

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017



PREPARED BY THE FINANCE DEPARTMENT

CITY OF MANTECA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

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CITY OF MANTECA

FINANCE DEPARTMENT

03/26/2018

Honorable Mayor
Members of the City Council
And Citizens of Manteca

Comprehensive Annual Financial Report

The City of Manteca's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Manteca. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City of Manteca. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This CAFR has been prepared in accordance with "generally accepted accounting principles" (GAAP). GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This transmittal letter is intended to be read in conjunction with the Management Discussion and Analysis (MD&A) and the Financial Statements.

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 27% higher than revenues for the same period last year. Assessed valuations for secured property tax increased by 9.8%. Of the amount of property tax received, \$1.3 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 2016-17 the Building Safety division issued 620 permits for new residential construction compared to 508 permits in 2015-16 and 455 permits in 2014-15.

As of June 30, 2017, employment levels in California have continued to increase. The California Economic Development Department listed the June 2017 unemployment rate for the State and the County at 4.9% and 7.3% respectively. Manteca's unemployment rate was 7.3%. As a comparison, one year ago the State and County unemployment rates were 5.4% and 8.3%, respectively, and Manteca's was 8.4%.

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, the City continues to seek a private developer to anchor the Family Entertainment Zone with the development of a 500 room hotel/waterpark resort and meeting facility. 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 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 will begin 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.

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 one mega-watt solar facility which will provide one-third of the power required to operate the Waste Water Quality Control Facility, and the implementation of increased water conservation standards to reduce water use by 25% from 2013 to 2017.

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 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.

Cash Management

The City invests temporarily idle funds in accordance with the Government Code and the Investment Policy approved by the City Council. The City pools all cash funds not held by fiscal agents in order to maximize investment opportunities and increase flexibility. Investments are conservatively managed with the three primary objectives of safety of principal, liquidity to meet disbursement requirements, and investment yield, pursued in that order.

Total cash and investments as of June 30, 2017 amounted to \$288,542,800 encompassing governmental activities, business type activities and fiduciary activities, including restricted cash and investments. During fiscal year 2016-17 investments consisted primarily of U.S. Treasuries (11%), Corporate Notes (10%), Federal Agencies (17%), and the Local Agency Investment Fund (LAIF) managed by the State Treasurer (15%). \$71,111,211 or (27%) of the portfolio is related to bond reserves, unspent bond proceeds held by trustees, and in funds held in trust for retiree health benefits

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.

Risk Management

The City is a member of the Municipal Pooling Authority (MPA), a Joint Powers Authority. The City joined the MPA's general liability program in January 1998 and the workers' compensation program in 2002. The City is not insured for liability occurrences over \$29 million per occurrence and maintains an Insurance Internal Service Fund to provide for the uninsured portion of claims and judgments.

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, 2016. This was the twenty-eighth 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.

Comprehensive Annual Financial Report
City of Manteca
Transmittal Letter - Continued

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,

A handwritten signature in blue ink that reads "Jeri Tejada". The signature is written in a cursive style with a large initial "J".

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, 2017

EXECUTIVE TEAM

Greg Showerman, Acting City Manager

John Brinton, City Attorney

Suzanne Mallory, 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

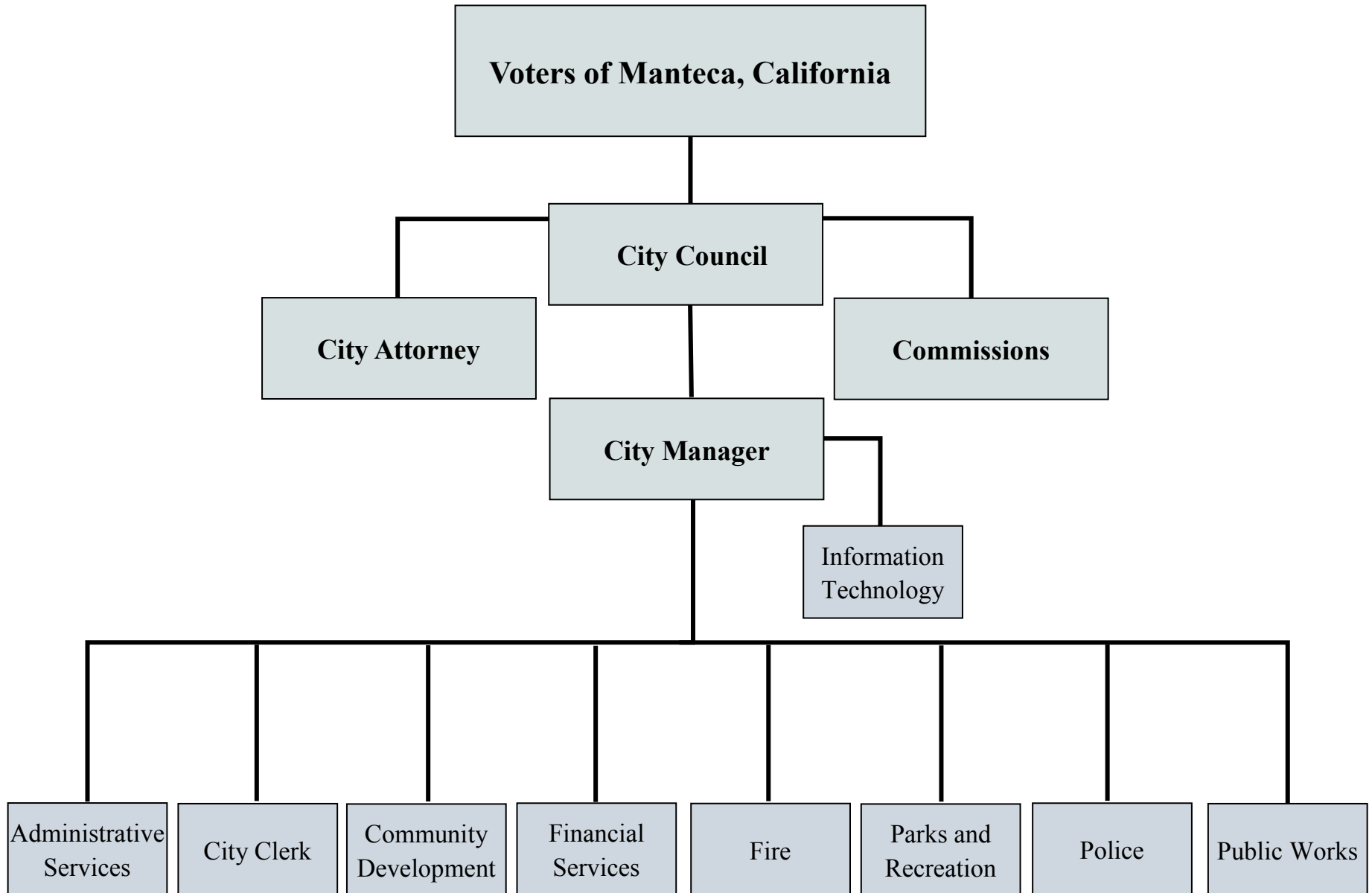
Jodie Estarziau, Chief of Police

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, 2016

Christopher P. Morill

Executive Director/CEO

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, 2017, 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, 2017, 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.

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 March 26, 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
March 26, 2018

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, 2017. 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 2016-2017 fiscal year by \$604 million (*Net Position*). Of this amount \$16.7 million (*Unrestricted Net Position*) is designated to be used to meet ongoing obligations to citizens and creditors; \$139.2 million is restricted for capital projects, debt service and legally segregated taxes, grants, and fees; and \$448.5 million is invested in capital assets. The Unrestricted Net Position reflects the inclusion of a Net Pension Liability of \$99.5 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, 2017, the governmental funds reported combined fund balances of \$146.3 million, of which \$145 million is available to meet the City's current and future needs (*Restricted, Committed, Assigned, and Unassigned balances*).
- As of June 30, 2017 the fund balance for the General Fund was \$29.2 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 \$15.3 million.
- Governmental capital assets increased by \$40 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 \$12.9 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 24 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 \$604.3 million at the close of the Fiscal Year Ended June 30, 2017. This is an increase of \$41.8 million from June 30, 2016.

The following table reflects the Summary of Net Position for the Fiscal Year Ended June 30, 2017 with comparative data for the Fiscal Year Ended June 30, 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$176,679	\$174,051	\$108,147	\$107,044	\$284,826	\$281,095
Non-Current Assets	22,696	22,754			22,696	22,754
Capital Assets	312,315	283,905	201,638	197,925	513,953	481,830
Total Assets	<u>511,690</u>	<u>480,710</u>	<u>309,785</u>	<u>304,969</u>	<u>821,475</u>	<u>785,679</u>
Deferred Outflows						
Related to Pensions	<u>\$23,548</u>	<u>\$10,859</u>	<u>\$6,534</u>	<u>\$3,953</u>	<u>\$30,082</u>	<u>\$14,812</u>
Current Liabilities	\$22,408	\$21,222	\$23,533	\$23,742	\$45,941	\$44,964
Non-Current Liabilities	<u>94,959</u>	<u>82,970</u>	<u>99,659</u>	<u>98,712</u>	<u>194,618</u>	<u>181,682</u>
Total Liabilities	<u>117,367</u>	<u>104,192</u>	<u>123,192</u>	<u>122,454</u>	<u>240,559</u>	<u>226,646</u>
Deferred Inflows						
Related to Pensions	<u>\$2,239</u>	<u>\$7,957</u>	<u>\$4,411</u>	<u>\$3,297</u>	<u>\$6,650</u>	<u>\$11,254</u>
Net Investment in Capital						
Assets	\$311,611	\$282,955	\$136,859	\$144,969	\$448,470	\$427,924
Restricted	139,178	139,015			139,178	139,015
Unrestricted	<u>(35,157)</u>	<u>(42,550)</u>	<u>51,857</u>	<u>38,202</u>	<u>16,700</u>	<u>(4,348)</u>
Total Net Position	<u>\$415,632</u>	<u>\$379,420</u>	<u>\$188,716</u>	<u>\$183,171</u>	<u>\$604,348</u>	<u>\$562,591</u>

The City's Government-wide Net Position as of June 30, 2017, comprised the following:

- Cash and investments comprised of \$213.1 million in the city treasury and \$58.3 million of restricted cash held by fiscal agents. This represents a decrease of \$10.9 million in restricted cash and investments.
- Governmental receivables were comprised of \$8.6 million of current receivables and \$22.7 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 \$513.9 million include the City's infrastructure in addition to all other City assets.
- Restricted Net Position, totaling \$139.2 million, is restricted for capital projects (\$68.8 million), redevelopment projects (\$54.8 million), and \$15.6 million may be spent on other projects as specified by funding source restrictions.
- Unrestricted Net Position totals \$16.7 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 \$99.5 million and the Net OPEB Obligation of \$15.1 million.

The Change in Net Position as expressed as the change in revenues and expenditures through June 30, 2017 is further reflected in the Statement of Activities.

Statement of Changes in Net Position
Fiscal Year Ended June 30
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program revenues:</i>						
Charges for services	\$15,036	\$11,531	\$49,742	\$43,981	\$64,778	\$55,512
Operating grants and contributions	6,698	6,086			6,698	6,086
Capital Grants and Contributions	33,114	41,119	6,660	936	39,774	42,055
Total program revenues	54,848	58,736	56,402	44,917	111,250	103,653
<i>General revenues:</i>						
<i>Taxes:</i>						
Property taxes	14,476	12,633			14,476	12,633
Sales taxes	17,551	14,553			17,551	14,553
Other taxes	3,012	5,006			3,012	5,006
Interest income	850	1,635	472	1,168	1,322	2,803
Development Agreements, Unrestricted	326	72			326	72
Other Revenue	1,328	938	680	277	2,008	1,215
Total general revenues	37,543	34,837	1,152	1,445	38,695	36,282
Total revenues	92,391	93,573	57,554	46,362	149,945	139,935
Expenses						
General government	3,483	3,629			3,483	3,629
Community Development	6,197	6,616			6,197	6,616
Public Safety	22,358	25,194			22,358	25,194
Library	124	119			124	119
Public Works	5,275	4,843			5,275	4,843
Parks and Recreation	9,295	8,332			9,295	8,332
Streets and Highways	9,817	10,856			9,817	10,856
Interest and fiscal charges	89	102			89	102
Water			16,754	14,996	16,754	14,996
Sewer			22,082	14,274	22,082	14,274
Solid Waste			12,126	10,566	12,126	10,566
Golf			1,347	1,179	1,347	1,179
Total expenses	56,638	59,691	52,309	41,015	108,947	100,706
Change in net position before transfers and special items	35,753	33,882	5,245	5,347	40,998	39,229
Transfers	(300)	(241)	300	241		
Special Item	759				759	
Change in net position	36,212	33,641	5,545	5,588	41,757	39,229
Net Position, Beginning of Year	379,420	345,779	183,171	177,583	562,591	523,362
Net Position, End of Year	\$415,632	\$379,420	\$188,716	\$183,171	\$604,348	\$562,591

Revenues

Total governmental activity revenues remained consistent with those in fiscal year 2016. The City received \$29.7 million in connection with bond funding agreements in fiscal year 2016 that did not recur, but the difference was offset with current year developer contributions of \$22 million.

Expenses

Expenses for the City totaled \$108.9 million and \$100.7 million for the years ended June 30, 2017 and 2016, respectively. Governmental activities incurred \$56.6 million of expenses while business-type activities incurred \$52.3 million. Of the Governmental Activities, the largest expenses were in Public Safety (\$22.3 million), Streets and Highways (\$9.8 million), and Parks and Recreation (\$9.3 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
(in thousands of dollars)

Program	Net Revenue/(Expense)	
	From Services	
	2017	2016
General Government	\$1,653	\$708
Community Development	20,518	30,199
Public Safety	(18,951)	(22,384)
Library	(124)	(119)
Public Works	(392)	(1,509)
Parks and Recreation	(4,000)	(4,271)
Streets and Highways	(405)	(3,478)
Interest and Fiscal Charges	(89)	(101)
Total Net Revenue/(Expense)	(\$1,790)	(\$955)

Net revenues/expenses for general activities decreased by \$.8 million. The City received \$29.7 million in connection with bond funding agreements in fiscal year 2016 that did not recur, but the difference was offset with current year developer contributions. This increase is due to increased development and large commercial projects.

