

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE, 2018



PREPARED BY THE FINANCE DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

INTRODUCTORY SECTION:

Table of Contents..... A-1

Letter of Transmittal B-1

City Council C-1

Executive Team C-2

California Map C-3

Organization Chart..... C-4

GFOA Certificate of Achievement..... C-5

FINANCIAL SECTION:

Independent Auditor’s Report 1

Management’s Discussion and Analysis 5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position..... 20

Statement of Activities 21

Fund Financial Statements:

Governmental Funds:

Balance Sheet..... 24

Reconciliation of the Governmental Funds Balance Sheet with the
Governmental Activities Net Position 27

Statement of Revenues, Expenditures, and Changes in Fund Balances 28

Reconciliation of the Net Change in Fund Balances Governmental
Funds with the Change in Net Position Governmental Activities 31

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

 General Fund 32

 Public Safety Sales Tax Fund..... 34

 Low and Moderate Income Housing Assets Fund 35

CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

FINANCIAL SECTION (Continued):

Proprietary Funds:

Statement of Net Position.....	38
Statement of Revenues, Expenses and Changes in Fund Net Position.....	39
Statement of Cash Flows	40

Fiduciary Fund:

Statements of Fiduciary Net Position.....	44
Statement of Changes in Fiduciary Net Position	45

Notes to Basic Financial Statements	47
--	-----------

Required Supplementary Information:

Pension Plans:

Miscellaneous Plans:

Schedule of Changes in the Net Pension Liability and Related Ratios	108
Schedule of Contributions	109

Safety Plan

Schedule of Proportionate Share of the Net Pension Liability	110
Schedule of Contributions	111

PARS Enhancement Excess Benefit:

Schedule of Changes in the Net Pension Liability and Related Ratios	112
Schedule of Contributions	113

Other Post-Employment Benefits Plan:

Schedule of Changes in the Total OPEB Liability and Related Ratios	114
--	-----

CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

FINANCIAL SECTION (Continued):

Supplementary Information:

Major Governmental Funds Other Than the General Fund and Special Revenue Funds:

Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:

Public Facilities Implementation Plan Fund 116

Redevelopment Bonds Projects Fund 117

Non-major Governmental Funds:

Combining Balance Sheet 122

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 126

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual 130

Internal Service Funds:

Combining Statement of Net Position 140

Combining Statement of Revenues, Expenses and Changes in Fund Net Position 141

Combining Statement of Cash Flows 142

STATISTICAL SECTION

Financial Trends:

Net Position by Component – Last Ten Fiscal Years 146

Changes in Net Position – Last Ten Fiscal Years 148

Fund Balance of Governmental Funds – Last Ten Fiscal Years 150

Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years 152

General Revenues by Source – Last Ten Fiscal Years 154

General Expenditures by Function – Last Ten Fiscal Years 155

CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

STATISTICAL SECTION (Continued)

Revenue Capacity:

Assessed and Estimated Value of Taxable Property – Last Ten Fiscal Years.....	156
Property Tax Rates All Overlapping Governments - Last Ten Fiscal Years.....	157
Principal Property Taxpayers – Current Year and Nine Years Ago.....	158
Property Tax Levies and Collections – Last Ten Fiscal Years.....	159
Manteca Redevelopment Project Area No. 1 Top Twenty Assessed Values.....	160
Manteca Redevelopment Project Area No. 2 Top Twenty Assessed Values.....	161
Manteca Redevelopment Merged Project Area Top Twenty Assessed Values (2005 Amended Area).	162
Manteca Redevelopment Merged Project Area Top Twenty Assessed Values (2004 Amended Area).	163
Taxable Sales by Category – Last Ten Fiscal Years.....	164
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years.....	166
Principal Sales Tax Payers – Current Year and Nine Years Ago.....	167

Debt Capacity:

Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	168
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years.....	169
Computation of Direct and Overlapping Debt.....	170
Computation of Legal Bonded Debt Margin.....	171
Revenue Bond Coverage – Water Revenue Bonds – Last Ten Fiscal Years.....	172
Revenue Bond Coverage – Sewer Revenue Bonds – Last Ten Fiscal Years.....	173
Bonded Debt Pledged-Revenue Coverage – Last Ten Fiscal Years.....	174

Demographic and Economic Information:

Demographic and Economic Statistics – Last Ten Fiscal Years.....	175
Principal Employers – Current Year and Eight Years Ago.....	176

Operating Information:

Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years.....	177
--	-----

CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

STATISTICAL SECTION (Continued)

Operating Indicators and Capital Asset Statistics Function/Program – Last Ten Fiscal Years	178
Crime Policy Notary and Security Bonds of Principal Officials	180

FINANCING AUTHORITY SECTION

<i>Independent Auditor's Report</i>	181
---	-----

Authority-wide Financial Statements:

Statement of Net Position.....	184
Statement of Revenues, Expenses, and Changes in Net Position.....	185
Statement of Cash Flows.....	186
Notes to Basic Component Unit Financial Statements	187

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CITY OF MANTECA

FINANCE DEPARTMENT

December 16, 2018

The Honorable Mayor, Members of the City Council and Citizens of Manteca

Dear Mayor, Members of the City Council and Citizens of Manteca:

We are pleased to submit the Comprehensive Annual Financial Report for the City of Manteca, California, for the fiscal year (FY) ended June 30, 2018. The City of Manteca annually publishes a complete set of financial statements, presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited by an independent, certified public accounting firm.

The City's Finance Department has prepared this report. Responsibility for both the accuracy of the data and the completeness and fairness of the information, including all disclosures, rests with the City. To the best of the City staff's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of various funds for the City of Manteca. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. GAAP requires that statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Reporting Entity

The financial statements included in this CAFR present the City (the primary government) with the City funds and the Manteca Financing Authority (MFA) as a component unit. This component unit is a separate legal entity; however, the City Council sits as the Board of Commissioners and the MFA is dependent upon the City of Manteca for record keeping and financial report preparation activities.

On June 28, 2011 the State of California adopted ABX1 26, later amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved Redevelopment Agencies as of January 31, 2012.

Under the provision of ABX1 26 a city that authorized the creation of a redevelopment agency may elect to serve as the successor agency. On September 20, 2011, the City made the election to become the Successor Agency to the Manteca Redevelopment Agency and on February 1, 2012, the Redevelopment Agency's non-housing related assets were distributed to and the liabilities were assumed by the Successor Agency. The activities of the Successor Agency are subject to the review and approval of a seven member Oversight Board of which the City has two members.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency. The activities and net position information for the Private-Purpose Trust Fund can be found in the Fiduciary Financial Statements section.

Additionally, under the provision of ABX1 26 and pursuant to Health and Safety Code Section 34176(b), the City can elect to become the Housing Successor and retain the housing assets. On February 7, 2012, the City elected to become the Housing Successor and certain housing assets were transferred to the City's Successor Agency Housing Special Revenue Fund pending State approval of the transfer. The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of the assets, which may be used in accordance with the low and moderate income housing provisions of the California Redevelopment Law.

Government Profile

The City of Manteca is located seventy-six (76) miles due east of San Francisco in northern San Joaquin County and is situated along Highway 99 and the Highway 120 bypass that serves as a connector to Interstate 5. The city is uniquely positioned with access not only to three major freeways, but also within close proximity to the Union Pacific Intermodal Yard, the Santa Fe Railroad Intermodal Yard, the Stockton Metro Airport and the Port of Stockton. Manteca's strategic location provides easy commuting to the San Francisco Bay Area, San Jose, and Sacramento. With more than 18 million consumers within 100 miles of Manteca, the city is well positioned for future residential growth as well as business expansion through the location and/or relocation of manufacturing, retailing, wholesaling, and service industries.

The City of Manteca is adjacent to extensive green areas and agricultural lands. Agriculturally-oriented business activities have always been an integral component of our community and continue to be an important part of Manteca's local economy. Strong land use policies lay the foundation for economic development growth and expansion as well as continued residential development. Large scale opportunity sites that are compatible with a wide range of uses support commercial, industrial, retail and professional growth. These employment bases along with Manteca's access to transportation routes position Manteca to attract employers migrating to the Valley from the San Francisco Bay Area and other regions. These new businesses will join Manteca's many large employers including packaging and distribution plants, manufacturers, electronic firms, and two local hospitals - Kaiser Permanente and Doctors Hospital of Manteca. In February 2016, Doctors Hospital opened a \$7 million outpatient surgery center. This recent addition in health care facilities continues the expansion that was started in 2012 with the opening of the Manteca Imaging Center and the Valley Cancer Center.

The City of Manteca is a full-service city providing police protection, fire protection, parks and recreation, planning, building inspection, engineering, fleet maintenance, construction and maintenance of streets, public buildings, and other infrastructure, as well as solid waste, water, and waste water utility services. The City is a general-law city incorporated under California law on May 28, 1918. The City operates under the City Council/Manager form of government. The Mayor is

directly elected by the people and serves as a member of the City Council for a four-year term. Four council members are elected at-large and serve four-year terms. All elections are conducted on a non-partisan basis. The City Council is financially accountable for the Manteca Financing Authority.

Economic Conditions and Outlook

The City of Manteca's strong recovery from the recession has continued steadily throughout the past year. Signs of resurgence are evidenced by increases in consumer spending, continued growth in new and resale home values, and continued declines in unemployment rates. Through strong economic development and bolstered consumer spending, general sales tax was 8% higher than revenues for the same period last year. Assessed valuations for secured property tax increased by 6.2 %. Of the amount of property tax received, \$1.49 million was attributable to receipts distributed to the city as one of the Affected Taxing Entities (ATE) that prior to the dissolution of redevelopment would have been distributed to the former Manteca Redevelopment Agency. In 2017-18 the Building Safety division issued 653 permits for new residential construction compared to 620 permits in 2016-17 and 508 permits in 2015-16.

As of June 30, 2018, employment levels in California have continued to increase. The California Economic Development Department listed the June 2018 unemployment rate for the State and the County at 4.5% and 6.3 % respectively. Manteca's unemployment rate was 5.1%. As a comparison, one year ago, the State and County unemployment rates were 4.8 % and 6.8%, respectively, and Manteca's was 5.9 %.

As the City of Manteca looks to the future, its leadership continues to foster opportunities that will balance the growth of our residential housing supply with commercial and industrial investments and job creation. To this end, at the end of FY 2018 the City entered into a development agreement with Great Wolf Lodge to build a 500 room hotel waterpark resort and meeting facility. Ground breaking is planned for the Fall of 2018 with an anticipated grand opening in Spring of 2020. Additionally, the City continues to promote industrial development and job creation, breaking ground on more than 1 million square feet of new industrial facilities being developed by CenterPoint Properties, Exeter Property Group and Scannell Properties, bringing such companies as 5.11 Tactical, Medline, Penske and Amazon to our community.

LONG TERM FINANCIAL PLANNING:

The past decade has been fiscally challenging for many cities throughout California and the nation. To navigate through the diverse and rapidly changing fiscal climate, Manteca has set the foundation for future stability through annual City Council strategy and goal setting sessions. Through these sessions, the City develops long-term financial planning strategies which meet Council's goals and priorities. 5-year pro-forma projections have been developed for major funds including the General Fund. The City annually adopts a formal 5-year Capital Improvement Plan. Projects are analyzed not only on the merits and benefits of the proposal, but also on the long-term financial impact on City resources resulting from anticipated maintenance.

To support the goal of long term financial planning and fiscal resiliency, in April 2015 the City Council adopted the City's first formal Fund Balance Reserve Policy. The policy establishes six General Fund

assignments/designations of fund balance reserves including earmarks for Fiscal Stability, Economic Emergencies, Economic Revitalization, Public Facilities Oversizing, Capital Facilities, and Technology. The policy outlines the use of each of these reserves as well as establishes a guideline for replenishment. It is the intent that through the implementation of a strong reserve policy, the City will be better able to sustain a future economic downturn while continuing to provide resources for current services and enhancements to our community.

One of the key challenges facing local government is the rising costs of employee benefits, especially those related to retirement benefits. In September 2012, the Governor of California signed the California Public Employees' Pension Reform Act of 2013 (PEPRA). To meet the requirements of PEPRA, the City was required to implement a third tier of retirement formulas effective for employees hired after January 1, 2013. In 2018 CALPERS began implementing a tiered approach to lowering the discount rate from 7.5% to 7%. This will have a significant affect on the cost of employer benefits for the City. The City continues to strategize on ways to address the issue of increasing pension costs including the implementation of a Pension Stabilization Reserve.

Major Initiatives

As stated above, one of the key challenges for local governments is the rising costs of employee salaries and benefits. The City's current Memoranda of Understanding (MOU) were negotiated in 2015 and expire June 30, 2019. Cost-sharing of pension benefits continued to be a corner stone of the MOUs. With the current recovery, it is anticipated that the contracts will provide for growth in employee salary and benefit packages while addressing the growing costs related to employee retirement benefits.

Infrastructure projects continue to play a key role in the City's vision for economic growth. Public Works continues to design and construct major transportation projects that will improve traffic operations, support commercial and retail development, and reduce congestion. Projects currently under design include the Union Road Bridge Widening, the Highway 120/McKinley Interchange, and improvements to the Highway 99/120 Connector. When completed, the Union Road Bridge Widening/Interchange will be the first Diverging Diamond Interchange constructed in California and will provide improved access across Highway 120 for vehicles, bicycles, and pedestrians.

In addition to infrastructure projects, the City is dedicated to sustainability. Current projects include the Food-2-Energy program designed to collect food waste and convert it to fuel to operate our solid waste trucks, the design of a new three mega-watt solar facility which will provide most of the power required to operate the Waste Water Quality Control Facility, and the implementation of automated meter reading to help identify water use to encourage conservation.

To support the planning for future growth and development, the City embarked on a Parks and Recreation Master Plan study in which was completed in summer 2016. The City is in the process of updating the its General Plan and zoning codes including amendments to the Municipal Code that will allow for new overlay zones in the Central Business District to support the revitalization of the downtown area.

Financial Information

Budgetary Control

The City continues to present a balanced budget, meaning current revenues meet or exceed operating expenditures. The City prepares a budget for each fiscal year on or before June 30. The City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the at the fund level. The City also applies and maintains encumbrance accounting as a technique of accomplishing budgetary control. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Single Audit

The City is subject to an annual single audit in compliance with provisions of the Single Audit Act as amended in 1996, the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and the Uniform Guidance effective December 26, 2014. Information contained in this separate report related to the single audit includes the Schedule of Expenditures of Federal Awards and the auditor's report on the Schedule along with their reports on internal controls and compliance with applicable laws and regulations.

Internal Controls

City management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived from the control, and 2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above-stated framework. We believe our internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

Independent Audit

State statutes require an annual audit of the City's accounts by an independent certified public accountant. The City of Manteca selected the accounting firm of Maze and Associates. The auditor's report on the basic and combining financial statements and schedules is included in the financial section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the twenty-ninth year the City has received this prestigious award.

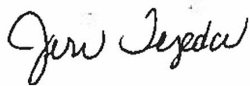
In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report that satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one (1) year. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Programs' requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report, in a timely manner, was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Appreciation is also expressed to the very knowledgeable and supportive staff of Maze and Associates who made this presentation possible.

I would like to thank the Mayor and members of the City Council, the City Manager, and the department managers for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Jeri Tejada
Finance Director

CITY OF MANTECA CITY COUNCIL



Debby Moorhead
Council Member



Mike Morowit
Council Member



Steve DeBrum
Mayor



Rich Silverman
Council Member



Gary Singh
Council Member

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018

EXECUTIVE TEAM

Tim Ogden, City Manager

John Brinton, City Attorney

Jeri Tejeda, Director of Finance

Lisa Blackmon, City Clerk

Joe Kriskovich, Director of Human Resources and Risk Management

Greg Showerman, Community Development Director

Mark Houghton, Public Works Director

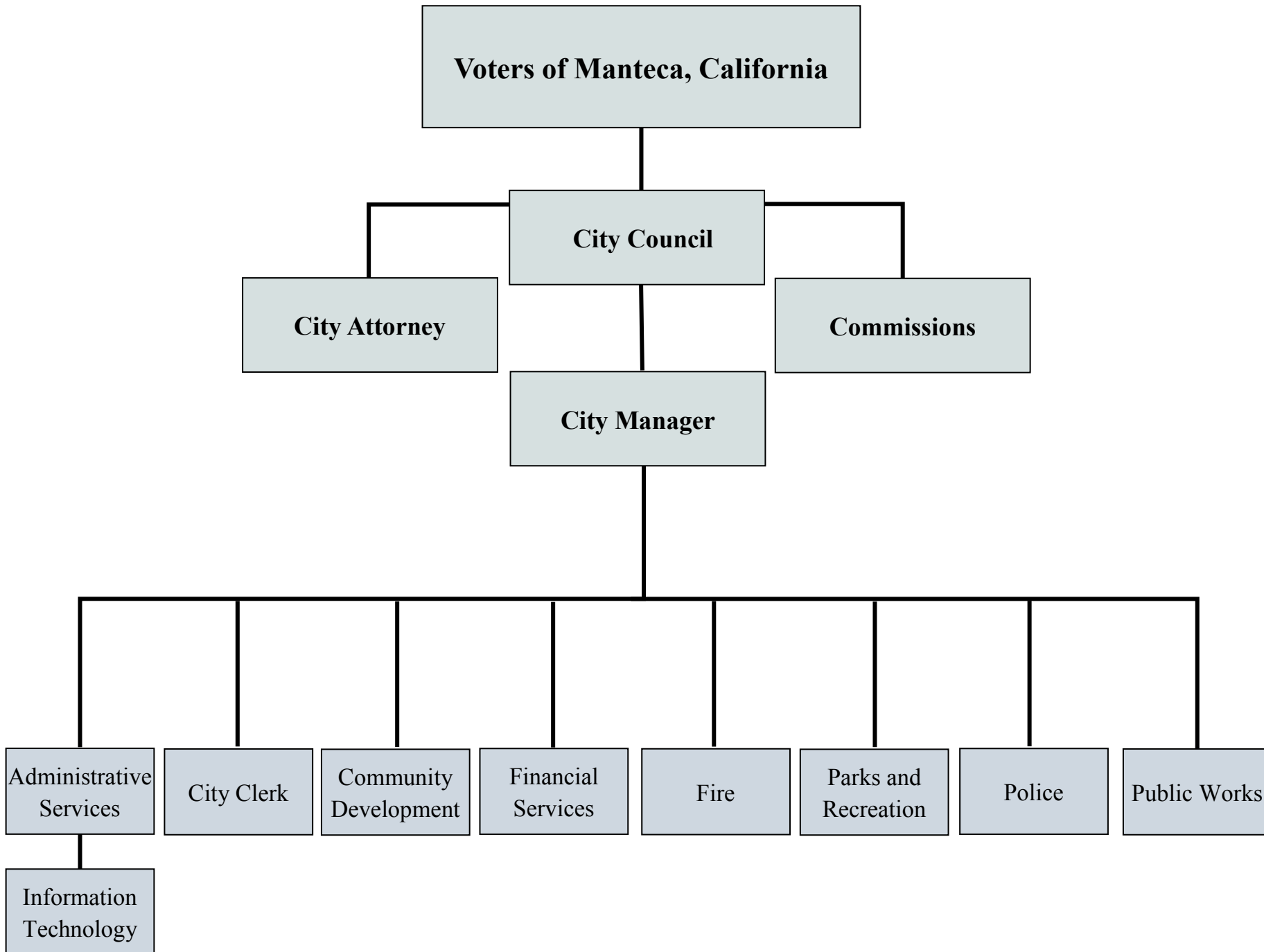
Jodie Estarziau, Chief of Police

Kyle Shipherd, Fire Chief

Kevin Fant, Parks and Recreation Director



City of Manteca





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Manteca
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Manteca, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manteca, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 of 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 relevant to the City'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 City'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatements of net positions as discussed in Note 9E.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2018 on our consideration of the City'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 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 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 City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 16, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provides an overview of the City of Manteca's financial performance for the fiscal year ended June 30, 2018. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes thereto.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeds its liabilities and deferred inflows of resources at the close of the 2017-2018 fiscal year by \$627 million (*Net Position*). Of this amount \$(10.5) million (*Unrestricted Net Position*) is designated to be used to meet ongoing obligations to citizens and creditors; \$153.2 million is restricted for capital projects, debt service and legally segregated taxes, grants, and fees; and \$484.8 million is invested in capital assets. The Unrestricted Net Position reflects the inclusion of a Net Pension Liability of \$112.7 million in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.
- As of June 30, 2018, the governmental funds reported combined fund balances of \$162.7 million, of which \$161.6 million is available to meet the City's current and future needs (*Restricted, Committed, Assigned, and Unassigned balances*).
- As of June 30, 2018 the fund balance for the General Fund was \$31.7 million of which \$1.2 million is designated as *Non-Spendable* for items such as deposits, prepaid assets, inter-fund advances, and inventory. Assigned fund balance was \$12.2 million, designated for items such as economic revitalization and public facilities oversizing, and the unassigned balance was \$17.8 million.
- Governmental capital assets increased by \$26.8 million prior to depreciation in comparison to prior year assets representing additions of capital improvements including streets, land, storm drainage, equipment, and construction in progress. The increase is reflected in the net investment in capital assets.
- The City's total long-term liabilities increased by \$29.0 million compared to the prior year. This increase is primarily attributable to increases in net pension liabilities and net OPEB obligations.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of the following sections:

- 1) Introductory Section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis,
- 3) The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements,
- 4) Required Supplemental Information,
- 5) Combining Statements for Non-major Governmental Funds and Internal Service Funds,
- 6) Statistical Information

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a longer-term view of the City's activities as a whole and are presented in a manner similar to a private-sector business. These statements are comprised of:

Statement of Net Position – Presents information on all City assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities – Presents information reflecting any change in the government's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (regardless of the timing of related cash flows). Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and compensated time leaves).

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, community development, library, public safety, public works, parks and recreation, and streets and highways. These services are supported by general city revenues such as taxes, and by specific program revenues such as developer fees.

Pursuant to ABX1 26 ("AB 26"), approved by Governor Brown on June 28, 2011 and upheld by the California State Supreme Court on December 29, 2011, the Manteca Redevelopment Agency ("Agency") was dissolved on January 31, 2012. The former Agency is now administered under the name of Successor Agency to the Manteca Redevelopment Agency. The activities of the Successor Agency to the Manteca Redevelopment Agency can be found in the Fiduciary Fund Section of the Financial Statements.

- Business-type activities - All of the City's enterprise activities are reported here, including golf, sewer, water, and solid waste. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

The City's business-type activities include not only the City of Manteca (known as the primary government) but also the activities of a separate legal entity; the Manteca Financing Authority. The City Council serves as the governing body of this component unit and the City is financially accountable for the Authority.

Fund Financial Statements

The Fund Financial Statements report the City's operations in more detail than the Government-wide Statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Governmental Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. Enterprise and Internal Service Fund Financial Statements are prepared on the full accrual basis and include all their assets and liabilities, current and long-term. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental Funds - These funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources and are therefore prepared on the modified accrual basis. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

The City of Manteca has 25 governmental funds of which 5 are considered major funds for presentation purposes. Each major fund is presented separately in the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. The financial information for the remaining non-major governmental funds is combined into a single, aggregated presentation.

- Proprietary Funds - The City maintains two different types of proprietary funds; Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as "business-type activities" in the Government-wide Financial Statements. Internal Service Funds account for the financial activity of the City's equipment/information systems pool, vehicle pool, self-insurance, and payroll tax benefits. Financial statements for proprietary funds are prepared on the full accrual basis and include all their assets and deferred outflows of resources, and liabilities and deferred inflows of resources, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental activities, their activities are reported only in total at the fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the Activities which created them.

- Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the Government-wide Financial Statements because the resources of those funds are not available to support the City's own programs. The accounting used for Fiduciary Funds is similar to that used for Proprietary Funds. With the dissolution of the Redevelopment Agency per ABX1 26 and AB 1484, the activities of the Successor Agency to the Manteca Redevelopment Agency are reported as a Private Purpose Trust Fund in the Fiduciary Fund section.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Combining Statements

This section of the report includes additional detailed information about non-major governmental, internal service and agency funds.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the financial activities of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, combined net position (government and business-type activities) totaled \$627 million at the close of the Fiscal Year Ended June 30, 2018. This is an increase of \$42.3 million from June 30, 2017.

The following table reflects the Summary of Net Position for the Fiscal Year Ended June 30, 2018 with comparative data for the Fiscal Year Ended June 30, 2017.

Summary of Net Position at June 30, 2018
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Current Assets	\$191,479	\$176,679	\$108,753	\$108,147	\$300,232	\$284,826
Non-Current Assets	22,596	22,696			22,596	22,696
Capital Assets	327,683	312,315	219,515	201,638	547,208	513,953
Total Assets	<u>541,757</u>	<u>511,690</u>	<u>328,278</u>	<u>309,785</u>	<u>870,035</u>	<u>821,475</u>
Deferred Outflows						
Related to Pensions	\$25,951	\$23,548	\$6,761	\$6,534	\$32,712	\$30,082
Current Liabilities	\$21,076	\$22,408	\$26,769	\$23,533	\$47,845	\$45,941
Non-Current Liabilities	117,492	94,959	106,543	99,659	224,034	194,618
Total Liabilities	<u>138,568</u>	<u>117,367</u>	<u>133,312</u>	<u>123,192</u>	<u>271,880</u>	<u>240,559</u>
Deferred Inflows						
Related to Pensions	\$2,950	\$2,239	\$904	\$4,411	\$3,854	\$6,650
Net Investment in Capital						
Assets	\$327,233	\$311,611	\$157,530	\$136,859	\$484,762	\$448,470
Restricted	153,223	139,178			139,178	139,178
Unrestricted	(54,265)	(35,157)	43,293	51,857	(10,972)	16,700
Total Net Position	<u>\$426,190</u>	<u>\$415,632</u>	<u>\$200,823</u>	<u>\$188,716</u>	<u>\$627,013</u>	<u>\$604,348</u>

*Amounts have not been restated for implementation of GASB Statement No. 75. See further discussion in Note 11

The City's Government-wide Net Position as of June 30, 2018, comprised the following:

- Cash and investments comprised of \$240.3 million in the city treasury and \$46.9 million of restricted cash held by fiscal agents. This represents a decrease of \$11.4 million in restricted cash and investments.
- Governmental receivables were comprised of \$8.5 million of current receivables and \$22.5 million of long-term receivables. Long-term receivables are related to grants and loans provided by the former Redevelopment Agency designed to encourage the construction of or improvement to low-to-moderate-income housing. The grants and loans have varying repayment terms and interest rates.
- Net capital assets of \$547.2 million include the City's infrastructure in addition to all other City assets.
- Restricted Net Position, totaling \$153.2 million, is restricted for capital projects (\$81.9 million), redevelopment projects (\$51.4 million), and \$19.9 million may be spent on other projects as specified by funding source restrictions.
- Unrestricted Net Position totals (\$10.9 million) and is designated to be used to finance day to day operations without constraints established by debt covenants or other legal requirements or restrictions. While these assets are technically unrestricted, most of these assets are committed or assigned for a specific use. The unrestricted balance reflects the inclusion of the Net Pension Liability of \$112.7million and the Total OPEB Liability of \$34.1 million.

The Change in Net Position as expressed as the change in revenues and expenditures through June 30, 2018 is further reflected in the Statement of Activities.

Statement of Activities
Fiscal Year Ended June 30, 2018
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
Revenues						
<i>Program revenues:</i>						
Charges for services	\$18,801	\$15,036	\$58,201	\$49,742	\$77,002	\$64,778
Operating grants and contributions	8,696	6,698			8,696	6,698
Capital Grants and Contributions	33,769	33,114	4,487	6,660	38,256	39,774
Total program revenues	61,266	54,848	62,688	56,402	123,954	111,250
<i>General revenues:</i>						
<i>Taxes:</i>						
Property taxes	15,511	14,476			15,511	14,476
Sales taxes	18,972	17,551			18,972	17,551
Other taxes	3,326	3,012			3,326	3,012
Interest income	1,175	850	810	472	1,985	1,322
Development Agreements, Unrestricted	210	326			210	326
Other Revenue	1,867	1,328	389	680	2,256	2,008
Total general revenues	41,061	37,543	1,199	1,152	42,260	38,695
Total revenues	102,327	92,391	63,887	57,554	166,214	149,945
Expenses						
General government	5,907	3,483			5,907	3,483
Community Development	9,670	6,197			9,670	6,197
Public Safety	34,884	22,358			34,884	22,358
Library	120	124			120	124
Public Works	7,091	5,275			7,091	5,275
Parks and Recreation	10,651	9,295			10,651	9,295
Streets and Highways	8,850	9,817			8,850	9,817
Interest and fiscal charges	85	89			85	89
Water			17,520	16,754	17,520	16,754
Sewer			16,478	22,082	16,478	22,082
Solid Waste			11,491	12,126	11,491	12,126
Golf			1,122	1,347	1,122	1,347
Total expenses	77,259	56,638	46,611	52,309	123,870	108,947
Change in net position before transfers and special items	25,068	35,753	17,276	5,245	42,344	40,998
Transfers	(468)	(300)	468	300		
Special Item		759				759
Change in net position	24,600	36,212	17,744	5,545	42,344	41,757
Net Position, Beginning of Year	401,590	379,420	183,079	183,171	584,669	562,591
Net Position, End of Year	\$426,190	\$415,632	\$200,823	\$188,716	\$627,013	\$604,348

*Amounts are not restated for the implementation of GASB Statement No. 75. See further discussion in Note 11

Revenues

Total governmental activity revenues increased by \$9.9 million compared to those in fiscal year 2017. Continued development growth both commercially and residentially contributed to the increase.

Expenses

Expenses for the City totaled \$123.9 million and \$108.9 million for the years ended June 30, 2018 and 2017, respectively. Governmental activities incurred \$77.3 million of expenses while business-type activities incurred \$46.6 million. Of the Governmental Activities, the largest expenses were in Public Safety (\$34.9 million), Parks and Recreation (\$10.6 million) and Community development (9.7 million).

Governmental Activities

The net cost of each of the City's largest programs associated with Governmental Activities is tabled below. These programs include general government, community development, public safety, library, public works, parks and recreation, streets and highways, and interest and fiscal charges. Net cost is defined as total program cost less the revenues generated by those specific activities. For most governmental programs expenses have been greater than the revenue generated to support them.

Cost of Services by Program – Governmental Activities
Fiscal Year Ended June 30, 2018
(in thousands of dollars)

Program	Net Revenue/(Expense)	
	From Services	
	2018	2017
General Government	\$87	\$1,653
Community Development	14,619	20,518
Public Safety	(31,189)	(18,951)
Library	(120)	(124)
Public Works	202	(392)
Parks and Recreation	(5,254)	(4,000)
Streets and Highways	5,745	(405)
Interest and Fiscal Charges	(85)	(89)
Total Net Revenue/(Expense)	(\$15,993)	(\$1,790)

Net revenues/expenses for general activities decreased by \$14.2 million. This decrease is due to increased Public Safety expenditures.

Business-Type Activities

Changes in Business-Type Activities by Program Fiscal Year Ended June 30, 2018 (in thousands of dollars)

	Business-type Activities	
	2018	2017
Net Revenue (Expense) from Business-type Activities		
Water	\$2,646	\$2,426
Sewer	12,184	3,748
Solid Waste	1,175	(1,643)
Golf	71	(439)
Total Business-type Activities	\$16,076	\$4,092

Net revenues of Business-type Activities increased \$12 million. Sewer expenditures have increased from prior year by \$8.4 million. This is primarily related to an increase in capital projects related to the alternative energy project. Both Solid Waste and Golf show net revenue due to new fee structures put in place.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in assessing the City's financing requirements. The classification of spendable fund balances to committed, assigned, and unassigned, is intended to be helpful in measuring the resources available for spending at the end of the fiscal year. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2018, the City's governmental funds reported combined fund balances of \$162.8 million, which is an increase of \$16.5 million or 10% compared with the prior year. Governmental fund revenues were \$85.4 million this year. The General Fund accounted for 40% of this total. Expenses were \$69.1 million this year. Of this total, \$37.6 million was in the General Fund, \$12.4 million was in major funds and \$19.1 million was in non-major funds.

General Fund

General Fund revenues increased due to continued positive economic conditions by \$3.5 million or 9% as compared to fiscal year end 2017. Sales tax increased by 8% and property taxes increased by \$1 million or 7.1%. Property tax revenues include \$1.5 million in receipts distributed to Affected Taxing Entities (ATE) that prior to the dissolution of redevelopment would have been distributed to the former Manteca Redevelopment Agency. General Fund expenditures increased by \$3.1 million or 9.3% over prior year expenditures of \$34.4 million.

At June 30, 2018, the General Fund balance was comprised of \$1.2 million in non-spendable balances, \$.5 million in restricted balances, \$12.2 million of assigned balances and \$17.8 million in unassigned balances. Fund balances have been classified in accordance with GASB 54. While amounts have been categorized as unassigned, they may be informally earmarked by the City Council for specific purposes.

Public Safety Sales Tax Fund

In November 2006, the voters of the City of Manteca passed the ½ cent Gang and Drug Prevention, 9-1-1 Emergency and Public Safety Improvement Transactions and Use Tax. Revenues generated by this tax are designated solely for public safety services. In Fiscal Year 2017-18 this fund provided for 30 police and fire personnel. Revenues in the Public Safety Sales Tax Fund increased by \$.5 million or 8.8% over prior year receipts. Sales tax continues to grow due to strong consumer confidence. The net change to fund balance was \$968,786.

Low and Moderate Income Housing Assets Fund

On June 28, 2011 the State of California adopted ABx1 26, amended by AB 1484 on June 27, 2012, which dissolved redevelopment agencies as of January 31, 2012. All assets of the former Redevelopment Agency were transferred as prescribed by law to either the Housing Successor or to the Successor Agency.

The City of Manteca elected to become the Housing Successor and established the Low and Moderate Income Housing Assets Special Revenue Fund to account for the housing assets and activities formally provided by the Manteca Redevelopment Agency. As of June 30, 2018, the net position of the Low and Moderate Income Housing Assets Special Revenue Fund was comprised of \$.16 million in restricted cash.

Public Facilities Implementation Plan

The fund balance in this fund shows an increase of \$3.9 million. Development fees are collected in the areas designated in the Public Facilities Implementation Plan to finance the construction of future transportation and storm drainage infrastructure. Capital Improvements totaling \$1.7 million were constructed in Fiscal Year 2017-2018. The Public Facilities Implementation Plan was updated in fiscal year 2013. Due to complexities, additional time was requested to prepare the transportation element which was completed in Fiscal Year 2017-18.

Redevelopment Bonds Projects Fund

At the time of the dissolution of the former Manteca Redevelopment Agency, the agency had approximately \$43.7 million in unspent bond proceeds. By law, these bond proceeds were transferred to the Successor Agency to the Manteca Redevelopment Agency. In September and December 2013 the City and the Successor Agency, with the approval of the State Department of Finance, entered into Bond Funding Agreements. These agreements provide the mechanism by which bond proceeds can be transferred from the Successor Agency to the City for uses as designated in the bond indentures and tax certificates. This fund accounts for the bond proceeds that have been authorized for the design and construction of these designated projects. In February 2015 the Oversight Board approved a Consolidated Non-Housing Bond Proceeds Funding Agreement between the Successor Agency and the City of Manteca. This final agreement approved the transfer of all remaining bond proceeds to the City for use on bond qualified expenditures. The City continues to spend down the bond proceeds on the projects included in the City's Capital Improvement Plan.

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. The City's Proprietary Funds are comprised of the Water Fund, the Sewer Fund, the Solid Waste Fund, and the Golf Fund. Proprietary Fund net position totaled \$200.8 million at June 30, 2018. Proprietary operating revenues were \$58.6 million and operating expenses were \$43.5 million in fiscal 2018.

Water Fund

The net position of the Water Fund is \$68.7 million. Approximately \$32.3 million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$36.4 million.

Activities for the year were comprised of \$17.9 million in operating revenues for the current year and \$16.1 million in operating expenses. Charges for services showed an increase of 15.8% as compared to the prior year. Operating expenses increased by 5.3% from fiscal year 2017. Personnel services decreased by \$.3 million due to Public Works restructuring efforts. Supplies increased by \$.8 million due to a meter box replacement project and strong residential growth

Sewer Fund

The net position of the Sewer Fund is \$135.8 million for the current year. Operating revenues for fiscal year 2018 were \$26.8 million, an increase of 14.5% from fiscal year 2017. Operating expenditures decreased by \$5.5 million or 72.5% from fiscal year 2017. This decrease is primarily due to the completion of a capital project. A total of \$116.4 million of the fund's net position is invested in capital assets, with \$19.4 million unrestricted.

Solid Waste Fund

Operating revenues for fiscal year 2018 totaled \$12.7 million, an increase of 19% over fiscal year 2017. This increase is partially due to new rate structure of the City's 2017 rate study has been in effect for a full fiscal year. Operating expenses were \$11.5 million, a decrease of \$.6 million from fiscal year 2017. This decrease was partially due to an efficiency study recommendations implemented by the Public Works Department. A total of \$3.5 million of the fund's net position is invested in capital assets. The unrestricted net position was a deficit (\$7.5) million at year-end. The decrease in unrestricted net position includes a \$9.1 million Net Pension Liability and a \$3.1 million Total OPEB Liability.

Golf Fund

The operating revenue for this fund totaled \$1.2 million as of June 30, 2018. In FY18, Golf awarded a new management contract that implemented a fee increase and efficiency changes resulting in an increase from the operating revenue for fiscal year 2017. Operating expenses were \$1.1 million a decrease of \$225,600 from the prior year. The General Fund continues to contribute to the Golf Fund to compensate for the reduced rate for youth and senior programs

The aging Golf course will require major renovations and improvements over the next five to ten years. Some of the areas which will need improvements are the cart path, the lake retaining wall, the irrigation system, the parking lot expansion, tree restoration, and drainage improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget for the General Fund totaled \$41.3 million. The difference in appropriations between the original budget and the final amended budget was \$2.2 million. The appropriations consisted of \$209,840 for budget carry forward totals for prior and current year commitments with the remainder for new appropriations largely associated with personnel and costs associated with the Great Wolf resort.

As consumer confidence and housing starts remained strong, the local economy showed continued growth, General Fund revenues exceeded their budgeted forecasts. Property Taxes for the City surpassed projections by \$.2 million of which \$1.5 million was related to revenues associated with the dissolution of the former Manteca Redevelopment Agency. Also notable was an increase of Other Taxes over projections of \$363,560. Sales tax surpassed projections by \$.6 million.

