13,147	58,975
Fund Balances, Beginning of Year	<u>1,576,465</u>	<u>401,474</u>	<u>1,977,939</u>
Fund Balances, End of Year	<u>\$ 1,622,293</u>	<u>\$ 414,621</u>	<u>\$ 2,036,914</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities:			
Changes in Fund Balances - Governmental Funds			\$ 58,975
Adjustments to the Statement of Revenues, Expenditures, and changes in Fund Balances of the Governmental Funds to reconcile with the Statement of Activities:			<u>-</u>
Change in Net Position - Governmental Activities			<u>\$ 58,975</u>

The accompanying notes are an integral part of the financial statements.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – SPECIAL REVENUE FUND – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Maintenance special tax	\$ 100,000	\$ 85,000	\$ 91,492	\$ 6,492
Interest income	-	-	6,011	6,011
Change in fair value of investments	-	-	6,686	6,686
Total Revenues	<u>100,000</u>	<u>85,000</u>	<u>104,189</u>	<u>19,189</u>
EXPENDITURES				
Services - professional and other	79,791	92,791	76,874	15,917
Utilities	<u>2,500</u>	<u>13,500</u>	<u>14,168</u>	<u>(668)</u>
Total Expenditures	<u>82,291</u>	<u>106,291</u>	<u>91,042</u>	<u>15,249</u>
Changes in Fund Balance	<u>\$ 17,709</u>	<u>\$ (21,291)</u>	13,147	<u>\$ 34,438</u>
Fund Balance, Beginning of Year			<u>401,474</u>	
Fund Balance, End of Year			<u>\$ 414,621</u>	

The accompanying notes are an integral part of the financial statements.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description and Reporting Entity: The Community Facilities District Number 1998-2 (Carver-Bangs/Pelandale-Snyder) (the District) was formed in December 1998 by a vote of the property owners within the proposed district. The District, a separate legal entity, was formed to provide a funding and reimbursement mechanism for public facilities and services required by the District Specific Plans. The District is the vehicle that will be used to ensure that all landowners in the District pay their share of the public improvements. The District is a proposed 480-acre project bounded on the East by Carver Road, on the North by Bangs Avenue, on the West by Dale Road, and the Modesto Irrigation District canal and Snyder Avenue on the South. The District is expected to yield 3,413 residential dwelling units at buildout; in addition, 36 acres of the District will be used for an elementary school site, a City park, and a church.

The District is an integral part of the City of Modesto, California (the City) and the accompanying financial statements are included as a blended component unit of the basic financial statements prepared by the City. A component unit is a separate governmental unit, agency, or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's basic financial statements.

Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with the community development function. Program revenues include grants and contributions that are restricted to meeting the operational requirements of the community development function. Investment earnings, and other items which are not properly included among program revenues, are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basis of Presentation, Basis of Accounting, and Measurement Focus: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Substantially all taxes and interest, including the net increase (decrease) in the fair value of investments, are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenues are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The **Capital Projects** Fund accounts for all financial resources and uses related to acquisition, construction, and formation/annexation activities.

The **Special Revenue** Fund accounts for all financial resources and uses related to maintenance of parkways and open space within the District.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management's Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Maintenance Special Taxes: The maintenance special taxes are collected by the County of Stanislaus on the property tax bill. The special taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The County of Stanislaus bills and collects the special taxes and remits them to the District. The Rate and Method of Apportionment of Special Tax (RMA), set forth in the District's Public Report, describes how the tax will be allocated among properties in the District. The Public Report was established during the formation of the District. A cost of living adjustment is applied to the special taxes annually.

Fund Balance: In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.
- *Restricted* – Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional or enabling legislation.
- *Committed* - Amounts constrained to specific purposes by the District itself, using the District's highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned* - Amounts the District *intends* to use for a specific purpose. Intent can be expressed by the District at either the highest level of decision-making or by an official or body to which the District delegates the authority.
- *Unassigned* - The residual classification for the District that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The District establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption or amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the District through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the committed, assigned, and unassigned resources as they are needed.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position: Net position represents the residual interest in the District’s assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- Net investment in capital assets – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- Unrestricted – Amount consists of all net position that does not meet the definition “net investment in capital assets” or “restricted” net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

Governmental Accounting Standards Update: During the year ended June 30, 2020, the District implemented the following Governmental Accounting Standards Board (GASB) standards with no financial impact:

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this statement are effective as of May 2020.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests - an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through October 22, 2020, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments of the District are pooled with other City of Modesto funds. Interest earned on pooled cash and investments is credited to each participant in the pool based on each participant’s average monthly cash balance. Credit quality ratings are not available for the District’s investments as all cash is invested as part of the common cash and investment pool of the City of Modesto.

Cash in the City Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form. The District does not have any deposits with financial institutions as of June 30, 2020.

Cash and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position- Governmental Activities:

Cash and investments	<u>\$</u>	<u>2,037,791</u>
Total cash and investments	<u>\$</u>	<u>2,037,791</u>
Deposits with City of Modesto		
Cash and investment pool	<u>\$</u>	<u>2,037,791</u>
Total cash and investments	<u>\$</u>	<u>2,037,791</u>

Detailed information concerning the City of Modesto’s pooled cash and investments, including information regarding the fair value of investments, may be found in the City of Modesto’s Comprehensive Annual Financial Report. As of June 30, 2020, the fair value of the District’s position in the pool is the same as the value of its pool shares.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-2 CARVER-BANGS/PELANDALE-SNYDER
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 3 – RESTRICTED FUND BALANCES

Restrictions of Fund Balances: Fund balances are all presented in the restricted category (see Note 1 for a description of fund balance categories). As of June 30, 2020, restrictions included:

Restricted for Capital Projects - the portion of fund balance legally restricted for the acquisition, construction, and formation/annexation activities.

Restricted for District Maintenance - the portion of fund balance legally restricted for maintenance of parkways and open space within the District.

NOTE 4 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

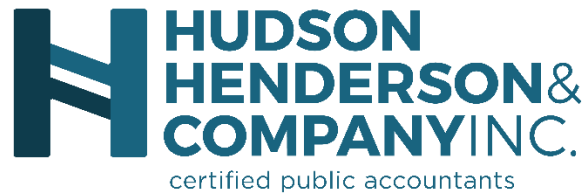
Excess of expenditures over appropriations for the year ended June 30, 2020 were:

Expenditures	Amount
Special Revenue Fund:	
Utilities	\$ (668)

NOTE 5 – CONTINGENCY

Coronavirus Pandemic

Management has determined the events regarding the Novel Coronavirus require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to the Novel Coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District remain unknown.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable City Council
of the City of Modesto, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Modesto Community Facilities District Number 1998-2 (Carver-Bangs/Pelandale-Snyder) (the District), as of and for the year ended June 30, 2020, the budgetary comparison for the special revenue fund and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
October 22, 2020