Business-Type Activities

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

	Business-type Activities	
	2017	2016
Net Revenue (Expense) from Business-type Activities		
Water	\$2,426	(\$593)
Sewer	3,748	6,110
Solid Waste	(1,643)	(1,415)
Golf	(439)	(200)
Total Business-type Activities	\$4,092	\$3,902

Net revenues of Business-type Activities increased \$.2 million. Water expenditures have increased from prior year by \$1.7 million. This is primarily related to an increase in capital projects and personnel services. Sewer expenditures have increased by \$7.8 million. This is a result of the capital improvement projects related to the alternative energy project.

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, 2017, the City's governmental funds reported combined fund balances of \$146.3 million, which is an increase of \$3 million or 2% compared with the prior year. Governmental fund revenues were \$70.4 million this year. The General Fund accounted for 55% of this total. Expenses were \$66.6 million this year. Of this total, \$34.4 million was in the General Fund, \$14.3 million was in major funds and \$17.9 million was in non-major funds.

General Fund

General Fund revenues increased by \$2.8 million or 8% as compared to fiscal year end 2016. Sales tax increased by 27% and property taxes increased by \$1.8 million or 14.6%. Property tax revenues include \$1.3 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 million or 9.7% over prior year expenditures of \$31.4 million.

At June 30, 2017, 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 \$15.3 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 2016-17 this fund provided for 30 police and fire personnel. Revenues in the Public Safety Sales Tax Fund increased by \$.5 million or 9.3% over prior year receipts. The net change to fund balance was \$551,792.

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, 2017, the net position of the Low and Moderate Income Housing Assets Special Revenue Fund was comprised of \$2,636,581 in restricted cash.

Public Facilities Implementation Plan

The fund balance in this fund shows an increase of \$1.2 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 \$.8 million were constructed in Fiscal Year 2016-2017. The Public Facilities Implementation Plan was updated in fiscal year 2013. Due to complexities, additional time was requested to prepare the transportation element which is anticipated to be completed in Fiscal Year 2017-18. The program and fee previously adopted for transportation will remain in effect until such time as the update is complete.

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.

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 \$188.7 million at June 30, 2017. Proprietary operating revenues were \$50.4 million and operating expenses were \$49.1 million in fiscal 2017.

Water Fund

The net position of the Water Fund is \$67.3 million. Approximately \$31.6 million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$35.7 million.

Activities for the year were comprised of \$15.5 million in operating revenues for the current year and \$15.4 million in operating expenses. Charges for services showed an increase of 10.7% as compared to a decrease in the prior year. Charges for services were low in fiscal year 2016 primarily due to the conservation efforts throughout the City in response to the drought. Operating expenses increased by 13.3% from fiscal year 2016. Personnel services increased by \$.9 million due to retirement costs and additional positions added in the fiscal year. Supplies increased by \$.5 million due to increased surface water costs as well as increased indirect labor costs.

Sewer Fund

The net position of the Sewer Fund is \$124.7 million for the current year. Operating revenues for fiscal year 2017 were \$23.4 million, an increase of 16.3% from fiscal year 2016. Operating expenditures increased by \$7.8 million or 63% from fiscal year 2016. This increase is primarily due to the capital project for alternative energy. A total of \$96.9 million of the fund's net position is invested in capital assets, with \$27.7 million unrestricted.

Solid Waste Fund

Operating revenues for fiscal year 2017 totaled \$10.7 million, an increase of 15% over fiscal year 2016. The City completed a rate study during the fiscal year and new rates became effective in February of 2017. Operating expenses were \$12.1 million, an increase of \$1.6 million from fiscal year 2016. A total of \$2.5 million of the fund's net position is invested in capital assets. The unrestricted net position was a deficit (\$6.3) million at year-end. The decrease in unrestricted net position includes a \$7.9 million Net Pension Liability and a \$1.4 million Net OPEB Obligation.

Golf Fund

The operating revenue for this fund totaled \$.9 million as of June 30, 2017. This is slight decrease from the operating revenue for fiscal year 2016. Operating expenses were \$1.3 million consistent with the operating expenditures for the prior year. The result was a loss of \$418,454. The General Fund continues to contribute to the Golf Fund to compensate for the reduced rate for youth and senior programs. Additionally, advances in the amount of \$1,144,826 were made from the General Fund in prior years to assist with the continued operations of the City's Municipal Golf Course.

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 \$35.8 million. The difference in appropriations between the original budget and the final amended budget was \$873,270. The appropriations consisted of \$97,440 for budget carry forward totals for prior and current year commitments and \$775,830 for new appropriations.

As the economy continues to recover, General Fund revenues exceeded their budgeted forecasts. Property Taxes for the City surpassed projections by \$1.8 million of which \$1.3 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 \$258,988. Sales tax surpassed projections by \$.2 million.

At the end of the fiscal year, the total actual expenses of the General Fund were \$1.4 million under the total amended budget. \$.6 million of this variance was attributable to police employee expenses related to delays in hiring new personnel. The remaining variance resulted from Administration, Human Resources, Storm Drain and Parks and Recreation all operating under budget. Four divisions (Fire, City Attorney Vehicle Maintenance and Non-Departmental) exceeded budget by \$183,624, \$140,446, \$16,183 and \$38,877 respectively. These overages were primarily due to the payout of compensated absences and accruals associated with the retirement of long term employees as well as unanticipated legal expenses.

CAPITAL ASSETS

At the end of fiscal 2017 the City had \$513.9 million, net of depreciation, invested in a broad range of capital assets used in governmental and business type activities, as shown in below.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets						
Land	\$45,699	\$36,980	\$7,820	\$7,820	\$53,519	\$44,800
Construction in progress	21,531	10,957	4,706	1,347	26,237	12,304
Total	67,230	47,937	12,526	9,167	79,756	57,104
Depreciable assets						
Buildings and improvements	35,712	35,544	8,553	7,610	44,265	43,154
Machinery and equipment	17,908	17,221	19,296	18,799	37,204	36,020
Storm Drain	53,041	50,262			53,041	49,050
Streets	197,842	181,411			197,842	181,411
Parks	63,950	63,308			63,950	63,308
Sewer lines and improvements			61,203	58,327	61,203	58,327
Sewer plant expansion			96,465	96,465	96,465	96,465
Water wells and pipelines			115,093	111,309	115,093	113,309
Infrastructure			165	165	165	165
Less accumulated depreciation	(123,368)	(111,779)	(111,663)	(103,917)	(235,031)	(215,696)
Total	245,085	235,967	189,112	188,758	434,197	424,725
Total capital assets	\$312,315	\$283,904	\$201,638	\$197,925	\$513,953	\$481,829

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 \$.9 million in debt associated with Governmental Activities and \$75.9 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Capital Leases	\$905	\$1,151			\$905	\$1,151
Revenue Bonds			\$75,889	\$78,536	75,889	78,536
Total	\$905	\$1,151	\$75,889	\$78,536	\$76,794	\$79,687

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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$119,652,784	\$93,448,881	\$213,101,665
Restricted cash and investments (Note 3)	37,411,128	20,936,055	58,347,183
Accounts receivable, net	7,438,145	4,128,480	11,566,625
Taxes receivable	634,958		634,958
Interest receivable	518,704	428,591	947,295
Internal balances (Note 4D)	10,794,944	(10,794,944)	
Prepaid items and deposits	228,221		228,221
Long-term notes receivable (Note 5)	22,632,041		22,632,041
Employee notes receivable (Note 6)	63,745		63,745
Capital assets, not being depreciated (Note 7)	67,230,466	12,525,505	79,755,971
Capital assets, being depreciated (net) (Note 7)	245,085,143	189,111,973	434,197,116
Total Assets	<u>511,690,279</u>	<u>309,784,541</u>	<u>821,474,820</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions (Note 10)	<u>23,548,044</u>	<u>6,534,205</u>	<u>30,082,249</u>
LIABILITIES			
Accounts payable	6,208,453	2,627,025	8,835,478
Contracts payable	7,602,022	16,632,905	24,234,927
Refundable deposits	2,144,988	844,275	2,989,263
Accrued liabilities	2,013,857	923,616	2,937,473
Unearned revenue	3,109,193		3,109,193
Compensated absences (Note 1G):			
Due within one year	557,276		557,276
Due in more than one year	5,015,479		5,015,479
Estimated claims liability (Note 13):			
Due within one year	517,499		517,499
Due in more than one year	910,331		910,331
Long-term debt (Note 8):			
Due within one year	254,172	2,505,000	2,759,172
Due in more than one year	651,198	73,383,540	74,034,738
Net pension liability (Note 10):			
Due in more than one year	76,961,786	22,558,984	99,520,770
Net OPEB obligation (Note 11):			
Due in more than one year	<u>11,420,393</u>	<u>3,716,301</u>	<u>15,136,694</u>
Total Liabilities	<u>117,366,647</u>	<u>123,191,646</u>	<u>240,558,293</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 10)	<u>2,239,215</u>	<u>4,410,634</u>	<u>6,649,849</u>
NET POSITION (Note 9):			
Net investment in capital assets	<u>311,611,351</u>	<u>136,859,563</u>	<u>448,470,914</u>
Restricted for:			
Capital projects	68,755,530		68,755,530
Redevelopment projects	54,849,391		54,849,391
Special revenue projects:			
Development mitigation	5,417,764		5,417,764
Landscaping and lighting	1,312,514		1,312,514
Public safety	5,583,371		5,583,371
Other special revenue projects	<u>3,259,218</u>		<u>3,259,218</u>
Total Restricted Net Position	<u>139,177,788</u>		<u>139,177,788</u>
Unrestricted	<u>(35,156,678)</u>	<u>51,856,903</u>	<u>16,700,225</u>
Total Net Position	<u>\$415,632,461</u>	<u>\$188,716,466</u>	<u>\$604,348,927</u>

See accompanying notes to basic financial statements

CITY OF MANTECA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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:							
Current:							
General government	\$3,483,457	\$5,136,836			\$1,653,379		\$1,653,379
Community development	6,196,786	4,624,314	\$61,365	\$22,028,575	20,517,468		20,517,468
Public safety	22,357,675	1,542,872	1,227,375	636,973	(18,950,455)		(18,950,455)
Library	124,185				(124,185)		(124,185)
Public works	5,274,495	273,903	632,079	3,976,286	(392,227)		(392,227)
Parks and recreation	9,295,263	3,458,096	9,769	1,827,114	(4,000,284)		(4,000,284)
Streets and highways	9,817,010		4,767,797	4,644,749	(404,464)		(404,464)
Interest and fiscal charges	89,384				(89,384)		(89,384)
Total Governmental Activities	56,638,255	15,036,021	6,698,385	33,113,697	(1,790,152)		(1,790,152)
Business-type Activities:							
Water	16,753,545	15,396,799		3,783,163		\$2,426,417	2,426,417
Sewer	22,082,085	22,953,356		2,876,384		3,747,655	3,747,655
Solid waste	12,126,537	10,483,066		800		(1,642,671)	(1,642,671)
Golf	1,347,568	908,639				(438,929)	(438,929)
Total Business-type Activities	52,309,735	49,741,860		6,660,347		4,092,472	4,092,472
Total	\$108,947,990	\$64,777,881	\$6,698,385	\$39,774,044	(1,790,152)	4,092,472	2,302,320
General revenues:							
Taxes:							
Property taxes					14,476,480		14,476,480
Sales taxes					17,550,799		17,550,799
Other taxes					3,012,505		3,012,505
Interest income					850,024	472,012	1,322,036
Development agreements, unrestricted					326,216		326,216
Other revenue					1,327,689	680,209	2,007,898
Transfers (Note 4A)					(300,488)	300,488	
Special item:							
Assets transferred from Successor Agency (Note 7A)					759,410		759,410
Total general revenues, transfers and special item					38,002,635	1,452,709	39,455,344
Change in Net Position					36,212,483	5,545,181	41,757,664
Net Position-Beginning					379,419,978	183,171,285	562,591,263
Net Position-Ending					\$415,632,461	\$188,716,466	\$604,348,927

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 2017. 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 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, 2017

	General	Public Safety Sales Tax	Low and Moderate Income Housing Assets	Public Facilities Implementation Plan
ASSETS				
Cash and investments (Note 3)	\$25,862,532	\$3,001,694		\$18,351,146
Restricted cash and investments (Note 3)	496,896		\$2,636,581	657,395
Accounts receivables (net of allowance for estimated uncollectible accounts)	2,442,658		8,058	290
Taxes receivable	423,115	211,573		
Interest receivable	288,156	11,640		70,010
Due from other funds (Note 4B)	905,817			
Advances to other funds (Note 4C)	1,016,780			11,202,180
Prepaid items	219,905			
Long-term notes receivable (Note 5)			23,263,927	
Total Assets	\$31,655,859	\$3,224,907	\$25,908,566	\$30,281,021
LIABILITIES				
Accounts payable	\$1,585,073	\$3,090		\$79,449
Contracts payable	732			721,140
Refundable deposits	822,143			1,025,857
Accrued liabilities	33,579			
Due to other funds (Note 4B)			\$699,806	
Advances from other funds (Note 4C)				1,456,666
Unearned revenue				
Total Liabilities	2,441,527	3,090	699,806	3,283,112
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - notes receivable (Note 5)			23,263,927	
FUND BALANCES				
Fund balance (Note 9):				
Nonspendable	1,236,685			
Restricted	496,896	3,221,817	1,944,833	26,997,909
Committed				
Assigned	12,167,528			
Unassigned	15,313,223			
Total Fund Balances	29,214,332	3,221,817	1,944,833	26,997,909
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$31,655,859	\$3,224,907	\$25,908,566	\$30,281,021

See accompanying notes to basic financial statements

<u>Redevelopment Bonds Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$54,218,488	\$101,433,860
\$32,876,726	542,418	37,210,016
	4,932,028	7,383,034
	270	634,958
	136,747	506,553
	955,412	1,861,229
		12,218,960
		219,905
		23,263,927
<u>\$32,876,726</u>	<u>\$60,785,363</u>	<u>\$184,732,442</u>
\$2,916,469	\$1,287,321	\$5,871,402
	28,411	750,283
	296,980	2,144,980
		33,579
	1,128,773	1,828,579
		1,456,666
	3,109,193	3,109,193
<u>2,916,469</u>	<u>5,850,678</u>	<u>15,194,682</u>
		23,263,927
		1,236,685
29,960,257	46,827,067	109,448,779
	513,754	513,754
	7,593,864	19,761,392
		15,313,223
<u>29,960,257</u>	<u>54,934,685</u>	<u>146,273,833</u>
<u>\$32,876,726</u>	<u>\$60,785,363</u>	<u>\$184,732,442</u>

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CITY OF MANTECA
 Reconciliation of the
 GOVERNMENTAL FUNDS-BALANCE SHEET
 with the
 GOVERNMENTAL ACTIVITIES NET POSITION
 JUNE 30, 2017

Total fund balances reported on the Governmental Funds Balance Sheet \$146,273,833

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.