At the end of the fiscal year, the total actual expenses of the General Fund were \$3.7 million under the total amended budget. \$2.2 million of this variance was attributable to capital outlay projects that were not completed or started. The remaining variance resulted from all divisions excluding Fire for operating under budget.) Fire exceeded budget by \$53,350. These overages were primarily due to the overtime costs.

CAPITAL ASSETS

At the end of fiscal 2018 the City had \$547.2 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in below. See further discussion on Capital Assets in Note 7.

Capital Assets Fiscal Year Ended June 30 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Non-depreciable assets						
Land	\$51,138	\$45,699	\$7,820	\$7,820	\$58,958	\$53,519
Construction in progress	26,101	21,531	23,916	4,706	50,017	26,237
Total	77,239	67,230	31,736	12,526	108,975	79,756
Depreciable assets						
Buildings and improvements	35,881	35,712	8,553	8,553	44,434	44,265
Machinery and equipment	20,208	17,908	21,036	19,296	41,244	37,204
Storm Drain	55,769	53,041			55,769	53,041
Streets	206,927	197,842			206,927	197,842
Parks	66,450	63,950			66,450	63,950
Sewer lines and improvements			63,292	61,203	63,292	61,203
Sewer plant expansion			96,465	96,465	96,465	96,465
Water wells and pipelines			117,440	115,093	117,440	115,093
Infrastructure			165	165	165	165
Less accumulated depreciation	(134,792)	(123,368)	(119,162)	(111,663)	(253,954)	(235,031)
Total	250,443	245,085	187,789	189,112	438,232	434,197
Total capital assets	\$327,682	\$312,315	\$219,525	\$201,638	\$547,207	\$513,953

DEBT SERVICE ADMINISTRATION

Each of the City's debt issues is discussed in detail in Note 8 in the Notes to the Basic Financial Statements. At the end of the year, the City had total long-term debt outstanding of \$.6 million in debt associated with Governmental Activities and \$73.1 million in debt associated with Business-Type Activities.

Outstanding Debt Fiscal Year Ended June 30 (in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Capital Lease	\$652	\$905			\$652	\$905
Revenue Bonds			\$73,106	\$75,889	73,106	75,889
Total	\$652	\$905	\$73,106	\$75,889	\$73,758	\$76,794

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this report should be directed to the Finance Department, at 1001 W. Center, Manteca, CA 95337.

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CITY OF MANTECA

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

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position summarizes the financial position of all of the City's Governmental Activities in a single column, and the financial position of all of the City's Business-type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

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

The Statement of Activities presents the City's expenses first, listed by program, followed by the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both of these Statements include the financial activities of the City and the Manteca Financing Authority, which is legally separate but is a component unit of the City because it is controlled by the City, which is financially accountable for the activities of this entity.

CITY OF MANTECA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$142,744,783	\$97,558,017	\$240,302,800
Restricted cash and investments (Note 3)	30,668,737	16,300,576	46,969,313
Accounts receivable, net	5,696,879	3,705,905	9,402,784
Taxes receivable	2,055,739		2,055,739
Interest receivable	710,124	690,158	1,400,282
Internal balances (Note 4D)	9,501,857	(9,501,857)	
Prepaid items and deposits	101,175		101,175
Long-term notes receivable (Note 5)	22,534,383		22,534,383
Employee notes receivable (Note 6)	61,226		61,226
Capital assets, not being depreciated (Note 7)	77,239,273	31,735,549	108,974,822
Capital assets, being depreciated (net) (Note 7)	250,443,326	187,789,634	438,232,960
Total Assets	<u>541,757,502</u>	<u>328,277,982</u>	<u>870,035,484</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 10)	24,645,503	6,325,884	30,971,387
Deferred outflows related to OPEB (Note 11)	1,305,336	434,664	1,740,000
Total Deferred Outflows of Resources	<u>25,950,839</u>	<u>6,760,548</u>	<u>32,711,387</u>
LIABILITIES			
Accounts payable	5,600,890	6,366,247	11,967,137
Contracts payable	6,948,169	16,030,371	22,978,540
Refundable deposits	3,022,280	965,726	3,988,006
Accrued liabilities	1,367,938	896,708	2,264,646
Unearned revenue	2,968,652		2,968,652
Compensated absences (Note 1G):			
Due within one year	576,675		576,675
Due in more than one year	5,190,077		5,190,077
Estimated claims liability (Note 13):			
Due within one year	328,782		328,782
Due in more than one year	990,234		990,234
Long-term debt (Note 8):			
Due within one year	263,033	2,510,000	2,773,033
Due in more than one year	388,166	70,596,131	70,984,297
Net pension liability (Note 10):			
Due in more than one year	85,986,661	26,767,902	112,754,563
Total OPEB liability (Note 11):			
Due in more than one year	24,936,471	9,178,529	34,115,000
Total Liabilities	<u>138,568,028</u>	<u>133,311,614</u>	<u>271,879,642</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 10)	876,680	213,481	1,090,161
Deferred inflows related to OPEB (Note 11)	2,073,533	690,467	2,764,000
Total Deferred Inflows of Resources	<u>2,950,213</u>	<u>903,948</u>	<u>3,854,161</u>
NET POSITION (Note 9):			
Net investment in capital assets	<u>327,232,512</u>	<u>157,529,677</u>	<u>484,762,189</u>
Restricted for:			
Capital projects	81,872,922		81,872,922
Redevelopment projects	51,397,882		51,397,882
Special revenue projects:			
Development mitigation	5,628,088		5,628,088
Landscaping and lighting	1,161,336		1,161,336
Public safety	6,354,253		6,354,253
Other special revenue projects	6,808,302		6,808,302
Total Restricted Net Position	<u>153,222,783</u>		<u>153,222,783</u>
Unrestricted	<u>(54,265,195)</u>	<u>43,293,291</u>	<u>(10,971,904)</u>
Total Net Position	<u>\$426,190,100</u>	<u>\$200,822,968</u>	<u>\$627,013,068</u>

See accompanying notes to basic financial statements

CITY OF MANTECA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$5,906,891	\$5,994,217			\$87,326		\$87,326
Community development	9,669,910	7,306,692	\$80,905	\$16,901,297	14,618,984		14,618,984
Public safety	34,883,973	1,874,561	947,179	873,591	(31,188,642)		(31,188,642)
Library	120,222				(120,222)		(120,222)
Public works	7,091,236	288,452	897,243	6,107,917	202,376		202,376
Parks and recreation	10,651,329	3,337,139	8,475	2,052,065	(5,253,650)		(5,253,650)
Streets and highways	8,850,328		6,761,998	7,833,860	5,745,530		5,745,530
Interest and fiscal charges	84,784				(84,784)		(84,784)
Total Governmental Activities	77,258,673	18,801,061	8,695,800	33,768,730	(15,993,082)		(15,993,082)
Business-type Activities:							
Water	17,520,196	17,841,323		2,324,790		\$2,645,917	2,645,917
Sewer	16,478,268	26,572,846		2,089,003		12,183,581	12,183,581
Solid waste	11,491,357	12,593,379		73,369		1,175,391	1,175,391
Golf	1,121,928	1,193,170				71,242	71,242
Total Business-type Activities	46,611,749	58,200,718		4,487,162		16,076,131	16,076,131
Total	\$123,870,422	\$77,001,779	\$8,695,800	\$38,255,892	(15,993,082)	16,076,131	83,049
General revenues:							
Taxes:							
Property taxes					15,511,281		15,511,281
Sales taxes					18,971,755		18,971,755
Other taxes					3,325,769		3,325,769
Interest income					1,175,293	810,465	1,985,758
Development agreements, unrestricted					209,612		209,612
Other revenue					1,867,047	389,176	2,256,223
Transfers (Note 4A)					(468,073)	468,073	
Total general revenues and transfers					40,592,684	1,667,714	42,260,398
Change in Net Position					24,599,602	17,743,845	42,343,447
Net Position-Beginning, as adjusted (Note 9E)					401,590,498	183,079,123	584,669,621
Net Position-Ending					\$426,190,100	\$200,822,968	\$627,013,068

See accompanying notes to basic financial statements

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FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2018. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

PUBLIC SAFETY SALES TAX

Established to account for all proceeds collected from the levying of the Gang and Drug Prevention, 9-1-1 Emergency and Public Safety Improvement Transactions and Use Tax. Taxes received are designated solely for the public safety services set forth in the Program Guidelines and Public Safety Expenditure Plan. The Public Safety Expenditure Plan may be amended from time to time by a majority vote of the City Council, so long as the funds are utilized for public safety, police and fire protection services.

LOW AND MODERATE INCOME HOUSING ASSETS FUND

Established to account for revenues and expenditures as a result of the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

PUBLIC FACILITIES IMPLEMENTATION PLAN FUND

This fund was initially established to account for the costs incurred for the development of a Public Facilities Implementation Plan. Now that the Plan is functional, this fund accounts for the developer impact fees collected and expended in the construction of the drainage and transportation elements of the Plan. The sewer and water developer impact fees collected and expended in connection with the Plan are accounted for in their respective Enterprise Funds.

REDEVELOPMENT BONDS PROJECTS FUND

This fund was established to account for the financing and construction activities funded with the tax-exempt proceeds from the issuance of the former Manteca Redevelopment Agency's long-term debt.

CITY OF MANTECA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Public Safety Sales Tax	Low and Moderate Income Housing Assets	Public Facilities Implementation Plan
ASSETS				
Cash and investments (Note 3)	\$29,649,111	\$3,897,943		\$24,305,371
Restricted cash and investments (Note 3)	493,423		\$157,360	1,184,152
Accounts receivables (net of allowance for estimated uncollectible accounts)	1,041,422			362
Taxes receivable	1,777,999	277,470		
Interest receivable	330,622	18,009		108,053
Due from other funds (Note 4B)	42,535			
Advances to other funds (Note 4C)	1,081,780			9,941,743
Prepaid items	92,468			
Long-term notes receivable (Note 5)			23,246,991	
Total Assets	\$34,509,360	\$4,193,422	\$23,404,351	\$35,539,681
LIABILITIES				
Accounts payable	\$1,918,110	\$2,809	\$1,051	\$481,023
Contracts payable				721,140
Refundable deposits	794,772			1,942,130
Accrued liabilities	21,348			
Due to other funds (Note 4B)				
Advances from other funds (Note 4C)				1,521,666
Unearned revenue				
Total Liabilities	2,734,230	2,809	1,051	4,665,959
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - notes receivable (Note 5)			23,246,991	
FUND BALANCES				
Fund balance (Note 9):				
Nonspendable	1,174,248			
Restricted	493,423	4,190,613	156,309	30,873,722
Committed				
Assigned	12,242,789			
Unassigned	17,864,670			
Total Fund Balances	31,775,130	4,190,613	156,309	30,873,722
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$34,509,360	\$4,193,422	\$23,404,351	\$35,539,681

See accompanying notes to basic financial statements

<u>Redevelopment Bonds Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$68,653,679	\$126,506,104
\$28,086,664	546,026	30,467,625
	4,630,464	5,672,248
	270	2,055,739
	209,369	666,053
	1,020,242	1,062,777
		11,023,523
		92,468
		23,246,991
<u>\$28,086,664</u>	<u>\$75,060,050</u>	<u>\$200,793,528</u>
\$67,904	\$2,950,221	\$5,421,118
	28,406	749,546
	285,370	3,022,272
		21,348
	1,062,777	1,062,777
		1,521,666
	2,968,652	2,968,652
<u>67,904</u>	<u>7,295,426</u>	<u>14,767,379</u>
		23,246,991
28,018,760	58,455,699	1,174,248
	315,126	122,188,526
	8,993,799	315,126
		21,236,588
		17,864,670
<u>28,018,760</u>	<u>67,764,624</u>	<u>162,779,158</u>
<u>\$28,086,664</u>	<u>\$75,060,050</u>	<u>\$200,793,528</u>

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CITY OF MANTECA
 Reconciliation of the
 GOVERNMENTAL FUNDS-BALANCE SHEET
 with the
 GOVERNMENTAL ACTIVITIES NET POSITION
 JUNE 30, 2018

Total fund balances reported on the Governmental Funds Balance Sheet \$162,779,158

Amounts reported for Governmental Activities in the Statement of Net Position
 are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds.

324,945,981

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However, they are used by management to
 charge the costs of certain activities, such as insurance and central services and maintenance
 to individual governmental funds. The net current assets of the Internal Service Funds are therefore
 included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	16,238,679
Restricted cash and investments	201,112
Accounts receivable	24,631
Interest receivable	44,071
Prepaid items	8,707
Employee notes receivable	61,226
Capital assets, not being depreciated	1,010,179
Capital assets (net of accumulated depreciation)	1,726,439
Contracts and accounts payable	(179,772)
Accrued liabilities	(1,346,590)
Refundable deposits	(8)
Compensated absences	(5,766,752)
Long-term debt	(252,166)
Estimated claims liability	(1,319,016)
Net pension liability and deferred outflows/inflows related to pensions	(2,083,822)
Total OPEB liability and deferred outflows/inflows related to OPEB	(966,681)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently
 are taken into revenue in the Statement of Activities.

23,246,991

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
 reported in the Funds:

Long-term debt	(399,033)
Net pension liability and deferred outflows/inflows related to pensions	(60,134,016)
Total OPEB liability and deferred outflows/inflows related to OPEB	(24,737,987)
Contracts payable	(6,198,623)
Allowance for conditional grants	(712,608)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$426,190,100

See accompanying notes to basic financial statements

CITY OF MANTECA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Public Safety Sales Tax	Low and Moderate Income Housing Assets	Public Facilities Implementation Plan
REVENUES				
Property taxes	\$15,511,281			
Sales taxes	12,465,689	\$6,506,066		
Other taxes	4,353,038			
Licenses and permits	1,026,520			
Fines and forfeitures	274,079			
Use of money and property	190,543	16,097	\$48,233	\$272,181
Revenue from other agencies	279,145			
Charges for current services	6,525,021			5,630,897
Other revenue	646,714		16,936	72
Total Revenues	41,272,030	6,522,163	65,169	5,903,150
EXPENDITURES				
Current:				
General government	3,861,740			
Community development			1,853,693	
Public safety	23,629,703	5,553,367		
Library	116,993			
Public works	2,268,922			303,376
Parks and recreation	4,284,006			
Streets and highways				
Nondepartmental	3,087,315			
Capital outlay	344,989			1,656,796
Debt service:				
Principal				
Interest and fiscal charges				67,165
Total Expenditures	37,593,668	5,553,367	1,853,693	2,027,337
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,678,362	968,796	(1,788,524)	3,875,813
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
Transfers in (Note 4A)				
Transfers (out) (Note 4A)	(1,117,564)			
Total Other Financing Sources (Uses)	(1,117,564)			
NET CHANGE IN FUND BALANCES	2,560,798	968,796	(1,788,524)	3,875,813
BEGINNING FUND BALANCES	29,214,332	3,221,817	1,944,833	26,997,909
ENDING FUND BALANCES	\$31,775,130	\$4,190,613	\$156,309	\$30,873,722

See accompanying notes to basic financial statements

Redevelopment Bonds Projects	Other Governmental Funds	Total Governmental Funds
		\$15,511,281
		18,971,755
		4,353,038
	\$8,335,405	9,361,925
		274,079
\$431,635	219,928	1,178,617
	9,700,449	9,979,594
	12,677,775	24,833,693
	315,061	978,783
<u>431,635</u>	<u>31,248,618</u>	<u>85,442,765</u>
	46,926	3,908,666
	4,208,473	6,062,166
	730,928	29,913,998
		116,993
	1,663,096	4,235,394
	3,335,141	7,619,147
	2,406,785	2,406,785
2,962,223	6,629,393	11,593,401
	134,307	134,307
	17,619	84,784
<u>2,962,223</u>	<u>19,172,668</u>	<u>69,162,956</u>
<u>(2,530,588)</u>	<u>12,075,950</u>	<u>16,279,809</u>
589,091		589,091
	753,989	753,989
		(1,117,564)
<u>589,091</u>	<u>753,989</u>	<u>225,516</u>
(1,941,497)	12,829,939	16,505,325
<u>29,960,257</u>	<u>54,934,685</u>	<u>146,273,833</u>
<u>\$28,018,760</u>	<u>\$67,764,624</u>	<u>\$162,779,158</u>

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CITY OF MANTECA
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
 with the
 CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$16,505,325

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capitalized expenditures are therefore added back to fund balance	9,657,459
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$481,365 which has already been allocated to serviced funds)	(11,339,313)
Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands.	16,901,297
Retirements of capital assets are deducted from fund balance	(25,853)
Transfer out of capital assets is deducted from fund balance	(125,000)
Contributions of capital assets to other funds are deducted from fund balance	(43,358)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	134,307
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Unavailable revenue	(16,936)
Contracts and accounts payable	653,116
Allowance for conditional grants	(80,722)
Net pension liability and deferred outflows/inflows related to pensions	(6,582,046)
Total OPEB liability and deferred outflows/inflows related to OPEB	(239,908)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	<u>(798,766)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$24,599,602

See accompanying notes to basic financial statements

CITY OF MANTECA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$15,261,770	\$15,261,770	\$15,511,281	\$249,511
Sales taxes	11,850,175	11,850,175	12,465,689	615,514
Other taxes	3,989,475	3,989,475	4,353,038	363,563
Licenses and permits	979,900	979,900	1,026,520	46,620
Fines and forfeitures	244,000	244,000	274,079	30,079
Use of money and property	350,000	350,000	190,543	(159,457)
Revenue from other agencies	590,300	590,300	279,145	(311,155)
Charges for current services	5,606,205	5,606,205	6,525,021	918,816
Other revenue	515,800	515,800	646,714	130,914
Total Revenues	39,387,625	39,387,625	41,272,030	1,884,405
EXPENDITURES:				
Current:				
General government:				
Legislative	823,080	853,080	814,736	38,344
City Attorney	254,500	287,000	274,058	12,942
Administration	888,324	1,004,324	989,927	14,397
Human resources	568,788	568,788	524,420	44,368
Financial services	1,227,439	1,270,199	1,258,599	11,600
Total general government	3,762,131	3,983,391	3,861,740	121,651
Public safety:				
Police	15,661,526	15,784,682	15,470,416	314,266
Fire	7,646,365	7,739,315	7,792,667	(53,352)
Animal control	414,446	429,446	366,620	62,826
Total public safety	23,722,337	23,953,443	23,629,703	323,740
Library	122,725	122,725	116,993	5,732
Public works:				
Engineering	324,339	389,339	330,503	58,836
Street maintenance	22,730	81,385	29,985	51,400
Storm drain maintenance and operation	426,601	447,546	294,651	152,895
Vehicle maintenance	720,326	734,496	706,087	28,409
Building maintenance	928,444	920,097	907,696	12,401
Total public works	2,422,440	2,572,863	2,268,922	303,941

(Continued)

CITY OF MANTECA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Parks and recreation:				
Park facility maintenance	4,243,277	4,262,068	3,942,629	319,439
Senior center	346,558	392,702	341,377	51,325
Total parks and recreation	<u>4,589,835</u>	<u>4,654,770</u>	<u>4,284,006</u>	<u>370,764</u>
Nondepartmental charges	<u>3,070,925</u>	<u>3,458,425</u>	<u>3,087,315</u>	<u>371,110</u>
Capital outlay	<u>1,372,790</u>	<u>2,577,367</u>	<u>344,989</u>	<u>2,232,378</u>
Total Expenditures	<u>39,063,183</u>	<u>41,322,984</u>	<u>37,593,668</u>	<u>3,729,316</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>324,442</u>	<u>(1,935,359)</u>	<u>3,678,362</u>	<u>5,613,721</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
Transfers (out)	<u>(532,000)</u>	<u>(1,023,990)</u>	<u>(1,117,564)</u>	<u>(93,574)</u>
Total Other Financing Sources (Uses)	<u>(532,000)</u>	<u>(1,023,990)</u>	<u>(1,117,564)</u>	<u>(93,574)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$207,558)</u></u>	<u><u>(\$2,959,349)</u></u>	<u>2,560,798</u>	<u><u>\$5,520,147</u></u>
BEGINNING FUND BALANCE			<u>29,214,332</u>	
ENDING FUND BALANCE			<u><u>\$31,775,130</u></u>	

See accompanying notes to basic financial statements

CITY OF MANTECA
PUBLIC SAFETY SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales taxes	\$5,858,500	\$5,858,500	\$6,506,066	\$647,566
Use of money and property	13,000	13,000	16,097	3,097
Total Revenues	<u>5,871,500</u>	<u>5,871,500</u>	<u>6,522,163</u>	<u>650,663</u>
EXPENDITURES:				
Current:				
Public safety	6,030,224	6,027,276	5,553,367	473,909
Total Expenditures	<u>6,030,224</u>	<u>6,027,276</u>	<u>5,553,367</u>	<u>473,909</u>
NET CHANGE IN FUND BALANCE	<u>(\$158,724)</u>	<u>(\$155,776)</u>	968,796	<u>\$1,124,572</u>
BEGINNING FUND BALANCE			<u>3,221,817</u>	
ENDING FUND BALANCE			<u>\$4,190,613</u>	

See accompanying notes to basic financial statements

CITY OF MANTECA
 LOW AND MODERATE INCOME HOUSING ASSETS FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$1,000	\$1,000	\$48,233	\$47,233
Other revenue			16,936	16,936
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>65,169</u>	<u>64,169</u>
EXPENDITURES:				
Current:				
Community development	30,100	1,859,980	1,853,693	6,287
Total Expenditures	<u>30,100</u>	<u>1,859,980</u>	<u>1,853,693</u>	<u>6,287</u>
NET CHANGE IN FUND BALANCE	<u>(\$29,100)</u>	<u>(\$1,858,980)</u>	(1,788,524)	<u>\$70,456</u>
BEGINNING FUND BALANCE			<u>1,944,833</u>	
ENDING FUND BALANCE			<u>\$156,309</u>	

See accompanying notes to basic financial statements

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MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges. The City has determined all of its enterprise funds to be major funds in fiscal 2018, as identified below.

WATER FUND

Accounts for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance and billing and collection.

SEWER FUND

Accounts for the provision of sewer services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

SOLID WASTE FUND

Accounts for the provision of solid waste collection services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

GOLF FUND

Accounts for the operations of the City's municipal golf course. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, and billing and collection.

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
ASSETS						
Current assets						
Cash and investments (Note 3)	\$44,186,994	\$50,746,024	\$2,534,017	\$90,982	\$97,558,017	\$16,238,679
Accounts receivables (net of allowance for estimated uncollectible accounts)	558,223	1,877,966	1,250,312	\$19,404	3,705,905	24,631
Interest receivable	325,148	357,689	7,321		690,158	44,071
Prepaid items						8,707
Total current assets	45,070,365	52,981,679	3,791,650	110,386	101,954,080	16,316,088
Non-current assets						
Restricted cash and investments (Note 3)	5,113,645	11,186,931			16,300,576	201,112
Advances to other funds (Note 4C)	453,082	346,567			799,649	
Employee notes receivable (Note 6)						61,226
Capital assets not being depreciated (Note 7)	2,019,738	28,501,897	66,511	1,147,403	31,735,549	1,010,179
Capital assets (net of accumulated depreciation) (Note 7)	69,325,344	114,890,874	3,049,195	524,221	187,789,634	1,726,439
Total non-current assets	76,911,809	154,926,269	3,115,706	1,671,624	236,625,408	2,998,956
Total Assets	121,982,174	207,907,948	6,907,356	1,782,010	338,579,488	19,315,044
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions (Note 10)	1,769,329	2,151,706	2,167,695	237,154	6,325,884	638,184
Deferred outflows related to OPEB (Note 11)	120,052	140,368	133,981	40,263	434,664	12,959
Total deferred outflows of resources	1,889,381	2,292,074	2,301,676	277,417	6,760,548	651,143
LIABILITIES						
Current liabilities						
Accounts payable	2,498,417	2,921,084	908,787	37,959	6,366,247	179,772
Contracts payable	2,717,647	13,312,724			16,030,371	
Accrued liabilities						1,346,590
Refundable deposits	811,449	144,508	9,769		965,726	8
Interest payable	749,462	147,246			896,708	
Compensated absences (Note 1G)						576,675
Estimated claims liability (Note 13)						328,782
Revenue bonds (Note 8)	1,290,000	1,220,000			2,510,000	
Capital lease obligations (Note 8)						123,963
Total current liabilities	8,066,975	17,745,562	918,556	37,959	26,769,052	2,555,790
Long-term liabilities						
Advances from other funds (Note 4C)	3,138,636	7,162,870			10,301,506	
Compensated absences (Note 1G)						5,190,077
Estimated claims liability (Note 13)						990,234
Revenue bonds (Note 8)	33,680,831	36,915,300			70,596,131	
Capital lease obligations (Note 8)						128,203
Net pension liability (Note 10)	7,486,894	9,104,921	9,172,573	1,003,514	26,767,902	2,700,469
Total OPEB liability (Note 11)	2,557,056	3,134,786	3,166,657	320,030	9,178,529	959,056
Total long-term liabilities	46,863,417	56,317,877	12,339,230	1,323,544	116,844,068	9,968,039
Total Liabilities	54,930,392	74,063,439	13,257,786	1,361,503	143,613,120	12,523,829
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions (Note 10)	59,710	72,614	73,154	8,003	213,481	21,537
Deferred inflows related to OPEB (Note 11)	190,702	222,976	212,830	63,959	690,467	20,584
Total deferred inflows of resources	250,412	295,590	285,984	71,962	903,948	42,121
NET POSITION (Note 9):						
Net investment in capital assets	36,374,251	116,368,096	3,115,706	1,671,624	157,529,677	2,685,564
Unrestricted	32,316,500	19,472,897	(7,450,444)	(1,045,662)	43,293,291	4,714,673
Total Net Position	\$68,690,751	\$135,840,993	(\$4,334,738)	\$625,962	\$200,822,968	\$7,400,237

See accompanying notes to basic financial statements

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
OPERATING REVENUES						
Charges for services	\$17,841,323	\$26,572,846	\$12,593,379	\$1,193,170	\$58,200,718	\$2,493,532
Insurance premium contribution from other funds						3,380,510
Miscellaneous	33,456	179,690	166,471	20,919	400,536	277,825
Total Operating Revenues	17,874,779	26,752,536	12,759,850	1,214,089	58,601,254	6,151,867
OPERATING EXPENSES						
Personnel services	4,206,577	5,176,937	4,959,557	675,247	15,018,318	1,915,416
Contractual services	298,863	842,474	2,862,485	80,242	4,084,064	124,011
Supplies	5,395,656	1,213,707	992,673	74,118	7,676,154	147,317
Utilities	543,130	1,417,694	11,895	92,093	2,064,812	56,760
Repairs and maintenance	116,909	534,828	51,462	72,245	775,444	990,789
Vehicle maintenance and operations	18,596	26,512	450,693		495,801	60
Interdepartmental	1,392,340	1,371,115	1,177,780	27,120	3,968,355	204,340
Insurance	362,440	466,840	382,580	18,660	1,230,520	2,315,183
Claims						649,793
Depreciation (Note 7)	3,791,824	3,479,543	595,877	79,760	7,947,004	481,365
Miscellaneous	64,157	166,981	6,355	2,443	239,936	116,781
Total Operating Expenses	16,190,492	14,696,631	11,491,357	1,121,928	43,500,408	7,001,815
Operating Income (Loss)	1,684,287	12,055,905	1,268,493	92,161	15,100,846	(849,948)
NONOPERATING REVENUES (EXPENSES)						
Interest income	323,295	474,234	12,936		810,465	(3,324)
Gain (loss) from retirement of capital assets	1,925	5,050	(18,110)	(225)	(11,360)	3,830
Interest (expense)	(1,329,704)	(1,781,637)			(3,111,341)	(13,184)
Intergovernmental grants			73,369		73,369	
Net Nonoperating Revenues (Expenses)	(1,004,484)	(1,302,353)	68,195	(225)	(2,238,867)	(12,678)
Income (Loss) Before Contributions and Transfers	679,803	10,753,552	1,336,688	91,936	12,861,979	(862,626)
Contributions	2,324,790	2,089,003		125,000	4,538,793	43,358
Transfers in (Note 4A)		363,575			363,575	20,502
Transfers (out) (Note 4A)		(10,251)	(10,251)		(20,502)	
Net Contributions and Transfers	2,324,790	2,442,327	(10,251)	125,000	4,881,866	63,860
Change in net position	3,004,593	13,195,879	1,326,437	216,936	17,743,845	(798,766)
BEGINNING NET POSITION (DEFICIT), AS ADJUSTED (NOTE 9E)	65,686,158	122,645,114	(5,661,175)	409,026	183,079,123	8,199,003
ENDING NET POSITION (DEFICIT)	\$68,690,751	\$135,840,993	(\$4,334,738)	\$625,962	\$200,822,968	\$7,400,237

See accompanying notes to basic financial statements

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$18,108,099	\$27,098,255	\$12,728,285	\$1,210,641	\$59,145,280	\$6,177,364
Payments to suppliers	(6,628,617)	(2,254,699)	(4,224,188)	(322,539)	(13,430,043)	(3,955,297)
Payments to or on behalf of employees	(4,069,973)	(4,869,326)	(5,040,895)	(737,350)	(14,717,544)	(2,522,499)
Internal activity - payments to other funds	(1,392,340)	(1,371,115)	(1,177,780)	(27,120)	(3,968,355)	
Receipts from employee notes receivable						2,519
Claims paid						(758,607)
Cash Flows from Operating Activities	6,017,169	18,603,115	2,285,422	123,632	27,029,338	(1,056,520)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts		386,335			386,335	
Interfund (payments)	(1,646,772)			(32,650)	(1,679,422)	
Transfers in from other funds		363,575			363,575	20,502
Transfers out to other funds		(10,251)	(10,251)		(20,502)	
Cash Flows from Noncapital Financing Activities	(1,646,772)	739,659	(10,251)	(32,650)	(950,014)	20,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net	(694,828)	(19,416,097)	(1,204,451)		(21,315,376)	(787,828)
Proceeds from sale of capital assets	1,925	5,050	1,125		8,100	11,893
Capital grants			73,369		73,369	
Long-term debt payment - principal	(1,240,000)	(1,265,000)			(2,505,000)	(119,864)
Long-term debt payment - interest	(1,547,820)	(1,867,838)			(3,415,658)	(13,184)
Cash Flows from Capital and Related Financing Activities	(3,480,723)	(22,543,885)	(1,129,957)		(27,154,565)	(908,983)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	193,351	343,645	11,902		548,898	(35,244)
Cash Flows from Investing Activities	193,351	343,645	11,902		548,898	(35,244)
Net Cash Flows	1,083,025	(2,857,466)	1,157,116	90,982	(526,343)	(1,980,245)
Cash and investments at beginning of period	48,217,614	64,790,421	1,376,901		114,384,936	18,420,036
Cash and investments at end of period	\$49,300,639	\$61,932,955	\$2,534,017	\$90,982	\$113,858,593	\$16,439,791

(Continued)

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
Reconciliation of Operating Income (Loss) to Cash Flows						
from Operating Activities:						
Operating income (loss)	\$1,684,287	\$12,055,905	\$1,268,493	\$92,161	\$15,100,846	(\$849,948)
Adjustments to reconcile operating income (loss) to cash flows						
from operating activities:						
Depreciation	3,791,824	3,479,543	595,877	79,760	7,947,004	481,365
Change in assets and liabilities:						
Accounts receivables (net of allowance for estimated uncollectible accounts)	146,548	313,875	(34,400)	(3,448)	422,575	30,480
Related party notes receivable						2,519
Prepaid items						(391)
Accounts payable and other accrued expenses	901,208	2,405,413	536,790	17,262	3,860,673	(157,279)
Contracts payable	(643,302)	40,768			(602,534)	
Accrued liabilities						(633,688)
Due to other funds						
Compensated absences						193,997
Claims liability						(108,814)
Net pension liability, deferred outflows and inflows	114,319	281,554	(106,209)	(69,578)	220,086	(17,165)
Total OPEB liability, deferred outflows and inflows	22,285	26,057	24,871	7,475	80,688	2,404
Cash Flows from Operating Activities	<u>\$6,017,169</u>	<u>\$18,603,115</u>	<u>\$2,285,422</u>	<u>\$123,632</u>	<u>\$27,029,338</u>	<u>(\$1,056,520)</u>
NONCASH TRANSACTIONS:						
Contributions of capital assets, net	<u>\$2,324,790</u>	<u>\$2,089,003</u>		<u>\$125,000</u>	<u>\$4,538,793</u>	<u>\$43,358</u>
Amortization of bond premium	<u>\$193,316</u>	<u>\$84,093</u>			<u>\$277,409</u>	

See accompanying notes to basic financial statements

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FIDUCIARY FUNDS

FIDUCIARY FUNDS

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

The Fund is used to account for the activities of the Successor Agency to the former Manteca Redevelopment Agency.

CITY OF MANTECA
 FIDUCIARY FUNDS
 STATEMENTS OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS	
Cash and investments (Note 3)	\$7,371,389
Restricted cash and investments (Note 3)	9,777,332
Capital assets, not being depreciated (Note 16C)	5,141,714
Capital assets, being depreciated (net) (Note 16C)	<u>2,242,800</u>
Total Assets	<u>24,533,235</u>
DEFERRED OUTFLOW OF RESOURCES	
Accumulated decrease in fair value of hedging derivative (Note 16D)	<u>7,711,842</u>
LIABILITIES	
Accounts payable	29,717
Refundable deposits	5,000
Interest payable	830,751
Derivative instrument (Note 16D)	7,711,842
Long-term obligations (Note 16D):	
Due in one year	3,420,000
Due in more than one year	<u>103,920,000</u>
Total Liabilities	<u>115,917,310</u>
NET POSITION (DEFICIT)	
Held in trust for other purposes	<u><u>(\$83,672,233)</u></u>

See accompanying notes to basic financial statements

CITY OF MANTECA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS	
Property taxes	\$8,970,904
Net investment income	<u>227,899</u>
Total additions	<u>9,198,803</u>
DEDUCTIONS	
Community development	303,447
Depreciation (Note 16C)	125,256
Interest and fiscal charges	<u>5,599,995</u>
Total deductions	<u>6,028,698</u>
CHANGE IN NET POSITION	3,170,105
NET POSITION HELD IN TRUST FOR OTHER PURPOSES	
Beginning of year	<u>(86,842,338)</u>
End of year	<u><u>(\$83,672,233)</u></u>

See accompanying notes to basic financial statements

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CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Manteca was incorporated as a general law city on May 28, 1918. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, water, solid waste, culture-recreation, public improvements, planning and zoning, general administration services, and redevelopment.

A. Reporting Entity

The accompanying basic financial statements of the City of Manteca include the financial activities of the City as well as the Manteca Financing Authority, which is controlled by and dependent on the City. While this is a separate legal entity, City Council serves in separate session as its governing body and its financial activities are integral to those of the City. The financial activities have been aggregated and merged (termed “blended”) with those of the City in the accompanying financial statements.

The **Manteca Financing Authority** is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public, or negotiated sale, and may sell such bonds to public or private purchasers at public, or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority is included in the Sewer Enterprise Fund. Financial statements for the Manteca Financing Authority component unit may be obtained from the City of Manteca at 1001 West Center Street, Manteca, California, 95337.

The **City of Manteca Housing Authority**, formed in February 2011, is a separate government entity whose purpose is to assist with the housing for the City’s low and moderate income residents. The Housing Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Housing Authority. The Housing Authority did not undertake any transactions during fiscal year 2018. Separate financial statements are not issued for the City of Manteca Housing Authority.

The financial statements of the City of Manteca Recreational Facilities, Inc. are excluded from the City’s basic financial statements because the City does not control the Corporation’s daily operations or operating budgets and because the Corporation has provided its own capital.

B. Basis of Presentation

The City’s basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City and its blended component units). These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for interfund services provided and used. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

GENERAL FUND – The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

PUBLIC SAFETY SALES TAX – Established to account for all proceeds collected from the levying of the Gang and Drug Prevention, 9-1-1 Emergency and Public Safety Improvement Transactions and Use Tax. Taxes received are designated solely for the public safety services set forth in the Program Guidelines and Public Safety Expenditure Plan. The Public Safety Expenditure Plan may be amended from time to time by a majority vote of the City Council, so long as the funds are utilized for public safety, police and fire protection services.

LOW AND MODERATE INCOME HOUSING ASSETS FUND – Established to account for revenues and expenditures as a result of the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency and the revenues and expenditures related to the low and moderate income housing program. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PUBLIC FACILITIES IMPLEMENTATION PLAN FUND - Established to account for the costs incurred for the development of a Public Facilities Implementation Plan. Now that the Plan is functional, this fund accounts for the developer impact fees collected and expended in the construction of the drainage and transportation elements of the Plan. The sewer and water developer impact fees collected and expended in connection with the Plan are accounted for in their respective Enterprise Funds.

REDEVELOPMENT BONDS PROJECTS FUND - Established to account for the financing and construction activities funded with the tax-exempt proceeds from the issuance of the former Manteca Redevelopment Agency's long-term debt.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

WATER FUND - Accounts for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, billing and collection.

SEWER FUND - Accounts for the provision of sewer services to residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, billing and collection.

SOLID WASTE FUND - Accounts for the provision of solid waste collection services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, billing and collection.

GOLF FUND - Accounts for the operations of the City's municipal golf course. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing and related debt service, billing and collection.

The City also reports the following fund types:

Internal Service Funds. The funds account for vehicle, equipment, payroll tax benefits and insurance; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. Fiduciary Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The Retiree Health Savings Plan Trust Fund accounts for the accumulation of resources to be used for retiree medical benefit payments at appropriate amounts and times in the future. The Successor Agency to the Manteca Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. The financial activities of the funds are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. In addition, contributions from state and federal agencies, developers and others are recorded as revenue.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Those revenues susceptible to accrual are use of money and property revenue, charges for services and fines and penalties. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue.

Expenditures are also generally recognized under the modified accrual basis of accounting. An exception to this rule is principal and interest on long-term debt, which is not recognized by debt service funds until it is due. Financial resources usually are appropriated in funds responsible for repaying debt for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Thus, the liability is recognized by the fund responsible for paying the debt, not the debt service fund.

