

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
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 special revenue fund of the City of Modesto Community Facilities District Number 1998-1 (Enterprise Business Park) (the Park), 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 Park'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 special revenue fund of the Park, 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 Park'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 Park'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 Park'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 1998-1 ENTERPRISE BUSINESS PARK
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. 1998-1 (Enterprise Business Park) (the Park) has issued its financial statements in the format prescribed by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, which requires the Park 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 PARK

The Park 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 Park's governing body. City employees perform most of the duties and functions required of the Park, but certain tasks are provided by third parties under contract.

The Park's purpose under California law is to provide a funding mechanism for public facilities and services authorized by the Park. The Park 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 Park can be found below, and in Note 1 to the accompanying financial statements.

BACKGROUND AND MANAGEMENT'S DISCUSSION

On April 7, 1997, the City's Planning Commission approved a vesting tentative map for the Enterprise Business Park subdivision. The project area included two assessor's parcels and more than 80 acres of property located in the southwestern section of the City. Upon recordation of the final map, the property was subdivided into eight parcels ranging in size from 1.12 to 24.17 acres. The parcels are zoned M-2, a heavy industrial designation allowing for development of warehouse, distribution, processing, manufacturing, and other related uses.

In July 1998, the City Council formed the Park and authorized the Park to issue up to \$2.05 million in bonds to fund certain street improvements, water and sewer main extensions, and other water, sewer, and storm drainage improvements required to serve the Park. The Bonds were called in full in 2002 and all Park-funded improvements have been completed.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
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 Park's net position decreased to \$43,450 for fiscal year 2020.
- Total Park revenues were \$1,529.

Funds Basis:

- Special Revenue Fund revenues of \$1,529 were \$66 more than the prior year due to increased investment earnings, and expenditures of \$12,076 were \$1,963 more than the prior year due to an increase in service city forces interfund expenditures. The Special Revenue Fund balance decreased by \$10,547 to an ending fund balance of \$43,450.

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 Park's financial activities and financial position.

Government-Wide Financial Statements

The government-wide financial statements provide a long-term view of the Park'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 Park as a whole, including all its capital assets and long-term liabilities. The Statement of Activities provides information about the Park'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 Park'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 Park as a whole, similar to that used by the private sector.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ACTIVITIES OF THE PARK AS A WHOLE

This analysis focuses on the net position and changes in net position of the Park'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 \$44,151 were offset by liabilities of \$701. The Park's net position from governmental activities decreased to \$43,450 in 2020 from \$53,997 in 2019. The Park's net position is restricted as follows: \$43,450 for acquisition or maintenance of 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	\$ 44,013	\$ 54,311	\$ (10,298)
Interest receivable	138	174	(36)
	<u>44,151</u>	<u>54,485</u>	<u>(10,334)</u>
Total assets			
Current and other liabilities	<u>701</u>	<u>488</u>	<u>213</u>
Net position:			
Restricted for:			
Park maintenance	<u>43,450</u>	<u>53,997</u>	<u>(10,547)</u>
Total net position	<u>\$ 43,450</u>	<u>\$ 53,997</u>	<u>\$ (10,547)</u>

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

FISCAL YEAR 2020 GOVERNMENTAL ACTIVITIES

The Park's fiscal year 2020 revenue came from investment earnings of \$1,529. 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 Park in fiscal year 2020. Park expenses of \$12,076 were for service city forces interfund expenditures and other 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:			
Investment earnings	\$ 1,529	\$ 1,463	\$ 66
Total revenues	1,529	1,463	66
Expenses:			
Community development	12,076	10,113	1,963
Change in net position	(10,547)	(8,650)	<u>\$ (1,897)</u>
Net position, beginning of year	53,997	62,647	
Net position, end of year	<u>\$ 43,450</u>	<u>\$ 53,997</u>	

Fund Financial Statements

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

The fund financial statements provide detailed information about each of the Park's most significant funds, called major funds. Major funds present the major activities of the Park for the year, and may change from year to year as a result of changes in the pattern of the Park's activities. The Park's one fund is presented here as a major fund; its purpose is explained in Note 1 to the financial statements. The Park's Special Revenue 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 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (continued)
FOR THE YEAR ENDED JUNE 30, 2020**

The following is a condensed Statement of Revenues, Expenditures, and Changes in Fund Balance for 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 - Special Revenue Fund**

	2020	2019	Change
Revenues	\$ 1,529	\$ 1,463	\$ 66
Expenditures	<u>12,076</u>	<u>10,113</u>	<u>1,963</u>
Changes in fund balances	(10,547)	(8,650)	<u><u>\$ (1,897)</u></u>
Fund balances, beginning of year	<u>53,997</u>	<u>62,647</u>	
Fund balances, end of year	<u><u>\$ 43,450</u></u>	<u><u>\$ 53,997</u></u>	

THE PARK'S FUND FINANCIAL STATEMENTS

At June 30, 2020, the Park's Special Revenue Fund reported a fund balance of \$43,450, which was a \$10,547 decrease from fiscal year 2019 due to professional and other service expenses exceeding investment earnings revenues.

CAPITAL ASSETS

Under GASB Statement No. 34, the Park 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 Park is turned over to the City upon completion and acceptance. Accordingly, capital outlay expenditures are reported in both the Park's fund and government-wide financial statements. Therefore, the Park reports no long-term capital assets.

CONTACTING THE PARK'S FINANCIAL MANAGEMENT

These basic financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Park'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 1998-1 ENTERPRISE BUSINESS PARK
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 Park's financial activities and financial position. They are prepared on the same basis of accounting used by most businesses, which means they include all the Park'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 Park's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Park funds have been eliminated.