309,920,749

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	18,218,924
Restricted cash and investments	201,112
Accounts receivable	55,111
Interest receivable	12,151
Prepaid items	8,316
Employee notes receivable	63,745
Capital assets, not being depreciated	767,735
Capital assets (net of accumulated depreciation)	1,627,125
Contracts and accounts payable	(337,051)
Accrued liabilities	(1,980,278)
Refundable deposits	(8)
Compensated absences	(5,572,755)
Long-term debt	(372,030)
Estimated claims liability	(1,427,830)
Net pension liability and deferred outflows/inflows related to pensions	(2,100,987)
Net OPEB obligation	(147,922)

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.

23,263,927

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	(533,340)
Net pension liability and deferred outflows/inflows related to pensions	(53,551,970)
Net OPEB obligation	(11,272,471)
Contracts payable	(6,851,739)
Allowance for conditional grants	(631,886)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$415,632,461

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, 2017

	General	Public Safety Sales Tax	Low and Moderate Income Housing Assets	Public Facilities Implementation Plan
REVENUES				
Property taxes	\$14,476,480			
Sales taxes	11,574,510	\$5,976,289		
Other taxes	3,896,203			
Licenses and permits	990,528			
Fines and forfeitures	242,370			
Use of money and property	354,053	8,352	\$19,099	\$230,178
Revenue from other agencies	509,706			
Charges for current services	5,342,667			2,060,343
Other revenue	1,016,921		5,941	
Total Revenues	38,403,438	5,984,641	25,040	2,290,521
EXPENDITURES				
Current:				
General government	4,175,269			
Community development				
Public safety	21,250,807	5,432,849		
Library	124,621			
Public works	1,995,598			202,360
Parks and recreation	3,788,996			
Streets and highways				
Nondepartmental	2,853,407			
Capital outlay	217,047			850,289
Debt service:				
Principal				
Interest and fiscal charges				67,165
Total Expenditures	34,405,745	5,432,849		1,119,814
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,997,693	551,792	25,040	1,170,707
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	882			
Transfers in (Note 4A)				
Transfers (out) (Note 4A)	(1,147,460)			
Total Other Financing Sources (Uses)	(1,146,578)			
NET CHANGE IN FUND BALANCES	2,851,115	551,792	25,040	1,170,707
BEGINNING FUND BALANCES	26,363,217	2,670,025	1,919,793	25,827,202
ENDING FUND BALANCES	\$29,214,332	\$3,221,817	\$1,944,833	\$26,997,909

See accompanying notes to basic financial statements

Redevelopment Bonds Projects	Other Governmental Funds	Total Governmental Funds
		\$14,476,480
		17,550,799
		3,896,203
	\$6,307,208	7,297,736
		242,370
\$136,335	139,625	887,642
	7,671,469	8,181,175
	9,160,461	16,563,471
	288,061	1,310,923
<u>136,335</u>	<u>23,566,824</u>	<u>70,406,799</u>
	38,111	4,213,380
	3,427,208	3,427,208
	1,465,787	28,149,443
		124,621
	1,239,627	3,437,585
	3,022,945	6,811,941
	3,911,368	3,911,368
		2,853,407
7,719,568	4,653,393	13,440,297
	129,708	129,708
	22,219	89,384
<u>7,719,568</u>	<u>17,910,366</u>	<u>66,588,342</u>
<u>(7,583,233)</u>	<u>5,656,458</u>	<u>3,818,457</u>
		882
	346,972	346,972
		<u>(1,147,460)</u>
	<u>346,972</u>	<u>(799,606)</u>
(7,583,233)	6,003,430	3,018,851
<u>37,543,490</u>	<u>48,931,255</u>	<u>143,254,982</u>
<u>\$29,960,257</u>	<u>\$54,934,685</u>	<u>\$146,273,833</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, 2017

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 \$3,018,851

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	17,156,168
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$422,776 which has already been allocated to serviced funds)	(11,527,726)
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.	22,028,575
Capital assets transferred from the Successor Agency are added to fund balance	759,410

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	129,708
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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	(5,940)
Contracts and accounts payable	(238,779)
Allowance for conditional grants	(51,817)
Net pension liability and deferred outflows/inflows related to pensions	6,917,420
Net OPEB obligation	(658,291)

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>(1,315,096)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$36,212,483</u></u>
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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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$12,707,100	\$12,707,100	\$14,476,480	\$1,769,380
Sales taxes	11,335,000	11,335,000	11,574,510	239,510
Other taxes	3,637,215	3,637,215	3,896,203	258,988
Licenses and permits	935,870	935,870	990,528	54,658
Fines and forfeitures	276,500	276,500	242,370	(34,130)
Use of money and property	200,000	200,000	354,053	154,053
Revenue from other agencies	483,630	483,630	509,706	26,076
Charges for current services	4,845,870	4,845,870	5,342,667	496,797
Other revenue	558,070	558,070	1,016,921	458,851
Total Revenues	34,979,255	34,979,255	38,403,438	3,424,183
EXPENDITURES:				
Current:				
General government:				
Legislative	895,320	900,320	870,354	29,966
City Attorney	203,000	203,000	343,446	(140,446)
Administration	978,905	1,582,526	1,358,432	224,094
Human resources	582,085	582,085	455,309	126,776
Financial services	1,174,920	1,174,920	1,147,728	27,192
Total general government	3,834,230	4,442,851	4,175,269	267,582
Public safety:				
Police	14,271,734	14,334,190	13,779,411	554,779
Fire	6,882,810	6,897,609	7,081,233	(183,624)
Animal control	431,265	446,265	390,163	56,102
Total public safety	21,585,809	21,678,064	21,250,807	427,257
Library	130,690	130,690	124,621	6,069
Public works:				
Engineering	320,725	320,725	248,934	71,791
Street maintenance	22,640	22,640	14,728	7,912
Storm drain maintenance and operation	381,451	386,826	224,040	162,786
Vehicle maintenance	680,420	683,620	699,803	(16,183)
Building maintenance	888,635	892,555	808,093	84,462
Total public works	2,293,871	2,306,366	1,995,598	310,768

(Continued)

CITY OF MANTECA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Parks and recreation:				
Park facility maintenance	3,633,055	3,631,664	3,481,444	150,220
Senior center	326,055	336,555	307,552	29,003
Total parks and recreation	<u>3,959,110</u>	<u>3,968,219</u>	<u>3,788,996</u>	<u>179,223</u>
Nondepartmental charges	<u>2,813,030</u>	<u>2,814,530</u>	<u>2,853,407</u>	<u>(38,877)</u>
Capital outlay	<u>317,265</u>	<u>466,555</u>	<u>217,047</u>	<u>249,508</u>
Total Expenditures	<u>34,934,005</u>	<u>35,807,275</u>	<u>34,405,745</u>	<u>1,401,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>45,250</u>	<u>(828,020)</u>	<u>3,997,693</u>	<u>4,825,713</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			882	882
Transfers (out)	<u>(545,000)</u>	<u>(545,000)</u>	<u>(1,147,460)</u>	<u>(602,460)</u>
Total Other Financing Sources (Uses)	<u>(545,000)</u>	<u>(545,000)</u>	<u>(1,146,578)</u>	<u>(601,578)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$499,750)</u></u>	<u><u>(\$1,373,020)</u></u>	<u>2,851,115</u>	<u><u>\$4,224,135</u></u>
BEGINNING FUND BALANCE			<u>26,363,217</u>	
ENDING FUND BALANCE			<u><u>\$29,214,332</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales taxes	\$5,572,000	\$5,572,000	\$5,976,289	\$404,289
Use of money and property	12,500	12,500	8,352	(4,148)
Total Revenues	<u>5,584,500</u>	<u>5,584,500</u>	<u>5,984,641</u>	<u>400,141</u>
EXPENDITURES:				
Current:				
Public safety	6,101,900	6,116,127	5,432,849	683,278
Total Expenditures	<u>6,101,900</u>	<u>6,116,127</u>	<u>5,432,849</u>	<u>683,278</u>
NET CHANGE IN FUND BALANCE	<u>(\$517,400)</u>	<u>(\$531,627)</u>	551,792	<u>\$1,083,419</u>
BEGINNING FUND BALANCE			<u>2,670,025</u>	
ENDING FUND BALANCE			<u>\$3,221,817</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$1,000	\$1,000	\$19,099	\$18,099
Other revenue			5,941	5,941
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>25,040</u>	<u>24,040</u>
EXPENDITURES:				
Current:				
Community development	<u>30,100</u>	<u>1,859,980</u>		<u>1,859,980</u>
Total Expenditures	<u>30,100</u>	<u>1,859,980</u>		<u>1,859,980</u>
NET CHANGE IN FUND BALANCE	<u>(\$29,100)</u>	<u>(\$1,858,980)</u>	25,040	<u>\$1,884,020</u>
BEGINNING FUND BALANCE			<u>1,919,793</u>	
ENDING FUND BALANCE			<u>\$1,944,833</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 2017, 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, 2017

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
ASSETS						
Current assets						
Cash and investments (Note 3)	\$42,299,391	\$49,772,589	\$1,376,901		\$93,448,881	\$18,218,924
Accounts receivables (net of allowance for estimated uncollectible accounts)	704,771	2,191,841	1,215,912	\$15,956	4,128,480	55,111
Interest receivable	195,204	227,100	6,287		428,591	12,151
Prepaid items						8,316
Total current assets	<u>43,199,366</u>	<u>52,191,530</u>	<u>2,599,100</u>	<u>15,956</u>	<u>98,005,952</u>	<u>18,294,502</u>
Non-current assets						
Restricted cash and investments (Note 3)	5,918,223	15,017,832			20,936,055	201,112
Advances to other funds (Note 4C)	453,082	647,487			1,100,569	
Employee notes receivable (Note 6)						63,745
Capital assets not being depreciated (Note 7)	1,530,617	9,905,974	66,511	1,022,403	12,525,505	767,735
Capital assets (net of accumulated depreciation) (Note 7)	<u>70,586,671</u>	<u>115,461,240</u>	<u>2,459,856</u>	<u>604,206</u>	<u>189,111,973</u>	<u>1,627,125</u>
Total non-current assets	<u>78,488,593</u>	<u>141,032,533</u>	<u>2,526,367</u>	<u>1,626,609</u>	<u>223,674,102</u>	<u>2,659,717</u>
Total Assets	<u>121,687,959</u>	<u>193,224,063</u>	<u>5,125,467</u>	<u>1,642,565</u>	<u>321,680,054</u>	<u>20,954,219</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pensions (Note 10)	<u>1,823,278</u>	<u>2,173,799</u>	<u>2,275,077</u>	<u>262,051</u>	<u>6,534,205</u>	<u>667,348</u>
LIABILITIES						
Current liabilities						
Accounts payable	1,683,981	547,515	374,832	20,697	2,627,025	337,051
Contracts payable	3,360,949	13,271,956			16,632,905	
Accrued liabilities						1,980,278
Due to other funds (Note 4B)				32,650	32,650	
Refundable deposits	724,677	112,664	6,934		844,275	8
Interest payable	774,262	149,354			923,616	
Compensated absences (Note 1G)						557,276
Estimated claims liability (Note 13)						517,499
Revenue bonds (Note 8)	1,240,000	1,265,000			2,505,000	
Capital lease obligations (Note 8)						119,865
Total current liabilities	<u>7,783,869</u>	<u>15,346,489</u>	<u>381,766</u>	<u>53,347</u>	<u>23,565,471</u>	<u>3,511,977</u>
Long-term liabilities						
Advances from other funds (Note 4C)	4,785,408	7,077,455			11,862,863	
Compensated absences (Note 1G)						5,015,479
Estimated claims liability (Note 13)						910,331
Revenue bonds (Note 8)	35,164,147	38,219,393			73,383,540	
Capital lease obligations (Note 8)						252,165
Net pension liability (Note 10)	6,260,545	7,456,884	7,915,505	926,050	22,558,984	2,315,386
Net OPEB obligation (Note 11)	<u>982,702</u>	<u>1,158,542</u>	<u>1,373,956</u>	<u>201,101</u>	<u>3,716,301</u>	<u>147,922</u>
Total long-term liabilities	<u>47,192,802</u>	<u>53,912,274</u>	<u>9,289,461</u>	<u>1,127,151</u>	<u>111,521,688</u>	<u>8,641,283</u>
Total Liabilities	<u>54,976,671</u>	<u>69,258,763</u>	<u>9,671,227</u>	<u>1,180,498</u>	<u>135,087,159</u>	<u>12,153,260</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions (Note 10)	<u>1,225,689</u>	<u>1,461,190</u>	<u>1,543,813</u>	<u>179,942</u>	<u>4,410,634</u>	<u>452,949</u>
NET POSITION (Note 9):						
Net investment in capital assets	35,713,141	96,993,446	2,526,367	1,626,609	136,859,563	2,223,942
Unrestricted	<u>31,595,736</u>	<u>27,684,463</u>	<u>(6,340,863)</u>	<u>(1,082,433)</u>	<u>51,856,903</u>	<u>6,791,416</u>
Total Net Position	<u>\$67,308,877</u>	<u>\$124,677,909</u>	<u>(\$3,814,496)</u>	<u>\$544,176</u>	<u>\$188,716,466</u>	<u>\$9,015,358</u>