All Proprietary Funds and Fiduciary Funds are accounted for using the *accrual basis* of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

E. Revenue Recognition for Water, Sewer and Solid Waste

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of a fiscal period are not material and are not accrued.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax

San Joaquin County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the county, which retains all penalties collected.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

G. Compensated Absences

The liability for compensated absences includes the vested portions of vacation, sick leave and compensated time off, administrative leave and furlough for Safety. For governmental funds, a liability for these amounts is recorded only if they have matured, for example, as a result of employee resignations and retirements. The remaining amounts are reported as a liability in the Statement of Net Position. Proprietary funds’ liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

Changes in compensated absences were as follows:

Beginning Balance	\$5,572,755
Additions	3,911,206
Payments	<u>(3,717,209)</u>
Ending Balance	<u><u>\$5,766,752</u></u>
Current Portion	<u><u>\$576,675</u></u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of the governmental activities compensated absences is liquidated primarily by the General Fund.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three items that qualify for reporting in this category. One of them is the accumulated decrease in the fair value of hedging derivatives reported in the fiduciary statement of net position as discussed in Note 16D. An accumulated decrease in the fair value of hedging derivatives is equal to the fair value of the associated derivative instrument liability so long as the instrument is deemed effective under the provisions of GASB Statement No. 53. The City also has deferred outflows of resources related to pensions and Other Post-Employment Benefits (OPEB) as discussed in Notes 10 and 11.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: notes receivable. The City also has deferred inflows of resources which arises under the full accrual basis of accounting related to pensions and OPEB as discussed in Notes 10 and 11. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

J. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

K. *New Fund*

The Flood Protection Capital Projects Fund was established during fiscal year 2018 to account for permit payments that are collected for the two-hundred-year flood.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through the adoption of a resolution.
4. All budget adjustments are approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level for the General Fund and at the Fund level for all other funds.
5. Budgets are adopted for all funds.
6. Formal budgetary integration is employed as a management control device during the year in all funds.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

B. *Encumbrances*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as a restriction, commitment or assignment of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

C. *Expenditures in Excess of Appropriations*

The following funds incurred expenditures in excess of appropriations. Sufficient resources were available within each fund to finance these excesses:

Fund	Excess of Expenditures Over Appropriations
General Fund:	
Fire	\$53,352
Special Revenue Fund:	
Landscape and Lighting Maintenance District	22,280

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Investments are carried at fair value.

A. Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the City's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in the City's name and places the City ahead of general creditors of the institution pledging the collateral.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments as of June 30, 2018 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Cash and investments available for City operations	\$240,302,800
Restricted cash and investments	46,969,313
Total City cash and investments of primary government	287,272,113
Cash and investments in Fiduciary Funds	7,371,389
Restricted cash and investments in Fiduciary Funds	9,777,332
Total cash and investments	\$304,420,834

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	\$3,975
Deposits with financial institutions	51,322,938
Investments	253,093,921
Total cash and investments	\$304,420,834

Cash and investments are used in preparing Proprietary Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills, Bonds and Notes Federal Agency or United States Government- Sponsored Enterprise Obligations	5 years	None	100%	No Limit
Mortgage Pass Through Federal Agency Securities	5 years	None	20%	No Limit
California State and Local Agency Obligations	5 years	A	(1)	No Limit
Other State Obligations	5 years	A	(1)	No Limit
Bankers' Acceptances	180 days	Highest Category	40%	15% (2)
Commercial Paper	270 days	Highest Category	25%	15% (3)
Negotiable Certificates of Deposit	5 years	A	30%	15% (2)
Repurchase Agreements	90 days	None	100%	15% (2)
Local Agency Investment Fund	n/a	None	\$65 million/account	\$65 million/account
Time Certificates of Deposit	5 years	None	25%	15% (2)
Medium-Term Corporation Notes	5 years	A	30%	15% (2)
Money Market Funds	n/a	Highest Category	100%	15% (2)
Local Government Investment Pools	n/a	None	50%	No Limit
Supranationals	5 years	AA	30%	No Limit
Asset-Backed Securities	5 years	A	20%	No Limit

- (1)** Total investments in California State and Local Agency Obligations and Other State Obligations may not exceed 30% of the City's total portfolio.
- (2)** Total value invested in any one issuer may not exceed 5% of the issuer's net worth.
- (3)** Total value invested in any one issuer may not exceed 10% of the outstanding commercial paper of the issuer.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City and Successor Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City or Successor Agency fails to meet the obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types and their minimum credit ratings that are authorized for investments held by fiscal agents. The bond indentures contain no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment- type.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
United States Treasury Bill, Bonds, Notes	5 years	N/A
United States Government Agency Obligations	5 years	N/A
Federal Securities	5 years	N/A
Bankers' Acceptances	30 days to 1 year	A-1
Commercial Paper	270 days to 1 year	A-1
Certificates of Deposit	30 days to 5 years	None to A
Repurchase Agreements	None to 30 days	A-1
Local Agency Investment Fund	n/a	Not rated
Money Market Funds	n/a	AA-m
Investment Agreements	None	None to AA
State and Municipal Bonds, Notes	None	Two Highest Categories
Pre-refunded Municipal Obligations	None	None to AAA
State Obligations	None	A
State Obligations - Direct Short-Term	None	A-1
State Obligations - Special Revenue Bonds	None	AA

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 24 Months	25 to 36 Months	More than 36 Months	Total
<i>Held by City:</i>					
U.S. Government Agency Obligations					
Non-Callable	\$2,499,283	\$14,230,245			\$16,729,528
Mortgage Pass Through Federal Agency Securities	540,416	432,508		\$1,667,338	2,640,262
U.S. Treasury Notes		19,725,082	\$21,607,808		41,332,890
Corporate Notes					
Callable		1,791,328	1,025,977	879,846	3,697,151
Non-Callable	488,839	12,941,069	10,666,408	373,815	24,470,131
Negotiable Certificates of Deposit	5,725,291	13,644,626	5,806,627		25,176,544
California Local Agency Investment Fund	38,619,007				38,619,007
California Asset Management Program	7,810,933				7,810,933
Money Market Mutual Funds (U.S. Securities)	81,788				81,788
Supranationals		1,415,609	7,257,798		8,673,407
Asset-Backed Securities		527,099	5,711,216	16,522,875	22,761,190
<i>Held by Trustees:</i>					
U.S. Government Agency Obligations		7,106,331			7,106,331
Certificates of Deposit	238,466	711,440			949,906
Guaranteed Investment Contracts				2,533,121	2,533,121
Money Market Mutual Funds (U.S. Securities)	50,511,732				50,511,732
Total Investments	<u>\$106,515,755</u>	<u>\$72,525,337</u>	<u>\$52,075,834</u>	<u>\$21,976,995</u>	<u>\$253,093,921</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2018, these investments have an average maturity of 193 days.

The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2018, the fair value was approximate to the City's cost. At June 30, these investments had an average maturity of 35 days.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City, as a CAMP shareholder, may withdraw all or any portion of the funds in its CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the City may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal.

Money market funds are available for withdrawal on demand and at June 30, 2018 and have a weighted average maturity of 18 to 26 days.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2018 for each investment type as provided by Standard and Poor's investment rating system, except as noted.

Investment Type	AAAm/AAA	AA+/AA/AA-	A+/A/A-	Fitch/Moody A3/A	Total
Held by City:					
U.S. Government Agency Obligations					
Non-Callable		\$16,729,528			\$16,729,528
Mortgage Pass Through Federal Agency Securities		2,640,262			2,640,262
Corporate Notes					
Callable		225,781	\$2,769,344	\$702,026	3,697,151
Non-Callable	\$902,485	4,098,995	16,455,048	3,013,603	24,470,131
California Asset Management Program	7,810,933				7,810,933
Money Market Mutual Funds (U.S. Securities)	81,788				81,788
Supranationals	8,673,407				8,673,407
Asset-Backed Securities	22,761,190				22,761,190
Held by Trustees:					
U.S. Government Agency Obligations		7,106,331			7,106,331
Money Market Mutual Funds (U.S. Securities)	50,511,732				50,511,732
Totals	\$90,741,535	\$30,800,897	\$19,224,392	\$3,715,629	144,482,453
Not rated:					
Negotiable Certificates of Deposit					25,176,544
Certificates of Deposit					949,906
California Local Agency Investment Fund					38,619,007
Guaranteed Investment Contracts					2,533,121
Exempt from credit rating disclosure:					
U.S. Treasury Notes					41,332,890
Total Investments					\$253,093,921

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2018, the book value of the City's cash with banks and petty cash was \$51,326,913 and the associated bank balances were \$51,322,322. Of the City's bank balance \$310,299 was exposed to custodial credit risk, because it was not FDIC insured or collateralized by securities as noted in Note 3A above.

H. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:			
U.S. Government Agency Obligations		\$16,729,528	\$16,729,528
Mortgage Pass Through Federal Agency Securities		2,640,262	2,640,262
U.S. Treasury Notes	\$41,332,890		41,332,890
Corporate Notes		28,167,282	28,167,282
Negotiable Certificates of Deposit		25,176,544	25,176,544
Supranationals		8,673,407	8,673,407
Asset-Backed Securities		22,761,190	22,761,190
Held by Trustees:			
Certificates of Deposit		949,906	949,906
U.S. Government Agency Obligations		7,106,331	7,106,331
Totals	<u>\$41,332,890</u>	<u>\$112,204,450</u>	153,537,340
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			7,810,933
Investments Measured at Amortized Cost:			
Money Market Mutual Funds (U.S. Securities)			81,788
Held by Trustees:			
Money Market Mutual Funds (U.S. Securities)			50,511,732
Guaranteed Investment Contracts			2,533,121
Investments Exempt from Fair Value Hierarchy:			
California Local Agency Investment Fund			<u>38,619,007</u>
Total Investments			<u>\$253,093,921</u>

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments classified in Level 1 of the fair value hierarchy, valued at \$41,332,890 were valued using quoted prices in active markets. All investments classified in Level 2 of the fair value hierarchy were valued using matrix pricing techniques maintained by various pricing vendors. These prices were obtained from various pricing sources from our custodian bank. The California Local Agency Investment Fund is exempt from classification in the fair value hierarchy. Fair value is defined as the quoted market value on the last trading day of the period.

I. Concentration Risk

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, Local Agency Investment Fund, California Asset Management Program and mutual funds, are set forth below:

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity Wide:	Federal National Mortgage Association	United States Government Agency Obligations	\$14,847,783
Fiduciary Fund:			
Successor Agency to the Redevelopment Agency Private Purpose Trust Fund	IXIS Fund Corporation	Guaranteed Investment Contract	2,533,121
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	1,333,084
	Federal National Mortgage Association	United States Government Agency Obligations	1,177,692

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. During the fiscal year ended June 30, 2018 the transfers were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
Sewer Enterprise Fund	General Fund	\$363,575
Non-Major Governmental Funds	General Fund	753,989
Internal Service Funds	Sewer Enterprise Fund	10,251
	Solid Waste Enterprise Fund	10,251
		\$1,138,066

- A Transfer 50% of the business license tax collections to lower the PFIP Sewer Fee, in accordance with the 2013 Public Facilities Implementation Plan Update
- B To fund recreation, development services, and fire grants
- C To transfer capital assets

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. Current Interfund Balances

Current interfund balances arise mainly due to the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances are expected to be repaid shortly after the end of the fiscal year. At June 30, 2018, interfund balances were as follows:

Due From Funds	Due To Funds	Amount
General Fund	Non-Major Governmental Funds	\$42,535
Non-Major Governmental Fund	Non-Major Governmental Funds	1,020,242
	Total Current Interfund Balances	<u>\$1,062,777</u>

C. Long-Term Interfund Advances

At June 30, 2018 the funds below had made advances that are not expected to be repaid within the next year. These long-term interfund advances are expected to be repaid out of future developer fees.

(Asset) Fund Making Advance	(Liability) Fund Receiving Advance	Amount of Advance
General Fund	Public Facilities Implementation Plan Fund	\$1,081,780
Public Facilities Implementation Plan Fund	Water Enterprise Fund	3,051,675
	Sewer Enterprise Fund	6,890,068
Water Enterprise Fund	Public Facilities Implementation Plan Fund	180,280
	Sewer Enterprise Fund	272,802
Sewer Enterprise Fund	Public Facilities Implementation Plan Fund	259,606
	Water Enterprise Fund	86,961
	Total Advances	<u>\$11,823,172</u>

Public Facilities Implementation Plan

Advances above in the amount of \$11,823,172 have been made between the Public Facilities Improvement Plan, General Fund, Water, and Sewer Funds in coordination with the City's adopted Public Facilities Implementation Plan. The long-term interfund advances to and from these funds were made in accordance to this Plan and are expected to be repaid out of future developer fees over the next fifteen years.

During the fiscal year 2011 the Public Facilities Implementation Plan Fund made an additional advance to the Sewer Enterprise Fund in the amount of \$5,000,000 which is included in the balance above. The advance bears interest at an annual rate of 2%.

D. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE

The former Redevelopment Agency engaged in programs designed to encourage construction of or improvement to low-to-moderate income housing. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to expend these funds in accordance with the Agency's terms. With the dissolution of the Redevelopment Agency as discussed in Note 16, the City agreed to become the successor to the Redevelopment Agency's housing activities and as a result the Low and Moderate Income Housing Asset Fund assumed the loans receivable of the Redevelopment Agency's Low and Moderate Income Housing Fund. The balances of the notes receivable in the Low and Moderate Income Housing Asset Fund at June 30, 2018 are set forth below:

A. Summary of Notes Receivable and Deferred Revenue

The City has deferred the recognition of revenues from the proceeds of the Notes. At June 30, 2018, these Notes totaled:

HOPE Shelter	\$1,206,037
Habitat for Humanity	10,000
Down Payment Assistance Program	1,574,299
Residential Rehabilitation	103,614
First-Time Homebuyer Program	60,000
Mid-Peninsula Housing Coalition	2,500,000
Eden Housing Inc. - Union Court Apartments	2,593,742
Eden Housing Inc. - Senior Housing	1,680,932
Manteca Senior Housing, LLC - Affirmed Housing	750,000
Senior Rehabilitation Loans	18,367
Manteca Atherton Associates - Juniper Apartments	12,750,000
Total notes receivable	<u>23,246,991</u>
Less: Allowance for conditional grants	<u>(712,608)</u>
Net long-term notes receivable	<u><u>\$22,534,383</u></u>

Unavailable revenue at June 30, 2018 consisted of the outstanding balances of the above notes.

B. HOPE Shelter

In fiscal year 1998, the Agency loaned \$14,842 to the Helping Others Provide Encouragement (HOPE) Shelter for the replacement of windows at a facility for rent to very-low-income tenants and \$150,000 was loaned for the rehabilitation of a different property leased by HOPE. If the facility is used for the stated purpose for fifteen years, the Agency will forgive the Loans and the due date or potential forgiveness date was June 1, 2013. The loans were forgiven during fiscal year 2014.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE (Continued)

On August 3, 2010, the Agency entered into a Predevelopment Loan Agreement with HOPE in the amount of \$188,750, secured by a promissory note, to fund the design phase of the rehabilitation of the Shelter and to create seven new units with thirty-five beds. On November 16, 2010, the Agency entered into an Owner Participation and Loan Agreement with HOPE to loan an additional \$1,243,440 to fund the construction phase of the rehabilitation of the Shelter. This loan is secured by a deed of trust and bears simple interest of one percent from the date of each disbursement of loan funds, if the new rental units are used for affordable housing for low and moderate income households for fifty-five years after completion of construction. The Agency agreed to forgive the loan after fifty-five years if the facility is used for the stated purpose. During the fiscal year ended June 30, 2013 the City forgave the predevelopment loan in the amount of \$188,750.

As of June 30, 2018, HOPE had drawn down \$1,206,037 of the available loans and no further drawdowns are expected.

C. *Habitat for Humanity*

In March 1998 the Agency loaned \$10,000 to the Habitat for Humanity, to be used toward the purchase of property to construct an affordable housing unit. Habitat has signed a promissory note secured by a deed of trust. The loan only becomes due if the property is not maintained as affordable housing. If the property is used for the stated purpose for thirty years the City will forgive the loan.

D. *Down Payment Assistance Program*

The Moderate Income Housing Down Payment Assistance Program was established in 2004 to provide financing for homebuyers with moderate income who are unable to qualify for a home purchase without down payment assistance. At June 30, 2018, loans related to this Program in the amount of \$1,574,299 had been extended. These loans are secured by second deeds of trust, and bear no interest. These promissory notes are due if the home is sold, equity is removed, home is non-owner occupied, or after 40 years.

E. *Residential Rehabilitation Loans*

During fiscal year 2003 the Redevelopment Agency began the Residential Rehabilitation Matching Grant Program under which it made loans to real property owners in the Redevelopment Area for the purpose of making property improvements. The Agency agreed to forgive the loans after five years based on program provisions; the loans bear eight percent interest due from date of closing applicable only in case of default. At June 30, 2018, loans receivable under this program totaled \$103,614.

F. *First-Time Homebuyer Loan Program*

In January 2002 the Agency engaged in a first-time homebuyer down payment assistance program designed to encourage home ownership among low-and-moderate-income households. Under this program, an interest free loan up to \$60,000 is provided to eligible households to be used as part of the down payment for the purchase of home in the City of Manteca. These promissory notes are secured by second deeds of trust and due forty years from the date the property was purchased. The balance of the notes receivable arising from this program at June 30, 2018 was \$60,000.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE (Continued)

G. *Mid-Peninsula Housing Coalition*

In March 2006, the Manteca Redevelopment Agency entered into a loan agreement with the Mid-Peninsula Housing Coalition for affordable housing. Under the terms of the agreement, the Agency loaned \$2,500,000 to partially fund the acquisition of the property to be used for the construction of affordable rental housing. The note bears interest of 3% interest. Repayment of the loan will commence on April 30 of the year after the completion of construction of the project. Principal and interest payments will be due annually and equal to 50% of residual receipts, if any, as defined in the loan agreement. The loan is due in full no later than December 31, 2065. The agreement is secured by a deed of trust. Mid-Peninsula Housing Coalition is in default on the loan. The City is in negotiations to resolve the issue.

H. *Eden Housing Inc. – Union Court Apartments*

On September 1, 2000, the Agency agreed to loan \$2,593,742 to Eden Housing Inc., for the acquisition and rehabilitation of the Union Court Apartments. The loan is secured by a second deed of trust, bears interest at one percent and is due in 2055.

I. *Eden Housing Inc. – Senior Housing (Almond Terrace)*

On June 5, 2000, the Agency agreed to loan Eden Housing Inc. up to \$900,000 at three percent interest to assist with the acquisition of two parcels and construction of fifty units of affordable rental housing for very-low-income seniors. On April 17, 2002, the Agency loaned an additional \$781,000 to increase the total amount of loan to \$1,681,000 in order to help Eden Housing Inc. complete the construction. The loan is secured by a deed of trust. If Eden Housing sells or transfers any of the parcels prior to the June 5, 2030 due date, the unpaid principal and interest on those parcels become due. As of June 30, 2018, Eden Housing had drawn down the loan in the amount of \$1,680,932.

J. *Manteca Senior Housing Inc. – Affirmed Housing*

On March 22, 2007, the Agency agreed to loan Manteca Senior Housing Inc. \$750,000 along with a grant of \$2,000,000 to be used for the acquisition and development costs for the fifty-two-unit apartment complex available for low income households. The Agency agreed to forgive the loan after fifty-five years based on program provisions; the loan bears a three percent interest due from date of closing applicable only in case of default. If there are residual receipts, the developer must pay to the City fifty percent of the receipts. At June 30, 2018, \$750,000 has been drawn down from the loan, and all \$2,000,000 of the grant has been drawn down.

K. *Senior Rehabilitation Loans*

During fiscal year 2010, the Agency began the Senior Rehabilitation Loan Program under which it made loans up to \$7,500 to senior citizens in the Redevelopment Area for the purpose of making property improvements. The terms and conditions of the loans are dependent upon the income of the applicants. At June 30, 2018, loans receivable under this program totaled \$18,367.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE (Continued)

L. *Manteca Atherton Associates – Juniper Apartments*

On December 21, 2010, the Agency entered into an Owner Participation and Loan Agreement under which it agreed to loan \$12,250,000 to Manteca Atherton Associates to finance the construction of the Juniper Apartments, a 153-unit affordable housing complex. The Agreement was amended in March 2011 to increase the loan to \$12,750,000, payable as follows: \$4,530,644 of the loan is to pay the cost of the City development fees, \$4,301,069 is to pay for the cost of acquiring the land and construction costs, and \$3,918,287 is to be disbursed upon completion of the project to repay other sources of construction financing. The loan is secured by a deed of trust and bears simple interest of one percent from the date of each disbursement of loan funds. The loan is repayable from residual receipts, as defined in the agreement, beginning twelve months after the issuance of the certificate of occupancy, which was issued on October 10, 2012, and all unpaid principal and interest on the Loan is due fifty-five years after the issuance of the certificate of occupancy.

The Agency disbursed the loan to an escrow account from which the developer drew the funds as eligible costs were incurred. The balance of the loan receivable as of June 30, 2018 is \$12,750,000.

M. *Conditional Grants*

The City has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the City's housing stock and/or its supply of low-and-moderate income housing. Certain of these loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for these loans as conditional grants in the Government-wide financial statements, and provides a reserve against their eventual forgiveness using the straight-line method over the life of the respective loan.

NOTE 6 – EMPLOYEE NOTES RECEIVABLE

All full-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to \$3,000 to purchase a computer. All requests for loans are subject to review by the employee's department manager and must be approved by the Finance Director. Repayment of these loans is handled through payroll deductions which are spread out equally over a three year period. Employees must repay the outstanding balance of their loans upon ending their employment with the City. As of June 30, 2018, 56 employees had notes totaling \$61,226 due to the City.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 - CAPITAL ASSETS

Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. All other capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The City's practice is to capitalize all assets with costs exceeding the \$5,000 threshold.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Buildings and Improvements	30 years
Machinery and Equipment	5-15 years
Storm Drain	50 years
Streets	30 years
Parks	15-30 years
Sewer Lines and Improvements	50 years
Water Wells and Lines	50 years
Sewer Plant Expansion	10-20 years
Water Rights	25 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activities for the year ended June 30, 2018 were as follows:

Governmental activities

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets not being depreciated:					
Land and improvements	\$45,698,970	\$5,439,292			\$51,138,262
Construction in progress	21,531,496	4,824,373		(\$254,858)	26,101,011
Total capital assets not being depreciated	<u>67,230,466</u>	<u>10,263,665</u>		<u>(254,858)</u>	<u>77,239,273</u>
Capital assets being depreciated:					
Buildings and improvements	35,711,865	107,126	(\$88,385)	150,360	35,880,966
Machinery and equipment	17,907,911	2,715,786	(415,901)		20,207,796
Storm drain	53,040,791	2,728,340			55,769,131
Streets	197,841,869	9,085,585			206,927,454
Parks	63,950,693	2,425,580		74,041	66,450,314
Total capital assets being depreciated	<u>368,453,129</u>	<u>17,062,417</u>	<u>(504,286)</u>	<u>224,401</u>	<u>385,235,661</u>
Less accumulated depreciation for:					
Buildings and improvements	(10,882,546)	(1,099,871)	62,532		(11,919,885)
Machinery and equipment	(13,400,611)	(1,121,164)	407,838		(14,113,937)
Storm drain	(12,169,803)	(1,068,311)			(13,238,114)
Streets	(65,980,724)	(6,403,815)			(72,384,539)
Parks	(20,934,302)	(2,127,517)		(74,041)	(23,135,860)
Total accumulated depreciation	<u>(123,367,986)</u>	<u>(11,820,678)</u>	<u>470,370</u>	<u>(74,041)</u>	<u>(134,792,335)</u>
Net capital assets being depreciated	<u>245,085,143</u>	<u>5,241,739</u>	<u>(33,916)</u>	<u>150,360</u>	<u>250,443,326</u>
Governmental activity capital assets, net	<u>\$312,315,609</u>	<u>\$15,505,404</u>	<u>(\$33,916)</u>	<u>(\$104,498)</u>	<u>\$327,682,599</u>

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 - CAPITAL ASSETS (Continued)

<i>Business-type activities</i>	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets not being depreciated:					
Land and improvements	\$7,819,649				\$7,819,649
Construction in progress	4,705,856	\$19,105,546		\$104,498	23,915,900
Total capital assets not being depreciated	<u>12,525,505</u>	<u>19,105,546</u>		<u>104,498</u>	<u>31,735,549</u>
Capital assets being depreciated:					
Sewer lines and improvements	61,203,080	2,089,004			63,292,084
Water wells, pipelines and water rights	115,092,650	2,347,192			117,439,842
Buildings and improvements	8,553,080				8,553,080
Machinery and equipment	19,296,125	2,207,929	(\$393,996)	(74,041)	21,036,017
Infrastructure	165,424				165,424
Sewer plant expansion	96,464,981				96,464,981
	<u>300,775,340</u>	<u>6,644,125</u>	<u>(393,996)</u>	<u>(74,041)</u>	<u>306,951,428</u>
Less accumulated depreciation for:					
Sewer lines and improvements	(18,712,711)	(1,240,031)			(19,952,742)
Water wells, pipelines and water rights	(46,346,129)	(3,475,401)			(49,821,530)
Buildings and improvements	(4,813,794)	(222,557)			(5,036,351)
Machinery and equipment	(13,713,883)	(1,256,152)	374,536	74,041	(14,521,458)
Infrastructure	(41,526)	(6,567)			(48,093)
Sewer plant expansion	(28,035,324)	(1,746,296)			(29,781,620)
	<u>(111,663,367)</u>	<u>(7,947,004)</u>	<u>374,536</u>	<u>74,041</u>	<u>(119,161,794)</u>
Net capital assets being depreciated	<u>189,111,973</u>	<u>(1,302,879)</u>	<u>(19,460)</u>		<u>187,789,634</u>
Total Business-type activity capital assets, net	<u>\$201,637,478</u>	<u>\$17,802,667</u>	<u>(\$19,460)</u>	<u>\$104,498</u>	<u>\$219,525,183</u>

B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program was as follows:

Governmental Activities	
General government	\$366,795
Community development	46,179
Public safety	815,543
Public works	1,522,334
Parks and recreation	2,355,365
Streets and highways	6,233,097
Internal Service Funds	481,365
Total Governmental Activities	\$11,820,678
 Business-Type Activities	
Water	\$3,791,824
Sewer	3,479,543
Solid waste	595,877
Golf	79,760
Total Business-Type Activities	\$7,947,004

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – LONG TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City’s debt issues and transactions are summarized below and discussed in detail thereafter.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2017	Retirements	Balance June 30, 2018	Current Portion
Governmental Activity Debt:					
Capital Leases -					
Chipper Truck, 3.39%	\$150,000	\$93,008	\$29,966	\$63,042	\$30,991
IT Equipment (Internal Service), 3.39%	600,000	372,030	119,864	252,166	123,963
Fire Engine, 3.55%	580,000	440,332	104,341	335,991	108,079
Total Governmental Activity Debt	\$1,330,000	\$905,370	\$254,171	\$651,199	\$263,033
Business-type Activity Debt:					
Sewer Revenue Bonds					
Series 2009 Bonds, 4.875-5.75%	\$19,000,000	\$19,000,000		\$19,000,000	
Series 2012 Refunding Bonds, 2.00 - 4.00%	22,690,000	18,340,000	\$1,265,000	17,075,000	\$1,220,000
Net premium		2,144,393	84,093	2,060,300	
Water Revenue Bonds					
Series 2012 Refunding Bonds, 2.00 - 5.00%	35,840,000	31,475,000	1,240,000	30,235,000	1,290,000
Net premium		4,929,147	193,316	4,735,831	
Total Business - Type Activity Debt	\$77,530,000	\$75,888,540	\$2,782,409	\$73,106,131	\$2,510,000

B. Capital Lease Obligations

On May 25, 2015, the City entered into a lease agreement in the amount of \$750,000 with HSE Leasing, LLC for the purchase of information technology equipment and a Chipper Truck. The lease interest and principal payments begin on November 25, 2015, and are due every six months on the 25th with a final payment on May 25, 2020.

On July 1, 2015, the City entered into a \$580,000 lease agreement with HSE Leasing LLC for the purchase of a fire engine. The lease interest and principal payments are due semi-annually on each June 23 and December 23 with a final payment on December 23, 2021.

C. Sewer Revenue Bonds

On May 27, 2009 the Manteca Financing Authority issued the 2009 Sewer Revenue Bonds Series 2009 in the amount of \$19,000,000 to finance the City’s expansion and upgrade of its Wastewater Quality Control Facility. The 2009 Revenue Bonds are secured on parity with the 2003 Sewer Revenue Bonds Series 2003A and 2003B, by installment payments payable by the City of Manteca under the Installment Sales Agreement dated December 1, 2003 as amended by Amendment 1 dated June 1, 2009. The installment payments are special limited obligations of the City and are secured by a pledge of and lien on the net revenues of the City’s sewer system.

On December 11, 2012, the City issued Sewer Revenue Refunding Bonds, Series 2012 in the original principal amount of \$22,690,000 at interest rates that range from 2.00-4.00% to provide for a refunding of the Manteca Financing Authority’s outstanding 2003A and 2003B Sewer Revenue Bonds. During fiscal year 2014, the 2003A and 2003B bonds were called and fully retired. Principal payments are due annually on December 1, with interest payments payable semi-annually on December 1 and June 1 through December 1, 2033. Repayment of these bonds is from a pledge of revenue from the Sewer Enterprise Fund.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 - LONG TERM DEBT (Continued)

The City has pledged future sewer revenues, net of specified operating expenses, to repay the 2009 and 2012 Sewer Revenue Bonds through 2036. Projected net customer revenues are expected to provide coverage over debt service of at least 125% over the life of the bonds. The Sewer Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$56,536,137. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,044,591 and \$16,307,042, respectively.

D. Water Revenue Bonds

On December 11, 2012, the City issued Water Revenue Refunding Bonds, Series 2012 in the original principal amount of \$35,840,000 at interest rates that range from 2.00-5.00% to provide for a refunding of the Manteca Financing Authority's outstanding 2003A Water Revenue Bonds. During fiscal year 2014, the 2003 Water Revenue Bonds were called and fully retired. Principal payments are due annually on July 1, with interest payments payable semi-annually on July 1 and January 1 through July 1, 2033. Repayment of these bonds is from a pledge of revenue from the Water Enterprise Fund.

The City has pledged future water customer revenues, net of specified operating expenses, to repay the Water Revenue Bonds through 2033. Annual principal and interest payments on the bonds are expected to require less than 125% of net water revenues. The Water Enterprise Fund's total principal and interest remaining to be paid on the bonds is \$43,868,425. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,763,650 and \$5,936,010, respectively.

E. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt:

For the Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$263,033	\$20,365	\$2,510,000	\$3,217,791
2020	272,205	11,194	2,750,000	3,101,041
2021	115,961	3,097	2,935,000	2,958,916
2022			3,135,000	2,823,716
2023			3,310,000	2,679,141
2024-2028			16,350,000	11,028,568
2029-2033			20,540,000	6,703,495
2034-2037			14,780,000	1,581,894
Total	<u>\$651,199</u>	<u>\$34,656</u>	66,310,000	<u>\$34,094,562</u>
Plus: Bond Premiums			6,796,131	
Gross Long Term Debt			<u>\$73,106,131</u>	

F. Bond Issuance Costs, Original Issue Discounts and Premiums and Deferred Charge on Refunding

For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any differences between proprietary refunded debt and the debt issued to refund it is amortized over the remaining life of either the refunded debt or the refunding debt, whichever is shorter.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – NET POSITION AND FUND BALANCES

A. Net Position

Net Position is the excess of all the City's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions on the Statement of Net Position. These captions apply only to Net Position, which is determined only at the Government-wide level, and are described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low-and-moderate-income purposes.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. The highest level of formal action of the City Council is an Ordinance. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee, the Finance Director, and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City’s Fund Balances, as of June 30, 2018, are below:

Fund Balance Classifications	Special Revenue			Capital Projects		Other Governmental Funds	Total
	General Fund	Public Safety Sales Tax	Low and Moderate Income Housing Assets	Public Facilities Implementation Plan	Redevelopment Bonds Projects		
Nonspendable:							
Items not in spendable form:							
Prepaid Items	\$92,468						\$92,468
Advance	1,081,780						1,081,780
Total Nonspendable Fund Balances	1,174,248						1,174,248
Restricted for:							
Health Reimbursement Arrangement	493,423						493,423
Low and Moderate Income Housing Projects			\$156,309			\$502	156,811
Transportation Projects						22,522,858	22,522,858
Development Services Projects						12,382,378	12,382,378
Public Safety Projects		\$4,190,613				2,163,640	6,354,253
Parks Projects						3,917,188	3,917,188
Major Equipment Purchases						763,914	763,914
Landscaping and Lighting Projects						1,161,336	1,161,336
City and Public Facilities Projects				\$30,873,722	\$28,018,760	15,543,883	74,436,365
Total Restricted Fund Balances	493,423	4,190,613	156,309	30,873,722	28,018,760	58,455,699	122,188,526
Committed to:							
Recreation Programs						315,126	315,126
Total Committed Fund Balances						315,126	315,126
Assigned to:							
Capital Projects						8,993,799	8,993,799
Economic Revitalization	3,418,237						3,418,237
Public Facilities Oversizing	5,202,356						5,202,356
Capital Facilities	1,609,865						1,609,865
Technology	2,012,331						2,012,331
Total Assigned Fund Balances	12,242,789					8,993,799	21,236,588
Unassigned:							
General Fund	17,864,670						17,864,670
Total Unassigned Fund Balances	17,864,670						17,864,670
Total Fund Balances	\$31,775,130	\$4,190,613	\$156,309	\$30,873,722	\$28,018,760	\$67,764,624	\$162,779,158

C. Minimum Fund Balance Policies and Stabilization and Contingency Arrangements

The objective of the City’s Fund Balance Reserve Policy (Resolution 2015-56) was to establish adequate levels of fund balance reserve to mitigate risks and provide a back-up for revenue shortfalls. Industry best practices were used in establishing fund balance reserve levels including a target range for General Fund Operating Reserves and Emergency Reserves (Unassigned Fund Balance) of a combined total of no less than 17% of expenditures and up to 35%, depending upon identified risk factors. The goal of the Policy is to maintain reserves at or near the maximum end of the range. If the Unassigned Fund Balance reserve falls below 75% of the maximum, action will be required to increase the Unassigned Fund Balance reserve to at least 75% over an agreed upon specified number of years. If the Unassigned Fund Balance reserve falls below 50% of the range, a more-aggressive plan will need to be implemented to return the Unassigned Fund Balance reserve to a range between 75% and 100% of the maximum within a specified period of time.

For Enterprise Funds, the target for working capital was established at baseline of 90 days working capital or 25% of operating expenses.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

The Reserve Policy created six types of General Fund reserves in order of priority as follows:

Fiscal Stability, Cash Flow and Contingencies (Operating Reserve): The City will strive to maintain an unrestricted fund balance of at least 25% of operating expenditures in the General Fund based upon the subsequent year’s operating budget, which represents 90 days of cash flow.

This fund balance reserve is set up to provide for unanticipated operating expenses or revenue shortfalls adversely affecting City services and programs that were provided for and approved in the current fiscal year's budget. This restricted fund balance shall serve as the source of funding for impacted City services/programs or to transition expenditure growth to match slower revenue growth during the course of a recessionary cycle. This committed fund balance reserve is limited for use under currently budgeted operations and should not be used to fund new programs or new positions added outside of the current fiscal year budget. It is designed as "bridge financing" necessary to offset slower revenue growth during a recession.

Circumstances where taking reserves below policy levels would be appropriate include responding to the risks that reserves are intended to mitigate, such as:

- One-time uses in meeting cash-flow needs; closing a projected *short-term* revenue-expenditure gap; responding to unexpected expenditure requirements or revenue shortfalls; and making investments in technology, liability reductions, economic development and revenue base improvements, productivity improvements and other strategies that will strengthen City revenues or reduce future costs.

Where a forecast shows an ongoing structural gap, in providing a strategic bridge to the future.

On the other hand, reserves should not be used to fund ongoing costs or projected systemic “gaps.” Stated simply, reserves can only be used once, so the use should be restricted to one-time (or short-term) uses.

Economic Emergencies and Uncertainties (Emergency Reserve): The City will strive to maintain an unassigned fund balance of at least 10% of operating expenditures in the General Fund based upon the subsequent year’s operating budget.

The purpose of this reserve is to meet unexpected circumstances arising from financial and/or public emergencies that require immediate funding that cannot be met by any other means. These may include a natural disaster, an immediate threat to health and public safety, or a fiscal emergency as recommended by the City Manager. Any use of the General Fund Emergency Reserve shall require two-thirds vote of approval by the City Council.

Economic Revitalization: Prior to the dissolution of redevelopment in January 2011, the City had access to an array of financial assistance tools to support affordable housing, promote the development of living-wage jobs and stimulate the local economy. While several of the financial mechanisms permitted under the redevelopment law are no longer viable, the City recognizes the need to identify new programs to support economic revitalization within our community.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

While the former designated source of property tax revenue for these economic programs no longer exists in the same form, the City as an Affected Taxing Entity (ATE) receives a pro-rata portion of residual property tax generated from the former redevelopment project areas in excess of State-approved Enforceable Obligations. Since the amount of residual property tax is based on Enforceable Obligations tied to variable rate debt service, the amount of revenues received as an ATE can vary greatly from year to year. Due to the uncertainty of the receipts, the revenue from this source should not be relied upon for ongoing expenditures. In order to use these revenues in a manner consistent with the former Manteca Redevelopment Agency, all property tax revenues received per Health and Safety Code 34183(a)(4) shall be set aside in the Assignment for Economic Revitalization.

The use of these funds shall be restricted to programs authorized and approved by the majority of the City Council.

Public Facilities Oversizing: In June 1994, the City Council adopted Ordinance No. 998, imposing a Business License Tax on the Business of Constructing Residential Dwelling Units in the City. While the revenues generate from this tax are general in nature, the tax was adopted in conjunction with the City's Public Facilities Implementation Plan (PFIP) to fund required public facilities oversizing in the central and “core” areas of the City.

In February 2013, Council approved the updated PFIP. Per Section 2 (H)(3) of the adopted plan, 50% of the revenue received from this tax is to be transferred to the PFIP Sewer Fund to help lower the PFIP Sewer Fee. The remaining 50% of the revenue received, in combination with designated fund balances as of February 2013, will be assigned to public facilities oversizing. The use of these funds shall be restricted to projects approved by the majority of Council and identified in the City’s adopted Capital Improvement Plan.