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

The Statement of Activities reports increases and decreases in the Park's net position. It is also prepared on the full accrual basis of accounting, which means it includes all the Park'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 Park'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 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2020**

ASSETS	
Cash and investments	\$ 44,013
Interest receivable	<u>138</u>
Total Assets	<u>44,151</u>
LIABILITIES	
Accounts payable	<u>701</u>
Total Liabilities	<u>701</u>
NET POSITION	
Restricted for:	
Park maintenance	<u>43,450</u>
Total Net Position	<u><u>\$ 43,450</u></u>

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Operating Grants & Contributions	Governmental Activities
Community Development	\$ 12,076	\$ -	\$ (12,076)
	\$ 12,076	\$ -	(12,076)
General Revenues:			
Investment earnings			1,529
Total General Revenues			1,529
Change in Net Position			(10,547)
Net Position, Beginning of Year			53,997
Net Position, End of Year			\$ 43,450

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA**

FUND FINANCIAL STATEMENTS

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

The Park determined its fund to be a major fund. That is:

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2020**

	<u>Special Revenue Fund</u>
ASSETS	
Cash and investments	\$ 44,013
Interest receivable	<u>138</u>
Total Assets	<u><u>\$ 44,151</u></u>
LIABILITIES	
Accounts payable	<u>\$ 701</u>
Total Liabilities	<u>701</u>
FUND BALANCE	
Restricted for:	
Park maintenance	<u>43,450</u>
Total Fund Balance	<u>43,450</u>
Total Liabilities and Fund Balance	<u><u>\$ 44,151</u></u>
 Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position:	
Total Fund Balance - Governmental Fund	\$ 43,450
Adjustments to the Balance Sheet of the Governmental Fund to reconcile with the Statement of Net Position:	<u>-</u>
Total Net Position - Governmental Activities	<u><u>\$ 43,450</u></u>

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Special Revenue Fund</u>
REVENUES	
Interest income	\$ 735
Change in fair value of investments	<u>794</u>
Total Revenues	<u>1,529</u>
EXPENDITURES	
Services - professional and other	<u>12,076</u>
Total Expenditures	<u>12,076</u>
Changes in Fund Balance	(10,547)
Fund Balance, Beginning of Year	<u>53,997</u>
Fund Balance, End of Year	<u><u>\$ 43,450</u></u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities:	
Changes in Fund Balance - Governmental Fund	\$ (10,547)
Adjustments to the Statement of Revenues, Expenditures, and changes in Fund Balance of the Governmental Fund to reconcile with the Statement of Activities:	<u>-</u>
Change in Net Position - Governmental Activities	<u><u>\$ (10,547)</u></u>

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
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**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ -	\$ -	\$ 735	\$ 735
Change in fair value of investments	-	-	794	794
Total Revenues	<u>-</u>	<u>-</u>	<u>1,529</u>	<u>1,529</u>
EXPENDITURES				
Services - professional and other	14,820	14,820	12,076	2,744
Utilities	500	500	-	500
Total Expenditures	<u>15,320</u>	<u>15,320</u>	<u>12,076</u>	<u>3,244</u>
Changes in Fund Balance	<u>\$ (15,320)</u>	<u>\$ (15,320)</u>	(10,547)	<u>\$ 4,773</u>
Fund Balance, Beginning of Year			<u>53,997</u>	
Fund Balance, End of Year			<u>\$ 43,450</u>	

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
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 1998-1 (Enterprise Business Park) (the Park) was formed in July of 1998 by a vote of the property owners within the proposed Park. The Park, a separate legal entity, was formed to provide a financing mechanism for the purchase, construction, expansion, or rehabilitation of any real or tangible property, including public facilities and infrastructure improvements, necessary to meet increased demands placed upon local agencies as a result of development occurring within the Park. In addition, the Park can fund a variety of public services including maintenance of parks, parkways, and open space. The Park is the vehicle that will be used to ensure that all landowners within the Park pay their share of the public improvements and services needed. The Park includes two assessor's parcels and more than 80 acres of property located in the southwestern section of the City of Modesto, California (the City). The property is subdivided into eight parcels ranging in size from 1.12 to 24.17 acres. The parcels have been zoned M-2, which is a heavy industrial designation allowing for development of warehouse, distribution, processing, manufacturing, and other related uses.

The Park is an integral part of 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 Park. 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 Park 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 Park.

The Park reports the following major governmental fund:

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
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.

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 Park 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 Park itself, using the Park’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 Park 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 Park *intends* to use for a specific purpose. Intent can be expressed by the Park at either the highest level of decision-making or by an official or body to which the Park delegates the authority.
- *Unassigned* – The residual classification for the Park 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 Park 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 Park 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 Park’s policy to use restricted resources first, followed by the committed, assigned, and unassigned resources as they are needed.

Net Position: Net position represents the residual interest in the Park’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.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending June 30, 2019, the Park implemented the following standards with no financial impact on the financial statements:

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.

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.

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Park 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 Park’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 Park 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	\$	44,013
Total cash and investments	\$	44,013
Deposits with City of Modesto		
Cash and investment pool	\$	44,013
Total cash and investments	\$	44,013

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 Park’s position in the pool is the same as the value of its pool shares.

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

**COMMUNITY FACILITIES DISTRICT
NUMBER 1998-1 ENTERPRISE BUSINESS PARK
CITY OF MODESTO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 4 – 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 Park 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 special revenue fund of the City of Modesto Community Facilities District Number 1998-1 (Enterprise Business Park) (the Park), 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 Park'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 Park'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 Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the Park'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 Park'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 Park'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