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, 2017

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Total	
OPERATING REVENUES						
Charges for services	\$15,396,799	\$22,953,356	\$10,483,066	\$908,639	\$49,741,860	\$2,482,310
Insurance premium contribution from other funds						2,904,850
Miscellaneous	79,071	400,270	168,435	20,475	668,251	(120,156)
Total Operating Revenues	15,475,870	23,353,626	10,651,501	929,114	50,410,111	5,267,004
OPERATING EXPENSES						
Personnel services	4,522,843	5,323,886	5,659,025	818,891	16,324,645	1,632,542
Contractual services	356,366	1,135,677	3,015,973	98,617	4,606,633	274,348
Supplies	4,583,862	992,931	939,053	78,647	6,594,493	544,729
Utilities	551,329	1,444,726	11,599	84,835	2,092,489	49,839
Repairs and maintenance	72,758	6,127,896	78,512	75,921	6,355,087	1,127,209
Vehicle maintenance and operations	9,630	31,293	388,566		429,489	562
Interdepartmental	1,192,280	1,245,700	1,087,730	29,400	3,555,110	14,930
Insurance	271,870	379,730	299,090	17,560	968,250	2,151,659
Claims						552,438
Depreciation (Note 7)	3,747,564	3,447,128	625,509	140,789	7,960,990	422,776
Miscellaneous	65,739	141,943	21,480	2,908	232,070	281,730
Total Operating Expenses	15,374,241	20,270,910	12,126,537	1,347,568	49,119,256	7,052,762
Operating Income (Loss)	101,629	3,082,716	(1,475,036)	(418,454)	1,290,855	(1,785,758)
NONOPERATING REVENUES (EXPENSES)						
Interest income	208,081	246,654	17,277		472,012	(37,618)
Gain (loss) from retirement of capital assets	8,448	5,630	(2,120)		11,958	25,676
Interest (expense)	(1,379,304)	(1,811,175)			(3,190,479)	(17,396)
Intergovernmental grants			800		800	
Net Nonoperating Revenues (Expenses)	(1,162,775)	(1,558,891)	15,957		(2,705,709)	(29,338)
Income (Loss) Before Contributions and Transfers	(1,061,146)	1,523,825	(1,459,079)	(418,454)	(1,414,854)	(1,815,096)
Contributions	3,783,163	2,876,384			6,659,547	
Transfers in (Note 4A)		300,488			300,488	500,000
Net Contributions and Transfers	3,783,163	3,176,872			6,960,035	500,000
Change in net position	2,722,017	4,700,697	(1,459,079)	(418,454)	5,545,181	(1,315,096)
BEGINNING NET POSITION (DEFICIT)	64,586,860	119,977,212	(2,355,417)	962,630	183,171,285	10,330,454
ENDING NET POSITION (DEFICIT)	\$67,308,877	\$124,677,909	(\$3,814,496)	\$544,176	\$188,716,466	\$9,015,358

See accompanying notes to basic financial statements

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Water	Sewer	Solid Waste	Golf	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$14,392,420	\$23,103,514	\$10,291,132	\$932,764	\$48,719,830	\$5,257,928
Payments to suppliers	(4,995,036)	(9,715,780)	(4,687,718)	(335,221)	(19,733,755)	(4,453,991)
Payments to or on behalf of employees	(3,889,141)	(4,562,572)	(4,880,858)	(730,251)	(14,062,822)	(1,343,452)
Internal activity - payments to other funds	(1,192,280)	(1,245,700)	(1,087,730)	(29,400)	(3,555,110)	
Receipts from employee notes receivable						730
Claims paid						(398,682)
Cash Flows from Operating Activities	4,315,963	7,579,462	(365,174)	(162,108)	11,368,143	(937,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts		191,590			191,590	
Interfund (payments)	(83,266)				(83,266)	
Transfers in from other funds		300,488			300,488	500,000
Cash Flows from Noncapital Financing Activities	(83,266)	492,078			408,812	500,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net	(1,401,518)	(3,590,528)	(13,096)	(13,700)	(5,018,842)	(417,516)
Proceeds from sale of capital assets	8,448	5,630	3,150		17,228	25,676
Capital grants			800		800	
Long-term debt payment - principal	(1,190,000)	(1,180,000)			(2,370,000)	(115,901)
Long-term debt payment - interest	(1,596,419)	(1,898,219)			(3,494,638)	(17,396)
Cash Flows from Capital and Related Financing Activities	(4,179,489)	(6,663,117)	(9,146)	(13,700)	(10,865,452)	(525,137)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest	96,459	104,091	14,621		215,171	(37,960)
Cash Flows from Investing Activities	96,459	104,091	14,621		215,171	(37,960)
Net Cash Flows	149,667	1,512,514	(359,699)	(175,808)	1,126,674	(1,000,564)
Cash and investments at beginning of period	48,067,947	63,277,907	1,736,600	175,808	113,258,262	19,420,600
Cash and investments at end of period	\$48,217,614	\$64,790,421	\$1,376,901		\$114,384,936	\$18,420,036

(Continued)

CITY OF MANTECA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017

	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)	\$101,629	\$3,082,716	(\$1,475,036)	(\$418,454)	\$1,290,855	(\$1,785,758)
Adjustments to reconcile operating income (loss) to cash flows						
from operating activities:						
Depreciation	3,747,564	3,447,128	625,509	140,789	7,960,990	422,776
Change in assets and liabilities:						
Accounts receivables (net of allowance for estimated uncollectible accounts)	139,969	358,103	(362,879)	3,650	138,843	(17,652)
Related party notes receivable						730
Prepaid items						(1,336)
Accounts payable and other accrued expenses	(367,700)	(526,444)	69,065	(9,383)	(834,462)	28,941
Contracts payable	60,799	456,645			517,444	
Accrued liabilities						15,568
Due to other funds				32,650	32,650	
Compensated absences						10,848
Claims liability						153,756
Net pension liability, deferred outflows and inflows	563,201	676,569	691,593	78,766	2,010,129	208,524
Net OPEB obligation	70,501	84,745	86,574	9,874	251,694	26,136
Cash Flows from Operating Activities	<u>\$4,315,963</u>	<u>\$7,579,462</u>	<u>(\$365,174)</u>	<u>(\$162,108)</u>	<u>\$11,368,143</u>	<u>(\$937,467)</u>
NONCASH TRANSACTIONS:						
Contributions of capital assets, net	<u>\$3,783,163</u>	<u>\$2,876,384</u>			<u>\$6,659,547</u>	
Amortization of bond premium	<u>\$193,315</u>	<u>\$84,094</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.

RETIREE HEALTH SAVINGS PLAN TRUST FUND

The Fund is used to account for the medical benefits for former employees of the City.

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, 2017

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments (Note 3)		\$1,140,801
Restricted cash and investments (Note 3)		15,953,151
Capital assets, not being depreciated (Note 16C)		5,141,714
Capital assets, being depreciated (net) (Note 16C)		2,368,056
Total Assets		24,603,722
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging derivative (Note 16D)		10,295,973
		10,295,973
LIABILITIES		
Accounts payable		28,818
Refundable deposits		5,000
Interest payable		797,242
Derivative instrument (Note 16D)		10,295,973
Long-term obligations (Note 16D):		
Due in one year		47,080,000
Due in more than one year		63,535,000
		121,742,033
Total Liabilities		121,742,033
NET POSITION (DEFICIT)		
Held in trust for OPEB benefits and other purposes		(\$86,842,338)
		(\$86,842,338)

See accompanying notes to basic financial statements

CITY OF MANTECA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Retiree Health Savings Plan Trust Fund	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
	<u>Trust Fund</u>	<u>Trust Fund</u>
ADDITIONS		
Property taxes		\$8,860,814
Contributions	\$924,610	
Net investment income	(3,877)	183,451
	<u>920,733</u>	<u>9,044,265</u>
DEDUCTIONS		
Premiums paid	924,327	
Miscellaneous expense	496,896	
Community development		333,315
Depreciation (Note 16C)		126,513
Interest and fiscal charges		5,765,392
	<u>1,421,223</u>	<u>6,225,220</u>
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	(500,490)	2,819,045
SPECIAL ITEM		
Assets transferred to the City (Note 16C)		(759,410)
CHANGE IN NET POSITION		2,059,635
NET POSITION HELD IN TRUST FOR OPEB BENEFITS AND OTHER PURPOSES		
Beginning of year	500,490	(88,901,973)
End of year	<u>500,490</u>	<u>(\$86,842,338)</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, 2017

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 2017. 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. 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, 2017

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 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.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017

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, 2017

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	\$5,561,907
Additions	3,685,356
Payments	<u>(3,674,508)</u>
Ending Balance	<u>\$5,572,755</u>
Current Portion	<u>\$557,276</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 two 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 as discussed in Note 10.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 as discussed in Note 10. 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. *Closed Fund*

The Retiree Health Savings Plan Trust Fund was closed during the fiscal year ended June 30, 2017.

K. *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.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 except the Street Improvements Special Revenue Fund.
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:	
City Attorney	\$140,446
Fire	183,624
Vehicle Maintenance	16,183
Nondepartmental Charges	38,877
Special Revenue Funds:	
Police Grants	13,888
Recreation	46,485
Fire Grants	34,241

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017 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	\$213,101,665
Restricted cash and investments	58,347,183
Total City cash and investments of primary government	271,448,848
Cash and investments in Fiduciary Funds	1,140,801
Restricted cash and investments in Fiduciary Funds	15,953,151
Total cash and investments	\$288,542,800

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$3,775
Deposits with financial institutions	26,407,041
Investments	262,131,984
Total cash and investments	\$288,542,800

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, 2017

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	5 years	None	100%	No Limit
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, 2017

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, 2017

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		\$26,425,790	\$19,248,476		\$45,674,266
Mortgage Pass Through Federal Agency Securities	\$626,972	1,985,443	1,170,002		3,782,417
U.S. Treasury Notes		9,050,621	20,619,366		29,669,987
Corporate Notes					
Callable	6,527,761	555,864			7,083,625
Non-Callable	3,336,051	6,389,067	9,688,255		19,413,373
Negotiable Certificates of Deposit	9,986,645	14,378,974			24,365,619
California Local Agency Investment Fund	38,199,077				38,199,077
California Asset Management Program	7,698,345				7,698,345
Money Market Mutual Funds (U.S. Securities)	116,873				116,873
Supranationals			1,436,247		1,436,247
Asset-Backed Securities			2,136,237	\$11,444,707	13,580,944
<i>Held by Trustees:</i>					
U.S. Government Agency Obligations			7,159,664		7,159,664
Corporate Notes		240,216	719,235		959,451
Guaranteed Investment Contracts	2,533,121				2,533,121
Money Market Mutual Funds (U.S. Securities)	60,458,975				60,458,975
Total Investments	<u>\$129,483,820</u>	<u>\$59,025,975</u>	<u>\$62,177,482</u>	<u>\$11,444,707</u>	<u>\$262,131,984</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, 2017, these investments have an average maturity of 194 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, 2017, the fair value was approximate to the City's cost. At June 30, these investments had an average maturity of 49 days.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017 and have a weighted average maturity of 17 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, 2017 for each investment type as provided by Standard and Poor's investment rating system, except as noted.

Investment Type	AAA/AAA	AA+/AA/AA-	A+/A/A-	Fitch A	Total
Held by City:					
U.S. Government Agency Obligations					
Non-Callable		\$45,674,266			\$45,674,266
Mortgage Pass Through Federal Agency Securities		3,782,417			3,782,417
Corporate Notes					
Callable			\$7,083,625		7,083,625
Non-Callable	\$691,759	9,376,053	7,822,856	\$1,522,705	19,413,373
California Asset Management Program	7,698,345				7,698,345
Money Market Mutual Funds (U.S. Securities)	116,873				116,873
Supranationals	1,436,247				1,436,247
Asset-Backed Securities	8,289,942				8,289,942
Held by Trustees:					
U.S. Government Agency Obligations		7,159,664			7,159,664
Money Market Mutual Funds (U.S. Securities)	60,458,975				60,458,975
	<u>\$78,692,141</u>	<u>\$65,992,400</u>	<u>\$14,906,481</u>	<u>\$1,522,705</u>	161,113,727
Not rated:					
Negotiable Certificates of Deposit					24,365,619
California Local Agency Investment Fund					38,199,077
Guaranteed Investment Contracts					2,533,121
Corporate Notes					959,451
Asset-Backed Securities					5,291,002
Exempt from credit rating disclosure:					
U.S. Treasury Notes					29,669,987
Total Investments					<u>\$262,131,984</u>

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, the book value of the City's cash with banks and petty cash was \$26,410,816 and the associated bank balances were \$26,959,601. Of the City's bank balances \$308,342 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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments by Fair Value Level:			
U.S. Government Agency Obligations		\$45,674,266	\$45,674,266
Mortgage Pass Through Federal Agency Securities		3,782,417	3,782,417
U.S. Treasury Notes	\$29,669,987		29,669,987
Corporate Notes		26,496,998	26,496,998
Negotiable Certificates of Deposit		24,365,619	24,365,619
Supranationals		1,436,247	1,436,247
Asset-Backed Securities		13,580,944	13,580,944
Held by Trustees:			
Corporate Notes		959,451	959,451
U.S. Government Agency Obligations		7,159,664	7,159,664
	<u>\$29,669,987</u>	<u>\$123,455,606</u>	<u>153,125,593</u>
Investments Measured at Net Asset Value Per Share:			
California Asset Management Program			7,698,345
Investments Measured at Amortized Cost:			
Money Market Mutual Funds (U.S. Securities)			116,873
Held by Trustees:			
Money Market Mutual Funds (U.S. Securities)			60,458,975
Guaranteed Investment Contracts			2,533,121
Investments Exempt from Fair Value Hierarchy:			
California Local Agency Investment Fund			<u>38,199,077</u>
Total Investments			<u>\$262,131,984</u>

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments classified in Level 1 of the fair value hierarchy, valued at \$29,669,987 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	\$30,404,477
Fiduciary Fund:			
Successor Agency to the Redevelopment Agency Private Purpose Trust Fund	IXIS Fund Corporation	Guaranteed Investment Contract	2,533,121
	Federal National Mortgage Association	United States Government Agency Obligations	3,632,123
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	3,527,541

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, 2017 the transfers were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	Purpose
Sewer Enterprise Fund	General Fund	\$300,488	A
Non-Major Governmental Funds	General Fund	346,972	B
Internal Service Funds	General Fund	500,000	C
		<u>\$1,147,460</u>	

- 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, and fire services
- C To fund operations

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, 2017, interfund balances were as follows:

Due From Funds	Due To Funds	Amount
General Fund	Low and Moderate Income Housing Assets Fund	\$699,806
	Golf Enterprise Fund	32,650
	Non-Major Governmental Funds	173,361
Non-Major Governmental Fund	Non-Major Governmental Funds	955,412
	Total Current Interfund Balances	<u>\$1,861,229</u>

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Long-Term Interfund Advances

At June 30, 2017 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	\$1,016,780
Public Facilities Implementation Plan Fund	Water Enterprise Fund	4,397,527
	Sewer Enterprise Fund	6,804,653
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	387,881
	Total Advances	<u>\$13,319,529</u>

Public Facilities Implementation Plan

Advances above in the amount of \$13,319,529 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.