Capital Facilities: The City will pre-fund anticipated capital needs for General Fund Departments by establishing a dedicated assigned fund balance for major capital improvements for City-owned or operated buildings such as roofs, HVAC, parks irrigation wells and improvements needed to comply with the Americans with Disabilities Act (ADA).

The City will establish an amount of 4% of General Fund appropriations based on the subsequent year’s budget to be used exclusively for capital items described within this Article.

This policy is primarily intended for facility capital repairs. Planning for new City facilities shall be governed by the policies set forth in the City's Government Building Facilities Fee study.

This assigned fund balance shall be built up at a rate of one-half of one percent (.5%) of approved General Fund revenues, per year. This fund balance is to be phased in based upon eight consecutive quarters of stabilized/increased General Fund primary revenues and City Manager's recommendation to Council.

Technology: The City will pre-fund major anticipated capital needs for Technology replacement and upgrade needs by establishing a dedicated Assigned fund balance reserve to be funded through annual budget appropriations. Major capital needs may include, but are not limited to, Enterprise Resource Planning (ERP) software replacement, Virtual Storage Upgrades/Replacement and Fiber Optic Data Links.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

The City will establish an amount of five percent (5%) of General Fund appropriations based upon the subsequent year’s budget to be used exclusively for major hardware and software items described within this Article.

The reserve target and the actual balance of each reserve for the year ended June 30, 2018, which are reported within the assigned and unassigned fund balance of the General Fund follows:

	Minimum Reserve	Reserve as of June 30, 2018
General Fund:		
Assigned Fund Balance:		
Economic Revitalization	\$3,418,237	\$3,418,237
Public Facilities Oversizing	\$5,202,356	5,202,356
Capital Facilities	\$1,609,865	1,609,865
Technology	\$2,012,331	2,012,331
Total Assigned Fund Balance		\$12,242,789
Unassigned Fund Balance:		
Fiscal Stability, Cash Flow & Contingencies	\$10,061,656	\$10,061,656
Economic Emergencies	\$4,024,662	4,024,662
Unassigned		3,778,352
Total Unassigned Fund Balance		\$17,864,670

D. Deficit Fund Balances and Accumulated Deficits

At June 30, 2018, the Solid Waste Enterprise Fund and the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund had deficit net position of \$4,334,738 and \$83,672,233 respectively.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

E. Fund Balance and Net Position Restatements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities, Business-Type Activities, Enterprise Funds and Internal Service Funds were restated and reduced by the amounts in the table below. See Note 11.

	<u>Restatement</u>
Governmental activities	\$14,041,963
Business-type activities	5,637,343
Enterprise Funds:	
Water Fund	1,622,719
Sewer Fund	2,032,795
Solid Waste Fund	1,846,679
Golf Fund	135,150
Internal Service Funds:	
Equipment Fund	755,972
Insurance Fund	60,383

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS

A. Plan Descriptions and Summary of Balances by Plan

The City has three defined benefit pension plans, a Miscellaneous Plan, a Safety (Police and Fire) Plan, and a Retirement Enhancement Plan. The Miscellaneous Plan is an Agent-Multiple Employer Plan and the Safety Plan is a Cost-Sharing Multiple Employer Plan administered by the California Public Employees' Retirement System (CalPERS). The Retirement Enhancement Plan is an Agent-Multiple Employer Plan administered by the Public Agency Retirement System (PARS). Benefit provisions under the Plans are established by State statute and City Ordinance. The PARS Plan is closed to new participants.

All qualified permanent and probationary employees are eligible to participate in the separate Safety (police and fire) Plan, a cost-sharing multiple employer defined benefit pension plan administered by CalPERS and Miscellaneous (all other) Plan, an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. PARS issues publicly available reports that may be requested from PARS via email at info@pars.org.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous and Safety Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office or PARS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2017, the latest measurement date, total pension expense for the Miscellaneous, Safety and PARS Retirement Enhancement plans amounted to \$17,307,956.

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan:

Plan	Deferred Outflows of Resources	Net Pension Liability/ Proportionate Share of Net Pension Liability	Deferred Inflows of Resources
CalPERS Plans:			
Miscellaneous	\$14,021,358	\$56,377,217	\$449,624
Safety - Police and Fire	16,497,029	55,899,346	640,537
PARS Retirement Enhancement Plan	453,000	478,000	
Total	\$30,971,387	\$112,754,563	\$1,090,161

Pension liabilities are liquidated by the funds that have recorded the liability. The long-term portion of the governmental activities pension liabilities are liquidated primarily by the General Fund.

Each Plan is discussed in detail below.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

B. CalPERS Miscellaneous Plan

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Tier I	Tier II	PEPRA
Hire date	Prior to April 3, 2012	After April 3, 2012	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8.00%	7.00%	6.75%
Required employer contribution rates	29.454%	29.454%	29.454%

Employees Covered – As of the June 30, 2016 actuarial valuation date and the June 30, 2017 measurement date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	
	June 30, 2016	June 30, 2017
Inactive employees or beneficiaries currently receiving benefits	244	251
Inactive employees entitled to but not yet receiving benefits	190	201
Active employees	250	258
Total	684	710

As of June 30, 2018, the City had 278 active employees in the Miscellaneous Plan.

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability - The City’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Changes in the Net Pension Liability - The changes in the Net Pension Liability for the Miscellaneous Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$146,813,210	\$97,720,094	\$49,093,116
Changes in the year:			
Service cost	3,359,127		3,359,127
Interest on the total pension liability	11,091,828		11,091,828
Differences between actual and expected experience	280,782		280,782
Changes in assumptions	9,610,904		9,610,904
Changes in benefit terms			
Contribution - employer		4,971,846	(4,971,846)
Contribution - employee (paid by employer)			
Contribution - employee		1,321,071	(1,321,071)
Net investment income		10,909,900	(10,909,900)
Administrative expenses		(144,277)	144,277
Benefit payments, including refunds of employee contributions	(6,508,026)	(6,508,026)	
Net changes	<u>17,834,615</u>	<u>10,550,514</u>	<u>7,284,101</u>
Balance at June 30, 2017	<u>\$164,647,825</u>	<u>\$108,270,608</u>	<u>\$56,377,217</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$79,888,701
Current Discount Rate	7.15%
Net Pension Liability	\$56,377,217
1% Increase	8.15%
Net Pension Liability	\$37,119,439

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For the year ended June 30, 2018, the City recognized pension expense of \$8,679,366. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$5,172,358	
Differences between actual and expected experience	584,249	(\$86,646)
Changes in assumptions	6,864,931	(362,978)
Net differences between projected and actual earnings on plan investments	1,399,820	
Total	<u>\$14,021,358</u>	<u>(\$449,624)</u>

\$5,172,358 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2018	\$2,621,504
2019	4,567,504
2020	2,000,903
2021	(790,535)
2022	0
Thereafter	0

Actuarial assumptions and information regarding the discount rate are discussed in Note 10D below.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

C. CalPERS Safety Plan

The City’s Safety Plan is part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors five rate plans (two fire and three police) within the safety risk pool.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Safety Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Safety		
	Police		
	First Tier	Second Tier	PEPRA
Hire date	Prior to April 3, 2012	After April 3, 2012	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	21.460%	18.487%	12.979%
	Fire		
	First Tier	PEPRA	
Hire date	Prior to /After April 3, 2012	On or after January 1, 2013	
Benefit formula	3% @ 55	2.7% @ 57	
Benefit vesting schedule	5 years of service	5 years of service	
Public	Monthly for life	Monthly for life	
Retirement age	50 - 55	50 - 57	
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%	
Required employee contribution rates	9%	12%	
Required employer contribution rates	18.830%	12.979%	

Beginning in fiscal year 2016, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions to the Safety Plan were as follows:

	Total
Contributions - employer	\$4,959,631

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan in the amount of \$55,899,346.

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	Total
Proportion - June 30, 2016	0.96118%
Proportion - June 30, 2017	0.93552%
Change - Increase (Decrease)	-0.02566%

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$8,509,590 for the Safety Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Safety Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,959,631	
Differences between actual and expected experience	466,388	(\$121,600)
Changes in assumptions	6,763,803	(518,937)
Net differences between projected and actual earnings on plan investments	1,474,774	
Change in proportion and differences between actual contributions and proportionate share of contributions	2,832,433	
Total	<u>\$16,497,029</u>	<u>(\$640,537)</u>

\$4,959,631 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$3,700,642
2020	5,163,514
2021	2,895,647
2022	(862,942)
2023	0
Thereafter	0

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability for each Plan as of the measurement date, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Total
1% decrease	6.15%
Net Pension Liability	\$78,244,148
Current Discount Rate	7.15%
Net Pension Liability	\$55,899,346
1% Increase	8.15%
Net Pension Liability	\$37,633,585

Actuarial assumptions and information regarding the discount rate are discussed in Note 10D below.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

D. Information Common to the Miscellaneous and Safety Plans

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous and Safety (Fire and Police)
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	7.15% (2)
Mortality Rate Table	Derived using CalPERS Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service, and type of employment

(2) Net of pension plan investment and administrative expenses; includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report available online at

<https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

For the measurement date of June 30, 2017, the accounting discount rate was reduced from 7.65 to 7.15 percent.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

E. PARS Supplemental Retirement Plan

Benefits Provided - Effective October 1, 2001, the City contracted with the Public Agency Retirement System (PARS), to sponsor a supplemental Retirement Enhancement Plan created in accordance with IRC Section 401(a), which is a qualified defined benefit pension plan covering all eligible employees of the City. All eligible employees covered by this plan are fully vested. The Plan is closed to new participants. Eligibility requirements are shown in the table below:

Eligibility	Tier I	Tier II	Tier III	Tier IV
City Manager prior to December 31, 2004	X			
Department Head prior to December 31, 2004		X		
City Manager on or after December 31, 2004			X	
Department Head on or after December 31, 2004				X
At least 55 years of age	X	X	X	X
5 years of continuous service	X		X	
10 years of continuous service		X		X
Terminated with City and concurrently retired under CalPERS under a regular service retirement on or after October 1, 2002	X	X	X	X

The retirement benefit for each Tier is as follows:

Retirement Benefit	Tier I	Tier II	Tier III	Tier IV
Full-time City service: 3%@55 less CalPERS 2.7%@55	X	X		
Full-time non-City service: 3%@55 less CalPERS 2%@55	X	X		
3%@55 less CalPERS 2.7%@55			X	X
Full-time City service			X	X

Also effective October 1, 2001, the City contracted with PARS to sponsor an Excess Benefit Plan, created in accordance with the IRC Section 415(m), which is a qualified governmental excess benefit arrangement covering all employees participating in the Retirement Enhancement Plan. Benefits are paid in the same form, time, and periods as under the Retirement Enhancement Plan. All eligible employees covered by this plan are fully vested. The Plan is also closed to new participants.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

The Plan provides a monthly benefit equal to one-twelfth of the difference between the number of credited service years multiplied by the PARS Benefit Factor and the number of credited service years multiplied by the PERS Benefit Factor. The PARS Benefit Factor is dependent upon the retirement age as shown in the chart below. The PERS Benefit Factor also depends upon the retirement age as discussed in Notes 10B and 10C above. The monthly benefits are also subject to a 2% annual cost of living increase.

PARS Benefit Factor	
Age at Retirement	Age Factor
52	2.640%
53	2.760%
54	2.880%
55+	3.000%

These Plan assets are held by a Trust for the exclusive benefits of plan participants as their beneficiaries. Assets held under this plan are not the City’s property and are not subject to claims by general creditors of the City.

Employees Covered – As of the June 30, 2016 actuarial valuation date, the following employees were covered by the benefit terms for each Plan:

	PARS
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	0
Active employees	2
Total	8

Contributions – The City makes all contributions necessary to fund the benefits available under the Plan. Employees are not permitted to make any contributions.

Contributions during the fiscal year ended June 30, 2018 totaled \$391,000.

Net Pension Liability - The City’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017 using an annual actuarial valuation. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined using an actuarial valuation as of that date. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

	PARS Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age, level percent of payroll
Amortization method	Level dollar amount
Amortization period	15-year closed period for each new amortization base
Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	3.00%
Projected Salary Increase	3.25%
Investment Rate of Return	5.50%
Mortality, Retirement, Disability, Termination	CalPERS 1997-2011 Experience Study
Mortality Improvement Scale	Mortality projected fully generational with Scale MP-2014, modified to converge to ultimate improvement rates in 2022

Discount Rate - The discount rate used to measure the total pension liability for the Plan was 5.50%. The Plan's long-term expected rate of return was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation based upon the investment of all assets in PARS' diversified Moderately Conservative portfolio.

Changes in the Net Pension Liability - The changes in the Net Pension Liability for the Plan as of the June 30, 2017 Measurement Date follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$2,506,000	\$1,860,000	\$646,000
Changes in the year:			
Service cost	9,000		9,000
Interest on the total pension liability	134,000		134,000
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		239,000	(239,000)
Contribution - employee			
Net investment income		80,000	(80,000)
Administrative expenses		(8,000)	8,000
Benefit payments, including refunds of employee contributions	(137,000)	(137,000)	
Net changes	6,000	174,000	(168,000)
Balance at June 30, 2018	\$2,512,000	\$2,034,000	\$478,000

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	PARS
1% Decrease	4.50%
Net Pension Liability	\$788,000
Current Discount Rate	5.50%
Net Pension Liability	\$478,000
1% Increase	6.50%
Net Pension Liability	\$210,000

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PARS financial report.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For the year ended June 30, 2018, the City recognized pension expense of \$119,000 for the Plan. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$391,000	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	62,000	
Total	\$453,000	\$0

\$391,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	PARS
Year Ended June 30	Annual Amortization
2019	\$18,000
2020	26,000
2021	12,000
2022	6,000
2023	0
Thereafter	0

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan

Plan Description – The City’s Other Post Employment Benefit Plan is a single-employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

The City provides postretirement health care benefits to employees who retire in good standing from the City after attaining the age of 50 and to certain employees who retire due to disability. As of June 30, 2018, there were 175 participants receiving these health care benefits.

Benefits Provided – In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City’s eligible health plans. In addition, there are eligibility rules and contribution requirements defined in the Memorandum of Understanding (MOU) with each employee group. For all retirements effective as of January 1, 2012 through June 30, 2012, the City-paid contribution for retiree health will be equal to the Minimum Employer Contribution (MEC) as set by CALPERS. For retirements effective on or prior to December 31, 2011, the benefit is set at the amount the employee or retiree was receiving as of December 31, 2011 for health benefits. The eligibility, rules, and Plan Benefits for each MOU and associated benefits are summarized below as of June 30, 2018:

Benefit Types Provided	Manteca Police Officers Association	Fire	Manteca Police Employees Association	Technical Support Services	General Services	Management
	Medical only	Medical only	Medical only	Medical only	Medical only	Medical only
Duration of Benefits	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime	Lifetime
Required Service: Basic Supplemental	Retirement under CALPERS					
Minimum Age	50	50	50	50	50	50
Dependent Coverage	Yes	Yes	Yes	Yes	Yes	Yes
City Contribution 100%	100%	100%	100%	100%	100%	100%
City Contribution Cap per Month (Basic) retirement on or prior to 12/31/2011	\$630 for single \$1,170 for two party \$1,440 for family	\$631 for single \$1,165 for two party \$1,490 for family	\$640 for single \$1,165 for two party \$1,515 for family	\$725 for single \$1,390 for two party \$1,800 for family	\$725 for single \$1,165 for two party \$1,875 for family	\$683 for single \$1,361 for two party \$1,810 for family
City Contribution Cap per Month (Basic) retirement after 12/31/2011, but hired on or before 12/31/2011	\$675 \$128	\$675 \$128	\$675 \$128	\$675 \$128	\$675 \$128	\$675 \$128
City Contribution Cap per Month (Basic) hired after 12/31/2011						

The City elected to establish Health Reimbursement Arrangement for Retirees to provide a funding mechanism for the pay-as-you go OPEB benefit during fiscal year 2012. This Health Reimbursement Arrangement is not a trust and is not considered a component unit by the City and has been excluded from these financial statements.

For the year ended June 30, 2018, the City’s contributions to the Plan were \$1,740,000.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	354
Inactive employees or beneficiaries currently receiving benefit payments	175
Inactive employees entitled to but not yet receiving benefit payments	61
Total	590

B. Total OPEB Liability

Actuarial Methods and Assumptions – The City’s total OPEB liability was measured as of June 30, 2017 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, level percentage of payroll
Actuarial Assumptions:	
Discount Rate	3.58%
Inflation	3.00%
Payroll Growth	3.25% (1)
PEMHCA Minimum Increases	4.50%
Contribution Policy	No pre-funding
Cap Increases	None beyond amounts specified
Mortality Rate	CalPERS 1997-2011 Experience Study (2)
Healthcare Trend Rates	Non-Medicare - 6.5% increase in 2018 scaling down to 5.0% in 2021; Medicare - 6.7% increase in 2018 scaling down to 5.0% in retirement year: 90% in 2016, decreasing to an ultimate rate of 50% in 2048 and later years; Eligible for PEMHCA minimum only: 50%
Participation at Retirement	

- (1) Merit - Tables from CalPERS 1997-2011 Experience Study
- (2) Mortality improvement projection Scale MP-14 with 15 year convergence in 2022

The underlying mortality assumptions were based on the CalPERS 1997-2011 Experience Study and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2016.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at June 30, 2016 (Measurement Date)	\$36,454,000
Changes Recognized for the Measurement Period:	
Service cost	1,509,000
Interest on the total OPEB liability	1,059,000
Changes of assumptions	(3,276,000)
Benefit payments *	(1,631,000)
Net changes	(2,339,000)
Balance at June 30, 2017 (Measurement Date)	\$34,115,000

* Includes \$1,184,000 cash benefit payments and \$447,000 implied subsidy benefit payments by the City.

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

Total OPEB Liability/(Asset)		
	Current	
Discount Rate -1%	Discount Rate	Discount Rate +1%
(2.58%)	(3.58%)	(4.58%)
\$38,737,000	\$34,115,000	\$30,352,000

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Total OPEB Liability/(Asset)		
Healthcare Cost Trend Rates		
1% Decrease	Current Trend	1% Increase
\$32,711,000	\$34,115,000	\$36,299,000

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,594,181. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$1,740,000	
Differences between actual and expected experience		
Changes of assumptions		\$2,764,000
Total	\$1,740,000	\$2,764,000

\$1,740,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$512,000)
2020	(512,000)
2021	(512,000)
2022	(512,000)
2023	(512,000)
Thereafter	(204,000)

NOTE 12 - DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 - RISK MANAGEMENT

A. Coverage

City employees are covered under a medical and prescriptions policy with coverage limited to \$2,000,000 in the aggregate. The City provides group dental and vision coverage to employees through programs which are administered by a service agent. The City pays all dental and vision claims.

On June 1, 2002 the City joined the Municipal Pooling Authority's workers' compensation program. The City joined the Authority's general liability program on January 1, 1998. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

Type of Coverage (Deductible)	Coverage Limits
Liability (\$100,000)	\$29,000,000
All Risk Fire and Property:	
Property (\$25,000)	1,000,000,000
Flood*	25,000,000
Boiler and Machinery (\$5,000)	100,000,000
Vehicle Physical Damage (\$3,000 police; \$2,000 others)	250,000
Cyber Liability (\$50,000)	2,000,000
Public Entity Pollution Liability (\$100,000)	25,000,000
Government Crime (\$2,500)	1,000,000
Workers' Compensation (\$500,000)	Statutory Limit
Employment Liability (\$50,000)	2,000,000

* \$100,000 minimum deductible per occurrence, except Zone A and V, which are subject to a \$250,000 deductible per occurrence

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements can be obtained from Municipal Pooling Authority, 1911 San Miguel Drive #100, Walnut Creek, CA 94596.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 13 - RISK MANAGEMENT (Continued)

B. *Liability for Uninsured Claims*

The City provides for the uninsured portion of claims and judgments in the Insurance Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed, above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The City's liability for uninsured claims was estimated by management based on prior years' claims experience as follows:

	Workers' Compensation Claims	General Liability Claims	Total
Balance June 30, 2016	\$481,618	\$792,456	\$1,274,074
Net change in:			
Liability for current fiscal year claims		356,623	356,623
Liability for prior fiscal years' claims and claims incurred but not reported (IBNR)	345,562	(30,930)	314,632
Claims paid	(42,665)	(474,834)	(517,499)
Balance June 30, 2017	784,515	643,315	1,427,830
Net change in:			
Liability for current fiscal year claims		127,412	127,412
Liability for prior years' claims and claims incurred but not reported (IBNR)	21,679	70,877	92,556
Claims paid	(19,101)	(309,681)	(328,782)
Balance June 30, 2018	<u>\$787,093</u>	<u>\$531,923</u>	<u>\$1,319,016</u>
Claims liability, due within one year	<u>\$19,101</u>	<u>\$309,681</u>	<u>\$328,782</u>

For the fiscal years ended June 30, 2018, 2017, and 2016 the amount of settlements did not exceed insurance coverage.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. *Litigation*

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

B. *Federal and State Grant Programs*

The City participates in Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

C. *Public Facilities Implementation Plan*

The City has developed a Public Facilities Implementation Plan (PFIP) to ensure that public facilities are adequate and constructed in accordance with the adopted master plans for water, sewer, storm drainage and traffic as the City grows and develops in accordance with its General Plan. Development Impact Fees are collected at or near the time of development and are used wherever practical to finance the expansion of infrastructure necessary to accommodate the demand for new capacity. In certain cases, developers may construct public improvements that are in the PFIP and enter into reimbursement agreements with the City. Developers are then granted credit against the fees owed or are reimbursed any remaining amounts owed to the developer by the City when sufficient funds are available from future development impact fees paid by subsequent development that benefit from the available improvements. As of June 30, 2018, the City had outstanding reimbursement commitments totaling \$22,950,134.

D. *Orchard Valley Shopping Center Parking Lease Agreement*

In fiscal 2007, the City entered into a lease agreement with Manteca Lifestyles Center LLC to lease public parking at the Orchard Valley Shopping Center. The lease became effective in fiscal year 2012 and the City is to make annual lease payments by September 1 of each year equal to 55% of the previous fiscal year's actual local sales taxes generated from the shopping center. Although the lease payments are based on the sales taxes collected, they can be made from any source of legally available funds. If the local sales taxes are insufficient in one year for the City to make the full scheduled lease payment, the shortfall carries to the next year without interest. Payments in excess of the scheduled annual lease payments are credited first to any outstanding shortfall and then against the total amount due under the lease. The total amount of lease payments to be made under the agreement is \$61,704,140; however the agreement terminates in 2047, regardless of whether this amount has been paid to the developer. During fiscal year 2018, payments made to the developer under the agreement were \$436,563 and payments to date total \$2,601,743.

E. *Sales Tax Sharing Agreement*

In fiscal 2008, the City entered into a sales tax sharing agreement with a Corporation in the amount of \$3,700,000. The agreement became effective in fiscal year 2008 and the City is to make semi-annual payments each year equal to 45% of the total sales tax generated by the Corporation and received by the City. Although the lease payments are based on the sales taxes collected, they can be made from any source of legally available funds. The agreement terminates on the date that the City has paid \$3,700,000. During fiscal year 2018, payments made to the Corporation under the agreement totaled \$427,673 and \$3,191,199 has been paid since the start of the agreement.

NOTE 15 – AUTHORIZED BUT UNISSUED DEBT

At June 30, 2003, the City authorized the issuance of Water Revenue Bonds, Series 2003A in the amount of \$65,000,000 to fund the costs of constructing a water treatment plant and certain related capital facilities. As of June 30, 2018, the City had issued bonds in the amount of \$43,325,000; \$21,675,000 remained authorized but unissued.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. *Redevelopment Dissolution*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

ABx1 26 and AB1484 created three regulatory authorities, the Successor Agency Oversight Board, State Controller and Department of Finance (DOF), to review former Agency's asset transfer, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency.

In fiscal 2011 and 2012, the former Redevelopment Agency transferred \$58,959,477 of assets to the City. ABx1 26 and AB 1484 contain provisions that such transfers are subject to a review by the State Controller's Office. According to Health and Safety Code 34167.5, if such an asset transfer did occur during that period and the government agency that received the assets is not contractually committed to a third party for the expenditure or encumbrance of those assets, to the extent not prohibited by state and federal law, the Controller shall order the available assets to be returned to the former Redevelopment Agency or, on or after February 1, 2012, to the Successor Agency. As of June 30, 2012, assets totaling \$44,129,682, comprised of current assets of \$43,670,205 and capital assets of \$459,477, were held by the City. During fiscal year 2013, the City returned the current assets of \$43,670,205 to the Successor Agency and only the capital assets of \$459,477 were held by the City. The City received the results of the State Controller's asset transfer review in February 2015 that indicates the City is to return the capital assets in the amount of \$459,477 to the Successor Agency. Concurrent with the finalization of the asset transfer review, the City began working with the California Department of Finance (DOF) on the Agency's Long Range Property Management Plan (LRPMP). On December 17, 2015 the DOF approved the revised LRPMP and the Agency's use or disposition of all properties listed on the plan. This included the retention by the City of the \$459,477 capital asset previously identified in the State Controller's asset transfer review. Based on this approval, the identified asset will not be returned to the Agency.

Based on the passage of Senate Bill 107, the Agency amended the LRPMP to allow for the retention of one parcel that constituted a lot dedicated solely to public parking. The Oversight Board approved the amended LRPMP on June 29, 2016 and the revised LRPMP was submitted to the DOF for final approval. The final approval was received from the DOF during fiscal year 2017 and the identified parcel was transferred to the City during that fiscal year.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Low and Moderate Income Housing Fund were distributed to a Housing Successor; and the remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Asset Special Revenue Fund.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The activities of the Housing Successor are reported in the Low and Moderate Income Housing Assets Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established in April 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

AB1484 required the Successor Agency to complete two due diligence reviews – one for the low and moderate income housing assets of the Successor Agency (Housing DDR), and a second for all other balances of the Successor Agency (Non-housing DDR). The due diligence reviews are to calculate the balance of unencumbered balances as of June 30, 2012 available to be remitted to the County for disbursement to taxing entities. The Successor Agency submitted both due diligence reviews to the State Department of Finance for review and approval. The Department of Finance approved the Housing DDR in December 2012, which indicated that no funds were available for distribution. The Department of Finance did not initially approve the Non-housing DDR, which indicated that the Successor Agency had an unencumbered balance of \$1, and the State made adjustments to the Non-housing DDR and instead made a demand for the return of funds totaling \$10,161,469, which was remitted to the County in May 2013. The Successor Agency received its Finding of Completion in May 2013 which means it can now utilize bond proceeds for projects consistent with the original bond covenants.

In addition to the above transactions, the Non-housing DDR indicated that the City was to return unspent bond proceeds held by the Special Apportionment Streets Capital Projects Fund totaling \$43,670,205 to the Successor Agency. The City made the transfer during fiscal year 2013.

On October 22, 2013 the Oversight Board approved Bond Proceeds Funding Agreements (Agreements) between the Successor Agency and the City of Manteca in relation to specific bond projects associated with the \$43,670,205 in bond proceeds transferred back to the Successor Agency in Fiscal Year 2012-13. The DOF approved the Agreements on November 8, 2013 and December 9, 2013. The Agency included the requests for expenditure of the associated funds on the 2013-14B Recognized Obligation Payment Schedule (ROPS). Proceeds in the amount of \$12,009,030 were transferred from the Successor Agency to the City as of June 30, 2013 and were recorded in the Redevelopment Bonds Project Fund. An additional \$500,000 was approved for transfer on the Agency's 2014-15A ROPS and \$1,500,000 was approved for transfer on the Agency's 2015-15B ROPS. One of the eligible bond projects listed on the DOF approved 2013-14B ROPS was the reimbursement to the City of Manteca in the amount of \$3,864,030 for the land purchased in association with the proposed South County Courthouse and Administration Complex (APN 222-250-060). The original source of funding for the land purchase was the Development Mitigation Fund. During 2016 the Development Mitigation Fund was reimbursed the final land cost in the amount \$3,811,408 via an operating transfer from the Redevelopment Bonds Project Fund.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

On February 24, 2015 the Oversight Board approved a Consolidated Non-Housing Bond Proceeds Funding Agreement (Agreement) between the Successor Agency and the City of Manteca. This final agreement approved the transfer of all remaining bond proceeds to the City for use on bond qualified expenditures. The remaining bond proceeds was included for approval in the Agency’s 2015-16A ROPS. The DOF approved both the Agreement and the transfer of the remaining bond proceeds as listed on the 2015-16A ROPS on April 15, 2015. All remaining bond proceeds and interest totaling \$29,671,675 was transferred from the Agency to the City as of June 30, 2016.

Cash and investments of the Successor Agency as of June 30, 2018 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2018.

B. *Redevelopment Agreements and Notes Receivable*

The Successor Agency assumed the non-housing loans receivable of the Redevelopment Agency as of February 1, 2012. The Redevelopment Agency engaged in programs designed to encourage economic development. Under these programs, grants or loans were provided under favorable terms to developers who agreed to expend these funds in accordance with the Agency’s terms. The balances of the notes receivable arising from these programs at June 30, 2018 are set forth below:

AKF Development, LLC	\$54,080
Cabral Western Motors	338,040
Total notes receivable	392,120
Less: Allowance for conditional grants	(392,120)
Net long-term notes receivable	\$0

Owner Participation Agreement

During fiscal year 2006 the Redevelopment Agency entered into an Owner Participation Agreement under which it made a loan totaling \$1,433,357 to a real property owner in the Redevelopment Area for the purpose of making street improvements. The loan bears interest at six percent with the entire outstanding amount of principal and accrued interest due on September 20, 2011. The Owner signed a promissory note secured by a deed of trust. However, the Agency agrees to forgive the repayment of the loan if loan forgiveness conditions are met. The loan was fully forgiven as of June 30, 2018.

AKF Development, LLC (Spreckels Park)

On April 8, 2003 the Agency loaned an additional \$54,080 to AKF Development, LLC, of which \$54,080 was for assistance from the Agency’s Fee Reduction Program. This additional loan was to partially finance the construction costs of Sexton Chevrolet Property in order to assist in the elimination of blight in an adjacent to the Project Area and will enhance the viability of the Project Area. The loan bears interest at five percent annual interest, and was due the earliest of the sixth anniversary of the opening of the automobile dealership or August 1, 2009. AKF signed a promissory note secured by a deed of trust. The Agency will forgive repayment of the loan if certain provisions regarding completion of public improvements, job creation, continued business for five years, and sales tax generation are met. As of June 30, 2018, the developer had not met all of the forgiveness provisions of the loan agreement, but the Agency had not yet required repayment of the loan and the principal balance outstanding was \$54,080.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Cabral Western Motors

On May 14, 2002 the Agency agreed to loan Cabral Western Motors \$338,040 at three percent interest to assist with the expansion of its facility, which includes a \$311,000 Forgivable Business Development Loan and a \$27,040 Development Fee Reduction Loan. The loans are secured by a second and third deed of trust, respectively. As of June 30, 2018, the principal balance outstanding was \$338,040.

Conditional Grants

The Agency has several programs under which it extends loans to qualifying individuals or groups for the purpose of improving the Agency’s housing stock and/or its supply of low-and-moderate income housing. Certain of these loans provide for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The Agency accounts for these loans as conditional grants in the Fiduciary fund financial statements, and provides a reserve against their eventual forgiveness using the straight-line method over the life of the respective loan.

C. Capital Assets

The Successor Agency assumed the non-housing capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency’s policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Capital assets recorded as of June 30, 2018 comprise:

	Balance at June 30, 2017	Additions	Balance at June 30, 2018
Capital assets not being depreciated:			
Land	\$5,141,714		\$5,141,714
Capital assets being depreciated:			
Buildings and improvements	3,788,211		3,788,211
Less accumulated depreciation	(1,420,155)	(\$125,256)	(1,545,411)
Net capital assets being depreciated	2,368,056	(125,256)	2,242,800
Capital assets, net	<u>\$7,509,770</u>	<u>(\$125,256)</u>	<u>\$7,384,514</u>

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

D. Long-Term Debt

The Successor Agency assumed the long-term debt and interest-rate swap agreement of the Redevelopment Agency as of February 1, 2012.

1. Current Year Transactions and Balances

All of the long-term debt of the Successor Agency is comprised of Tax Allocation Bonds issued by the Redevelopment Agency. The Bonds are special obligations of the Agency and are secured only by the Agency’s tax increment revenues. Tax Allocation Bond transactions were as follows:

	Balance June 30, 2017	Retirements	Balance June 30, 2018	Current Portion
Redevelopment Agency Tax				
Allocation Bonds -				
Series 2002 Subordinated Tax Allocation Refunding Bonds, 2.0-5.25%	\$21,855,000	\$840,000	\$21,015,000	\$880,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 3.0-5.0%	19,845,000	320,000	19,525,000	335,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	4,165,000	155,000	4,010,000	160,000
Series 2005 Amended Merged Project Area Subordinated Tax Allocation Refunding Bonds, variable rate	45,215,000	1,410,000	43,805,000	1,465,000
Series 2006 Amended Merged Project Area Subordinated Tax Allocation Bonds, 4.0-5.0%	19,535,000	550,000	18,985,000	580,000
Total Successor Agency Debt	\$110,615,000	\$3,275,000	\$107,340,000	\$3,420,000

2. Redevelopment Agency Tax Allocation Bonds

On September 5, 2002, the former Agency issued 2002 Subordinated Tax Allocation Refunding Bonds in the amount of \$30,765,000. The proceeds were used to refund the outstanding 1992 A Tax Allocation Bonds in the amount of \$5,420,000 and to finance ongoing redevelopment activities. Simultaneously, the Agency used cash on hand to defease the Agency’s outstanding 1992 B Tax Allocation Refunding Bonds in the amount of \$3,740,000. The 2002 Tax Allocation Refunding Bonds are secured by a pledge of and lien on tax revenues consisting of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project area. The 2002 Bond interest rates range from 2% to 5.25%. Interest payments are due on April 1 and October 1 of each year through October 1, 2032.

On November 30, 2004, the former Agency issued Amended Merged Project Area Subordinated Tax Allocation Bonds Series 2004 (2004 TABs) in the amount of \$25,925,000. The proceeds were used to finance ongoing redevelopment activities. The 2004 TABs are secured by a pledge of and lien on tax revenues consisting of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project areas. The 2004 Bond interest rates range from 3% to 5%. Interest payments are due on April 1 and October 1 of each year through October 1, 2036.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

On November 30, 2004, the Agency issued Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds Series 2004 in the amount of \$5,310,000. The proceeds of the Housing Set-Aside series were used to finance public capital improvements including the acquisition of land for the construction of certain residential housing units in the Amended Merged Project Area. The 2004 Housing Set-Aside TABs are secured by a pledge of and lien on housing tax revenues consisting of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project areas. The 2004 Housing Set-Aside Bonds bear interest rates range from 3% to 5%. Interest payments are due on April 1 and October 1 of each year through October 1, 2034.

On December 13, 2005 the Agency issued \$50,760,000 of Amended Merged Project Area Variable Rate Subordinated Tax Allocation Refunding Bonds, Series 2005. Proceeds of the Bonds and other Agency money were used to refund the Agency's Project No. 1, Tax Allocation Refunding Bonds, Series 1998, and Redevelopment Project No. 2 Tax Allocation Bonds, Series 1998. The proceeds were also used to finance ongoing redevelopment activities of the Agency. The bonds were issued as variable rate bonds with daily interest rate resets, and interest is paid on the first business day of each calendar month. However, the Agency entered into a thirty-seven-year interest rate swap agreement, as discussed in Note 16D(3) below. Principal payments are due annually beginning October 1, 2010 through October 1, 2042.

The 2005 Subordinated Tax Allocation Bonds were originally issued as daily variable-rate demand obligations with municipal bond insurance from XL Capital Assurance and a standby purchase agreement with State Street Corporation. The interest rate on the Bonds resets daily according to market conditions and is capped at 12%. During fiscal year 2008, the Agency substituted an irrevocable letter of credit issued by State Street Bank and Trust Company for the standby purchase agreement in order to remarket the bonds at lower interest rates. The Street Bank and Trust Company's letter of credit is valid through May 13, 2020 therefore the Bonds are reported as due in one year. The Agency is required to pay Street Bank and Trust Company an annual Letter of Credit Fee equal to 1.80% of the average daily amount outstanding of the Bonds. In addition, the remarketing agent receives an annual Remarketing Fee equal to 0.125% of the outstanding principal amount of the Bonds.

On December 1, 2006, the Agency issued Amended Merged Project Area Subordinate Tax Allocation Bonds Series 2006 in the amount of \$22,675,000. The proceeds were used to finance ongoing redevelopment activities. The 2006 TABs are secured on parity with the Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005, by a pledge of and lien on tax revenues, in subordination to debt services of the 2002 Subordinated Tax Allocation Refunding Bonds and 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds in any given period. Tax revenues consist of a portion of all taxes levied upon all taxable property allocated to the Agency from the merged project areas. The 2006 Bond interest rates range from 4% to 5%. Principal payments are due annually beginning October 1, 2010 through October 1, 2042. Interest payments are due on April 1 and October 1 of each year through October 1, 2042.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

The Agency has pledged all future tax increment revenues, for the repayment of the Tax Allocation Bonds. Debt service for the 2002 Subordinated Tax Allocation Refunding Bonds is senior to the 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 2005 Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds and 2006 Amended Merged Project Area Subordinate Tax Allocation Bonds. The pledge of all future tax increment revenues end upon repayment of the combined remaining debt service of \$165,367,504 in the Bonds above, which is scheduled to occur in 2042.

With the dissolution of the Redevelopment Agency discussed above, Tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County’s Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues. In addition, under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Total property taxes available for distribution to the Successor Agency and other taxing entities for fiscal year 2018 calculated by the County Auditor,-Controller was \$15,317,485 and the total received by the Successor Agency for fiscal year 2018 debt service, was \$8,970,904, which the Agency combined with other available revenues/resources to pay the \$8,874,995 of fiscal year debt service. The lesser tax distribution was deemed sufficient, because the Agency had other revenues/resources available to direct towards debt service.

3. Interest Rate Swap Agreement Derivative Instrument

The former Agency entered into an interest rate swap in connection with the Series 2005 Tax Allocation Refunding Bonds. The intention of the swap was to effectively change the Agency’s variable interest rate on the bonds to a synthetic fixed rate of 3.483%. The terms, fair value and credit risk of the swap agreement is disclosed below.

Terms. The terms, including the counterparty credit ratings of the outstanding swap, as of June 30, 2018, are included below. The Agency’s swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds.

Related Bond Issue	Notional Amount	Effective Date	Counterparty	Morgan Stanley Credit Ratings (Moody's)	Issuer Pays	Issuer Receives	Maturity/ Termination Date
Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005	\$43,805,000	12/13/2005	Piper Jaffray Financial Products Inc, with credit guarantee by Morgan Stanley	A3/BBB+	3.636%	63% of one month LIBOR plus 30 basis points	10/1/2042

Based on the swap agreement, the Agency owes interest calculated at a fixed rate to the counterparty of the swap. In return, the counterparty owes the Agency interest based on the variable rate that approximates the rate required by the bonds. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Fair value. The fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of futures spot rates. These payments are then discounted using spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. As a result of these factors the fair value of the swap will vary over time.

As of June 30, 2018, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of (\$7,711,842), a decrease of \$2,584,131 from the prior fiscal year. The fair value represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted. The Agency has accounted for the change in fair value of the swap as a deferred outflow.

Credit risk. As of June 30, 2018, the Agency was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, if the fair value of the swap were to become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value. This amount may increase if interest rates decline in the future. The swap counterparty is Piper Jaffray Financial Products, Inc. with a credit guarantee provided by Morgan Stanley Capital Services and is rated A3/BBB+ by Moody's and Standard & Poor's respectively. The Agency will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Basis risk. Basis risk is the risk that the interest rate paid by the Agency on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The Agency bears basis risk on its swap. The Swap has basis risk since the Agency receives a percentage of LIBOR to offset the actual variable bond rate the Agency pays on its bonds. The Agency is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the Agency pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

A portion of this basis risk is tax risk. The Agency is exposed to tax risk when the relationship between the taxable LIBOR based swaps and tax-exempt variable rate bonds changes as a result of a reduction in federal or state income tax rates. Should the relationship between LIBOR and the underlying tax-exempt variable rate bonds converge the Agency is exposed to this basis risk.

Termination risk. The Agency or the counterparty may terminate if the other party fails to perform under the terms of the respective contract. The Agency will be exposed to variable rates if the counterparty to the swap contract defaults or if the swap contract is terminated. A termination of the swap contract may also result in the Agency's making or receiving a termination payment based on market interest rates at the time of the termination. If at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES
(Continued)

Swap payments and associated debt. Using rates as of June 30, 2018, debt service requirements of the Agency’s outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary. These estimated payments presented in the table are included in the Debt Service Requirements Table below:

For the Year Ending June 30	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2019	\$1,465,000	\$635,173	\$852,246	\$2,952,419
2020	1,520,000	613,930	821,028	2,954,958
2021	1,090,000	591,890	801,360	2,483,250
2022	1,135,000	576,085	778,026	2,489,111
2023	1,595,000	559,628	742,936	2,897,564
2024-2028	7,815,000	2,432,520	3,206,265	13,453,785
2029-2033	4,390,000	1,993,316	2,679,962	9,063,278
2034-2038	8,915,000	1,581,298	1,984,111	12,480,409
2039-2043	15,880,000	708,181	578,057	17,166,238
Totals	<u>\$43,805,000</u>	<u>\$9,692,021</u>	<u>\$12,443,991</u>	<u>\$65,941,012</u>

4. Debt Service Requirements

Annual debt service requirements, including the effect of the swaps agreement disclosed above, are shown below:

For the Year Ending June 30	Principal	Interest
2019	\$3,420,000	\$4,483,474
2020	3,570,000	4,338,309
2021	3,115,000	4,201,297
2022	3,250,000	4,064,563
2023	3,400,000	3,920,761
2024-2028	19,400,000	17,307,967
2029-2033	24,285,000	12,488,709
2034-2038	26,720,000	6,365,197
2039-2043	20,180,000	1,790,914
Total	<u>\$107,340,000</u>	<u>\$58,961,191</u>

E. COMMITMENTS AND CONTINGENCIES

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$2,865,004	\$2,785,261	\$2,929,446	\$3,359,127
Interest	9,470,268	9,947,329	10,547,066	11,091,828
Differences between expected and actual experience		(606,531)	895,276	280,782
Changes in assumptions		(2,540,846)		9,610,904
Changes in benefits				
Benefit payments, including refunds of employee contributions	(5,192,533)	(5,583,081)	(6,137,452)	(6,508,026)
Net change in total pension liability	7,142,739	4,002,132	8,234,336	17,834,615
Total pension liability - beginning	127,434,003	134,576,742	138,578,874	146,813,210
Total pension liability - ending (a)	<u>\$134,576,742</u>	<u>\$138,578,874</u>	<u>\$146,813,210</u>	<u>\$164,647,825</u>
 Plan fiduciary net position				
Contributions - employer	\$3,345,873	\$4,021,488	\$4,687,535	\$4,971,846
Contributions - employee	1,159,125	1,275,356	1,337,368	1,321,071
Net investment income	14,228,681	2,149,298	530,419	10,909,900
Administrative expenses		(109,588)	(59,337)	(144,277)
Benefit payments, including refunds of employee contributions	(5,192,533)	(5,583,081)	(6,137,452)	(6,508,026)
Net change in plan fiduciary net position	13,541,146	1,753,473	358,533	10,550,514
Plan fiduciary net position - beginning	82,066,942	95,608,088	97,361,561	97,720,094
Plan fiduciary net position - ending (b)	<u>\$95,608,088</u>	<u>\$97,361,561</u>	<u>\$97,720,094</u>	<u>\$108,270,608</u>
 Net pension liability - ending (a)-(b)	<u>\$38,968,654</u>	<u>\$41,217,313</u>	<u>\$49,093,116</u>	<u>\$56,377,217</u>
 Plan fiduciary net position as a percentage of the total pension liability	71.04%	70.26%	66.56%	65.76%
 Covered payroll	<u>\$14,222,604</u>	<u>\$15,260,582</u>	<u>\$15,917,657</u>	<u>\$16,420,663</u>
 Net pension liability as percentage of covered payroll	273.99%	270.09%	308.42%	343.33%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applied for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	2015	2016	2017	2018
Actuarially determined contribution	\$4,021,488	\$4,687,535	\$4,021,488	\$5,172,358
Contributions in relation to the actuarially determined contributions	(4,019,753)	(4,687,535)	(4,021,488)	(5,172,358)
Contribution deficiency (excess)	\$1,735	\$0	\$0	\$0
 Covered payroll	 \$15,260,582	 \$15,917,657	 \$16,420,663	 \$17,179,599
 Contributions as a percentage of covered payroll	 26.35%	 29.45%	 24.49%	 30.11%
 Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Average remaining amortization period	23 years as of Valuation Date
Asset valuation method	Market Value of Assets
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, Net of Pension Plan Investment and Administrative Expenses, includes Inflation
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality Rate Table	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
 Cost Sharing Multiple-Employer Defined Pension Plan
 Last 10 Years*

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
Plan's proportion of the Net Pension Liability (Asset)	1.07938%	1.03004%	0.96118%	0.93552%
Plan's proportion share of the Net Pension Liability (Asset)	\$40,485,157	\$42,442,275	\$49,781,654	\$55,899,346
Plan's Covered Payroll	\$11,200,196	\$12,280,143	\$12,543,342	\$12,807,240
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	361.47%	345.62%	396.88%	436.47%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	69.45%	68.91%	65.03%	65.00%

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Safety Plan
 Cost Sharing Multiple-Employer Defined Benefit Pension Plan
 Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	2015	2016	2017	2018
Actuarially determined contribution	\$4,331,842	\$4,055,568	\$4,455,903	\$4,959,631
Contributions in relation to the actuarially determined contributions	(4,331,842)	(4,055,568)	(4,455,903)	(4,959,631)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
 Covered payroll	 \$12,280,143	 \$ 12,543,342	 \$ 12,807,240	 \$ 13,238,467
 Contributions as a percentage of covered payroll	 35.28%	 32.33%	 34.79%	 37.46%

* - Fiscal year 2015 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

PARS Enhancement Excess Benefit
Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$33,000	\$25,000	\$8,000	\$9,000
Interest	122,000	124,000	126,000	134,000
Differences between expected and actual experience	-	-	53,000	-
Changes in assumptions	-	-	86,000	-
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	(97,000)	(99,000)	(112,000)	(137,000)
Net change in total pension liability	<u>58,000</u>	<u>50,000</u>	<u>161,000</u>	<u>6,000</u>
Total pension liability - beginning	<u>2,237,000</u>	<u>2,295,000</u>	<u>2,345,000</u>	<u>2,506,000</u>
Total pension liability - ending (a)	<u><u>\$2,295,000</u></u>	<u><u>\$2,345,000</u></u>	<u><u>\$2,506,000</u></u>	<u><u>\$2,512,000</u></u>
Plan fiduciary net position				
Contributions - employer	\$204,000	\$245,000	\$270,000	\$239,000
Contributions - employee	-	-	-	-
Net investment income	110,000	21,000	51,000	80,000
Administrative expenses	(7,000)	(7,000)	(8,000)	(8,000)
Benefit payments, including refunds of employee contributions	(97,000)	(99,000)	(112,000)	(137,000)
Net change in plan fiduciary net position	<u>210,000</u>	<u>160,000</u>	<u>201,000</u>	<u>174,000</u>
Plan fiduciary net position - beginning	<u>1,289,000</u>	<u>1,499,000</u>	<u>1,659,000</u>	<u>1,860,000</u>
Plan fiduciary net position - ending (b)	<u><u>\$1,499,000</u></u>	<u><u>\$1,659,000</u></u>	<u><u>\$1,860,000</u></u>	<u><u>\$2,034,000</u></u>
 Net pension liability - ending (a)-(b)	 <u><u>\$796,000</u></u>	 <u><u>\$686,000</u></u>	 <u><u>\$646,000</u></u>	 <u><u>\$478,000</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 65.32%	 70.75%	 74.22%	 80.97%
 Covered payroll	 <u><u>\$635,597</u></u>	 <u><u>\$653,039</u></u>	 <u><u>\$586,464</u></u>	 <u><u>\$186,997</u></u>
 Net pension liability as percentage of covered payroll	 125.24%	 105.05%	 110.15%	 255.62%

Notes to Schedule:

Benefit changes. There were no changes in benefits.

Changes in assumptions. There were no changes in assumptions.

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

PARS Enhancement Excess Benefit
Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$204,000	\$280,000	\$297,000	\$391,000
Contributions in relation to the actuarially determined contributions	<u>(246,689)</u>	<u>(272,689)</u>	<u>(290,000)</u>	<u>(400,000)</u>
Contribution deficiency (excess)	<u>(\$42,689)</u>	<u>\$7,311</u>	<u>\$7,000</u>	<u>(\$9,000)</u>
Covered payroll	<u>\$635,597</u>	<u>\$653,039</u>	<u>\$586,464</u>	<u>\$186,997</u>
Contributions as a percentage of covered payroll	38.81%	41.76%	49.45%	213.91%

Notes to Schedule

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2016
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal, level percent of payroll
Amortization method	Level dollar
Average remaining amortization period	Average of 2 years
Asset valuation method	Actuarial value of assets Investment gains and losses spread over a 5-year rolling period Not less than 80% nor, more than 120% of market value
Discount rate	5.50%, net of investment and administrative expenses
Inflation	3.00%
Projected Salary Increase	3.25%
Mortality Rate Table	CalPERS 1997-2011 Experience Study
Mortality Improvement Scale	Mortality projected fully generational with Scale MP-2014, modified to converge to ultimate improvement rates in 2022

* - Fiscal year 2015 was the 1st year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
 Single-Employer Other Post-Employment Benefit Plan
 Last 10 fiscal years*

Measurement Date	<u>6/30/17</u>
Total OPEB Liability (1)	
Service Cost	\$1,509,000
Interest	1,059,000
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(3,276,000)
Benefit payments	<u>(1,631,000)</u>
Net change in total OPEB liability	(2,339,000)
Total OPEB liability - beginning	<u>36,454,000</u>
Total OPEB liability - ending (a)	<u><u>\$34,115,000</u></u>
Covered-employee payroll	<u><u>\$38,034,624</u></u>
Total OPEB liability as a percentage of covered-employee payroll	89.69%

Notes to Schedule:

(1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Benefit changes: No changes.

Changes in assumptions: No Changes.

* Fiscal year 2018 was the first year of implementation.

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS
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PUBLIC FACILITIES IMPLEMENTATION PLAN FUND

This fund was initially established to account for the costs incurred for the development of a Public Facilities Implementation Plan. Now that the Plan is functional, this fund accounts for the developer impact fees collected and expended in the construction of the Drainage and Transportation elements of the Plan. The Sewer and Water developer impact fees collected and expended in connection with the Plan are accounted for in their respective Enterprise Funds

REDEVELOPMENT BONDS PROJECTS FUND

This fund was established to account for the financing and construction activities funded with the tax-exempt proceeds from the issuance of the former Manteca Redevelopment Agency's long-term debt.

CITY OF MANTECA
PUBLIC FACILITIES IMPLEMENTATION PLAN FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Use of money and property	\$92,000	\$272,181	\$180,181
Charges for current services	1,012,500	5,630,897	4,618,397
Other revenue		<u>72</u>	<u>72</u>
Total Revenues	<u>1,104,500</u>	<u>5,903,150</u>	<u>4,798,650</u>
EXPENDITURES			
Current:			
Public works	447,970	303,376	144,594
Capital outlay	13,045,748	1,656,796	11,388,952
Debt service:			
Interest and fiscal charges		<u>67,165</u>	<u>(67,165)</u>
Total Expenditures	<u>13,493,718</u>	<u>2,027,337</u>	<u>11,466,381</u>
NET CHANGE IN FUND BALANCE	<u>(\$12,389,218)</u>	3,875,813	<u>\$16,265,031</u>
BEGINNING FUND BALANCE		<u>26,997,909</u>	
ENDING FUND BALANCE		<u>\$30,873,722</u>	

CITY OF MANTECA
REDEVELOPMENT BONDS PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property	\$50,000	\$431,635	\$381,635
Total Revenues	50,000	431,635	381,635
EXPENDITURES			
Current:			
Capital outlay	27,838,295	2,962,223	24,876,072
Total Expenditures	27,838,295	2,962,223	24,876,072
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(27,788,295)	(2,530,588)	(24,494,437)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of property	589,091	589,091	
Total Other Financing Sources (Uses)	589,091	589,091	
NET CHANGE IN FUND BALANCE	(\$27,199,204)	(1,941,497)	(\$24,494,437)
BEGINNING FUND BALANCE		29,960,257	
ENDING FUND BALANCE		\$28,018,760	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

COMMUNITY DEVELOPMENT BLOCK GRANT

Established to account for projects financed by the Federal Housing and Urban Development Department through San Joaquin County.

POLICE GRANTS

Established to account for the City's various Police grants. The U.S. Department of Justice Universal Hiring Grants are used to hire additional Patrol officers as well as to provide officers to each of the City's high school attendance areas for the school's Resource Officer Program. The Federal Local Law Enforcement Block Grants are used to supplement communications and equipment needs. State grants are used for specific equipment and personnel costs incurred in the implementation of the grant specific programs.

SUPPLEMENTAL LAW ENFORCEMENT SERVICES

Established to account for the Citizens Option for Public Safety (COPS) appropriation pursuant to Assembly Bill 3229. The Manteca police department is using these funds for front-line law enforcement programs.

RECREATION

Established to account for the operations of the City's recreation program. Funding of these programs is provided through fees collected from those who participate in recreational activities.

STREET IMPROVEMENTS

Established to account for financing of the City's traffic signal installations and highway interchange. Financing is provided by specific traffic signal installation and highway interchange fees imposed on developments.

MAJOR EQUIPMENT PURCHASE FEE

Established to account for financing of major equipment utilization by City departments. Financing is provided by specific major equipment purchase fees imposed on developments.

LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT

Established to account for the financing of lighting and landscape maintenance districts formed pursuant to the Landscaping and Lighting Act of 1972 and benefit assessment districts formed pursuant to the Benefit Assessment Act of 1982. The City currently has twenty five approved districts.

PUBLIC SAFETY ENDOWMENT FEE

Established to account for funds received from the Public Safety Endowment Fee. This fee is collected as part of negotiated development agreements and the interest from the fee has been designated for the use of funding public safety salaries.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

DEVELOPMENT SERVICES

Established to record revenues and expenditures directly related to development services, including planning and building safety.

DEVELOPMENT MITIGATION

Established to account for the collection and use of fees collected as part of negotiated development agreements. These fees include a Development Agreement Fee, and Economic Development Fee, a Public Facilities Fee, a Development Services Fee, a Public Safety Endowment Fee, and a Recreational Amenities Fee.

FEDERAL TRANSIT MANAGEMENT

Established to account for all funding received (federal, state, and local transportation) associated with the formation and operation of a city managed public transit system.

COMMUNITY FACILITIES DISTRICTS

The Community Facilities Districts Fund (CFD) was established to account for the monies collected and special taxes levied in association with the formation of and services associated with Community Facilities Districts.

FIRE GRANTS

The Fire Grants Fund was established to account for the fire grants received by the City. Federal grants are used for specific equipment and personnel costs incurred in the implementation of the grant programs.

CAPITAL IMPROVEMENT FUNDS:**STATE GASOLINE TAX**

Established to account for the construction and maintenance of the street system in Manteca. Financing is provided by the City's share of state gasoline taxes and State of California under AB2928. The allocations from AB2928 must be spent on local streets and roads maintenance, rehabilitation and reconstruction projects according to the tax levied for that purpose by San Joaquin County.

REGIONAL TRANSPORTATION IMPACT FEES

Established to account for fees collected in association with the Regional Transportation Impact Fee Program (RTIF). The RTIF Program is a County-wide program administered by the San Joaquin Council of Governments as part of a regional effort to mitigate traffic congestion. Improvements to the Regional Transportation Network have been identified in the RTIF Capital Project list. This program collects fees from future residential and non-residential development. Fees collected are used exclusively on identified projects locally and within the region.

MEASURE K

Established to account for the construction and maintenance of the street system in Manteca financed with a 1/2 cent sales tax levied for that purpose by San Joaquin County.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

PARKS

Established to account for the construction and maintenance of all City owned parks. Financing is provided by a special parks improvement fee imposed on developments.

GOVERNMENT BUILDING FACILITIES

Established to account for the financing and construction activities of the Civic Center expansion and other City facilities. Financing is provided by government building facilities fees imposed on developments.

SPECIAL APPORTIONMENT STREETS

Established to account for the construction and maintenance of the street system in Manteca. Financing is provided through local transportation funds and State and Federal grants.

FLOOD PROTECTION

Established to account for permit payments that are collected for the two-hundred-year flood.

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Recreation	Street Improvements
ASSETS					
Cash and investments			\$202,970	\$412,923	\$54,012
Restricted cash and investments					
Accounts receivables (net of allowance for estimated uncollectible accounts)	\$51,849	\$45,332		42,269	
Taxes receivable					
Interest receivable			146		
Due from other funds					
Total Assets	\$51,849	\$45,332	\$203,116	\$455,192	\$54,012
LIABILITIES					
Accounts payable	\$32,223			\$47,597	
Contracts payable					
Refundable deposits				92,469	
Due to other funds	18,657	\$23,878			
Unearned revenue	467				
Total Liabilities	51,347	23,878		140,066	
FUND BALANCE					
Fund balance:					
Restricted	502	21,454	\$203,116		\$54,012
Committed				315,126	
Assigned					
Total Fund Balances	502	21,454	203,116	315,126	54,012
Total Liabilities and Fund Balances	\$51,849	\$45,332	\$203,116	\$455,192	\$54,012

SPECIAL REVENUE FUNDS

Major Equipment Purchase Fee	Landscape and Lighting Maintenance District	Public Safety Endowment Fee	Development Services	Development Mitigation	Federal Transit Management	Community Facilities Districts	Fire Grants
\$404,588 359,187	\$1,199,012	\$1,923,843	\$7,000,030	\$5,617,609	\$2,885,826	\$697,571	
			1,328		1,785,660		
293	270 439	15,227	2,635	11,274	2,487		
<u>\$764,068</u>	<u>\$1,199,721</u>	<u>\$1,939,070</u>	<u>\$7,003,993</u>	<u>\$5,628,883</u>	<u>\$4,673,973</u>	<u>\$697,571</u>	
\$154	\$38,385		\$249,703	\$795	\$1,700,288	\$9,141	
					5,500		
					2,968,185		
154	38,385		249,703	795	4,673,973	9,141	
763,914	1,161,336	1,939,070	6,754,290	\$5,628,088		688,430	
763,914	1,161,336	1,939,070	6,754,290	5,628,088		688,430	
<u>\$764,068</u>	<u>\$1,199,721</u>	<u>\$1,939,070</u>	<u>\$7,003,993</u>	<u>\$5,628,883</u>	<u>\$4,673,973</u>	<u>\$697,571</u>	

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	CAPITAL IMPROVEMENT FUNDS				
	State Gasoline Tax	Regional Transportation Impact Fees	Measure K	Parks	Government Building Facilities
ASSETS					
Cash and investments	\$3,309,495	\$12,773,713	\$5,265,886	\$4,243,427	\$14,826,137
Restricted cash and investments				186,839	
Accounts receivables (net of allowance for estimated uncollectible accounts)	66,303	449	305,677		
Taxes receivable					
Interest receivable	11,567	57,394	27,233	9,371	31,186
Due from other funds			1,020,242		
Total Assets	\$3,387,365	\$12,831,556	\$6,619,038	\$4,439,637	\$14,857,323
LIABILITIES					
Accounts payable	\$65,446	\$287,156	\$16,511	\$333,396	\$1,870
Contracts payable				2,214	
Refundable deposits				186,839	
Due to other funds					
Unearned revenue					
Total Liabilities	65,446	287,156	16,511	522,449	1,870
Fund Balance					
Fund balance:					
Restricted	3,321,919	12,544,400	6,602,527	3,917,188	14,855,453
Committed					
Assigned					
Total Fund Balances	3,321,919	12,544,400	6,602,527	3,917,188	14,855,453
Total Liabilities and Fund Balances	\$3,387,365	\$12,831,556	\$6,619,038	\$4,439,637	\$14,857,323

CAPITAL
IMPROVEMENT
FUNDS

Special Apportionment Streets	Flood Protection	Total Nonmajor Governmental Funds
\$7,794,104	\$42,533	\$68,653,679 546,026
2,331,597		4,630,464 270
40,117		209,369 1,020,242
<u>\$10,165,818</u>	<u>\$42,533</u>	<u>\$75,060,050</u>
\$125,023	\$42,533	\$2,950,221
26,192		28,406
562		285,370
1,020,242		1,062,777 2,968,652
<u>1,172,019</u>	<u>42,533</u>	<u>7,295,426</u>
		58,455,699 315,126
<u>8,993,799</u>		<u>8,993,799</u>
<u>8,993,799</u>		<u>67,764,624</u>
<u>\$10,165,818</u>	<u>\$42,533</u>	<u>\$75,060,050</u>

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Recreation	Street Improvements
REVENUES					
Licenses and permits					
Use of money and property			\$244		
Revenue from other agencies	\$80,905	\$155,195	155,211		
Charges for current services				\$1,187,741	
Other revenue				4,005	
Total Revenues	80,905	155,195	155,455	1,191,746	
EXPENDITURES					
Current:					
General government	22,591				
Community development					
Public safety		110,170			
Public works					
Parks and recreation	13,012			1,640,374	
Streets and highways					
Capital outlay	44,800	42,474	130,675		
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	80,403	152,644	130,675	1,640,374	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	502	2,551	24,780	(448,628)	
OTHER FINANCING SOURCES (USES)					
Transfers in				250,000	
Total Other Financing Sources (Uses)				250,000	
NET CHANGE IN FUND BALANCES	502	2,551	24,780	(198,628)	
BEGINNING FUND BALANCES		18,903	178,336	513,754	\$54,012
ENDING FUND BALANCES	\$502	\$21,454	\$203,116	\$315,126	\$54,012

SPECIAL REVENUE FUNDS

Major Equipment Purchase Fee	Landscape and Lighting Maintenance District	Public Safety Endowment Fee	Development Services	Development Mitigation	Federal Transit Management	Community Facilities Districts	Fire Grants
\$1,744	\$831	\$14,973	\$3,516,096 4,413	\$18,876	\$4,180 2,969,946		\$326,551
342,385	1,061,001		3,789,135	856,706	110,680	\$778,763	
139,650	90		22,248	10,000	13	60	
483,779	1,061,922	14,973	7,331,892	885,582	3,084,819	778,823	326,551
			24,335 4,208,473				380,540
	1,095,983	240,218		77,540	1,557,386	402,653	
54,122	117,117			597,718	1,527,433		
134,307 17,619							
206,048	1,213,100	240,218	4,232,808	675,258	3,084,819	402,653	380,540
277,731	(151,178)	(225,245)	3,099,084	210,324		376,170	(53,989)
			450,000				53,989
			450,000				53,989
277,731	(151,178)	(225,245)	3,549,084	210,324		376,170	
486,183	1,312,514	2,164,315	3,205,206	5,417,764		312,260	
\$763,914	\$1,161,336	\$1,939,070	\$6,754,290	\$5,628,088		\$688,430	

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	CAPITAL IMPROVEMENT FUNDS				
	State Gasoline Tax	Regional Transportation Impact Fees	Measure K	Parks	Government Building Facilities
REVENUES					
Licenses and permits					\$4,819,309
Use of money and property	\$19,381	\$51,362	\$24,358	\$15,731	27,905
Revenue from other agencies	1,945,076		1,257,304		
Charges for current services		2,366,049		2,043,665	141,650
Other revenue	1,906	428	131		105,130
	<u>1,966,363</u>	<u>2,417,839</u>	<u>1,281,793</u>	<u>2,059,396</u>	<u>5,093,994</u>
EXPENDITURES					
Current:					
General government					
Community development					
Public safety					
Public works	28,170				
Parks and recreation	183,119				
Streets and highways	1,507,796	3,491	275,513		
Capital outlay		2,273,509	18,361	601,370	364,143
Debt service:					
Principal					
Interest and fiscal charges					
	<u>1,719,085</u>	<u>2,277,000</u>	<u>293,874</u>	<u>601,370</u>	<u>364,143</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>247,278</u>	<u>140,839</u>	<u>987,919</u>	<u>1,458,026</u>	<u>4,729,851</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES	247,278	140,839	987,919	1,458,026	4,729,851
BEGINNING FUND BALANCES	<u>3,074,641</u>	<u>12,403,561</u>	<u>5,614,608</u>	<u>2,459,162</u>	<u>10,125,602</u>
ENDING FUND BALANCES	<u>\$3,321,919</u>	<u>\$12,544,400</u>	<u>\$6,602,527</u>	<u>\$3,917,188</u>	<u>\$14,855,453</u>

CAPITAL
IMPROVEMENT
FUNDS

Special Apportionment Streets	Flood Protection	Total Nonmajor Governmental Funds
		\$8,335,405
\$35,930		219,928
2,810,261		9,700,449
		12,677,775
31,400		315,061
<u>2,877,591</u>		<u>31,248,618</u>
		46,926
		4,208,473
		730,928
		1,663,096
619,985		3,335,141
857,671		2,406,785
		6,629,393
		134,307
		17,619
<u>1,477,656</u>		<u>19,172,668</u>
<u>1,399,935</u>		<u>12,075,950</u>
		753,989
		753,989
1,399,935		12,829,939
7,593,864		54,934,685
<u>\$8,993,799</u>		<u>\$67,764,624</u>

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	COMMUNITY DEVELOPMENT BLOCK GRANT			POLICE GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses and permits						
Use of money and property						
Revenue from other agencies	\$337,927	\$80,905	(\$257,022)	\$178,830	\$155,195	(\$23,635)
Charges for current services						
Other revenue						
Total Revenues	<u>337,927</u>	<u>80,905</u>	<u>(257,022)</u>	<u>178,830</u>	<u>155,195</u>	<u>(23,635)</u>
EXPENDITURES						
Current:						
General government	304,704	22,591	282,113			
Community development						
Public safety				148,830	110,170	38,660
Public works						
Parks and recreation	8,176	13,012	(4,836)			
Streets and highways						
Capital outlay	742,229	44,800	697,429	42,608	42,474	134
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,055,109</u>	<u>80,403</u>	<u>974,706</u>	<u>191,438</u>	<u>152,644</u>	<u>38,794</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(717,182)</u>	<u>502</u>	<u>717,684</u>	<u>(12,608)</u>	<u>2,551</u>	<u>15,159</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u><u>(\$717,182)</u></u>	<u>502</u>	<u><u>\$717,684</u></u>	<u><u>(\$12,608)</u></u>	<u>2,551</u>	<u><u>\$15,159</u></u>
BEGINNING FUND BALANCES					<u>18,903</u>	
ENDING FUND BALANCES		<u><u>\$502</u></u>			<u><u>\$21,454</u></u>	

SUPPLEMENTAL LAW ENFORCEMENT SERVICES			RECREATION			MAJOR EQUIPMENT PURCHASE FEE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$150	\$244	\$94				\$900	\$1,744	\$844
145,000	155,211	10,211	\$1,198,300	\$1,187,741	(\$10,559)	200,000	342,385	142,385
			15,000	4,005	(10,995)		139,650	139,650
<u>145,150</u>	<u>155,455</u>	<u>10,305</u>	<u>1,213,300</u>	<u>1,191,746</u>	<u>(21,554)</u>	<u>200,900</u>	<u>483,779</u>	<u>282,879</u>
			1,674,969	1,640,374	34,595			
130,910	130,675	235	9,500		9,500	100,000	54,122	45,878
						134,310	134,307	3
						17,620	17,619	1
<u>130,910</u>	<u>130,675</u>	<u>235</u>	<u>1,684,469</u>	<u>1,640,374</u>	<u>44,095</u>	<u>251,930</u>	<u>206,048</u>	<u>45,882</u>
<u>14,240</u>	<u>24,780</u>	<u>10,540</u>	<u>(471,169)</u>	<u>(448,628)</u>	<u>22,541</u>	<u>(51,030)</u>	<u>277,731</u>	<u>328,761</u>
			250,000	250,000				
			250,000	250,000				
<u>\$14,240</u>	<u>24,780</u>	<u>\$10,540</u>	<u>(\$221,169)</u>	<u>(198,628)</u>	<u>\$22,541</u>	<u>(\$51,030)</u>	<u>277,731</u>	<u>\$328,761</u>
	<u>178,336</u>			<u>513,754</u>			<u>486,183</u>	
	<u>\$203,116</u>			<u>\$315,126</u>			<u>\$763,914</u>	

(Continued)

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT			PUBLIC SAFETY ENDOWMENT FEE		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses and permits						
Use of money and property		\$831	\$831	\$17,000	\$14,973	(\$2,027)
Revenue from other agencies						
Charges for current services	\$1,256,035	1,061,001	(195,034)			
Other revenue		90	90			
Total Revenues	<u>1,256,035</u>	<u>1,061,922</u>	<u>(194,113)</u>	<u>17,000</u>	<u>14,973</u>	<u>(2,027)</u>
EXPENDITURES						
Current:						
General government						
Community development						
Public safety				250,225	240,218	10,007
Public works						
Parks and recreation	1,060,935	1,095,983	(35,048)			
Streets and highways						
Capital outlay	129,885	117,117	12,768			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,190,820</u>	<u>1,213,100</u>	<u>(22,280)</u>	<u>250,225</u>	<u>240,218</u>	<u>10,007</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>65,215</u>	<u>(151,178)</u>	<u>(216,393)</u>	<u>(233,225)</u>	<u>(225,245)</u>	<u>7,980</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>\$65,215</u>	<u>(151,178)</u>	<u>(\$216,393)</u>	<u>(\$233,225)</u>	<u>(225,245)</u>	<u>\$7,980</u>
BEGINNING FUND BALANCES		<u>1,312,514</u>			<u>2,164,315</u>	
ENDING FUND BALANCES		<u>\$1,161,336</u>			<u>\$1,939,070</u>	

DEVELOPMENT SERVICES			DEVELOPMENT MITIGATION			FEDERAL TRANSIT MANAGEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$2,300,000	\$3,516,096	\$1,216,096						
2,200	4,413	2,213	\$8,500	\$18,876	\$10,376	\$2,200	\$4,180	\$1,980
1,335,150	3,789,135	2,453,985	643,875	856,706	212,831	4,467,520	2,969,946	(1,497,574)
500,000	22,248	(477,752)	20,000	10,000	(10,000)	111,800	110,680	(1,120)
							13	13
<u>4,137,350</u>	<u>7,331,892</u>	<u>3,194,542</u>	<u>672,375</u>	<u>885,582</u>	<u>213,207</u>	<u>4,581,520</u>	<u>3,084,819</u>	<u>(1,496,701)</u>
14,500	24,335	(9,835)	42,350		42,350			
6,593,222	4,208,473	2,384,749						
			324,782	77,540	247,242	1,896,495	1,557,386	339,109
255,000		255,000	1,269,940	597,718	672,222	2,259,834	1,527,433	732,401
<u>6,862,722</u>	<u>4,232,808</u>	<u>2,629,914</u>	<u>1,637,072</u>	<u>675,258</u>	<u>961,814</u>	<u>4,156,329</u>	<u>3,084,819</u>	<u>1,071,510</u>
<u>(2,725,372)</u>	<u>3,099,084</u>	<u>5,824,456</u>	<u>(964,697)</u>	<u>210,324</u>	<u>1,175,021</u>	<u>425,191</u>		<u>(425,191)</u>
450,000	450,000							
450,000	450,000							
<u>(\$2,275,372)</u>	3,549,084	<u>\$5,824,456</u>	<u>(\$964,697)</u>	210,324	<u>\$1,175,021</u>	<u>\$425,191</u>		<u>(\$425,191)</u>
	<u>3,205,206</u>			<u>5,417,764</u>				
	<u>\$6,754,290</u>			<u>\$5,628,088</u>				

(Continued)

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	COMMUNITY FACILITIES DISTRICTS			FIRE GRANTS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses and permits						
Use of money and property						
Revenue from other agencies				\$348,293	\$326,551	(\$21,742)
Charges for current services	\$641,575	\$778,763	\$137,188			
Other revenue		60	60			
Total Revenues	<u>641,575</u>	<u>778,823</u>	<u>137,248</u>	<u>348,293</u>	<u>326,551</u>	<u>(21,742)</u>
EXPENDITURES						
Current:						
General government						
Community development						
Public safety				394,293	380,540	13,753
Public works						
Parks and recreation	557,152	402,653	154,499			
Streets and highways						
Capital outlay	86,010		86,010			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>643,162</u>	<u>402,653</u>	<u>240,509</u>	<u>394,293</u>	<u>380,540</u>	<u>13,753</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,587)</u>	<u>376,170</u>	<u>377,757</u>	<u>(46,000)</u>	<u>(53,989)</u>	<u>(7,989)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				53,990	53,989	(1)
Total Other Financing Sources (Uses)				<u>53,990</u>	<u>53,989</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCES	<u><u>(\$1,587)</u></u>	<u>376,170</u>	<u><u>\$377,757</u></u>	<u><u>\$7,990</u></u>		<u><u>(\$7,990)</u></u>
BEGINNING FUND BALANCES		<u>312,260</u>				
ENDING FUND BALANCES		<u><u>\$688,430</u></u>				

STATE GASOLINE TAX			REGIONAL TRANSPORTATION IMPACT FEES			MEASURE K		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$8,000	\$19,381	\$11,381	\$48,900	\$51,362	\$2,462	\$22,600	\$24,358	\$1,758
2,111,985	1,945,076	(166,909)				1,165,000	1,257,304	92,304
	1,906	1,906	2,178,945	2,366,049	187,104			
				428	428		131	131
2,119,985	1,966,363	(153,622)	2,227,845	2,417,839	189,994	1,187,600	1,281,793	94,193
29,000	28,170	830						
191,997	183,119	8,878						
1,706,728	1,507,796	198,932	16,000	3,491	12,509	2,263,021	275,513	1,987,508
			9,723,240	2,273,509	7,449,731	1,123,630	18,361	1,105,269
1,927,725	1,719,085	208,640	9,739,240	2,277,000	7,462,240	3,386,651	293,874	3,092,777
192,260	247,278	55,018	(7,511,395)	140,839	7,652,234	(2,199,051)	987,919	3,186,970
<u>\$192,260</u>	<u>247,278</u>	<u>\$55,018</u>	<u>(\$7,511,395)</u>	<u>140,839</u>	<u>\$7,652,234</u>	<u>(\$2,199,051)</u>	<u>987,919</u>	<u>\$3,186,970</u>
	<u>3,074,641</u>			<u>12,403,561</u>			<u>5,614,608</u>	
	<u>\$3,321,919</u>			<u>\$12,544,400</u>			<u>\$6,602,527</u>	

(Continued)

CITY OF MANTECA
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	PARKS			GOVERNMENT BUILDING FACILITIES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses and permits				\$2,720,650	\$4,819,309	\$2,098,659
Use of money and property	\$9,000	\$15,731	\$6,731	26,500	27,905	1,405
Revenue from other agencies						
Charges for current services	769,400	2,043,665	1,274,265		141,650	141,650
Other revenue				105,130	105,130	
Total Revenues	778,400	2,059,396	1,280,996	2,852,280	5,093,994	2,241,714
EXPENDITURES						
Current:						
General government						
Community development						
Public safety						
Public works						
Parks and recreation						
Streets and highways						
Capital outlay	1,162,410	601,370	561,040	919,340	364,143	555,197
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,162,410	601,370	561,040	919,340	364,143	555,197
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(384,010)	1,458,026	1,842,036	1,932,940	4,729,851	2,796,911
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$384,010)</u>	1,458,026	<u>\$1,842,036</u>	<u>\$1,932,940</u>	4,729,851	<u>\$2,796,911</u>
BEGINNING FUND BALANCES		2,459,162			10,125,602	
ENDING FUND BALANCES		<u>\$3,917,188</u>			<u>\$14,855,453</u>	

SPECIAL APPORTIONMENT STREETS			FLOOD PROTECTION		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$24,000	\$35,930	\$11,930			
10,518,230	2,810,261	(7,707,969)	\$1,572,500		(\$1,572,500)
	31,400	31,400			
10,542,230	2,877,591	(7,664,639)	1,572,500		(1,572,500)
6,720,095	619,985	6,100,110			
8,434,825	857,671	7,577,154			
15,154,920	1,477,656	13,677,264			
(4,612,690)	1,399,935	6,012,625	1,572,500		(1,572,500)
(\$4,612,690)	1,399,935	\$6,012,625	\$1,572,500		(\$1,572,500)
	7,593,864				
	\$8,993,799				

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

VEHICLE

Established to account for the purchase and replacement of vehicles utilized by City departments.