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, 2017 are set forth below:

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE (Continued)

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, 2017, these Notes totaled:

HOPE Shelter	\$1,206,037
Habitat for Humanity	10,000
Down Payment Assistance Program	1,585,545
Residential Rehabilitation	106,746
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	20,925
Manteca Atherton Associates - Juniper Apartments	12,750,000
Total notes receivable	23,263,927
Less: Allowance for conditional grants	(631,886)
Net long-term notes receivable	\$22,632,041

Unavailable revenue at June 30, 2017 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.

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, 2017, HOPE had drawn down \$1,206,037 of the available loans and no further drawdowns are expected.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE (Continued)

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, 2017, loans related to this Program in the amount of \$1,585,545 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, 2017, loans receivable under this program totaled \$106,746.

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, 2017 was \$60,000.

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.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE (Continued)

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, 2017, 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, 2017, \$750,000 has been drawn down from the loan, and \$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, 2017, loans receivable under this program totaled \$20,925.

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, 2017 is \$12,750,000.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 - REDEVELOPMENT AGREEMENTS AND NOTES RECEIVABLE (Continued)

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, 2017, 58 employees had notes totaling \$63,745 due to the City.

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. Contributed assets are valued at their estimated fair market value on the date contributed. 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, 2017

NOTE 7 - CAPITAL ASSETS (Continued)

A. Capital Asset Additions and Retirements

Capital assets activities for the year ended June 30, 2017 were as follows:

<i>Governmental activities</i>	Balance at June 30, 2016	Additions	Retirements	Transfers	Transfers from Successor Agency	Balance at June 30, 2017
Capital assets not being depreciated:						
Land and improvements	\$36,980,494	\$7,959,066			\$759,410	\$45,698,970
Construction in progress	10,956,590	12,996,767		(\$2,421,861)		21,531,496
Total capital assets not being depreciated	<u>47,937,084</u>	<u>20,955,833</u>		<u>(2,421,861)</u>	<u>759,410</u>	<u>67,230,466</u>
Capital assets being depreciated:						
Buildings and improvements	35,543,771	145,504		22,590		35,711,865
Machinery and equipment	17,220,868	1,048,366	(\$361,323)			17,907,911
Storm drain	50,261,544	2,779,247				53,040,791
Streets	181,411,386	14,043,789		2,386,694		197,841,869
Parks	63,308,596	629,520		12,577		63,950,693
Total capital assets being depreciated	<u>347,746,165</u>	<u>18,646,426</u>	<u>(361,323)</u>	<u>2,421,861</u>		<u>368,453,129</u>
Less accumulated depreciation for:						
Buildings and improvements	(9,771,809)	(1,110,737)				(10,882,546)
Machinery and equipment	(12,807,475)	(954,459)	361,323			(13,400,611)
Storm drain	(11,122,060)	(1,047,743)				(12,169,803)
Streets	(59,757,427)	(6,223,297)				(65,980,724)
Parks	(18,320,036)	(2,614,266)				(20,934,302)
Total accumulated depreciation	<u>(111,778,807)</u>	<u>(11,950,502)</u>	<u>361,323</u>			<u>(123,367,986)</u>
Net capital assets being depreciated	<u>235,967,358</u>	<u>6,695,924</u>		<u>2,421,861</u>		<u>245,085,143</u>
Governmental activity capital assets, net	<u>\$283,904,442</u>	<u>\$27,651,757</u>			<u>\$759,410</u>	<u>\$312,315,609</u>

As discussed in Note 16C, pursuant to the terms of the Long-Range Property Management Plan, the Successor Agency transferred land parcel with a book value of \$759,410 to the City during fiscal year 2017.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 - CAPITAL ASSETS (Continued)

<i>Business-type activities</i>	Balance at June 30, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets not being depreciated:					
Land and improvements	\$7,819,649				\$7,819,649
Construction in progress	1,347,802	\$4,277,970		(\$919,916)	4,705,856
Total capital assets not being depreciated	<u>9,167,451</u>	<u>4,277,970</u>		<u>(919,916)</u>	<u>12,525,505</u>
Capital assets being depreciated:					
Sewer lines and improvements	58,326,696	2,876,384			61,203,080
Water wells, pipelines and water rights	111,309,486	3,783,164			115,092,650
Buildings and improvements	7,610,155	23,009		919,916	8,553,080
Machinery and equipment	18,798,627	717,862	(\$220,364)		19,296,125
Infrastructure	165,424				165,424
Sewer plant expansion	96,464,981				96,464,981
	<u>292,675,369</u>	<u>7,400,419</u>	<u>(220,364)</u>	<u>919,916</u>	<u>300,775,340</u>
Less accumulated depreciation for:					
Sewer lines and improvements	(17,530,208)	(1,182,503)			(18,712,711)
Water wells, pipelines and water rights	(42,856,836)	(3,489,293)			(46,346,129)
Buildings and improvements	(4,540,965)	(272,829)			(4,813,794)
Machinery and equipment	(12,668,267)	(1,260,710)	215,094		(13,713,883)
Infrastructure	(34,959)	(6,567)			(41,526)
Sewer plant expansion	(26,286,236)	(1,749,088)			(28,035,324)
	<u>(103,917,471)</u>	<u>(7,960,990)</u>	<u>215,094</u>		<u>(111,663,367)</u>
Net capital assets being depreciated	<u>188,757,898</u>	<u>(560,571)</u>	<u>(5,270)</u>	<u>919,916</u>	<u>189,111,973</u>
Total Business-type activity capital assets, net	<u>\$197,925,349</u>	<u>\$3,717,399</u>	<u>(\$5,270)</u>		<u>\$201,637,478</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, 2017

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	\$480,989
Community development	46,002
Public safety	622,625
Public works	1,521,365
Parks and recreation	2,796,410
Streets and highways	6,060,335
Internal Service Funds	422,776
Total Governmental Activities	\$11,950,502
 Business-Type Activities	
Water	\$3,747,564
Sewer	3,447,128
Solid waste	625,509
Golf	140,789
Total Business-Type Activities	\$7,960,990

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2016	Retirements	Balance June 30, 2017	Current Portion
Governmental Activity Debt:					
Capital Leases -					
Chipper Truck, 3.39%	\$150,000	\$121,983	\$28,975	\$93,008	\$29,966
IT Equipment (Internal Service), 3.39%	600,000	487,931	115,901	372,030	119,865
Fire Engine, 3.55%	580,000	541,065	100,733	440,332	104,341
Total Governmental Activity Debt	\$1,330,000	\$1,150,979	\$245,609	\$905,370	\$254,172
Business-type Activity Debt:					
Sewer Revenue Bonds					
Series 2009 Bonds, 4.875-5.75%	\$19,000,000	\$19,000,000		\$19,000,000	
4.00%	22,690,000	19,520,000	\$1,180,000	18,340,000	\$1,265,000
Net premium		2,228,487	84,094	2,144,393	
Water Revenue Bonds					
5.00%	35,840,000	32,665,000	1,190,000	31,475,000	1,240,000
Net premium		5,122,462	193,315	4,929,147	
Total Business - Type Activity Debt	\$77,530,000	\$78,535,949	\$2,647,409	\$75,888,540	\$2,505,000

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, 2017

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 \$59,580,728. The Sewer Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,989,941 and \$6,776,498, 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 \$46,632,075. The Water Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$2,762,250 and \$4,057,274, 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
2018	\$254,172	\$29,227	\$2,505,000	\$3,303,241
2019	263,033	20,365	2,510,000	3,217,791
2020	272,204	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
2023-2027			16,155,000	11,801,764
2028-2032			19,530,000	7,684,772
2033-2037			19,295,000	2,506,562
Total	<u>\$905,370</u>	<u>\$63,883</u>	68,815,000	<u>\$37,397,803</u>
Plus: Bond Premiums			7,073,540	
Gross Long Term Debt			<u>\$75,888,540</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, 2017

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, 2017

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, 2017, are below:

Fund Balance Classifications	General Fund	Special Revenue		Capital Projects			Total
		Public Safety Sales Tax	Low and Moderate Income Housing Assets	Public Facilities Implementation Plan	Redevelopment Bonds Projects	Other Governmental Funds	
Nonspendable:							
Items not in spendable form:							
Prepaid Items	\$219,905						\$219,905
Advance	1,016,780						\$1,016,780
Total Nonspendable Fund Balances	1,236,685						1,236,685
Restricted for:							
Health Reimbursement Arrangement	496,896						496,896
Low and Moderate Income Housing Projects			\$1,944,833				1,944,833
Transportation Projects						\$21,146,822	21,146,822
Development Services Projects						8,622,970	8,622,970
Public Safety Projects		\$3,221,817				2,361,554	5,583,371
Parks Projects						2,459,162	2,459,162
Major Equipment Purchases						486,183	486,183
Landscaping and Lighting Projects						1,312,514	1,312,514
City and Public Facilities Projects				\$26,997,909	\$29,960,257	10,437,862	67,396,028
Total Restricted Fund Balances	496,896	3,221,817	1,944,833	26,997,909	29,960,257	46,827,067	109,448,779
Committed to:							
Recreation Programs						513,754	513,754
Total Committed Fund Balances						513,754	513,754
Assigned to:							
Capital Projects						7,593,864	7,593,864
Economic Revitalization	3,838,801						3,838,801
Public Facilities Oversizing	4,945,249						4,945,249
Capital Facilities	1,503,768						1,503,768
Technology	1,879,710						1,879,710
Total Assigned Fund Balances	12,167,528					7,593,864	19,761,392
Unassigned:							
General Fund	15,313,223						15,313,223
Total Unassigned Fund Balances	15,313,223						15,313,223
Total Fund Balances	\$29,214,332	\$3,221,817	\$1,944,833	\$26,997,909	\$29,960,257	\$54,934,685	\$146,273,833

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, 2017

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, 2017

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, 2017

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, 2017, which are reported within the assigned and unassigned fund balance of the General Fund follows:

	Minimum Reserve	Reserve as of June 30, 2017
General Fund:		
Assigned Fund Balance:		
Economic Revitalization	\$3,838,801	\$3,838,801
Public Facilities Oversizing	\$4,945,249	4,945,249
Capital Facilities	\$1,503,768	1,503,768
Technology	\$1,879,710	1,879,710
Total Assigned Fund Balance		\$12,167,528
Unassigned Fund Balance:		
Fiscal Stability	\$9,398,549	\$9,398,549
Economic Emergencies	\$3,759,419	3,759,419
Unassigned		2,155,255
Total Unassigned Fund Balance		\$15,313,223

D. Deficit Fund Balances and Accumulated Deficits

At June 30, 2017, the Solid Waste Enterprise Fund and the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund had deficit net position of \$3,809,226 and \$86,082,928 respectively. These deficits will be eliminated by future revenues.

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.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – PENSION PLANS (Continued)

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.

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	\$14,392,062	\$49,093,116	\$4,597,421
Safety - Police and Fire	15,341,187	49,781,654	2,052,428
PARS Retirement Enhancement Plan	349,000	646,000	
Total	\$30,082,249	\$99,520,770	\$6,649,849

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.

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, 2017, 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	29.252%	29.252%	29.252%

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – PENSION PLANS (Continued)

Employees Covered – As of the June 30, 2015 actuarial valuation date and the June 30, 2016 measurement date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	
	June 30, 2015	June 30, 2016
Inactive employees or beneficiaries currently receiving benefits	219	244
Inactive employees entitled to but not yet receiving benefits	172	190
Active employees	229	250
Total	620	684

As of June 30, 2017, the City had 256 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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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, 2015	\$138,578,874	\$97,361,561	\$41,217,313
Changes in the year:			
Service cost	2,929,446		2,929,446
Interest on the total pension liability	10,547,066		10,547,066
Differences between actual and expected experience	895,276		895,276
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		4,687,535	(4,687,535)
Contribution - employee (paid by employer)			
Contribution - employee	(6,137,452)	1,337,368	(7,474,820)
Net investment income		530,419	(530,419)
Administrative expenses		(59,337)	59,337
Benefit payments, including refunds of employee contributions		(6,137,452)	6,137,452
Net changes	8,234,336	358,533	7,875,803
Balance at June 30, 2016	\$146,813,210	\$97,720,094	\$49,093,116

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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:

	Miscellaneous
1% Decrease	6.65%
Net Pension Liability	\$69,475,735
Current Discount Rate	7.65%
Net Pension Liability	\$49,093,116
1% Increase	8.65%
Net Pension Liability	\$32,330,626

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - For the year ended June 30, 2017, the City recognized pension expense of \$9,715,362. At June 30, 2017, 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	\$5,162,409	
Differences between actual and expected experience	639,483	(\$259,941)
Changes in assumptions		(1,088,934)
Net differences between projected and actual earnings on plan investments	8,590,170	(3,248,546)
Total	\$14,392,062	(\$4,597,421)

\$5,162,409 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, 2018. 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	\$136,212
2019	585,841
2020	2,531,841
2021	1,378,338
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, 2017

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, 2016, are summarized as follows:

	<u>Safety</u>		
	<u>Police</u>		
	<u>First Tier</u>	<u>Second Tier</u>	<u>PEPRA</u>
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%	2.0% - 2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	21.294%	18.301%	13.071%
	<u>Fire</u>		
	<u>First Tier</u>	<u>PEPRA</u>	
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	
Benefit payments	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	18.298%	13.071%	

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, 2017

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, 2017, the contributions to the Safety Plan were as follows:

	Total
Contributions - employer	\$4,455,903

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, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plan in the amount of \$49,781,654.

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	Total
Proportion - June 30, 2015	1.03004%
Proportion - June 30, 2016	0.96118%
Change - Increase (Decrease)	-0.06886%

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10 – PENSION PLANS (Continued)

For the year ended June 30, 2017, the City recognized pension expense of \$337,544 for the Safety Plan. At June 30, 2017, 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	\$4,455,903	
Differences between actual and expected experience		(\$327,136)
Changes in assumptions		(1,426,338)
Net differences between projected and actual earnings on plan investments	7,007,533	
Change in proportion and differences between actual contributions and proportionate share of contributions	3,877,751	(298,954)
Total	\$15,341,187	(\$2,052,428)

\$4,455,903 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, 2018. 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	\$1,462,818
2019	1,770,360
2020	3,775,412
2021	1,824,266
2022	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	6.65%
Net Pension Liability	\$69,104,230
Current Discount Rate	7.65%
Net Pension Liability	\$49,781,654
1% Increase	8.65%
Net Pension Liability	\$33,919,799

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, 2017

NOTE 10 – PENSION PLANS (Continued)

D. Information Common to the Miscellaneous and Safety Plans

Actuarial Assumptions – For the measurement period ended June 30, 2016, the total pension liabilities were determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous and Safety (Fire and Police)
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry and Service
Investment Rate of Return	7.65% (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, 2015 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.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2015 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2015 measurement date were the same as those used for the June 30, 2016 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% 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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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, 2017

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	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	1.0%	-0.55%	-1.05%
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, 2017

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, 2017

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, 2017 totaled \$290,000.

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, 2016 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, 2016, the total pension liability was determined using an actuarial valuation as of that date. The June 30, 2017 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, 2017

NOTE 10 – PENSION PLANS (Continued)

	PARS Plans
Valuation Date	June 30, 2016
Measurement Date	June 30, 2016
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	Experience Study with 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, 2016 Measurement Date follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$2,345,000	\$1,659,000	\$686,000
Changes in the year:			
Service cost	8,000		8,000
Interest on the total pension liability	126,000		126,000
Differences between actual and expected experience	53,000		53,000
Changes in assumptions	86,000		86,000
Changes in benefit terms			
Contribution - employer		270,000	(270,000)
Contribution - employee			
Net investment income		51,000	(51,000)
Administrative expenses		(8,000)	8,000
Benefit payments, including refunds of employee contributions	(112,000)	(112,000)	
Net changes	161,000	201,000	(40,000)
Balance at June 30, 2017	\$2,506,000	\$1,860,000	\$646,000

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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	\$960,000
Current Discount Rate	5.50%
Net Pension Liability	\$646,000
1% Increase	6.50%
Net Pension Liability	\$385,000

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, 2017, the City recognized pension expense of \$203,689 for the Plan. At June 30, 2017, 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	\$290,000	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	59,000	
Total	\$349,000	\$0

\$290,000 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, 2018. 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
2018	\$15,000
2019	14,000
2020	22,000
2021	8,000
Thereafter	0

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

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, 2017 there were 175 participants receiving these health care benefits.

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 for each MOU and associated benefits are summarized below:

	Manteca Police Officers Association	Fire	Manteca Police Employees Association	Technical Support Services	General Services	Management
Benefit Types Provided	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	\$675	\$675	\$675	\$675	\$675
City Contribution Cap per Month (Basic) hired after 12/31/2011	\$128	\$128	\$128	\$128	\$128	\$128

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.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy and Actuarial Assumptions

The City’s policy is to fund these benefits by accumulating assets in the Trust Fund discussed above pursuant to City Council Resolution 2011-206 (Resolution). The annual required contribution (ARC) was determined as part of a June 30, 2016 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.0% investment rate of return, and (b) 3.25% projected annual salary increase, and (c) 5% to 6.7% health inflation increase. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and the plan members to that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City’s OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30-year amortization period on a closed basis, with 24 years remaining.

Funding Progress and Funded Status

In accordance with the City’s budget, the contributions to the Plan for fiscal year 2017 are based on pay-as-you-go financing. During the fiscal year ended June 30, 2017, the City contributed \$1,630,879 to the Plan, representing the pay-as-you-go premiums and implicit subsidy benefits. The City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC and contributions, as presented below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$2,567,000	\$1,630,879	64%	\$15,136,694

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The City's Net OPEB Obligation (NOO) is recorded in the Statement of Net Position and is calculated as follows:

Annual required contribution (ARC)	\$2,667,000
Interest on net OPEB obligation	568,000
Adjustment to annual required contribution	<u>(668,000)</u>
Annual OPEB cost	<u>2,567,000</u>
Contributions made:	
City portion of current year premiums paid	(1,183,879)
Implicit subsidy benefits	<u>(447,000)</u>
Total contributions	<u>(1,630,879)</u>
Change in net OPEB obligation	936,121
Net OPEB Obligation at June 30, 2016	<u>14,200,573</u>
Net OPEB Obligation at June 30, 2017	<u><u>\$15,136,694</u></u>

To comply with newly revised Actuarial Standard of Practice No. 6 (ASOP 6), the June 30, 2016 actuarial valuation includes an implicit subsidy liability. This liability was not calculated in prior reports because of the former "community rating" exemption for employers participating in large pooled health plans like CalPERS. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans, but only pay the same premiums as active employees. ASOP 6 is effective for all actuarial valuations with a measurement date on or after March 31, 2015.

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
6/30/2016	\$0	\$31,630,000	(\$31,630,000)	0.00%	\$28,978,000	-109%

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

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

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 13 - RISK MANAGEMENT (Continued)

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.

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, 2015	\$571,911	\$677,921	\$1,249,832
Net change in:			
Liability for current fiscal year claims		82,037	82,037
Liability for prior fiscal years' claims and claims incurred but not reported (IBNR)	(43,372)	200,642	157,270
Claims paid	(46,921)	(168,144)	(215,065)
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 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	<u>\$784,515</u>	<u>\$643,315</u>	<u>\$1,427,830</u>
Claims liability, due within one year	<u>\$42,665</u>	<u>\$474,834</u>	<u>\$517,499</u>

For the fiscal years ended June 30, 2017, 2016, and 2015 the amount of settlements did not exceed insurance coverage.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

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, 2017, the City had outstanding reimbursement commitments totaling \$24,205,783.

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 2017, payments made to the developer under the agreement were \$375,108 and payments to date total \$2,165,181.

E. *Costco Sales Tax Sharing Agreement*

In fiscal 2008, the City entered into a sales tax sharing agreement with Costco Wholesale Corporation (Corporation) to 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 2017, payments made to the Corporation under the agreement totaled \$448,825 and \$2,763,527 has been paid since the start of the agreement.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, the City had issued bonds in the amount of \$43,325,000; \$21,675,000 remained authorized but unissued.

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. When final approval is received from the DOF, the identified parcel will be transferred to the City.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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.

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.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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.

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, 2017 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2017.

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, 2017 are set forth below:

B.S. Family Partnership	\$1,433,357
AKF Development, LLC	54,080
Cabral Western Motors	338,040
Total notes receivable	1,825,477
Less: Allowance for conditional grants	(1,825,477)
Net long-term notes receivable	\$0

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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. Although the owner met the forgiveness provisions, due to the dissolution of the former Redevelopment Agency, reconveyance has not yet been completed and at June 30, 2017, the total outstanding balance on this loan was \$1,433,357.

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, 2017, 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.

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, 2017, 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.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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, 2017 comprise:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Transfers to the City</u>	<u>Balance at June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$5,901,124		(\$759,410)	\$5,141,714
Capital assets being depreciated:				
Buildings and improvements	3,788,211			3,788,211
Less accumulated depreciation	(1,293,642)	(\$126,513)		(1,420,155)
Net capital assets being depreciated	<u>2,494,569</u>	<u>(126,513)</u>		<u>2,368,056</u>
Capital assets, net	<u><u>\$8,395,693</u></u>	<u><u>(\$126,513)</u></u>	<u><u>(\$759,410)</u></u>	<u><u>\$7,509,770</u></u>

Pursuant to Health and Safety Code (HSC) section 34191.5 (b), the City of Manteca Successor Agency (Agency) submitted a Long-Range Property Management Plan (LRPMP) to the California Department of Finance (Finance) on November 19, 2013. The Agency subsequently submitted a revised LRPMP to Finance on September 28, 2015. Finance approved the Agency's use or disposition of all the properties listed on the LRPMP on December 17, 2015.

During fiscal year 2017, the Agency conveyed an approved property with a book value of \$759,410 to the City.

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2016	Retirements	Balance June 30, 2017	Current Portion
Redevelopment Agency Tax				
Allocation Bonds -				
Series 2002 Subordinated Tax Allocation Refunding Bonds, 2.0-5.25%	\$22,655,000	\$800,000	\$21,855,000	\$840,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation Bonds, 3.0-5.0%	20,155,000	310,000	19,845,000	320,000
Series 2004 Amended Merged Project Area Subordinated Tax Allocation (Housing Set-Aside) Bonds, 3.0-5.0%	4,315,000	150,000	4,165,000	155,000
Series 2005 Amended Merged Project Area Subordinated Tax Allocation Refunding Bonds, variable rate	46,570,000	1,355,000	45,215,000	45,215,000
Series 2006 Amended Merged Project Area Subordinated Tax Allocation Bonds, 4.0-5.0%	20,055,000	520,000	19,535,000	550,000
Total Successor Agency Debt	<u>\$113,750,000</u>	<u>\$3,135,000</u>	<u>\$110,615,000</u>	<u>\$47,080,000</u>

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, 2017

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, 2018, 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 2.05% 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, 2017

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 \$174,167,768 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 2017 calculated by the County Auditor-Controller was \$18,493,295 and the total received by the Successor Agency for fiscal year 2017 debt service was \$8,860,814, which the Agency combined with other available revenues/resources to pay the \$8,886,032 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 3.478%. 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, 2017, 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.

<u>Related Bond Issue</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Counterparty</u>	<u>Morgan Stanley Credit Ratings (Moody's/S&P)</u>	<u>Issuer Pays</u>	<u>Issuer Receives</u>	<u>Maturity/ Termination Date</u>
Amended Merged Project Area Variable Rate Subordinate Tax Allocation Refunding Bonds, Series 2005	\$45,215,000	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, 2017

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, 2017, the fair value of the cash flow hedging derivative swap was in favor of the counterparty in the amount of (\$10,295,973), a decrease of \$4,537,935 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, 2017, 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, 2017

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

Swap payments and associated debt. Using rates as of June 30, 2017, 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 Swap, Net	Total
	Principal	Interest		
2018	\$45,215,000	\$397,892	\$1,137,914	\$46,750,806
2019			1,099,847	1,099,847
2020			1,060,351	1,060,351
2021			1,032,078	1,032,078
2022			1,002,586	1,002,586
2023-2027			4,357,529	4,357,529
2028-2032			3,571,051	3,571,051
2033-2037			2,832,530	2,832,530
2038-2042			1,267,266	1,267,266
2043			(359)	(359)
Totals	<u>\$45,215,000</u>	<u>\$397,892</u>	<u>\$17,360,793</u>	<u>\$62,973,685</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
2018	\$47,080,000	\$4,622,658
2019	1,955,000	4,095,902
2020	2,050,000	3,963,702
2021	2,025,000	3,840,125
2022	2,115,000	3,713,038
2023-2027	9,950,000	16,535,791
2028-2032	18,965,000	12,328,173
2033-2037	21,445,000	6,589,819
2038-2042	4,075,000	1,960,379
2043	955,000	21,129
Total	<u>\$110,615,000</u>	<u>\$57,670,716</u>

CITY OF MANTECA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

E. COMMITMENTS AND CONTINGENCIES

1. 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.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office conducted a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011. The City received the results of the State Controller's asset transfer review in February 2015 that indicates the City is to return capital assets in the amount of \$459,477 to the Successor Agency. Concurrent with the finalization of the asset transfer review, the City has been working with the California Department of Finance (DOF) on the Agency's Long Range Property Management Plan (LRPMP). Initial conversations with the DOF indicate that the capital assets identified in the asset transfer review will be identified as City-owned land upon final approval of the 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.