EQUIPMENT

Established to account for the purchase and replacement of equipment (including Information Systems equipment) utilized by City departments.

PAYROLL TAX BENEFIT ALLOCATION

Established to fund and account for the City's liability for compensated absences and employee benefits.

INSURANCE

Established to account for the self-insured portion of the City's workers' compensation and liability insurance programs.

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
ASSETS					
Current Assets:					
Cash and investments	\$500,609	\$1,543,111	\$8,560,790	\$5,634,169	\$16,238,679
Restricted cash and investments		201,112			201,112
Accounts receivable	24,631				24,631
Interest receivable	3,368			40,703	44,071
Prepaid items				8,707	8,707
Employee notes receivable			61,226		61,226
Total Current Assets	<u>528,608</u>	<u>1,744,223</u>	<u>8,622,016</u>	<u>5,683,579</u>	<u>16,578,426</u>
Non-Current Assets:					
Capital assets not being depreciated		1,010,179			1,010,179
Capital assets (net of accumulated depreciation)	736,005	990,434			1,726,439
Total Non-Current Assets	<u>736,005</u>	<u>2,000,613</u>			<u>2,736,618</u>
Total Assets	<u>1,264,613</u>	<u>3,744,836</u>	<u>8,622,016</u>	<u>5,683,579</u>	<u>19,315,044</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions		498,290		139,894	638,184
Deferred outflows related to OPEB		9,256		3,703	12,959
Total Deferred Outflows of Resources		<u>507,546</u>		<u>143,597</u>	<u>651,143</u>
LIABILITIES					
Current Liabilities:					
Accounts payable		39,593	72,043	68,136	179,772
Accrued liabilities		5,470	1,341,120		1,346,590
Refundable deposits				8	8
Compensated absences			576,675		576,675
Estimated claims liability				328,782	328,782
Capital lease obligations		123,963			123,963
Total Current Liabilities		<u>169,026</u>	<u>1,989,838</u>	<u>396,926</u>	<u>2,555,790</u>
Long-term Liabilities:					
Compensated absences			5,190,077		5,190,077
Estimated claims liability				990,234	990,234
Capital lease obligation		128,203			128,203
Net pension liability		2,108,508		591,961	2,700,469
Total OPEB Liability		752,243		206,813	959,056
Total Long-Term Liabilities		<u>2,988,954</u>	<u>5,190,077</u>	<u>1,789,008</u>	<u>9,968,039</u>
Total Liabilities		<u>3,157,980</u>	<u>7,179,915</u>	<u>2,185,934</u>	<u>12,523,829</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions		16,816		4,721	21,537
Deferred inflows related to OPEB		14,703		5,881	20,584
Total Deferred Inflows of Resources		<u>31,519</u>		<u>10,602</u>	<u>42,121</u>
NET POSITION					
Net investment in capital assets	736,005	1,949,559			2,685,564
Unrestricted	528,608	(886,676)	1,442,101	3,630,640	4,714,673
Total Net Position	<u>\$1,264,613</u>	<u>\$1,062,883</u>	<u>\$1,442,101</u>	<u>\$3,630,640</u>	<u>\$7,400,237</u>

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
OPERATING REVENUES					
Charges for services		\$2,493,532			\$2,493,532
Insurance premium contribution from other funds				\$3,380,510	3,380,510
Miscellaneous				277,825	277,825
Total Operating Revenues		2,493,532		3,658,335	6,151,867
OPERATING EXPENSES					
Personnel services		1,101,797	\$630,628	182,991	1,915,416
Contractual services		15,000	32,573	76,438	124,011
Supplies		126,854		20,463	147,317
Utilities		48,128		8,632	56,760
Repairs and maintenance		872,511		118,278	990,789
Vehicle maintenance and operations		60			60
Interdepartmental		187,300		17,040	204,340
Insurance		22,220		2,292,963	2,315,183
Claims				649,793	649,793
Depreciation	\$111,039	370,326			481,365
Miscellaneous		59,058		57,723	116,781
Total Operating Expenses	111,039	2,803,254	663,201	3,424,321	7,001,815
Total Operating Income (Loss)	(111,039)	(309,722)	(663,201)	234,014	(849,948)
NONOPERATING REVENUES (EXPENSES)					
Interest income	5,655	705	(46,084)	36,400	(3,324)
Interest expense		(13,184)			(13,184)
Gain (Loss) from sale of capital assets	3,830				3,830
Total Nonoperating Revenues (Expenses)	9,485	(12,479)	(46,084)	36,400	(12,678)
Income (Loss) Before Contributions and Transfers					
Contributions	12,607	30,751			43,358
Transfers in		20,502			20,502
Net Contributions and Transfers	12,607	51,253			63,860
Change in Net Position	(88,947)	(270,948)	(709,285)	270,414	(798,766)
BEGINNING NET POSITION, AS ADJUSTED	1,353,560	1,333,831	2,151,386	3,360,226	8,199,003
ENDING NET POSITION	\$1,264,613	\$1,062,883	\$1,442,101	\$3,630,640	\$7,400,237

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		\$2,493,532		\$3,683,832	\$6,177,364
Payments to suppliers	(\$1,022)	(1,299,942)		(2,654,333)	(3,955,297)
Payments to or on behalf of employees		(1,031,391)	(\$1,224,527)	(266,581)	(2,522,499)
Receipts from employee notes receivable			2,519		2,519
Claims paid				(758,607)	(758,607)
Cash Flows from (used by) Operating Activities	(1,022)	162,199	(1,222,008)	4,311	(1,056,520)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds		20,502			20,502
Cash flows from (used by) Noncapital Financing Activities		20,502			20,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(482,533)	(305,295)			(787,828)
Proceeds from sale of capital assets	10,995	898			11,893
Long-term debt payment - principal		(119,864)			(119,864)
Long-term debt payment - interest		(13,184)			(13,184)
Cash Flows from (used by) Capital and Related Financing Activities	(471,538)	(437,445)			(908,983)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	4,539	705	(62,558)	22,070	(35,244)
Cash Flows from Investing Activities	4,539	705	(62,558)	22,070	(35,244)
Net Cash Flows	(468,021)	(254,039)	(1,284,566)	26,381	(1,980,245)
Cash and investments at beginning of period	968,630	1,998,262	9,845,356	5,607,788	18,420,036
Cash and investments at end of period	<u>\$500,609</u>	<u>\$1,744,223</u>	<u>\$8,560,790</u>	<u>\$5,634,169</u>	<u>\$16,439,791</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$111,039)	(\$309,722)	(\$663,201)	\$234,014	(\$849,948)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	111,039	370,326			481,365
Change in assets and liabilities:					
Receivables, net			4,983	25,497	30,480
Prepaid items				(391)	(391)
Related party notes receivable			2,519		2,519
Accounts and other payables	(1,022)	31,189	(125,041)	(62,405)	(157,279)
Accrued liabilities		1,577	(635,265)		(633,688)
Compensated absences			193,997		193,997
Claims liability				(108,814)	(108,814)
Net pension liability, deferred outflows and inflows		67,111		(84,276)	(17,165)
Total OPEB liability, deferred outflows and inflows		1,718		686	2,404
Cash Flows from (used by) Operating Activities	(1,022)	\$162,199	(1,222,008)	\$4,311	(1,056,520)
NONCASH TRANSACTIONS:					
Contributions of capital assets, net	<u>\$12,607</u>	<u>\$30,751</u>			<u>\$43,358</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balance of Governmental Funds
4. Changes in Fund Balances of Governmental Funds
5. General Revenues by Source
6. General Expenditures by Function

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections
5. Manteca Redevelopment Project Area No.1 – Top Twenty Assessed Values
6. Manteca Redevelopment Project Area No.2 – Top Twenty Assessed Values
7. Manteca Redevelopment Merged Project Area (2005 Merged Project Amended Area) – Top Twenty Assessed Values
8. Manteca Redevelopment Merged Project Area (2004 Amended Area) – Top Twenty Assessed Values
9. Taxable Sales by Category
10. Direct and Overlapping Sales Tax Rates
11. Principal Sales Tax Payers

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Ratio of General Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin
5. Revenue Bond Coverage – Water Revenue Bonds
6. Revenue Bond Coverage – Sewer Revenue Bonds
7. Bonded Debt Pledged Revenue Coverage -- Redevelopment Agency Tax Allocation Bonds

STATISTICAL SECTION (Continued)
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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

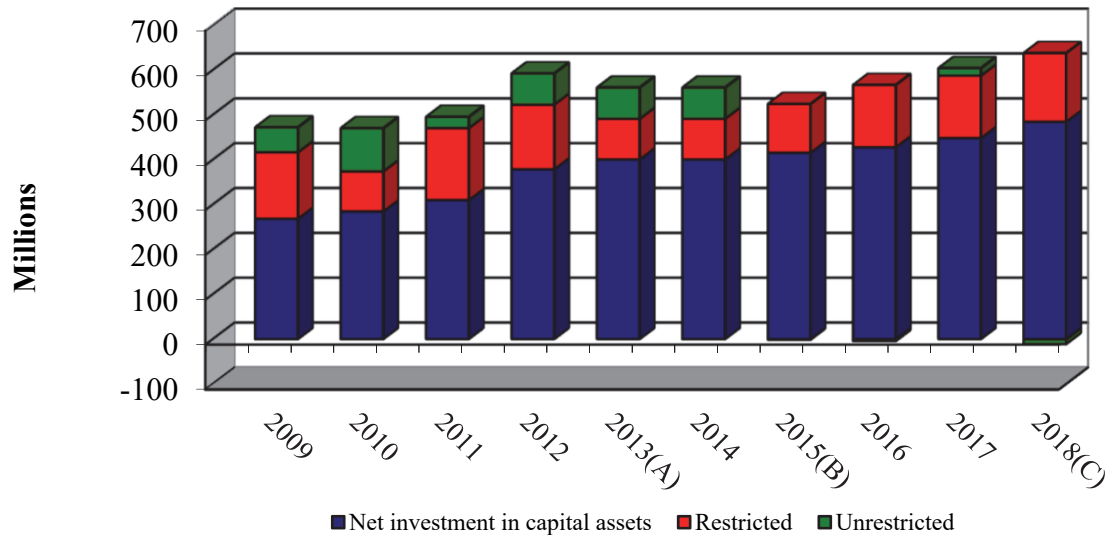
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Crime Policy Notary and Security Bonds of Principal Officials

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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CITY OF MANTECA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)



	June 30,			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$168,403,886	\$171,675,891	\$188,291,863	\$254,330,807
Restricted	148,127,615	89,276,875	160,477,438	144,103,748
Unrestricted	(2,956,474)	44,968,093	(26,952,930)	14,672,681
Total governmental activities net position	<u>\$313,575,027</u>	<u>\$305,920,859</u>	<u>\$321,816,371</u>	<u>\$413,107,236</u>
Business-type activities				
Net investment in capital assets	\$100,051,333	\$113,151,440	\$121,850,958	\$124,505,612
Unrestricted	58,841,297	51,398,693	52,096,899	54,957,132
Total business-type activities net position	<u>\$158,892,630</u>	<u>\$164,550,133</u>	<u>\$173,947,857</u>	<u>\$179,462,744</u>
Primary government				
Net investment in capital assets	\$268,455,219	\$284,827,331	\$310,142,821	\$378,836,419
Restricted	148,127,615	89,276,875	160,477,438	144,103,748
Unrestricted	55,884,823	96,366,786	25,143,969	69,629,813
Total primary government net position	<u>\$472,467,657</u>	<u>\$470,470,992</u>	<u>\$495,764,228</u>	<u>\$592,569,980</u>

- (A) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".
- (B) The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Amounts prior to 2015 have not been restated.
- (C) The City implemented the provisions of GASB Statement 75 in fiscal year 2018. Amounts prior to 2018 have not been restated.

2013(A)	2014	2015(B)	2016	2017	2018(C)
\$272,862,137	\$271,754,541	\$278,800,432	\$282,954,575	\$311,611,351	\$327,232,512
90,527,590	104,193,296	108,825,262	139,014,904	139,177,788	153,222,783
16,479,375	19,495,181	(41,846,484)	(42,549,501)	(35,156,678)	(54,265,195)
<u>\$379,869,102</u>	<u>\$395,443,018</u>	<u>\$345,779,210</u>	<u>\$379,419,978</u>	<u>\$415,632,461</u>	<u>\$426,190,100</u>
\$128,003,081	\$132,768,445	\$136,876,673	\$144,968,629	\$136,859,563	\$157,529,677
53,338,111	54,770,104	40,706,859	38,202,656	51,856,903	43,293,291
<u>\$181,341,192</u>	<u>\$187,538,549</u>	<u>\$177,583,532</u>	<u>\$183,171,285</u>	<u>\$188,716,466</u>	<u>\$200,822,968</u>
\$400,865,218	\$400,865,218	\$415,677,105	\$427,923,204	\$448,470,914	\$484,762,189
90,527,590	90,527,590	108,825,262	139,014,904	139,177,788	153,222,783
69,817,486	69,817,486	(1,139,625)	(4,346,845)	16,700,225	(10,971,904)
<u>\$561,210,294</u>	<u>\$561,210,294</u>	<u>\$523,362,742</u>	<u>\$562,591,263</u>	<u>\$604,348,927</u>	<u>\$627,013,068</u>

CITY OF MANTECA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013(1)
Expenses:					
Governmental Activities:					
General Government	\$5,058,599	\$3,109,047	\$3,174,292	\$3,072,865	\$3,471,459
Community Development	5,829,037	14,446,062	7,745,806	5,245,747	4,723,211
Public Safety	27,534,943	27,065,592	24,280,052	22,875,613	23,555,968
Library	136,037	113,092	109,752	85,762	156,209
Public Works	3,901,601	5,862,331	4,940,031	3,765,228	3,828,636
Parks and Recreation	7,941,094	6,652,295	6,482,442	6,456,949	6,827,567
Streets and Highways	5,112,187	4,927,588	5,882,611	6,248,464	7,258,013
Interest and Fiscal Charges	6,035,886	5,964,171	6,346,120	3,380,281	148,895
Total Governmental Activities Expenses	<u>61,549,384</u>	<u>68,140,178</u>	<u>58,961,106</u>	<u>51,130,909</u>	<u>49,969,958</u>
Business-Type Activities:					
Water	12,667,365	13,226,177	12,992,447	13,328,494	14,818,353
Sewer	11,067,524	12,503,682	13,103,679	13,184,836	14,658,322
Solid Waste	8,712,715	9,029,774	8,796,614	9,105,662	8,949,815
Golf	1,244,412	1,268,361	1,156,149	1,098,871	1,179,120
Total Business-Type Activities Expenses	<u>33,692,016</u>	<u>36,027,994</u>	<u>36,048,889</u>	<u>36,717,863</u>	<u>39,605,610</u>
Total Primary Government Expenses	<u>\$95,241,400</u>	<u>\$104,168,172</u>	<u>\$95,009,995</u>	<u>\$87,848,772</u>	<u>\$89,575,568</u>
Program Revenues:					
Governmental Activities:					
Charges for Services:					
General Government	\$3,863,991	\$2,939,727	\$2,903,308	\$2,994,366	\$3,851,426
Community Development	990,726	1,969,679	2,585,271	2,307,275	1,724,184
Public Safety	1,295,958	1,050,347	989,504	1,078,717	1,120,531
Public Works		2,003	2,003	62,029	57,103
Parks and Recreation	1,657,534	1,667,858	1,615,658	2,098,940	2,003,973
Streets and Highways	164,000	164,000	164,000		
Operating Grants and Contributions	4,317,151	4,177,794	6,560,679	5,968,148	10,700,485
Capital Grants and Contributions	25,070,949	8,229,819	20,103,722	10,372,326	10,979,228
Total Government Activities Program Revenues	<u>37,360,309</u>	<u>20,201,227</u>	<u>34,924,145</u>	<u>24,881,801</u>	<u>30,436,930</u>
Business-Type Activities:					
Charges for Services:					
Water	13,291,670	13,235,259	13,207,371	13,143,709	13,400,887
Sewer	15,084,085	16,332,422	19,001,593	17,478,380	17,432,082
Solid Waste	7,994,026	8,037,838	8,159,479	8,206,348	8,446,006
Golf	1,196,998	1,202,991		1,121,220	1,084,478
Operating Grants and Contributions				55,131	
Capital Grants and Contributions	4,480,489	338,640	2,305,694	411,377	1,751,102
Total Business-Type Activities Program Revenue	<u>42,047,268</u>	<u>39,147,150</u>	<u>42,674,137</u>	<u>40,416,165</u>	<u>42,114,555</u>
Total Primary Government Program Revenues	<u>\$79,407,577</u>	<u>\$59,348,377</u>	<u>\$77,598,282</u>	<u>\$65,297,966</u>	<u>\$72,551,485</u>
Net (Expense)/Revenue:					
Governmental Activities	(\$24,189,075)	(\$47,940,954)	(\$24,036,961)	(\$26,249,108)	(\$19,533,028)
Business-Type Activities	8,355,252	3,119,156	7,739,216	3,698,302	2,508,945
Total Primary Government Net Expense	<u>(\$15,833,823)</u>	<u>(\$44,821,798)</u>	<u>(\$16,297,745)</u>	<u>(\$22,550,806)</u>	<u>(\$17,024,083)</u>
General Revenues and Other					
Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property Taxes	\$27,225,355	\$23,848,385	\$23,066,757	\$16,866,055	\$10,674,783
Sales Taxes	9,278,231	9,653,398	10,067,580	10,622,542	11,566,467
Other Taxes	3,854,252	3,270,746	4,171,694	4,195,411	4,493,507
Interest Income	4,641,537	2,257,961	1,381,906	1,607,554	31,395
Intergovernmental:					
Motor Vehicle In-Lieu Grants	244,605	151,915	236,814		
Other Revenue	1,625,719	1,056,231	314,968	522,320	1,219,181
Developer Contributions	842,274	48,150	60,109	61,962	64,158
Gain From Sale of Capital Assets			192,760		
Transfers, net			439,885		
Special Item					
Extraordinary item				83,664,129	(43,670,205)
Total Government Activities	<u>48,130,767</u>	<u>40,286,786</u>	<u>39,932,473</u>	<u>117,539,973</u>	<u>(15,620,714)</u>
Business-Type Activities:					
Interest Income	3,891,990	1,812,779	1,155,140	1,320,576	166,835
Other Revenue	436,866	292,200	933,153	496,009	499,913
Gain From Sale of Capital Assets		433,368	10,100		
Transfers, net			(439,885)		
Total Business-Type Activities	<u>4,328,856</u>	<u>2,538,347</u>	<u>1,658,508</u>	<u>1,816,585</u>	<u>666,748</u>
Total Primary Government	<u>\$52,459,623</u>	<u>\$42,825,133</u>	<u>\$41,590,981</u>	<u>\$119,356,558</u>	<u>(\$14,953,966)</u>
Change in Net Position:					
Governmental Activities	\$23,941,692	(\$7,654,168)	\$15,895,512	\$91,290,865	(\$34,987,897)
Business-Type Activities	12,684,108	5,657,503	9,397,724	5,514,887	3,009,848
Total Primary Government	<u>\$36,625,800</u>	<u>(\$1,996,665)</u>	<u>\$25,293,236</u>	<u>\$96,805,752</u>	<u>(\$31,978,049)</u>

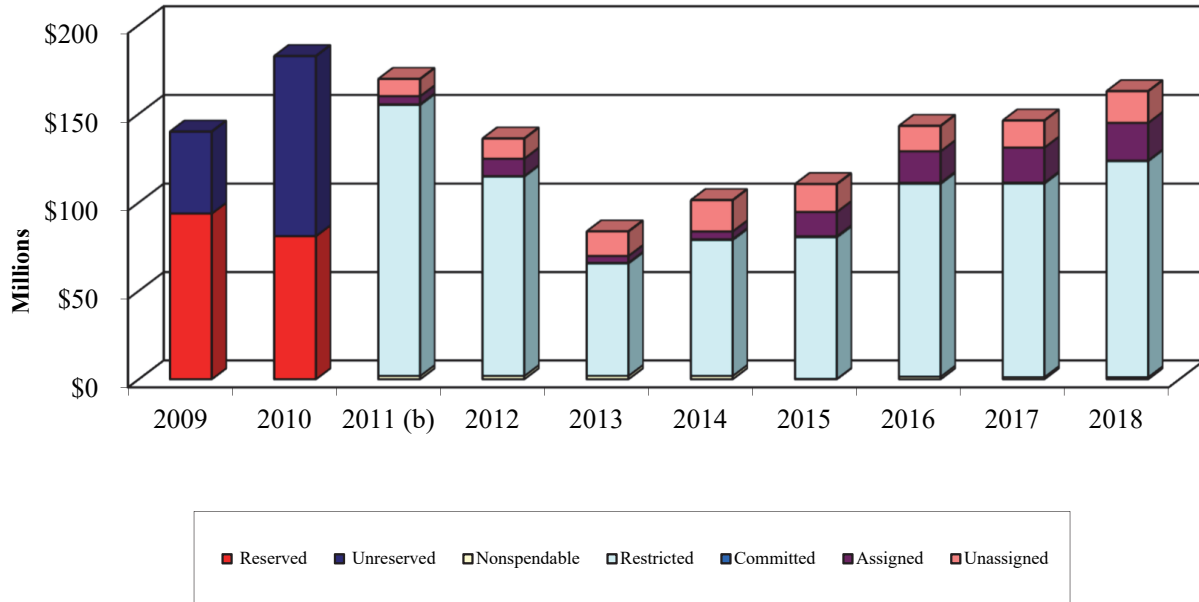
(1) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

(2) The City implemented the provisions of GASB Statement 68 in fiscal year 2015. Amounts prior to 2015 have not been restated.

(3) The City implemented the provisions of GASB Statement 75 in fiscal year 2018. Amounts prior to 2018 have not been restated.

2014	2015(2)	2016	2017	2018(3)
\$3,662,065	\$3,312,873	\$3,629,365	\$3,483,457	\$5,906,891
4,811,707	4,987,786	6,616,224	6,196,786	9,669,910
23,663,325	25,166,890	25,193,524	22,357,675	34,883,973
99,369	114,291	118,809	124,185	120,222
4,166,837	5,094,875	4,843,276	5,274,495	7,091,236
7,083,257	7,403,446	8,331,503	9,295,263	10,651,329
8,359,402	7,969,409	10,856,381	9,817,010	8,850,328
105,935	87,096	101,562	89,384	84,784
<u>51,951,897</u>	<u>54,136,666</u>	<u>59,690,644</u>	<u>56,638,255</u>	<u>77,258,673</u>
13,936,206	14,009,670	14,996,267	16,753,545	17,520,196
13,720,540	13,853,066	14,274,230	22,082,085	16,478,268
9,591,309	9,900,313	10,566,029	12,126,537	11,491,357
1,197,545	1,154,179	1,178,770	1,347,568	1,121,928
<u>38,445,600</u>	<u>38,917,228</u>	<u>41,015,296</u>	<u>52,309,735</u>	<u>46,611,749</u>
<u>\$90,397,497</u>	<u>\$93,053,894</u>	<u>\$100,705,940</u>	<u>\$108,947,990</u>	<u>\$123,870,422</u>
\$3,482,110	\$4,513,841	\$4,337,680	\$5,136,836	\$5,994,217
2,263,202	2,575,570	2,877,168	4,624,314	7,306,692
1,380,990	1,621,244	1,360,473	1,542,872	1,874,561
177,929	41,889	183,422	273,903	288,452
2,373,422	2,263,443	2,772,184	3,458,096	3,337,139
7,862,956	6,991,694	6,085,529	6,698,385	8,695,800
<u>20,231,150</u>	<u>20,220,600</u>	<u>41,118,815</u>	<u>33,113,697</u>	<u>33,768,730</u>
<u>37,771,759</u>	<u>38,228,281</u>	<u>58,735,271</u>	<u>54,848,103</u>	<u>61,265,591</u>
14,300,665	14,240,103	13,901,722	15,396,799	17,841,323
18,095,530	19,270,009	19,969,107	22,953,356	26,572,846
8,443,817	8,827,211	9,131,837	10,483,066	12,593,379
1,040,365	1,009,100	978,427	908,639	1,193,170
1,447,128	2,401,413	935,948	6,660,347	4,487,162
<u>43,327,505</u>	<u>45,747,836</u>	<u>44,917,041</u>	<u>56,402,207</u>	<u>62,687,880</u>
<u>\$81,099,264</u>	<u>\$83,976,117</u>	<u>\$103,652,312</u>	<u>\$111,250,310</u>	<u>\$123,953,471</u>
(\$14,180,138)	(\$15,908,385)	(\$955,373)	(\$1,790,152)	(\$15,993,082)
4,881,905	6,830,608	3,901,745	4,092,472	16,076,131
<u>(\$9,298,233)</u>	<u>(\$9,077,777)</u>	<u>\$2,946,372</u>	<u>\$2,302,320</u>	<u>\$83,049</u>
\$11,051,871	\$13,054,963	\$12,633,502	\$14,476,480	\$15,511,281
12,361,731	13,271,312	14,552,582	17,550,799	18,971,755
4,792,936	5,109,652	5,006,171	3,012,505	3,325,769
897,034	744,569	1,635,220	850,024	1,175,293
775,632	1,484,667	937,712	1,327,689	1,867,047
40,000	69,231	72,154	326,216	209,612
	(1,606,375)	(241,200)	(300,488)	(468,073)
			759,410	
<u>29,919,204</u>	<u>32,128,019</u>	<u>34,596,141</u>	<u>38,002,635</u>	<u>40,592,684</u>
617,958	606,799	1,167,858	472,012	810,465
532,344	462,941	276,950	680,209	389,176
	1,606,375	241,200	300,488	468,073
<u>1,150,302</u>	<u>2,676,115</u>	<u>1,686,008</u>	<u>1,452,709</u>	<u>1,667,714</u>
<u>\$31,069,506</u>	<u>\$34,804,134</u>	<u>\$36,282,149</u>	<u>\$39,455,344</u>	<u>\$42,260,398</u>
\$15,739,066	\$16,219,634	\$33,640,768	\$36,212,483	\$24,599,602
6,032,207	9,506,723	5,587,753	5,545,181	17,743,845
<u>\$21,771,273</u>	<u>\$25,726,357</u>	<u>\$39,228,521</u>	<u>\$41,757,664</u>	<u>\$42,343,447</u>

CITY OF MANTECA
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	June 30,				
	2009	2010	2011 (b)	2012	2013
General Fund:					
Reserved	\$1,822,967	\$1,917,928			
Unreserved	13,346,867	10,137,693			
Nonspendable			\$1,716,914	\$1,773,218	\$1,914,952
Restricted					
Assigned			24,329	134,186	38,600
Unassigned			10,746,187	11,358,781	13,897,866
Total General Fund	\$15,169,834	\$12,055,621	\$12,487,430	\$13,266,185	\$15,851,418
All Other Governmental Funds:					
Reserved	\$91,946,949	\$79,080,523			
Unreserved, reported in:					
Special revenue funds	26,977,907	25,237,443			
Capital project funds	5,923,572	66,218,838			
Nonspendable			\$182,800	\$121,865	\$60,930
Restricted			153,102,767	112,765,524	63,581,446
Committed			383,968	267,919	347,995
Assigned			4,525,889	9,696,257	3,835,995
Unassigned			(980,085)		(1,168)
Total All Other Governmental Funds	\$124,848,428	\$170,536,804	\$157,215,339	\$122,851,565	\$67,825,198

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The City implemented the provisions of GASB Statement 54 in fiscal year 2011.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$1,926,248	\$227,542	\$1,140,121	\$1,236,685	\$1,174,248
			496,896	493,423
22,092	7,921,152	10,860,353	12,167,528	12,242,789
17,736,555	15,792,889	14,362,743	15,313,223	17,864,670
<u>\$19,684,895</u>	<u>\$23,941,583</u>	<u>\$26,363,217</u>	<u>\$29,214,332</u>	<u>\$31,775,130</u> (a)

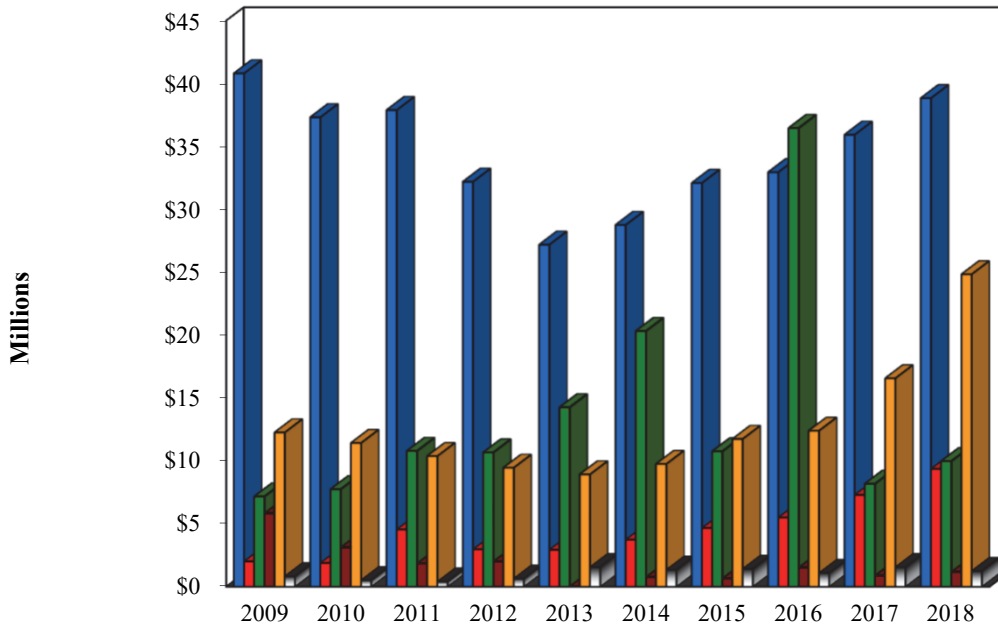
		\$367,368		
76,888,357	\$80,121,549	109,084,616	\$108,951,883	\$121,695,103
443,166	542,435	566,659	513,754	315,126
4,364,455	5,852,064	6,873,122	7,593,864	8,993,799
<u>\$81,695,978</u>	<u>\$86,516,048</u>	<u>\$116,891,765</u>	<u>\$117,059,501</u>	<u>\$131,004,028</u> (a)

CITY OF MANTECA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
Revenues					
Taxes	\$40,802,726	\$37,315,264	\$37,885,239	\$32,190,532	\$27,184,087
Licenses and permits	2,018,165	1,887,780	4,550,326	2,970,397	2,934,737
Fines and forfeitures	289,147	227,372	182,835	322,653	296,262
Use of money and property	5,833,346	3,126,330	1,851,487	2,007,087	24,727
Revenue from other agencies	7,173,063	7,750,146	10,792,463	10,672,408	14,262,235
Charges for services	12,260,805	11,423,374	10,379,307	9,453,285	8,928,001
Other revenue	538,817	295,478	222,860	321,242	1,268,428
Total Revenues	68,916,069	62,025,744	65,864,517	57,937,604	54,898,477
Expenditures					
Current:					
General government	4,320,817	3,096,572	2,741,890	2,388,310	2,667,341
Community development	6,495,974	7,169,691	18,246,166	4,268,143	2,022,147
Public safety	24,182,106	23,849,627	23,015,102	21,935,765	22,237,001
Library	131,234	120,917	112,092	87,158	105,483
Public works	4,214,766	4,091,100	3,636,835	2,942,711	3,116,806
Parks and recreation	6,090,427	5,132,634	4,864,431	4,874,253	5,098,332
Streets and highways	2,533,710	1,970,408	1,978,593	1,995,725	2,486,394
Nondepartmental	1,393,965	1,904,961	2,334,370	2,276,198	2,323,236
Supplemental Educational Revenue					
Augmentation Fund payment		6,664,258	1,372,053		
Capital outlay	13,568,055	6,438,353	12,950,145	14,539,693	22,003,541
Debt service:					
Principal repayment	1,983,377	2,155,866	2,724,044	3,000,250	2,181,486
Interest and fiscal charges	6,100,146	5,965,342	6,380,457	3,415,000	148,895
Total Expenditures	71,014,577	68,559,729	80,356,178	61,723,206	64,390,662
Excess (deficiency) of revenues over (under) expenditures	<u>(2,098,508)</u>	<u>(6,533,985)</u>	<u>(14,491,661)</u>	<u>(3,785,602)</u>	<u>(9,492,185)</u>
Other Financing Sources (Uses)					
Transfers in	9,459,738	217,832	59,989,059	1,603,423	5,271,444
Transfers (out)	(9,459,738)	(217,832)	(59,549,174)	(1,624,923)	(5,271,444)
Issuance of long-term debt			969,360		
Proceeds from capital lease obligations	164,949				
Proceeds from sale of property			192,760	500	721,883
Extraordinary item				(29,778,417)	(43,670,205)
Total other financing sources (uses)	164,949		1,602,005	(29,799,417)	(42,948,322)
Net Change in Fund Balances	<u>(\$1,933,559)</u>	<u>(\$6,533,985)</u>	<u>(\$12,889,656)</u>	<u>(\$33,585,019)</u>	<u>(\$52,440,507)</u>
Debt service as a percentage of noncapital expenditures	14.3%	12.9%	13.2%	13.5%	5.5%

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$28,753,641	\$32,094,372	\$32,947,680	\$35,923,482	\$38,836,074
3,731,526	4,662,438	5,500,733	\$7,297,736	9,361,925
337,288	283,690	251,348	242,370	274,079
775,017	657,340	1,524,560	887,642	1,178,617
20,324,768	10,759,079	36,458,520	8,181,175	9,979,594
9,755,068	11,740,989	12,393,596	16,563,471	24,833,693
1,010,619	1,136,856	840,611	1,310,923	978,783
<u>64,687,927</u>	<u>61,334,764</u>	<u>89,917,048</u>	<u>70,406,799</u>	<u>85,442,765</u>
2,585,212	3,179,851	3,426,132	4,213,380	3,908,666
2,076,066	2,186,882	3,969,714	3,427,208	6,062,166
22,661,015	24,376,036	26,515,201	28,149,443	29,913,998
104,939	115,182	119,733	124,621	116,993
3,074,652	2,936,956	2,943,548	3,437,585	4,235,394
5,303,386	5,820,120	6,447,370	6,811,941	7,619,147
1,903,753	1,944,873	3,657,370	3,911,368	2,406,785
2,602,469	2,745,157	2,620,108	2,853,407	3,087,315
5,963,377	7,098,897	6,582,238	13,440,297	11,593,401
450,222	310,581	277,308	129,708	134,307
105,935	87,096	101,562	89,384	84,784
<u>46,831,026</u>	<u>50,801,631</u>	<u>56,660,284</u>	<u>66,588,342</u>	<u>69,162,956</u>
<u>17,856,901</u>	<u>10,533,133</u>	<u>33,256,764</u>	<u>3,818,457</u>	<u>16,279,809</u>
2,015,513	431,526	4,773,733	346,972	753,989
(2,180,663)	(2,037,901)	(5,814,933)	(1,147,460)	(1,117,564)
	150,000	580,000		
12,506		1,787	882	589,091
<u>(152,644)</u>	<u>(1,456,375)</u>	<u>(459,413)</u>	<u>(799,606)</u>	<u>225,516</u>
<u>\$17,704,257</u>	<u>\$9,076,758</u>	<u>\$32,797,351</u>	<u>\$3,018,851</u>	<u>\$16,505,325</u>
1.4%	0.9%	0.7%	0.4%	0.4%

**CITY OF MANTECA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**

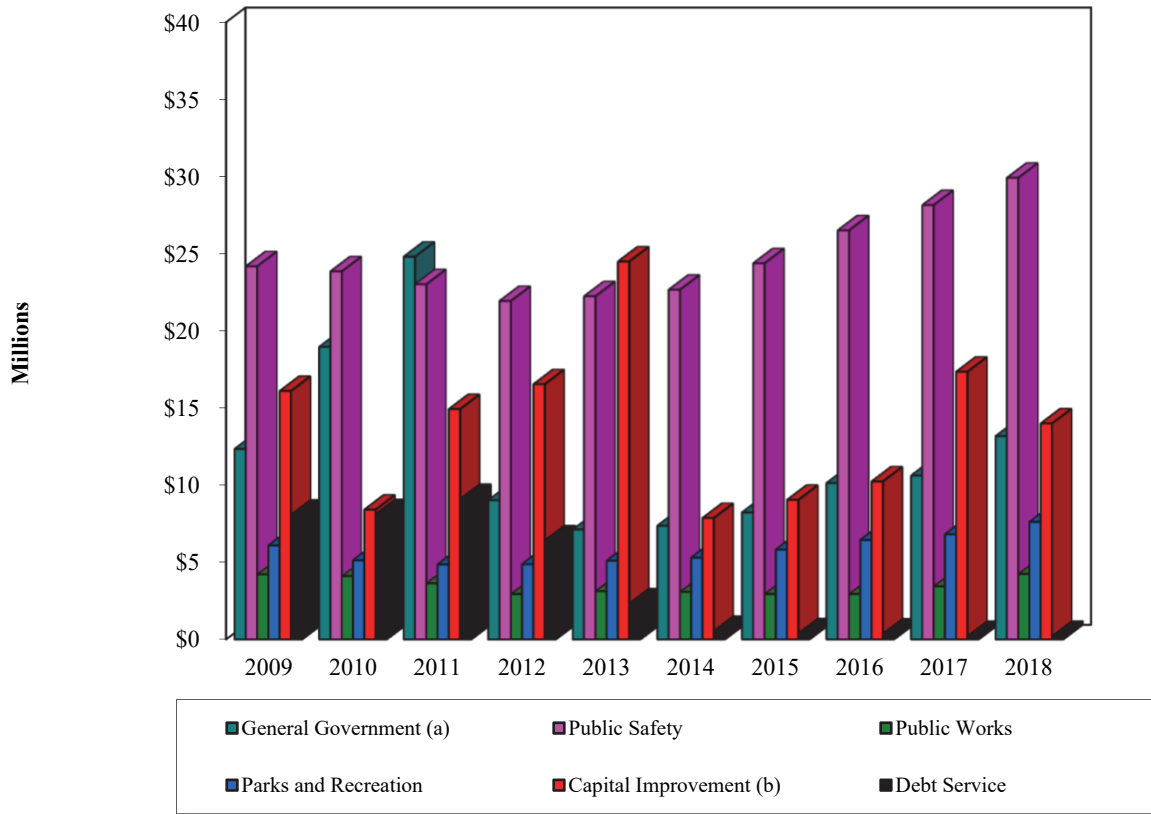


■ Taxes
 ■ Licenses and Permits
 ■ Revenue From Other Agencies
■ Use of Money and Property
 ■ Charges for Services
 ■ Fines, Forfeits and Other Revenue

Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Use of Money and Property	Charges for Services	Fines, Forfeits and Other Revenue	Total
2009	\$40,802,726	\$2,018,165	\$7,173,063	\$5,833,346	\$12,260,805	\$827,964	\$68,916,069
2010	37,315,264	1,887,780	7,750,146	3,126,330	11,423,374	522,850	62,025,744
2011	37,885,239	4,550,326	10,792,463	1,851,487	10,379,307	405,695	65,864,517
2012	32,190,532	2,970,397	10,672,408	2,007,087	9,453,285	643,895	57,937,604
2013	27,184,087	2,934,737	14,262,235	24,727	8,928,001	1,564,690	54,898,477
2014	28,753,641	3,731,526	20,324,768	775,017	9,755,068	1,347,907	64,687,927
2015	32,094,372	4,662,438	10,759,079	657,340	11,740,989	1,420,546	61,334,764
2016	32,947,680	5,500,733	36,458,520	1,524,560	12,393,596	1,091,959	89,917,048
2017	35,923,482	7,297,736	8,181,175	887,642	16,563,471	1,553,293	70,406,799
2018	38,836,074	9,361,925	9,979,594	1,178,617	24,833,693	1,252,862	85,442,765

Source: City Operating Budget and City Annual Financial Report

**CITY OF MANTECA
GENERAL EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**

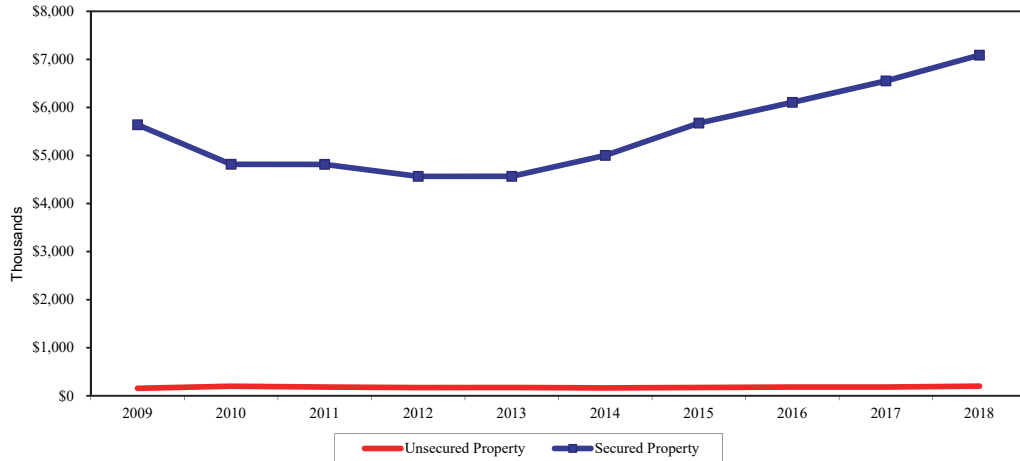


Fiscal Year	General Government (a)	Public Safety	Public Works	Parks and Recreation	Capital Improvement (b)	Debt Service	Total
2009	\$12,341,990	\$24,182,106	\$4,214,766	\$6,090,427	\$16,101,765	\$8,083,523	\$71,014,577
2010	18,956,399	23,849,627	4,091,100	5,132,634	8,408,761	8,121,208	68,559,729
2011	24,806,571	23,015,102	3,636,835	4,864,431	14,928,738	9,104,501	80,356,178
2012	9,019,809	21,935,765	2,942,711	4,874,253	16,535,418	6,415,250	61,723,206
2013	7,118,207	22,237,001	3,116,806	5,098,332	24,489,935	2,330,381	64,390,662
2014	7,368,686	22,661,015	3,074,652	5,303,386	7,867,130	556,157	46,831,026
2015	8,227,072	24,376,036	2,936,956	5,820,120	9,043,770	397,677	50,801,631
2016	10,135,687	26,515,201	2,943,548	6,447,370	10,239,608	378,870	56,660,284
2017	10,618,616	28,149,443	3,437,585	6,811,941	17,351,665	219,092	66,588,342
2018	13,175,140	29,913,998	4,235,394	7,619,147	14,000,186	219,091	69,162,956

Source: City Operating Budget and City Annual Financial Report

Notes: (a) Includes all General Government, Community Development, Library and Nondepartmental Expenditures
(b) Includes Streets and Highways and Capital Outlay Expenditures

CITY OF MANTECA
ASSESSED AND ESTIMATED
VALUE OF TAXABLE PROPERTY (in thousands)
LAST TEN FISCAL YEARS

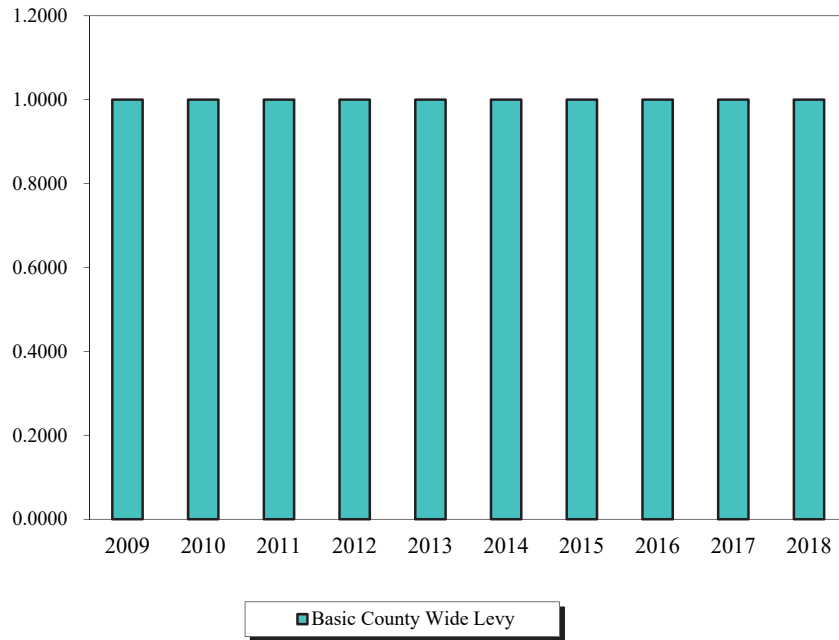


Fiscal Year	Real Property			Total Real Secured Property	(Less) Exemption	Public Utility	Net Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Land Property	Improvements Property	Personal Property								
2009	\$2,001,841	\$3,608,807	\$42,649	\$5,653,297	(\$170,599)	\$256	\$5,482,954	\$156,536	\$5,639,490	\$5,639,490	1%
2010	1,430,392	3,308,837	51,643	4,790,872	(173,630)	1,536	4,618,778	198,248	4,817,026	4,817,026	1%
2011	1,360,034	3,328,133	50,012	4,738,179	(107,194)	1,536	4,632,521	182,398	4,814,919	4,814,919	1%
2012	1,298,422	3,226,786	41,833	4,567,041	(172,348)	1,536	4,396,229	169,664	4,565,893	4,565,893	1%
2013	1,303,784	3,227,682	41,881	4,573,347	(180,202)	1,536	4,394,681	171,505	4,566,186	4,566,186	1%
2014	1,557,732	3,408,740	56,548	5,023,020	(186,738)	1,346	4,837,628	164,543	5,002,171	5,002,171	1%
2015	1,780,920	3,851,282	56,842	5,689,044	(188,463)	1,346	5,501,927	172,348	5,674,275	5,674,275	1%
2016	1,936,284	4,145,924	56,729	6,138,938	(216,669)	1,346	5,923,614	181,734	6,105,348	6,105,348	1%
2017	2,098,268	4,433,045	56,943	6,588,256	(219,922)	1,282	6,369,617	182,277	6,551,894	4,551,894	1%
2018	2,300,404	4,760,891	48,467	7,109,762	(224,278)	1,282	6,886,766	201,060	7,087,826	7,087,826	1%

Source: San Joaquin County Auditor Controller Office Certificate of Assessed Valuations

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Manteca encompasses more than 15 tax rate areas.

**CITY OF MANTECA
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy	Total
2009	1.0000	1.0000
2010	1.0000	1.0000
2011	1.0000	1.0000
2012	1.0000	1.0000
2013	1.0000	1.0000
2014	1.0000	1.0000
2015	1.0000	1.0000
2016	1.0000	1.0000
2017	1.0000	1.0000
2018	1.0000	1.0000

Source: San Joaquin County Assessors Office

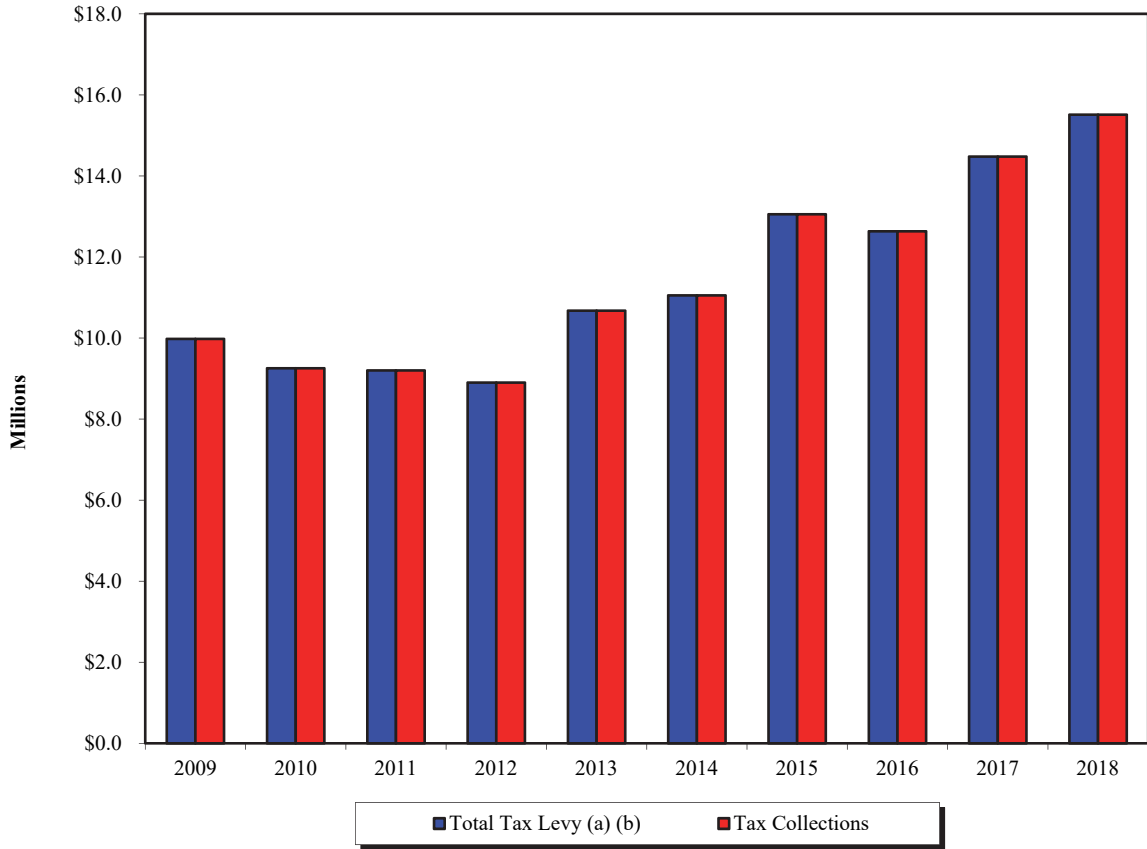
Note: The above ratios are expressed as dollars assessed per \$100 of assessed valuation

CITY OF MANTECA
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017-2018		2008-2009	
	Type of Business	Percentage of Total City Taxable Assessed Value	Type of Business	Percentage of Total City Taxable Assessed Value
LLH MRS Master RE LLC	Cold Storage	0.66%		
Manteca Lifestyle Center LLC	Shopping Center	0.75%	Commercial Land	0.50%
Excel Manteca LLC	Shopping Center	0.63%		
Pulte Home Corp	Residential Development	0.30%	Residential Development	1.41%
Paseo Apartments LLC	Apartments	0.46%	Apartments	0.67%
Centerpoint Properties Trust	Industrial	0.46%		
Prologis	Warehouse	0.41%	Warehouse	0.37%
Edward J & Dolores M Cardoza	Shopping Center	0.38%	Shopping Center	0.38%
Duke Realty LP	Warehouse	0.37%		
Costco Wholesale Corporation	Commercial Store	0.36%		
Stonegate Apartments LLC	Apartments	0.39%	Apartments	0.49%
Doctors Hospital of Manteca Inc.	Hospital	0.32%	Hospital	0.37%
Ryba Real Estate Inc.	Shopping Center	0.24%		
Brocchino Family Partnership	Commercial	0.22%		
Wal Mart Realty Company	Commercial Store	0.20%		
VFT Family Partnership LP	Residential Properties	0.21%		
Yip Holdings Five LLC	Shopping Center	0.20%		
Argo Manteca LLC	Shopping Center	0.19%		
KB Home Sacramento Inc	Residential Development	0.21%		
TH Shadowbrook Investors LLC	Residential Development	0.21%		
Union Ranch Partners LLC			Residential Development	0.31%
Metropolitan Life Insurance Co.			Industrial - Warehouse	0.40%
Milard Refrigerated Services Inc.			Industrial - Warehouse	0.51%
Deutsche Bank National Trust			Residential Properties	0.69%
Pivotal 650 California St LLC			Shopping Center	0.60%
SRB Investments LLC			Shopping Center	0.52%
Marie Raymus			Residential Properties	0.39%
U.S. Bank National Association Trust			Residential Properties	0.32%
John J & Eleanor L Vierra			Residential Properties	0.32%
Western Properties Trust			Shopping Center	0.29%
Wells Fargo Bank Trust			Residential Properties	0.28%
Health Care REIT Inc			Professional Offices	0.24%
Jackson Properties			Shopping Center	0.24%
Total		7.17%		9.30%

Source: California Municipal Statistics

**CITY OF MANTECA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	Total Tax Levy (a) (b)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2009	\$9,979,476	\$9,979,476	100.00%	\$0	\$9,979,476	100.00%
2010	9,253,641	9,253,641	100.00%	0	9,253,641	100.00%
2011	9,200,379	9,200,379	100.00%	0	9,200,379	100.00%
2012	8,901,066	8,901,066	100.00%	0	8,901,066	100.00%
2013	10,674,783	10,674,783	100.00%	0	10,674,783	100.00%
2014	11,051,871	11,051,871	100.00%	0	11,051,871	100.00%
2015	13,054,963	13,054,963	100.00%	0	13,054,963	100.00%
2016	12,633,502	12,633,502	100.00%	0	12,633,502	100.00%
2017	14,476,479	14,476,479	100.00%	0	14,476,479	100.00%
2018	15,511,281	15,511,281	200.00%	0	15,511,281	100.00%

Source: City of Manteca Records

NOTE: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California

(a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

(b) Includes State Mandated Vehicle License Fee in lieu of property taxes

CITY OF MANTECA
MANTECA REDEVELOPMENT PROJECT AREA NO. 1
TOP TWENTY ASSESSED VALUES
June 30, 2018

		2017-18 Total Local Secured Assessed Valuation Project Area No. 1	
		\$739,096,088	
Property Owner	Primary Land Use	2017-18 Assessed Valuation	% Total of Assessed Valuation
1 Doctors Hospital of Manteca Inc.	Hospital	\$22,294,510	3.02
2 Stonegate Apartments LLC	Apartments	20,312,149	2.75
3 Edward J. and Dolores M. Cardoza	Shopping Center	16,376,860	2.22
4 Wal Mart Realty Company	Commercial Stores	13,074,671	1.77
5 Laurel Glen LLC	Apartments	12,351,731	1.67
6 B.R. Funsten & Co. Corp.	Warehouse	12,196,556	1.65
7 VFT Properties LLC	Apartments	8,875,997	1.20
8 Lexington Trank Manteca Remainderman LP	Commercial Stores	6,500,000	0.88
9 Eckert Engineering Corp.	Warehouse	6,295,576	0.85
10 Asset Procurement Partners LLC	Bowling Alley	5,881,418	0.80
11 Brocchini Family Partnership	Commercial	5,776,678	0.78
12 Khatri Brother Properties	Hotel/Motel	5,655,937	0.77
13 KDDC Properties LLC	Commercial	5,628,260	0.76
14 Miner Joaquin Building Corp	Bank	5,423,379	0.73
15 North Main Storage LLC	Public Storage	5,408,657	0.73
16 MN Gianni LLC	Commercial	4,982,468	0.67
17 Hensley Investment Company	Office Building	4,500,000	0.61
18 SFP B LP	Commercial	4,357,487	0.59
19 MBLG LLC	Public Storage	4,200,310	0.57
20 Storage Solutions Manteca LLC	Public Storage	4,166,229	0.56
		<u>\$174,258,873</u>	<u>23.58%</u>

Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT PROJECT AREA NO. 2
TOP TWENTY ASSESSED VALUES
June 30, 2018

		2017-18 Total Local Secured Assessed Valuation Project Area No. 2	
		\$1,358,300,508	
Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total Assessed Valuation
1 LLH MRS Master RE LLC	Cold Storage	\$45,619,491	3.36
2 Excel Manteca LLC	Shopping Center	44,086,324	3.25
3 Prologis	Warehouse	28,701,140	2.11
4 Duke Realty LP	Warehouse	25,464,720	1.87
5 Costco Wholesale Corporation	Commercial Store	24,733,593	1.82
6 Yip Holdings Five LLC	Shopping Center	13,644,846	1.00
7 Argo Manteca LLC	Shopping Center	13,368,037	0.98
8 Kohl's Department Stores Inc.	Shopping Center	12,695,133	0.93
9 Target Corp.	Shopping Center	11,479,004	0.85
10 HD Development of Maryland Inc.	Commercial Store	9,660,426	0.71
11 Manteca Associates LP	Light Industrial	9,500,000	0.70
12 Daniel M. and Belinda A Sarich Trust	Light Industrial	9,154,568	0.67
13 Nestle Dreyers Ice Cream Co	Cold Storage	8,500,000	0.63
14 Brocchini Family Partnership LP	Office Building	8,409,462	0.62
15 277 Commerce Ave. LLC	Shopping Center	8,400,000	0.62
16 Cranbrook Realty Invest Fund LP	Warehouse	8,000,000	0.59
17 Realty Income Properties	Commercial Store	7,664,881	0.56
18 RBL Manteca LLC	Shopping Center	7,650,000	0.56
19 Dhaliwal Medical Enterprises LLC	Office Building	7,484,355	0.55
20 VFT Family Partnership LP	Apartments	7,436,416	0.55
		\$311,652,396	22.94%

Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT MERGED PROJECT AREA
TOP TWENTY ASSESSED VALUES
June 30, 2018

		2017-18 Total Local Secured Assessed Valuation 2005 Merged Project Amended Area		
<u>Property Owner</u>	<u>Primary Land Use</u>	\$19,190,161	2017-18 Assessed Valuation	% of Total Assessed Valuation
1 AGS Gasoline LLC	Service Station	\$3,179,844		16.57
2 AP&H Inc.	Assisted Living	968,491		5.05
3 Major Singh Brar	Commercial Land	940,000		4.90
4 David L. Peters	Truck Terminals	646,443		3.37
5 Jasvir and Sarbjit K Singh Trust	Light Industrial	577,922		3.01
6 GHG Investment LLC	Commercial Land	571,200		2.98
7 Robert L. and Dorothy F. Mack	Residential	528,824		2.76
8 Chattarpal S. Pabla	Multi-Family Residential	460,000		2.40
9 Natalyn J. and Thomas E. Bergman, Jr.	Residential	410,000		2.14
10 Hiway Farm LLC	Commercial Land	371,361		1.94
11 James H and Kristin Zimmerman	Residential	365,000		1.90
12 Kyung Han and Mi Jwa Yoon	Residential	361,010		1.88
13 Dale A. and April D. Matts	Residential	345,271		1.80
14 Nicolas and Heather D Hernandez	Residential	330,000		1.72
15 Taurino Sanchez Chavez	Residential	329,460		1.72
16 Jagmohan and Jaspinder Kailey Trust	Residential	325,000		1.69
17 Bachan Singh	Commercial Land	319,264		1.66
18 Ranjit and Jaswinder Khangura	Residential	318,000		1.66
19 Roger O. Beugre	Residential	300,310		1.56
20 John N. and Galatia Aretakis Trust	Residential	300,289		1.56
		<u>\$11,947,689</u>		<u>62.26%</u>

Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT AMENDED MERGED PROJECT AREA
TOP TWENTY ASSESSED VALUES
June 30, 2018

		2017-18 Total Local Secured Assessed Valuation 2004 Amended Area		
Property Owner	Primary Land Use	2017-18 Assessed Valuation	2017-18 Assessed Valuation	% of Total Assessed Valuation
1 Manteca Lifestyle Center LLC	Shopping Center	\$52,538,818	\$131,925,695	39.82
2 Manteca Lodging LLC	Shopping Center	9,192,947		6.97
3 Exeter Louise Land LLC	Industrial Land	8,133,048		6.16
4 JC Penney Properties Inc.	Shopping Center	7,814,972		5.92
5 Lanting Family LLC	Truck Terminal	6,738,498		5.11
6 Big Box Property Owner A LLC	Light Industrial	5,814,000		4.41
7 BS Family Partnership	Commercial	5,500,000		4.17
8 Andreetta Properties LP	Food Processing	4,225,044		3.20
9 Atherton Woodward Partners LLC	Commercial Land	2,340,412		1.77
10 Tesoro Commons LLC	Residential Properties	2,200,000		1.67
11 Ergonis Land Co. LP	Light Industrial	2,121,227		1.61
12 DTST Holdings LLC	Commercial Land	1,581,000		1.20
13 D'Ambrosio Brothers Invest Co LP	Industrial Land	1,557,936		1.18
14 John N. and Galatia Aretakis Trust	Residential	1,001,847		0.76
15 Clifford Luengo	Industrial Land	895,500		0.68
16 West Yosemite Properties LLC	Light Industrial	811,684		0.62
17 Gateway Solar RV & Boat Storage LLC	Industrial Land	724,885		0.55
18 Rajwinder Singh Bahia	Commercial Land	693,463		0.53
19 AT&T Communications of CA Inc	Communications	690,000		0.52
20 Harold and Dorothy Hahn Family LP	Light Industrial	680,350		0.52
		<u>\$115,255,631</u>		<u>87.36%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS**

	(a) 2008-09	2009-10	2010-11	2011-12	2012-13
Department Stores	\$2,154,887	\$2,504,586	\$2,634,244	\$2,737,676	\$2,879,701
Restaurants	1,087,886	1,066,537	1,131,793	1,202,018	1,300,958
Service Stations	1,010,053	891,765	1,019,526	1,206,488	1,332,043
Heavy Industry	449,962	399,960	499,472	524,169	573,362
Recreation Products	387,863	510,777	566,090	559,345	704,107
Auto Sales - New	759,321	620,224	738,893	692,308	829,842
Building Materials Retail	659,120	579,490	592,270	644,140	678,348
Food Markets	572,612	606,726	655,720	686,840	680,249
Misc. Retail	500,490	528,252	564,526	589,354	614,958
Misc. Vehicle Sales	374,187	293,129	295,464	380,867	425,809
Apparel Stores	292,745	371,358	387,530	423,972	514,182
Auto Parts/Repair	338,226	327,137	325,349	362,288	386,810
Building Materials Wholesale	555,017	449,941	464,294	495,552	472,167
Light Industry					
All Other Outlets	1,394,925	1,341,799	1,332,844	1,440,071	1,407,141
Total	\$10,537,294	\$10,491,681	\$11,208,015	\$11,945,088	\$12,799,677

Source: MuniServices

Note (a) First year Public Safety sales tax reported

Note (b) 2015 Light Industry broken out from All Other Outlets

Note (c) Updated numbers provided from MuniServices Sales Tax Analysis

(c) 2013-14	(c) 2014-15	2015-16	2016-17	2017-18
\$2,816,168	\$2,929,648	\$3,015,578	\$3,094,157	\$3,226,544
1,419,912	1,554,110	1,653,435	1,769,641	1,894,562
1,337,683	1,303,785	1,128,823	1,176,442	1,266,835
719,972	810,640	895,035	939,937	904,891
715,298	674,828	612,671	614,522	530,013
953,685	1,049,527	1,227,704	1,303,450	1,378,922
721,444	749,064	812,509	922,449	1,038,182
705,067	697,844	657,830	670,801	781,630
713,491	814,851	858,389	982,561	995,769
494,128	534,334	670,675	761,367	692,219
554,923	601,002	599,812	646,551	687,682
422,716	431,447	479,912	509,339	495,978
544,476	558,631	600,198	632,418	801,272
221,928 (b)	243,627	255,041	304,954	319,450
1,402,608	1,550,810	1,537,965	1,648,364	1,893,418
<u>\$13,743,499</u>	<u>\$14,504,148</u>	<u>\$15,005,588</u>	<u>\$15,976,953</u>	<u>\$16,907,367</u>

**CITY OF MANTECA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rate	Measure M	Measure K	State of California
2008-09	1.00	0.50	0.50	7.25 (b)
2009-10	1.00	0.50	0.50	7.25
2010-11	1.00	0.50	0.50	7.25
2011-12	1.00	0.50	0.50	6.25 (c)
2012-13	1.00	0.50	0.50	6.50 (d)
2013-14	1.00	0.50	0.50	6.50 (e)
2014-15	1.00	0.50	0.50	6.50
2015-16	1.00	0.50	0.50	6.50
2016-17	1.00	0.50	0.50	6.25
2017-18	1.25	0.50	0.50	6.00

Source: California State Board of Equalization

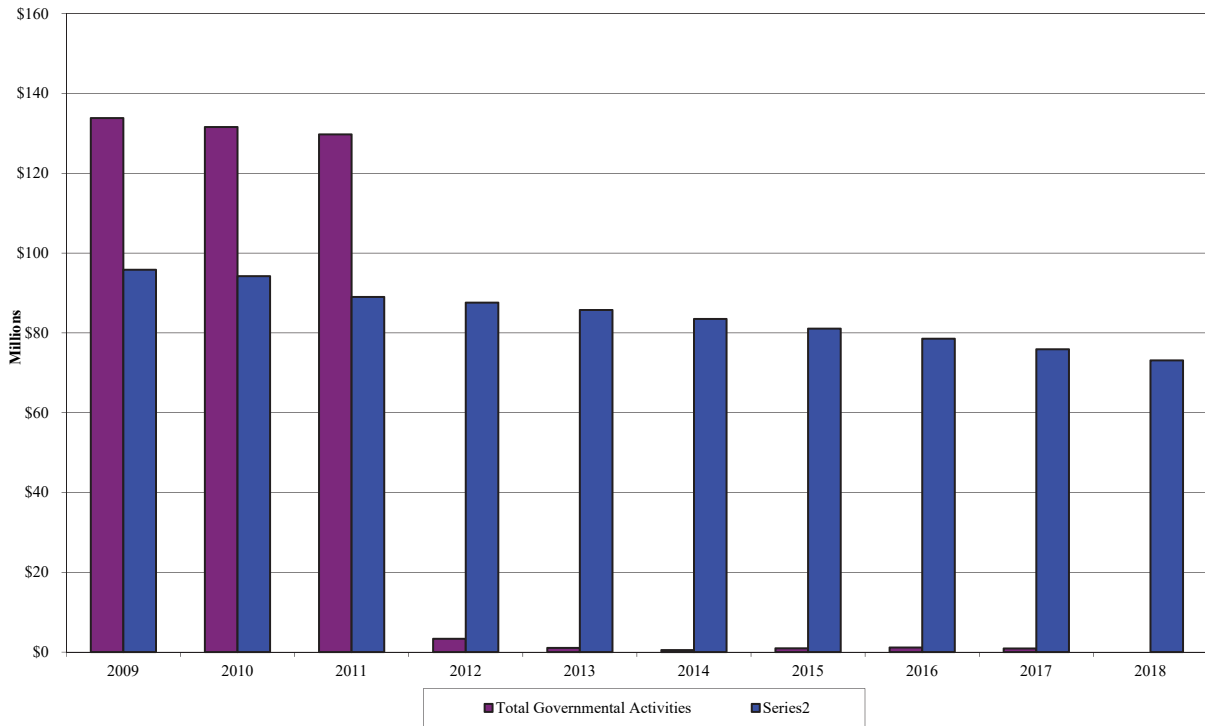
- (b) April 1, 2009 the State increased the State Rate 1%
- (c) July 1, 2011 the State decreased the State Rate 1%
- (d) On both July 1, 2012 and April 1, 2013 the State increased the State Rate .125%
- (e) On both July 1, 2012 and April 1, 2013 the State increase the State Rate .125%

**CITY OF MANTECA
PRINCIPAL SALES TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
IN ALPHABETICAL ORDER**

2017-2018	2008-2009
American Modular Systems	American Modular Systems
Bass Pro Shops Outdoor World	Arco AM/PM Mini Marts
B. R. Funsten & Company	Bass Pro Shops Outdoor World
Burlington Coat Factory	Best RV Center
Cabral Chrysler Jeep Suzuki	Boats Direct
Chevron Service Stations	Cabral Chrysler Jeep Suzuki
Costco Wholesale	Central Valley Buik/Olds/Pontiac
Country Nissan	Chevron Service Stations
Home Depot	Circuit City
J C Penney Company	Costco Wholesale
J.M. Equipment	Global HVAC Distributors
JSKS Enterprises	Home Depot
Kohl's Department Stores	K Mart Stores
Manteca Ford/Mercury	Kohl's Department Stores
Manteca Trailer & Motorhome	Manteca Ford/Mercury
McDonalds Restaurants	Mervyn's Department Store
Quik Stop Markets	Old Navy Clothing Co
Roberts & Brune Company	Orchard Supply Hardware
Ross Stores	Save Mart Supermarkets
Save Mart Supermarkets	Sexton Chevrolet
Stan Boyett & Sibs	Target Stores
Target Stores	TJ Maxx
TJ Maxx	Tom Duffy Company
Tracker Boat Center	Wal-Mart Stores
Wal-Mart Stores	Valero Service Stations

Source: MuniServices

**CITY OF MANTECA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**



Governmental Activities

Fiscal Year	Governmental Activities					Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Tax Allocation Bonds	Capital Leases	Energy Conservation Assistance Loan	Installment Purchase Obligation	Loan Payable				
2009	\$131,790,000	\$1,895,292	\$32,350	\$108,758		\$133,826,400	\$229,657,290	11.07%	3,390
2010	130,010,000	1,574,840				131,584,840	225,808,331	10.52%	3,280
2011	127,555,000	2,186,020				129,741,020	218,751,139	9.94%	3,198
2012	(b)	1,632,972			\$1,700,000 (c)	3,332,972	90,914,622	3.94%	1,302
2013		1,054,948				1,054,948	86,803,299	3.51%	1,220
2014		520,937				520,937	84,021,905	3.23%	1,153
2015		960,356				960,356	82,023,715	3.05%	1,112
2016		1,150,979				1,150,979	79,686,928	3.06%	1,113
2017		905,370				905,370	76,793,910	2.43%	1,007
2018		651,199				651,199	73,757,330	2.11%	907

Business-Type Activities

Fiscal Year	Business-Type Activities					Total
	Water Revenue Bonds	Sewer Revenue Bonds	Energy Conservation Asset Loan	Capital Leases	Lease Revenue Bonds	
2009	\$43,075,000	\$51,635,000	\$613,373	\$282,517	\$225,000	\$95,830,890
2010	42,715,000	51,000,000	283,139	225,352		94,223,491
2011	42,235,000	46,610,000		165,119		89,010,119
2012	41,625,000	45,855,000		101,650		87,581,650
2013	41,542,809	44,170,769		34,773		85,748,351
2014	40,444,293	43,056,675				83,500,968
2015	39,125,778	41,937,581				81,063,359
2016	37,787,462	40,748,487				78,535,949
2017	36,404,147	39,484,393				75,888,540
2018	34,970,831	38,135,300				73,106,131

Sources: City of Manteca
State of California, Department of Finance (population)
Bureau of Economic Analysis

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.
(a) See Demographic Statistics for personal income and population data.
(b) Due to the dissolution of the Redevelopment Agency as of January 31, 2012, the Tax Allocation Bonds are no longer a governmental commitment. See Note 16D to the financial statements
(c) Due to the dissolution of the Redevelopment Agency the City's previous advance with the Agency became a loan payable to the Successor Agency.

**CITY OF MANTECA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	Tax Allocation Bonds	Total		
2009	\$131,790,000	\$131,790,000	2.34%	\$1,945.13
2010	130,100,000	130,010,000	2.70%	1,888.39
2011	127,555,000	127,555,000	2.65%	1,864.57
2012	(a)	(a)	(a)	(a)
2013	(a)	(a)	(a)	(a)
2014	(a)	(a)	(a)	(a)
2015	(a)	(a)	(a)	(a)
2016	(a)	(a)	(a)	(a)
2017	(a)	(a)	(a)	(a)
2018	(a)	(a)	(a)	(a)

Note: (a) Due to the dissolution of the Redevelopment Agency as of January 31, 2012, the Tax Allocation Bonds are no longer a governmental commitment. See Note 16D to the financial statements.

**CITY OF MANTECA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2018**

2017-18 Assessed Valuation: \$7,161,748,519

JURISDICTION	Total Debt 1/0/1900	% Applicable (1)	City's Share of Debt 6/30/18
OVERLAPPING TAX AND ASSESSMENT DEBT			
San Joaquin Delta Community College District	\$154,305,582	9.057%	\$13,975,457
Yosemite Community College District	276,621,074	0.246%	680,488
Manteca Unified School District	157,329,885	52.124%	82,006,629
Ripon Unified School District	29,183,572	5.643%	1,646,829
Manteca Unified School District Community Facilities District No. 1989-2	26,210,000	79.150%	20,745,215
Manteca Unified School District Community Facilities District No. 2000-3	11,845,000	100.000%	11,845,000
California Statewide Communities Development Authority CFD No. 2012-2	6,145,000	100.000%	6,145,000
California Statewide Communities Development Authority 1915 Act Bonds	16,934,850	100.000%	16,934,850
Reclamation District No 17 Assessment District	<u>23,188,598</u>	6.969%	<u>1,616,013</u>
TOTAL OVERLAPPING DEBT	<u><u>\$701,763,561</u></u>		<u><u>\$155,595,481</u></u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
San Joaquin County Certificates of Participation	\$92,370,000	10.105%	\$9,333,989
Manteca Unified School District Certificates of Participation	23,964,000	52.124%	12,490,995
Ripon Unified School District Certificates of Participation	0	100.000%	0
CITY OF MANTECA GENERAL FUND OBLIGATIONS	0	100.000%	0
CITY OF MANTECA LEASES PAYABLE	651,199	100.000%	651,199
South San Joaquin Irrigation District COP	<u>0</u>		<u>0</u>
Total Gross Direct and Overlapping General Fund Debt	<u>116,985,199</u>		<u>22,476,183</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>21,824,984</u>
OVERLAPPING TAX INCREMENT DEBT:	107,340,000	100.000%	<u>107,340,000</u>
TOTAL DIRECT DEBT			<u>\$0</u>
TOTAL OVERLAPPING DEBT			<u><u>\$284,760,465</u></u>
COMBINED TOTAL DEBT			<u><u>\$284,760,465 (2)</u></u>

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the city's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.17%
Total Direct Debt	0.00%
Combined Total Debt	3.98%

Ratios to Redevelopment Incremental Valuation (\$1,835,995,149)

Total Overlapping Tax Increment Debt	5.51%
--------------------------------------	-------

AB:(\$500)

Source: California Municipal Statistics, Inc.