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

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 actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

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

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	24 years as of valuation date
Asset valuation method	15 year Smoothed Market value
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
Investment rate of return	The probability of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Retirement age	
Mortality Rate Table	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA 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

	6/30/2014	6/30/2015	6/30/2016
Plan's proportion of the Net Pension Liability (Asset)	1.07938%	1.03004%	0.96118%
Plan's proportion share of the Net Pension Liability (Asset)	\$40,485,157	\$42,442,275	\$49,781,654
Plan's Covered Payroll	\$11,200,196	12,280,143	12,543,342
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	361.47%	345.62%	396.88%
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%

* - 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
Actuarially determined contribution	\$4,331,842	\$4,055,568	\$4,455,903
Contributions in relation to the actuarially determined contributions	(4,331,842)	(4,055,568)	(4,455,903)
Contribution deficiency (excess)	\$0	\$0	\$0
 Covered payroll	 \$12,280,143	 \$ 12,543,342	 \$ 12,807,240
 Contributions as a percentage of covered payroll	 35.28%	 32.33%	 34.79%

* - 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
Total Pension Liability			
Service Cost	\$33,000	\$25,000	\$8,000
Interest	122,000	124,000	126,000
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)
Net change in total pension liability	58,000	50,000	161,000
Total pension liability - beginning	2,237,000	2,295,000	2,345,000
Total pension liability - ending (a)	\$2,295,000	\$2,345,000	\$2,506,000
Plan fiduciary net position			
Contributions - employer	\$204,000	\$245,000	\$270,000
Contributions - employee	-	-	-
Net investment income	110,000	21,000	51,000
Administrative expenses	(7,000)	(7,000)	(8,000)
Benefit payments, including refunds of employee contributions	(97,000)	(99,000)	(112,000)
Net change in plan fiduciary net position	210,000	160,000	201,000
Plan fiduciary net position - beginning	1,289,000	1,499,000	1,659,000
Plan fiduciary net position - ending (b)	\$1,499,000	\$1,659,000	\$1,860,000
 Net pension liability - ending (a)-(b)	 \$796,000	 \$686,000	 \$646,000
 Plan fiduciary net position as a percentage of the total pension liability	 65.32%	 70.75%	 74.22%
 Covered payroll	 \$635,597	 \$653,039	 \$586,464
 Net pension liability as percentage of covered payroll	 125.24%	 105.05%	 110.15%

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

	2015	2016	2017
Actuarially determined contribution	\$204,000	\$280,000	\$297,000
Contributions in relation to the actuarially determined contributions	(246,689)	(272,689)	(290,000)
Contribution deficiency (excess)	(\$42,689)	\$7,311	\$7,000
 Covered payroll	 \$653,039	 \$586,464	 \$586,464
 Contributions as a percentage of covered payroll	 37.78%	 46.50%	 49.45%

Notes to Schedule

Valuation date:	6/30/2014	6/30/2015	6/30/2016
-----------------	-----------	-----------	-----------

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	7 year fixed period
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	with MP-14 with 5 year convergence in 2022

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

REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFITS PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS

The Plan's actual required contributions and actual contributions for the last three fiscal years are set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$1,981,000	\$1,058,807	53%	\$13,262,124
6/30/2016	2,490,000	1,551,551	62%	14,200,573
6/30/2017	2,567,000	1,630,879	64%	15,136,694

SCHEDULE OF FUNDING PROGRESS

The Schedule of Funding Progress below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial studies is presented below:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>Overfunded (Underfunded) Actuarial Accrued Liability (A – B)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]</u>
6/30/2010	\$0	\$18,320,000	(\$18,320,000)	0.00%	\$26,368,000	-69%
6/30/2014	0	24,857,000	(24,857,000)	0.00%	25,752,000	-97%
6/30/2016	0	31,630,000	(31,630,000)	0.00%	28,978,000	-109%

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, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Use of money and property	\$67,000	\$230,178	\$163,178
Charges for current services	<u>1,080,000</u>	<u>2,060,343</u>	<u>980,343</u>
Total Revenues	<u>1,147,000</u>	<u>2,290,521</u>	<u>1,143,521</u>
EXPENDITURES			
Current:			
Public works	314,295	202,360	111,935
Capital outlay	8,427,188	850,289	7,576,899
Debt service:			
Interest and fiscal charges		<u>67,165</u>	<u>(67,165)</u>
Total Expenditures	<u>8,741,483</u>	<u>1,119,814</u>	<u>7,621,669</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$7,594,483)</u></u>	1,170,707	<u><u>\$8,765,190</u></u>
BEGINNING FUND BALANCE		<u>25,827,202</u>	
ENDING FUND BALANCE		<u><u>\$26,997,909</u></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, 2017

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property		\$136,335	\$136,335
Total Revenues		136,335	136,335
EXPENDITURES			
Current:			
Capital outlay	\$35,557,855	7,719,568	27,838,287
Total Expenditures	35,557,855	7,719,568	27,838,287
NET CHANGE IN FUND BALANCE	(\$35,557,855)	(7,583,233)	(\$27,701,952)
BEGINNING FUND BALANCE		37,543,490	
ENDING FUND BALANCE		\$29,960,257	

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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.

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	SPECIAL REVENUE FUNDS				
	Community Development Block Grant	Police Grants	Supplemental Law Enforcement Services	Recreation	Street Improvements
ASSETS					
Cash and investments		\$19,201	\$178,242	\$664,167	\$54,012
Restricted cash and investments					
Accounts receivables (net of allowance for estimated uncollectible accounts)	\$4,900	30		8,852	
Taxes receivable					
Interest receivable			94		
Due from other funds					
Total Assets	\$4,900	\$19,231	\$178,336	\$673,019	\$54,012
LIABILITIES					
Accounts payable		\$328		\$58,935	
Contracts payable					
Refundable deposits				100,330	
Due to other funds	\$4,433				
Unearned revenue	467				
Total Liabilities	4,900	328		159,265	
FUND BALANCE					
Fund balance:					
Restricted		18,903	\$178,336		\$54,012
Committed				513,754	
Assigned					
Total Fund Balances	4,900	18,903	178,336	513,754	54,012
Total Liabilities and Fund Balances	\$4,900	\$19,231	\$178,336	\$673,019	\$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
\$128,767 357,230	\$1,346,065	\$2,148,578	\$3,306,462	\$5,400,538	\$2,103,994	\$316,535	
		4,943	20,281	10,000	1,072,491		\$168,928
186	270 383	10,794	1,684	7,226	1,691		
<u>\$486,183</u>	<u>\$1,346,718</u>	<u>\$2,164,315</u>	<u>\$3,328,427</u>	<u>\$5,417,764</u>	<u>\$3,178,176</u>	<u>\$316,535</u>	<u>\$168,928</u>
	\$34,204		\$123,221		\$58,550	\$4,275	
					10,900		\$168,928
					<u>3,108,726</u>		
	<u>34,204</u>		<u>123,221</u>		<u>3,178,176</u>	<u>4,275</u>	<u>168,928</u>
\$486,183	1,312,514	\$2,164,315	3,205,206	\$5,417,764		312,260	
486,183	1,312,514	2,164,315	3,205,206	5,417,764		312,260	
<u>\$486,183</u>	<u>\$1,346,718</u>	<u>\$2,164,315</u>	<u>\$3,328,427</u>	<u>\$5,417,764</u>	<u>\$3,178,176</u>	<u>\$316,535</u>	<u>\$168,928</u>

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

CAPITAL IMPROVEMENT FUNDS

	<u>State Gasoline Tax</u>	<u>Regional Transportation Impact Fees</u>	<u>Measure K</u>	<u>Parks</u>	<u>Government Building Facilities</u>
ASSETS					
Cash and investments	\$3,153,999	\$12,608,118	\$4,380,500	\$2,601,518	\$10,254,403
Restricted cash and investments				185,188	
Accounts receivables (net of allowance for estimated uncollectible accounts)	3,637		270,176		
Taxes receivable					
Interest receivable	7,508	37,260	17,646	6,100	20,178
Due from other funds			955,412		
Total Assets	<u>\$3,165,144</u>	<u>\$12,645,378</u>	<u>\$5,623,734</u>	<u>\$2,792,806</u>	<u>\$10,274,581</u>
LIABILITIES					
Accounts payable	\$90,503	\$241,817	\$9,126	\$146,237	\$148,979
Contracts payable				2,219	
Refundable deposits				185,188	
Due to other funds					
Unearned revenue					
Total Liabilities	<u>90,503</u>	<u>241,817</u>	<u>9,126</u>	<u>333,644</u>	<u>148,979</u>
Fund Balance					
Fund balance:					
Restricted	3,074,641	12,403,561	5,614,608	2,459,162	10,125,602
Committed					
Assigned					
Total 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>
Total Liabilities and Fund Balances	<u>\$3,165,144</u>	<u>\$12,645,378</u>	<u>\$5,623,734</u>	<u>\$2,792,806</u>	<u>\$10,274,581</u>

CAPITAL
IMPROVEMENT
FUND

Special Apportionment Streets	Total Nonmajor Governmental Funds
\$5,553,389	\$54,218,488 542,418
3,367,790	4,932,028 270
25,997	136,747 955,412
<u>\$8,947,176</u>	<u>\$60,785,363</u>
\$371,146	\$1,287,321
26,192	28,411
562	296,980
955,412	1,128,773 3,109,193
<u>1,353,312</u>	<u>5,850,678</u>
	46,827,067
	513,754
<u>7,593,864</u>	<u>7,593,864</u>
<u>7,593,864</u>	<u>54,934,685</u>
<u>\$8,947,176</u>	<u>\$60,785,363</u>

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	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			\$235		
Revenue from other agencies	\$61,365	\$92,477	146,880		
Charges for current services				\$1,215,927	
Other revenue				15,587	
Total Revenues	<u>61,365</u>	<u>92,477</u>	<u>147,115</u>	<u>1,231,514</u>	
EXPENDITURES					
Current:					
General government	24,589				
Community development	3,330				
Public safety		88,647			
Public works					
Parks and recreation				1,471,803	
Streets and highways					
Capital outlay	33,446	54	69,591	12,616	
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	<u>61,365</u>	<u>88,701</u>	<u>69,591</u>	<u>1,484,419</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
		<u>3,776</u>	<u>77,524</u>	<u>(252,905)</u>	
OTHER FINANCING SOURCES (USES)					
Transfers in					
				<u>200,000</u>	
Total Other Financing Sources (Uses)				<u>200,000</u>	
NET CHANGE IN FUND BALANCES					
		3,776	77,524	(52,905)	
BEGINNING FUND BALANCES					
		<u>15,127</u>	<u>100,812</u>	<u>566,659</u>	<u>\$54,012</u>
ENDING FUND BALANCES					
		<u>\$18,903</u>	<u>\$178,336</u>	<u>\$513,754</u>	<u>\$54,012</u>

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
\$1,718	\$941	\$7,645	\$2,713,343 4,232	\$18,239	\$4,229 1,017,248		\$650,578
267,718	1,203,601 110		1,908,460 544	507,754 260,962	113,527	\$383,438 11	
<u>269,436</u>	<u>1,204,652</u>	<u>7,645</u>	<u>4,626,579</u>	<u>786,955</u>	<u>1,135,004</u>	<u>383,449</u>	<u>650,578</u>
			13,522 3,423,878				677,550
	1,062,008	699,590		90,158	1,131,702	248,753	
17,294				311,176	3,302		
129,708 22,219							
<u>169,221</u>	<u>1,062,008</u>	<u>699,590</u>	<u>3,437,400</u>	<u>401,334</u>	<u>1,135,004</u>	<u>248,753</u>	<u>677,550</u>
<u>100,215</u>	<u>142,644</u>	<u>(691,945)</u>	<u>1,189,179</u>	<u>385,621</u>		<u>134,696</u>	<u>(26,972)</u>
			120,000				26,972
			120,000				26,972
100,215	142,644	(691,945)	1,309,179	385,621		134,696	
385,968	1,169,870	2,856,260	1,896,027	5,032,143		177,564	
<u>\$486,183</u>	<u>\$1,312,514</u>	<u>\$2,164,315</u>	<u>\$3,205,206</u>	<u>\$5,417,764</u>		<u>\$312,260</u>	

(Continued)

CITY OF MANTECA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	CAPITAL IMPROVEMENT FUNDS				
	State Gasoline Tax	Regional Transportation Impact Fees	Measure K	Parks	Government Building Facilities
REVENUES					
Licenses and permits					\$3,593,865
Use of money and property	\$18,848	\$29,121	\$39,787	\$4,528	15,768
Revenue from other agencies	1,390,641		1,130,885		
Charges for current services		1,732,922		1,827,114	
Other revenue	10,032				
	<u>1,419,521</u>	<u>1,762,043</u>	<u>1,170,672</u>	<u>1,831,642</u>	<u>3,609,633</u>
EXPENDITURES					
Current:					
General government					
Community development					
Public safety					
Public works	17,767				
Parks and recreation	170,537			69,844	
Streets and highways	1,438,345		1,247,751		
Capital outlay		378,855	142,386	966,162	1,487,981
Debt service:					
Principal					
Interest and fiscal charges					
	<u>1,626,649</u>	<u>378,855</u>	<u>1,390,137</u>	<u>1,036,006</u>	<u>1,487,981</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(207,128)</u>	<u>1,383,188</u>	<u>(219,465)</u>	<u>795,636</u>	<u>2,121,652</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Other Financing Sources (Uses)	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
NET CHANGE IN FUND BALANCES	<u>(207,128)</u>	<u>1,383,188</u>	<u>(219,465)</u>	<u>795,636</u>	<u>2,121,652</u>
BEGINNING FUND BALANCES	<u>3,281,769</u>	<u>11,020,373</u>	<u>5,834,073</u>	<u>1,663,526</u>	<u>8,003,950</u>
ENDING 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>

CAPITAL
IMPROVEMENT
FUNDS

Special Apportionment Streets	Total Nonmajor Governmental Funds
	\$6,307,208
(\$5,666)	139,625
3,181,395	7,671,469
	9,160,461
815	288,061
<u>3,176,544</u>	<u>23,566,824</u>
	38,111
	3,427,208
	1,465,787
	1,239,627
	3,022,945
1,225,272	3,911,368
1,230,530	4,653,393
	129,708
	22,219
<u>2,455,802</u>	<u>17,910,366</u>
<u>720,742</u>	<u>5,656,458</u>
	346,972
	346,972
720,742	6,003,430
<u>6,873,122</u>	<u>48,931,255</u>
<u>\$7,593,864</u>	<u>\$54,934,685</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, 2017

	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	\$908,316	\$61,365	(\$846,951)	\$87,421	\$92,477	\$5,056
Charges for current services						
Other revenue						
Total Revenues	908,316	61,365	(846,951)	87,421	92,477	5,056
EXPENDITURES						
Current:						
General government	180,262	24,589	155,673			
Community development	41,889	3,330	38,559			
Public safety				74,811	88,647	(13,836)
Public works						
Parks and recreation	4,836		4,836			
Streets and highways						
Capital outlay	793,870	33,446	760,424	2	54	(52)
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,020,857	61,365	959,492	74,813	88,701	(13,888)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(112,541)		112,541	12,608	3,776	(8,832)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	(\$112,541)		\$112,541	\$12,608	3,776	(\$8,832)
BEGINNING FUND BALANCES					15,127	
ENDING FUND BALANCES					\$18,903	