CITY OF MANTECA
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2018

ASSESSED VALUATION:

Assessed Value	\$7,087,825,799
Add back: Exempt real property	<u>73,922,720</u>
Total Assessed Valuation	<u><u>\$7,161,748,519</u></u>

BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE) (a) \$1,074,262,278

AMOUNT OF DEBT SUBJECT TO LIMIT: 0

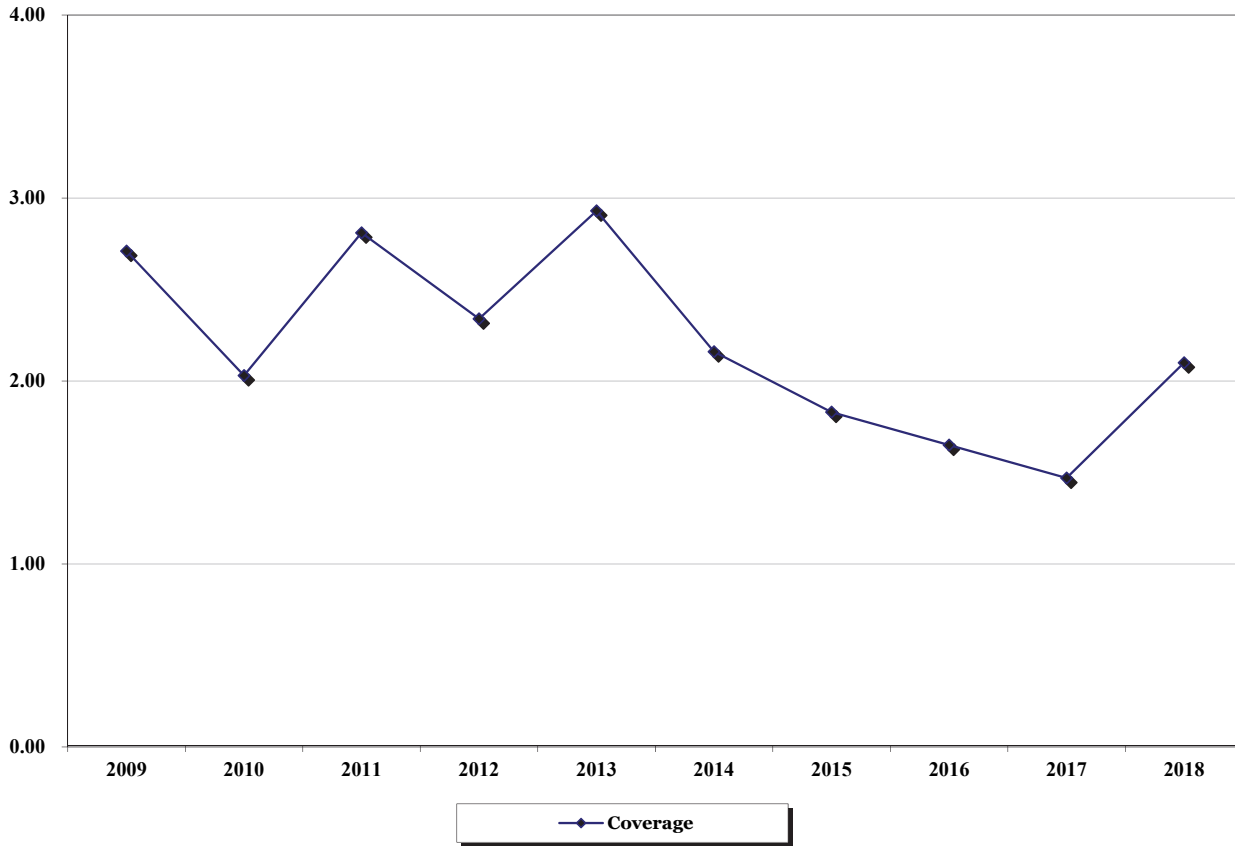
LEGAL BONDED DEBT MARGIN \$1,074,262,278

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2009	\$857,806,271	\$0	\$857,806,271	0.00%
2010	733,010,861	0	733,010,861	0.00%
2011	732,757,271	0	732,757,271	0.00%
2012	706,125,659	0	706,125,659	0.00%
2013	711,958,278	0	711,958,278	0.00%
2014	780,712,116	0	780,712,116	0.00%
2015	881,503,451	0	881,503,451	0.00%
2016	926,579,505	0	926,579,505	0.00%
2017	993,777,916	0	993,777,916	0.00%
2018	1,074,262,278	0	1,074,262,278	0.00%

NOTE:

- (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF MANTECA
REVENUE BOND COVERAGE
WATER REVENUE BONDS
LAST TEN FISCAL YEARS**



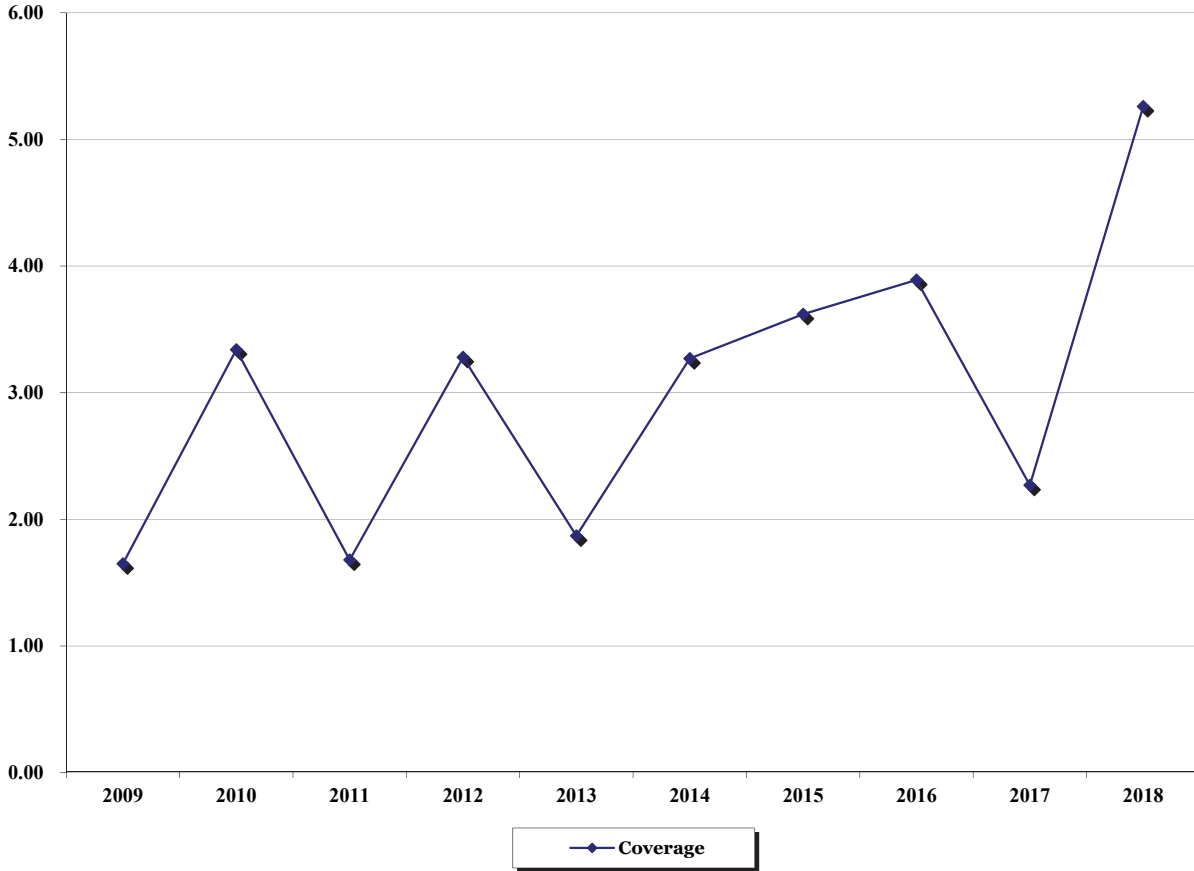
Fiscal Year	Gross Revenue	Operating Expenses	Depreciation Non-Operating Revenues (b)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2009	\$13,557,178	(\$10,695,624)	\$5,083,707	\$5,973,520	\$250,000	\$1,951,624	\$2,201,624	2.71
2010	13,360,391	(11,265,725)	4,536,161	4,670,375	360,000	1,945,164	2,305,164	2.03
2011	13,917,366	(11,006,351)	3,863,597	6,774,612	480,000	1,934,964	2,414,964	2.81
2012	13,285,244	(11,395,400)	4,029,951	5,919,795	610,000	1,920,336	2,530,336	2.34
2013	13,534,427	(11,824,834)	3,293,169	5,002,762	750,000 (a)	955,974	1,705,974	2.93
2014	14,386,302	(12,424,475)	3,713,168	5,674,995	905,000	1,724,808	2,629,808	2.16
2015	14,253,339	(12,560,076)	3,394,634	5,087,897	1,125,000	1,653,100	2,778,100	1.83
2016	13,911,824	(13,569,363)	4,219,136	4,561,597	1,145,000	1,618,950	2,763,950	1.65
2017	15,475,870	(15,374,241)	3,955,645	4,057,274	1,190,000	1,572,250	2,762,250	1.47
2018	17,874,779	(16,190,492)	4,115,119	5,799,406	1,240,000	1,523,650	2,763,650	2.10

Source: City of Manteca Annual Financial Statements

- Note: (a) The 2003A Water Revenue Bonds were refunded and defeased by the 2012 Water Revenue Refunding Bonds during the fiscal year. Retirements exclude the refunded bond principal of \$40,875,000.
 (b) Depreciation expense is added back to exclude it from net revenues. Interest income is included the calculation of net revenues.

Source: City of Manteca Annual Financial Statements

**CITY OF MANTECA
REVENUE BOND COVERAGE
SEWER REVENUE BONDS
LAST TEN FISCAL YEARS**

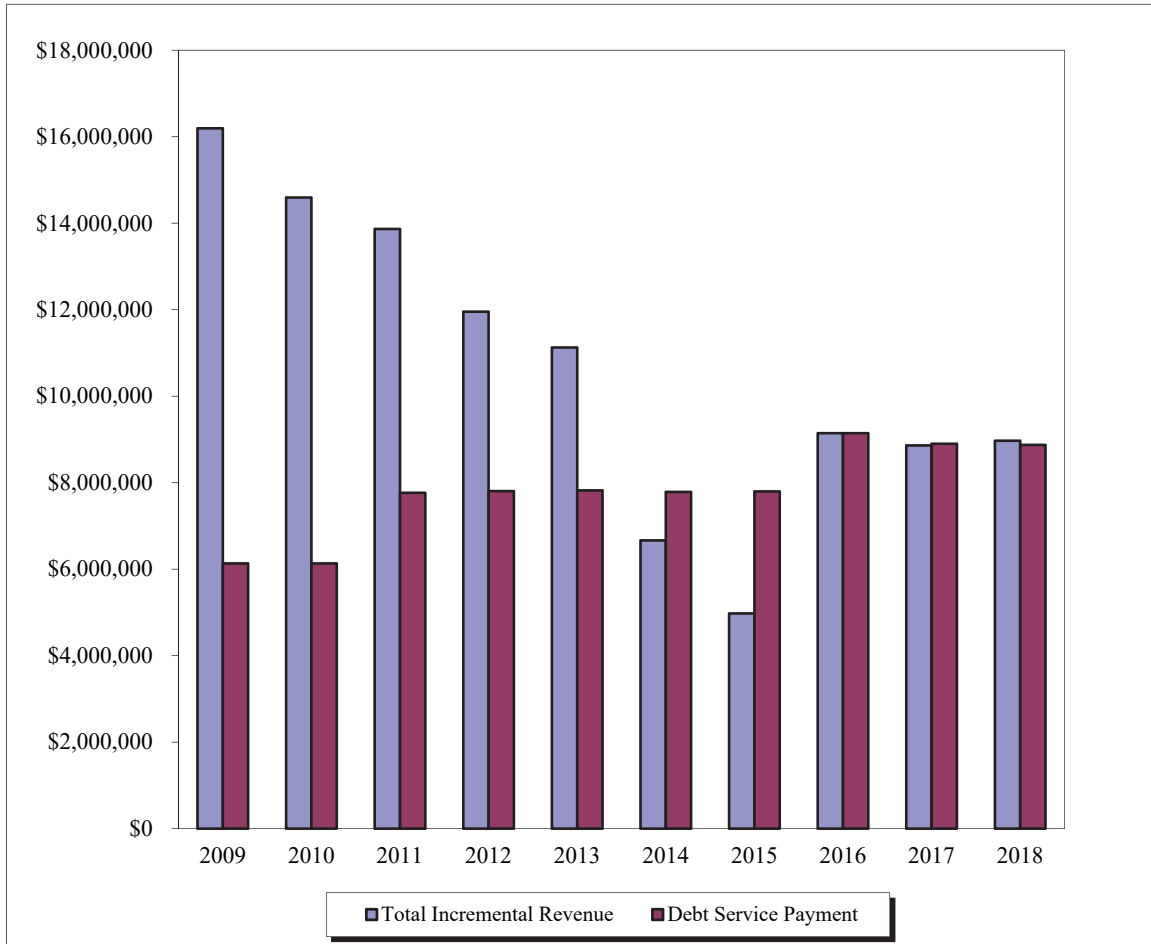


Fiscal Year	Operating Revenue	Operating Expenses	Depreciation Non-Operating Revenues (c)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2009	\$15,096,533	(\$8,964,273)	\$3,001,273	\$9,133,533	\$2,635,000 (a)	\$1,631,425	\$4,266,425	1.65
2010	16,341,765	(9,779,294)	2,314,244	8,876,715	635,000	2,026,531	2,661,531	3.34
2011	19,047,755	(10,500,075)	3,010,880	11,558,560	4,390,000 (a)	2,474,759	6,864,759	1.68
2012	17,506,803	(10,638,966)	3,253,372	10,121,209	755,000	2,331,779	3,086,779	3.28
2013	17,506,393	(11,104,886)	3,108,517	9,510,024	3,020,000 (a)(b)	2,066,197	5,086,197	1.87
2014	18,178,282	(11,834,974)	3,207,615	9,550,923	1,030,000	1,891,791	2,921,791	3.27
2015	19,358,013	(11,980,756)	3,151,337	10,528,594	1,035,000	1,871,141	2,906,141	3.62
2016	20,088,298	(12,427,362)	3,823,516	11,484,452	1,105,000	1,844,216	2,949,216	3.89
2017	23,353,626	(20,270,910)	3,693,782	6,776,498	1,180,000	1,809,941	2,989,941	2.27
2018	26,752,536	(14,696,631)	3,953,777	16,009,682	1,265,000	1,779,591	3,044,591	5.26

Note (a) Principal includes early redemption payment for bonds called during the fiscal year.
 (b) The 2003 A&B Sewer Revenue Bonds were refunded and defeased by the 2012 Sewer Revenue Refunding Bonds during the fiscal year. Retirements exclude the refunded bond principal of \$23,835,000.
 (c) Depreciation expense is added back to exclude it from net revenues. Interest income is included the calculation of net revenues.

Source: City of Manteca Annual Financial Statements

**CITY OF MANTECA
 BONDED DEBT PLEDGED-REVENUE COVERAGE
 REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
 LAST TEN FISCAL YEARS**



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest (c)	Total	
2009	\$16,194,009	\$1,490,000	\$5,505,410	\$6,132,366	2.64
2010	14,594,745	1,780,000	5,400,564	6,132,366	2.38
2011	13,866,378	2,455,000	5,311,074	7,766,074	1.79
2012	11,953,924 (a) (b)	2,540,000 (a)	5,265,299 (a)	7,805,299	1.53
2013	11,125,234 (b)	2,640,000 (b)	5,181,408 (b)	7,821,408	1.42
2014	6,666,009 (b)	2,750,000 (b)	5,037,006 (b)	7,787,006	0.86
2015	4,975,892 (b)	2,875,000 (b)	4,923,045 (b)	7,798,045	0.64
2016	9,143,768 (b)	3,000,000 (b)	5,003,356 (b)	9,143,768	1.00
2017	8,860,814 (b)	3,135,000 (b)	5,765,392 (b)	8,900,392	1.00
2018	8,970,904 (b)	3,275,000 (b)	5,599,995 (b)	8,874,995	1.01

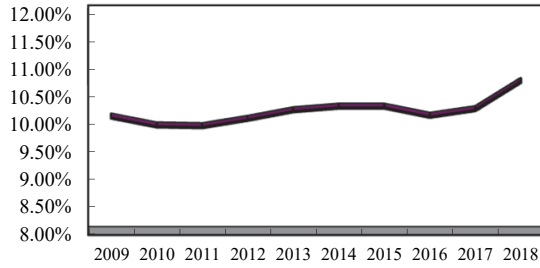
Note: (a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(b) Beginning in fiscal year 2012, tax increment reported in this table is the amount calculated by the County Auditor-Controller. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations.

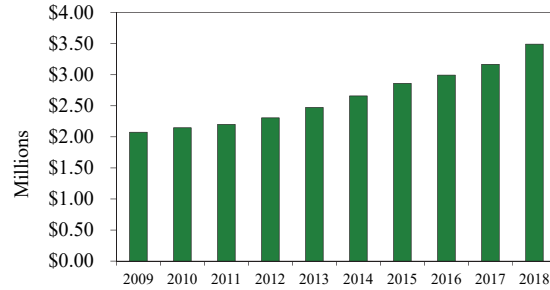
(c) Excludes the letter of credit and remarketing fees on the 2005 Tax Allocation Bonds.

Source: City of Manteca Annual Financial Statements

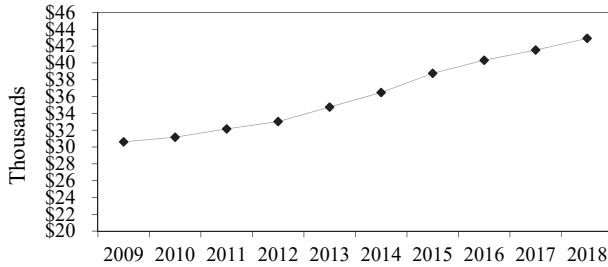
**CITY OF MANTECA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



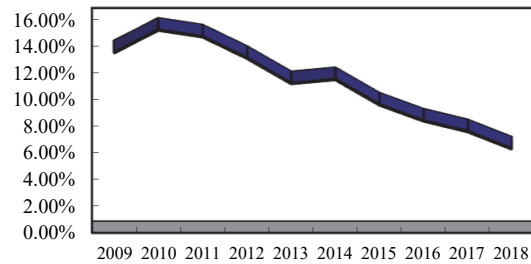
■ City Population as a % of County Population



■ Personal Income (in thousands)



◆ Per Capita Personal Income



■ Series1

Fiscal Year	City Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate (%)	San Joaquin County Population	City Population % of County
2009	\$67,754	\$2,074,153	\$30,613	13.5%	\$672,388	10.08%
2010	68,847	2,145,686	31,166	15.2%	694,293	9.92%
2011	68,410	2,199,860	32,157	14.7%	690,899	9.90%
2012	69,815	2,305,571	33,024	13.1%	695,750	10.03%
2013	71,164	2,473,305	34,755	11.2%	698,414	10.19%
2014	72,880	2,658,881	36,483	11.5%	710,731	10.25%
2015	73,787	2,860,648	38,769	9.6%	719,511	10.26%
2016	74,222 (b)	2,992,631	40,320 (c)	8.4%	735,677	(b) 10.09%
2017	76,247	3,166,538	41,530 (c)	7.6%	746,868	10.21%
2018	81,345	3,491,481	42,922	6.3%	758,744	10.72%

Source: California State Department of Finance - City Population (1/1/18)
Bureau of Labor Statistics - Unemployment Rate (Not Seasonally Adjusted)
Bureau of Economic Analysis - Per Capita (San Joaquin County)

Note: Data for Per Capita 2016 and 2017 is not available. Numbers are projections
(a) Personal income is a product of the countywide per capita amount and the City's population
(b) Revised numbers from State
(c) Projected

CITY OF MANTECA
Principal Employers
Current Year and Eight Years Ago

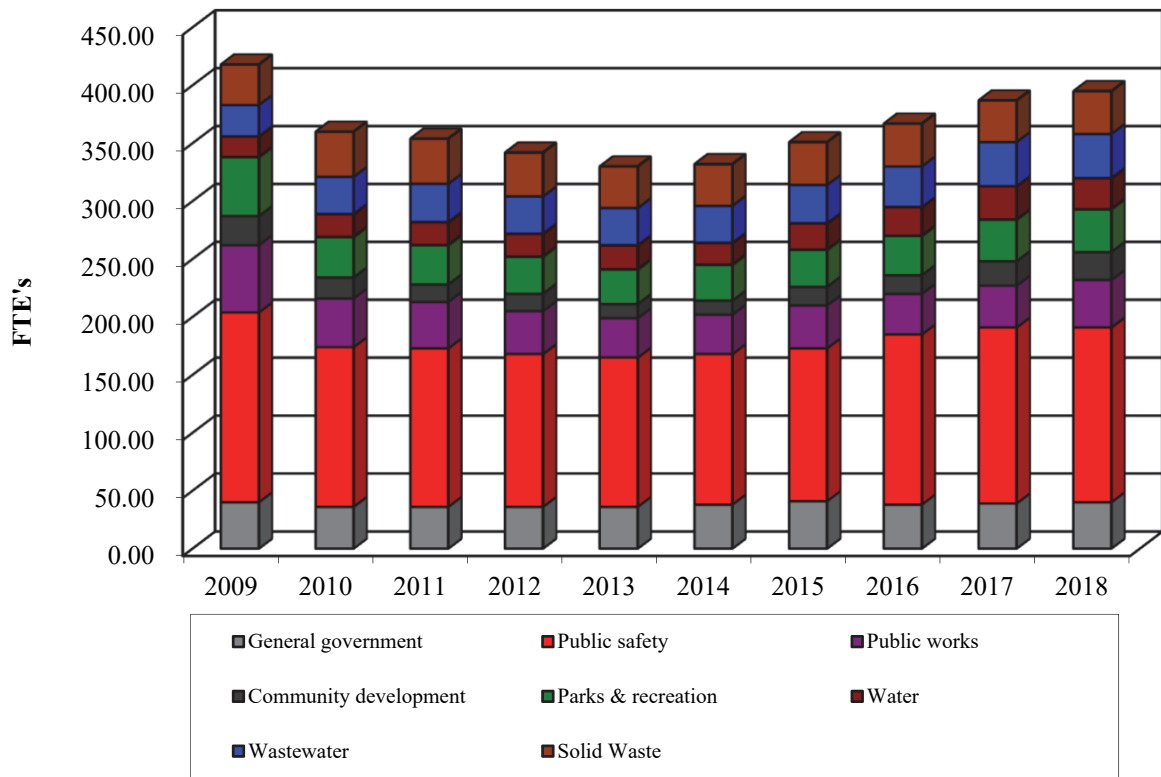
<u>Employer</u>	<u>2017-18</u>			<u>2009-10(a)</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Manteca Unified School District (a)	2,242	1	2.8%	1,400	1	2.0%
Tennant Sales and Service Co	800	2	1.0%			
Gardner Trucking, INC	520	3	0.6%			
Doctors Hospital of Manteca	427	4	0.5%	370	3	0.5%
City of Manteca	395	5	0.5%	360	4	0.5%
Kaiser Foundation Health Plan	369	6	0.5%	590	2	0.9%
Powerhouse Retail Services LLC	350	7	0.4%			
Wal-Mart	332	8	0.4%	301	5	0.4%
Lassen Canyon Nursery	250	9	0.3%			
Teichert Construction	244	10	0.3%			
Eckert Cold Storage				300	6	0.4%
C. Overaa & Co.				250	7	0.4%
Advance Packaging Distribution Specialist Inc.				200	8	0.3%
COSTCO Wholesale #1031				169	9	0.2%
Target Corp				151	10	0.2%
Total City Population	<u>81,345</u>			<u>68,847</u>		

Source: City of Manteca Community Development Department (Business License)

Data not available for historical trend

^(a) Data for nine years prior not available.

**CITY OF MANTECA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**



	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Function										
General government	40.00	36.00	36.00	36.00	36.00	38.00	41.00	38.00	39.00	40.00
Public safety	164.00	138.00	137.00	132.00	129.00	130.00	132.00	147.00	152.00	151.00
Public works	58.00	42.00	40.00	37.00	34.00	34.00	37.00	35.00	36.00	41.00
Community development	25.00	18.00	15.00	15.00	12.00	12.00	16.00	16.00	21.00	24.00
Parks & recreation	51.00	35.00	34.00	32.00	30.00	31.00	32.00	34.00	36.00	37.00
Water	18.00	20.00	20.00	20.00	21.00	19.00	23.00	25.00	29.00	27.00
Wastewater	27.00	32.00	33.00	32.00	32.00	32.00	33.00	35.00	38.00	38.00
Solid Waste	35.00	39.00	39.00	38.00	36.00	36.00	37.00	37.00	36.00	37.00
Total	<u>418.00</u>	<u>360.00</u>	<u>354.00</u>	<u>342.00</u>	<u>330.00</u>	<u>332.00</u>	<u>351.00</u>	<u>367.00</u>	<u>387.00</u>	<u>395.00</u>

Source: City of Manteca Budget Document

CITY OF MANTECA
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
	2009	2010	2011	2012	2013
Population					
Citizens	67,754	68,847	68,410	69,815	71,164
Date of Incorporation	May 28,1918	May 28, 1918	May 28,1918	May 28,1918	May 28,1918
Form of Government	Council/Manager	Council/Manager	Council/Manager	Council/Manager	Council/Manager
Area	17.7 Sq Miles	17.9 Sq Miles	20.1 Sq Miles	20.61 Sq Miles	20.61 Sq Miles
Registered Voters	26,500	26,922	27,562	27,999	30,731
Taxable Sales	\$679,545,400	\$684,299,100	\$733,739,500	\$770,125,800	\$820,317,100
Building Permits Issued	1,459	1,843	1,675	1,783	1,891
Employees from Budget Document	418	360	354	342	330
Fire Protection					
Number of Stations	3	3	3	3	3
Number of Reserve Personnel	11	20	20	12	13
Number of Sworn Fire Personnel *	43	42	41	39	39
Number of Calls Answered	4,823	4,787	4,800	5,448	5,937
Police Protection					
Number of Stations	1	1	1	1	1
Number of Police Officers	83	59	58	63	63
Number of Volunteers	153	100	211	102	124
Number of Support Personnel	36	26	28	21	23
Number of Calls Answered	37,345	35,902	35,331	32,964	37,161
Parks & Recreation					
Park Sites	47	52	53	53	55
Acres of Parks	335	335	335	329	357
Senior Centers	1	1	1	1	1
Swimming Pools	2	2	2	2	2
Tennis Courts	8	8	8	8	8
Number of Park/Golf Trees	7,600	7,320	7,320	7,320	7,520
Number of Street Trees	8,801	10,680	10,680	10,680	10,980
Acres of Golf Course	111	111	111	111	111
Public Libraries	1	1	1	1	1
Landscape Maintenance Districts	24	23	23	24	27
Benefit Area District	2	4	4	4	4
Community Facility Districts					1
Public Works					
Miles of Streets	197	197	197	222	238
Number of Street Lights	4,800	4,800	4,800	4,681	4,822
Water Utility					
Number of Meters	19,800	19,700	20,071	20,338	20,675
Miles of Water Mains	244	236	257	258	258
Average Daily Consumptions (Gal)	12.62 MGD	12.68 MGD	11.83 MGD	11.83 MGD	13.25 MGD
Wastewater					
Number of Connections	22,461	23,053		23,738	24,178
Miles of Sewer Lines	184	184	184	223	226
Number of Treatment Plants	1	1	1	1	1
Average Daily Treatment	6.2 MGD	6.2 MGD	6.18 MGD	5.98 MGD	6.25 MGD
Treatment Capacity	9.87 MGD	9.87 MGD	9.87 MGD	9.87 MGD	9.87 MGD
Solid Waste					
Number of Accounts	18,262	18,765	19,400	23,397	20,066
Education					
Elementary Schools	23	23	24	20	20
High Schools	4	5	8	5	5
Alternative Schools					3
Adult Education	1	1	1	1	2
Charter School					
Teachers	1,012	989	953	934	978
Elementary Classrooms	900	895	900	903	903
High School Classrooms	390	375	390	464	438
Adult Education Classrooms	47	27	47	10	27
Current Enrollment	22,900	22,796	23,283	23,325	22,061

Source: City of Manteca Budget Document
Manteca Fire Department Annual Report
Various Manteca Unified School District Records
City of Manteca

Note: n/a denotes information not available.

* Includes the Fire Department's Chief Officers

	Fiscal Year				
	2014**	2015**	2016	2017	2018
Population					
Citizens	72,880	73,787	73,841	76,247	81,345
Date of Incorporation	May 28,1918	May 28,1918	May 28,1918	May 28,1918	May 28,1918
Form of Government	Council/Manager	Council/Manager	Council/Manager	Council/Manager	Council/Manager
Area	20.61 Sq Miles	20.92 Sq Miles	20.92 Sq Miles	20.92 Sq Miles	21.45
Registered Voters	30,930	30,975	33,105	36,327	37,775
Taxable Sales	\$876,348,800	\$922,862,200	\$918,391,100	\$1,001,063,900	\$1,055,133,700
Building Permits Issued	2,134	3,027	3,418	3,565	4,312
Employees from Budget Document	336	351	351	384	395
Fire Protection					
Number of Stations	4	4	4	4	4
Number of Reserve Personnel	25	25	22	20	24
Number of Sworn Fire Personnel	40	41	49	60	48
Number of Calls Answered	5,854	6,252	6,682	7,132	7,579
Police Protection					
Number of Stations	1	1	1	1	1
Number of Police Officers	63	64	65	65	67
Number of Volunteers	115	94	87	62	71
Number of Support Personnel	23	24	29	33	33
Number of Calls Answered	33,885	35,036	42,717	43,229	42,114
Parks & Recreation					
Park Sites	56	58	65	69	69
Acres of Parks	362	367	382	382	465
Senior Centers	1	1	1	1	1
Swimming Pools	2	2	2	2	2
Tennis Courts	8	8	8	8	8
Number of Park/Golf Trees	7,600	7,600	7,600	7,600	7,600
Number of Street Trees	17,000	18,000	18,500	18,700	18,700
Acres of Golf Course	111	111	111	111	111
Public Libraries	1	1	1	1	1
Landscape Maintenance Districts	29	29	29	29	29
Benefit Area District	4	4	4	4	4
Community Facility Districts	1	6	9	10	12
Public Works					
Miles of Streets	241	250	250	259	271
Number of Street Lights	4,856	5,143	5,405	5,443	5,603
Water Utility					
Number of Meters	20,876	21,161	21,696	22,380	22,920
Miles of Water Mains	259	266	280	298	299
Average Daily Consumptions (Gal)	14.06 MGD	11.11 MGD	9.89 MGD	10.498 MGD	10.498 MGD
Wastewater					
Number of Connections	24,940	20,791	21,325	21,951	22,529
Miles of Sewer Lines	227	243	250	257	258
Number of Treatment Plants	1	1	1	1	1
Average Daily Treatment	6.29 MGD	6 MGD	6.25 MGD	6.21 MGD	6.21 MGD
Treatment Capacity	9.87 MGD	9.87 MGD	9.87 MGD	9.87 MGD	9.87<GD
Solid Waste					
Number of Accounts	20,399	20,879	21,411	22,080	22,641
Education					
Elementary Schools	20	23	23	20	20
High Schools	5	5	5	5	5
Alternative Schools	3	3	3	3	3
Adult Education	2	1	1	1	1
Charter School		1	1	1	1
Teachers	1,094	1,019	1,041	1,092	1,099
Elementary Classrooms	897	895	895	899	884
High School Classrooms	451	461	457	457	445
Adult Education Classrooms	10	42	3	3	3
Current Enrollment	23,145	22,909	23,981	23,852	23,599

Source: City of Manteca Budget Document
Manteca Fire Department Annual Report
Various Manteca Unified School District Records
City of Manteca

Note: n/a denotes information not available.

* Includes the Fire Department's Chief Officers

** Updated numbers from Muni Service Sales Tax Analysis

CITY OF MANTECA
CRIME POLICY NOTARY AND SECURITY BONDS OF PRINCIPAL OFFICIALS
June 30, 2018

	<u>Limit Amount of Policy¹</u>
City Manager	\$1,000,000
City Attorney	1,000,000
City Clerk	1,000,000
City Treasurer	1,000,000
Economic Development Manager	1,000,000
Public Works Director	1,000,000
Police Chief	1,000,000
Fire Chief	1,000,000
Finance Director	1,000,000
Parks and Recreation Director	1,000,000
Community Development Director	1,000,000
Director of Human Resources and Risk Management	1,000,000
Administration Assistant (Notary)	1,000,000

¹ City employees are covered by a Crime Policy amounting to a maximum of \$1,000,000 with a \$10,000 deductible.

Source: City Administration Department

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Board of Directors of the Manteca Financing Authority
Manteca, California

Report on Financial Statements

We have audited the accompanying financial statements of the 2009 Sewer Revenue Bonds Fund (Fund) of the Manteca Financing Authority (Authority), California, a component unit of the City of Manteca, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 Authority'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 Authority'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2009 Sewer Revenue Bonds Fund of the Authority, a component unit of the City, as of June 30, 2018, and the change in financial position and, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 1, the component unit financial statements present only the Authority and are not intended to present fairly the financial position and the results of operations of the City of Manteca in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

The Authority has omitted the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2018, on our consideration of the City'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 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 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 City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 16, 2018

**STATEMENT OF NET POSITION AND
STATEMENT OF REVENUES AND
CHANGES IN NET POSITION**

The purpose of The Statement of Net Position and the Statement of Revenues and Changes in Net Position is to summarize the entire Authority's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Authority's assets and deferred outflows of resources and all its liabilities and deferred inflows of resources, as well as all its revenues and expenses.

The Statement of Net Position reports the difference between the Authority's total assets and deferred outflows of resources and the Authority's total liabilities and deferred inflows of resources, including all the Authority's long-term debt. The Statement of Net Position summarizes the financial position of all the Authority's activities in a single column.

The Statement of Revenues, Expenses, and Changes in Net Position reports increases and decreases in the Authority's net position. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands.

MANTECA FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>2009 Sewer Revenue Bonds</u>
ASSETS	
Current Assets:	
Investments held by trustee (Note 2)	\$1,913,488
Interest receivable	<u>88,230</u>
Total Current Assets	2,001,718
Receivable from the City of Manteca (Note 3)	<u>17,086,512</u>
Total Assets	<u>19,088,230</u>
LIABILITIES	
Current Liabilities:	
Accrued interest payable	<u>88,230</u>
Total Current Liabilities	<u>88,230</u>
Non-Current Liabilities:	
Lease revenue bonds payable (Note 4)	
Due in more than one year	<u>19,000,000</u>
Total Liabilities	<u>19,088,230</u>
NET POSITION	
Restricted for Debt Service	<u> </u>
Total Net Position	<u><u> </u></u>

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2009 Sewer Revenue Bonds</u>
OPERATING REVENUE	
Interest on base rental payments	<u>\$1,038,373</u>
Operating Revenue	<u>1,038,373</u>
OPERATING EXPENSES	
Interest and fiscal fees	<u>1,058,763</u>
Total Operating Expenses	<u>1,058,763</u>
Operating Loss	<u>(20,390)</u>
NONOPERATING INCOME	
Interest on investments	<u>20,390</u>
Net Nonoperating Income	<u>20,390</u>
Change in net position	
Net position at beginning of year	<u> </u>
Net position at end of year	<u><u> </u></u>

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2009 Sewer <u>Revenue Bonds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from the City	\$1,049,895
Payments to bond trustees	<u>(1,058,763)</u>
Cash Flows from Operating Activities	<u>(8,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment interest received	<u>20,390</u>
Cash Flows from Investing Activities	<u>20,390</u>
Net Cash Flows	11,522
Cash and investments at beginning of period	<u>1,901,966</u>
Cash and investments at end of period	<u><u>\$1,913,488</u></u>
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	(\$20,390)
Change in assets:	
Receivables, net	<u>11,522</u>
Cash Flows from Operating Activities	<u><u>(\$8,868)</u></u>

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization and Purpose*

The Manteca Financing Authority is a Joint Powers Authority organized by the City of Manteca and the Manteca Redevelopment Agency on May 1, 1991 under the laws of the State of California. The Authority was organized to provide assistance to the City and Agency in financing public improvements for the benefit of the residents of the City and surrounding areas. Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City and are not included in the accompanying financial statements. Such expenses are insignificant to the Authority's operations.

The Authority is an integral part of the City and the accompanying financial statements are included as a component 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.

B. *Basis of Presentation*

The Authority's Basic Component Unit Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Authority considers all its funds to be major funds.

C. *Basis of Accounting*

The Authority accounts for all transactions in a single enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of the private sector in which the purpose is to conserve and add to economic resources. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

D. *Major Funds*

The Authority's only major funds is required to be identified as a major fund and presented in the fund financial statements. Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total.

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority reported the following major enterprise fund in the accompanying financial statements:

2009 SEWER REVENUE BONDS – To account for Bond transactions.

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

F. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 those estimates.

NOTE 2 - INVESTMENTS HELD BY TRUSTEE

The Authority invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - INVESTMENTS HELD BY TRUSTEE (Continued)

A. Investments Authorized by Debt Agreements

In accordance with the Lease Revenue Bond Indenture of Trust, a Trustee holds the portion of Bond proceeds established as reserves for debt service on these Bonds. The California Government Code requires these funds to be invested in accordance with bond indentures or State statutes. The table below identifies the investment types and their minimum credit ratings that are authorized for investments held by trustee and certain provisions of the debt agreement. The bond indenture contains no limitations for the maximum investment in any one issuer or the maximum percentage of the portfolio that may be invested in any one investment type.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
United States Treasury Bill, Bonds, Notes	5 years	N/A
United States Government Agency Obligations	5 years	N/A
Bankers' Acceptances	30 days to 1 year	A-1
Commercial Paper	270 days to 1 year	A-1
Certificates of Deposit	30 days to 5 years	None to A
Repurchase Agreements	None to 30 days	A-1
Local Agency Investment Fund	n/a	Not rated
Money Market Funds	n/a	AA-m
Investment Agreements	None	None to AA
State and Municipal Bonds, Notes	None	Two Highest Categories

B. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	12 Months or Less
Held by Trustees:	
Money Market Funds (U.S. Securities)	<u>\$1,913,488</u>

C. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual rating as of June 30, 2018 for the Money Market Funds was AAAM as provided by Standard & Poor's investment rating system. Money market funds are available for withdrawal on demand and at June 30, 2018 have an average maturity of 34 days.

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - INVESTMENTS HELD BY TRUSTEE (Continued)

D. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Authority's money market funds are measured at amortized cost and are categorized as Level 2 as of June 30, 2018.

NOTE 3 – RECEIVABLE FROM THE CITY OF MANTECA

The Authority used the proceeds from its Bond issues to finance capital improvements throughout the City. The City leases these improvements from the Authority under the terms of the lease agreement that expires in 2037.

Anticipated receipts of the base rental payments, net of cash and investments held by trustee, capitalized interest proceeds and interest expense net of anticipated interest earned on the investments, are as follows:

Year ending June 30	Principal	Interest	Total
2019		\$1,038,425	\$1,038,425
2020		1,038,425	1,038,425
2021		1,038,425	1,038,425
2022		1,038,425	1,038,425
2023		1,038,425	1,038,425
2024-2028	\$2,730,000	4,941,815	7,671,815
2029-2033	5,050,000	3,851,905	8,901,905
2034-2037	11,220,000	1,395,729	12,615,729
	<u>\$19,000,000</u>	<u>\$15,381,574</u>	34,381,574
		<u>Less:</u>	
		Investments held by trustee	1,913,488
		Amount representing interest	<u>15,381,574</u>
		Receivable from the City of Manteca at June 30, 2018	<u><u>\$17,086,512</u></u>

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – LONG TERM DEBT

On May 27, 2009 the Authority issued the 2009 Sewer Revenue Bonds Series 2009 in the amount of \$19,000,000 to finance the City’s expansion and upgrade of its Wastewater Quality Control Facility. The 2009 Revenue Bonds are secured by installment payments payable by the City of Manteca under the Installment Sales Agreement dated December 1, 2003, as amended by Amendment 1 dated June 1, 2009. The installment payments are special limited obligations of the City and are secured by a pledge of and lien on the net revenues of the City’s sewer system.

Annual debt service requirements are shown below for the long-term debt:

Year	Principal	Interest	Total
2019		\$1,058,763	\$1,058,763
2020		1,058,763	1,058,763
2021		1,058,763	1,058,763
2022		1,058,763	1,058,763
2023		1,058,763	1,058,763
2024-2028	\$2,730,000	5,043,505	7,773,505
2029-2033	5,050,000	3,953,595	9,003,595
2034-2037	11,220,000	1,497,419	12,717,419
Total	<u>\$19,000,000</u>	<u>\$15,788,334</u>	<u>\$34,788,334</u>

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