SUPPLEMENTAL LAW ENFORCEMENT SERVICES			RECREATION			MAJOR EQUIPMENT PURCHASE FEE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$115,000	\$235 146,880	\$235 31,880				\$3,250	\$1,718	(\$1,532)
			\$973,600 10,000	\$1,215,927 15,587	\$242,327 5,587	170,000	267,718	97,718
<u>115,000</u>	<u>147,115</u>	<u>32,115</u>	<u>983,600</u>	<u>1,231,514</u>	<u>247,914</u>	<u>173,250</u>	<u>269,436</u>	<u>96,186</u>
			1,416,049	1,471,803	(55,754)			
70,825	69,591	1,234	21,885	12,616	9,269	19,859	17,294	2,565
						129,715 22,220	129,708 22,219	7 1
<u>70,825</u>	<u>69,591</u>	<u>1,234</u>	<u>1,437,934</u>	<u>1,484,419</u>	<u>(46,485)</u>	<u>171,794</u>	<u>169,221</u>	<u>2,573</u>
<u>44,175</u>	<u>77,524</u>	<u>33,349</u>	<u>(454,334)</u>	<u>(252,905)</u>	<u>201,429</u>	<u>1,456</u>	<u>100,215</u>	<u>98,759</u>
			200,000	200,000				
			200,000	200,000				
<u>\$44,175</u>	77,524	<u>\$33,349</u>	<u>(\$254,334)</u>	(52,905)	<u>\$201,429</u>	<u>\$1,456</u>	100,215	<u>\$98,759</u>
	<u>100,812</u>			<u>566,659</u>			<u>385,968</u>	
	<u>\$178,336</u>			<u>\$513,754</u>			<u>\$486,183</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, 2017

	<u>LANDSCAPE AND LIGHTING MAINTENANCE DISTRICT</u>			<u>PUBLIC SAFETY ENDOWMENT FEE</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Licenses and permits						
Use of money and property		\$941	\$941	\$17,000	\$7,645	(\$9,355)
Revenue from other agencies						
Charges for current services	\$1,233,770	1,203,601	(30,169)			
Other revenue		110	110			
Total Revenues	<u>1,233,770</u>	<u>1,204,652</u>	<u>(29,118)</u>	<u>17,000</u>	<u>7,645</u>	<u>(9,355)</u>
EXPENDITURES						
Current:						
General government						
Community development						
Public safety				761,045	699,590	61,455
Public works						
Parks and recreation	1,069,885	1,062,008	7,877			
Streets and highways						
Capital outlay	76,800		76,800			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,146,685</u>	<u>1,062,008</u>	<u>84,677</u>	<u>761,045</u>	<u>699,590</u>	<u>61,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>87,085</u>	<u>142,644</u>	<u>55,559</u>	<u>(744,045)</u>	<u>(691,945)</u>	<u>52,100</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u><u>\$87,085</u></u>	<u>142,644</u>	<u><u>\$55,559</u></u>	<u><u>(\$744,045)</u></u>	<u>(691,945)</u>	<u><u>\$52,100</u></u>
BEGINNING FUND BALANCES		<u>1,169,870</u>			<u>2,856,260</u>	
ENDING FUND BALANCES		<u><u>\$1,312,514</u></u>			<u><u>\$2,164,315</u></u>	

DEVELOPMENT SERVICES			DEVELOPMENT MITIGATION			FEDERAL TRANSIT MANAGEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$1,950,000	\$2,713,343	\$763,343						
1,700	4,232	2,532	\$8,500	\$18,239	\$9,739		\$4,229	\$4,229
662,150	1,908,460	1,246,310		507,754	507,754	\$3,287,740	1,017,248	(2,270,492)
	544	544	259,135	260,962	1,827	103,550	113,527	9,977
<u>2,613,850</u>	<u>4,626,579</u>	<u>2,012,729</u>	<u>267,635</u>	<u>786,955</u>	<u>519,320</u>	<u>3,391,290</u>	<u>1,135,004</u>	<u>(2,256,286)</u>
10,000	13,522	(3,522)	17,350		17,350			
4,585,693	3,423,878	1,161,815						
			359,888	90,158	269,730	1,672,000	1,131,702	540,298
			380,005	311,176	68,829	2,186,768	3,302	2,183,466
<u>4,595,693</u>	<u>3,437,400</u>	<u>1,158,293</u>	<u>757,243</u>	<u>401,334</u>	<u>355,909</u>	<u>3,858,768</u>	<u>1,135,004</u>	<u>2,723,764</u>
<u>(1,981,843)</u>	<u>1,189,179</u>	<u>3,171,022</u>	<u>(489,608)</u>	<u>385,621</u>	<u>875,229</u>	<u>(467,478)</u>		<u>467,478</u>
<u>120,000</u>	<u>120,000</u>							
<u>120,000</u>	<u>120,000</u>							
<u>(\$1,861,843)</u>	1,309,179	<u>\$3,171,022</u>	<u>(\$489,608)</u>	385,621	<u>\$875,229</u>	<u>(\$467,478)</u>		<u>\$467,478</u>
	<u>1,896,027</u>			<u>5,032,143</u>				
	<u>\$3,205,206</u>			<u>\$5,417,764</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, 2017

	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				\$641,095	\$650,578	\$9,483
Charges for current services	\$418,430	\$383,438	(\$34,992)			
Other revenue		11	11			
Total Revenues	<u>418,430</u>	<u>383,449</u>	<u>(34,981)</u>	<u>641,095</u>	<u>650,578</u>	<u>9,483</u>
EXPENDITURES						
Current:						
General government						
Community development						
Public safety				643,309	677,550	(34,241)
Public works						
Parks and recreation	330,920	248,753	82,167			
Streets and highways						
Capital outlay	87,510		87,510			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>418,430</u>	<u>248,753</u>	<u>169,677</u>	<u>643,309</u>	<u>677,550</u>	<u>(34,241)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>134,696</u>	<u>134,696</u>	<u>(2,214)</u>	<u>(26,972)</u>	<u>(24,758)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in					26,972	26,972
Total Other Financing Sources (Uses)					<u>26,972</u>	<u>26,972</u>
NET CHANGE IN FUND BALANCES		<u>134,696</u>	<u>\$134,696</u>	<u>(\$2,214)</u>		<u>\$2,214</u>
BEGINNING FUND BALANCES		<u>177,564</u>				
ENDING FUND BALANCES		<u>\$312,260</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)
\$7,700	\$18,848	\$11,148	\$34,850	\$29,121	(\$5,729)	\$18,600	\$39,787	\$21,187
1,511,500	1,390,641	(120,859)	\$981,070	1,732,922	751,852	1,152,500	1,130,885	(21,615)
	10,032	10,032						
<u>1,519,200</u>	<u>1,419,521</u>	<u>(99,679)</u>	<u>1,015,920</u>	<u>1,762,043</u>	<u>746,123</u>	<u>1,171,100</u>	<u>1,170,672</u>	<u>(428)</u>
29,000	17,767	11,233						
183,450	170,537	12,913						
1,599,092	1,438,345	160,747	25,000		25,000	2,897,015	1,247,751	1,649,264
			10,102,093	378,855	9,723,238	1,457,845	142,386	1,315,459
<u>1,811,542</u>	<u>1,626,649</u>	<u>184,893</u>	<u>10,127,093</u>	<u>378,855</u>	<u>9,748,238</u>	<u>4,354,860</u>	<u>1,390,137</u>	<u>2,964,723</u>
<u>(292,342)</u>	<u>(207,128)</u>	<u>85,214</u>	<u>(9,111,173)</u>	<u>1,383,188</u>	<u>10,494,361</u>	<u>(3,183,760)</u>	<u>(219,465)</u>	<u>2,964,295</u>
<u>(\$292,342)</u>	<u>(207,128)</u>	<u>\$85,214</u>	<u>(\$9,111,173)</u>	<u>1,383,188</u>	<u>\$10,494,361</u>	<u>(\$3,183,760)</u>	<u>(219,465)</u>	<u>\$2,964,295</u>
	<u>3,281,769</u>			<u>11,020,373</u>			<u>5,834,073</u>	
	<u>\$3,074,641</u>			<u>\$12,403,561</u>			<u>\$5,614,608</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, 2017

	PARKS			GOVERNMENT BUILDING FACILITIES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Licenses and permits				\$2,274,500	\$3,593,865	\$1,319,365
Use of money and property	\$9,000	\$4,528	(\$4,472)	21,250	15,768	(5,482)
Revenue from other agencies						
Charges for current services	(823,000)	1,827,114	2,650,114			
Other revenue						
Total Revenues	(814,000)	1,831,642	2,645,642	2,295,750	3,609,633	1,313,883
EXPENDITURES						
Current:						
General government						
Community development						
Public safety						
Public works						
Parks and recreation	304,410	69,844	234,566			
Streets and highways						
Capital outlay	1,173,595	966,162	207,433	2,287,315	1,487,981	799,334
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,478,005	1,036,006	441,999	2,287,315	1,487,981	799,334
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,292,005)	795,636	3,087,641	8,435	2,121,652	2,113,217
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$2,292,005)</u>	795,636	<u>\$3,087,641</u>	<u>\$8,435</u>	2,121,652	<u>\$2,113,217</u>
BEGINNING FUND BALANCES		<u>1,663,526</u>			<u>8,003,950</u>	
ENDING FUND BALANCES		<u>\$2,459,162</u>			<u>\$10,125,602</u>	

SPECIAL
APPORTIONMENT STREETS

Budget	Actual	Variance Positive (Negative)
\$9,000	(\$5,666)	(\$14,666)
9,613,885	3,181,395	(6,432,490)
	815	815
<u>9,622,885</u>	<u>3,176,544</u>	<u>(6,446,341)</u>
4,169,570	1,225,272	2,944,298
10,193,560	1,230,530	8,963,030
<u>14,363,130</u>	<u>2,455,802</u>	<u>11,907,328</u>
<u>(4,740,245)</u>	<u>720,742</u>	<u>5,460,987</u>
<u>(\$4,740,245)</u>	720,742	<u>\$5,460,987</u>
	<u>6,873,122</u>	
	<u>\$7,593,864</u>	

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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, 2017

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
ASSETS					
Current Assets:					
Cash and investments	\$968,630	\$1,797,150	\$9,845,356	\$5,607,788	\$18,218,924
Restricted cash and investments		201,112			201,112
Accounts receivable	24,631		4,983	25,497	55,111
Interest receivable	2,252		(16,474)	26,373	12,151
Prepaid items				8,316	8,316
Employee notes receivable			63,745		63,745
Total Current Assets	<u>995,513</u>	<u>1,998,262</u>	<u>9,897,610</u>	<u>5,667,974</u>	<u>18,559,359</u>
Non-Current Assets:					
Capital assets not being depreciated		767,735			767,735
Capital assets (net of accumulated depreciation)	<u>359,069</u>	<u>1,268,056</u>			<u>1,627,125</u>
Total Non-Current Assets	<u>359,069</u>	<u>2,035,791</u>			<u>2,394,860</u>
Total Assets	<u>1,354,582</u>	<u>4,034,053</u>	<u>9,897,610</u>	<u>5,667,974</u>	<u>20,954,219</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions		<u>514,176</u>		<u>153,172</u>	<u>667,348</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	1,022	8,404	197,084	130,541	337,051
Accrued liabilities		3,893	1,976,385		1,980,278
Refundable deposits				8	8
Compensated absences			557,276		557,276
Estimated claims liability				517,499	517,499
Capital lease obligations		<u>119,865</u>			<u>119,865</u>
Total Current Liabilities	<u>1,022</u>	<u>132,162</u>	<u>2,730,745</u>	<u>648,048</u>	<u>3,511,977</u>
Long-term Liabilities:					
Compensated absences			5,015,479		5,015,479
Estimated claims liability				910,331	910,331
Capital lease obligation		252,165			252,165
Net pension liability		1,732,618		582,768	2,315,386
Net OPEB obligation				<u>147,922</u>	<u>147,922</u>
Total Long-Term Liabilities		<u>1,984,783</u>	<u>5,015,479</u>	<u>1,641,021</u>	<u>8,641,283</u>
Total Liabilities	<u>1,022</u>	<u>2,116,945</u>	<u>7,746,224</u>	<u>2,289,069</u>	<u>12,153,260</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions		<u>341,481</u>		<u>111,468</u>	<u>452,949</u>
NET POSITION					
Net investment in capital assets	359,069	1,864,873			2,223,942
Unrestricted	<u>994,491</u>	<u>224,930</u>	<u>2,151,386</u>	<u>3,420,609</u>	<u>6,791,416</u>
Total Net Position	<u>\$1,353,560</u>	<u>\$2,089,803</u>	<u>\$2,151,386</u>	<u>\$3,420,609</u>	<u>\$9,015,358</u>

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
OPERATING REVENUES					
Charges for services	\$10,000	\$2,472,310			\$2,482,310
Insurance premium contribution from other funds				\$2,904,850	2,904,850
Miscellaneous				(120,156)	(120,156)
Total Operating Revenues	10,000	2,472,310		2,784,694	5,267,004
OPERATING EXPENSES					
Personnel services		1,191,484	\$71,130	369,928	1,632,542
Contractual services		15,000	52,041	207,307	274,348
Supplies	429,112	96,947		18,670	544,729
Utilities		41,135		8,704	49,839
Repairs and maintenance		509,285		617,924	1,127,209
Vehicle maintenance and operations		562			562
Interdepartmental				14,930	14,930
Insurance		19,940		2,131,719	2,151,659
Claims				552,438	552,438
Depreciation	112,935	309,841			422,776
Miscellaneous	660	227,117		53,953	281,730
Total Operating Expenses	542,707	2,411,311	123,171	3,975,573	7,052,762
Total Operating Income (Loss)	(532,707)	60,999	(123,171)	(1,190,879)	(1,785,758)
NONOPERATING REVENUES (EXPENSES)					
Interest income	5,642	702	(64,558)	20,596	(37,618)
Interest expense		(17,396)			(17,396)
Gain (Loss) from sale of capital assets	25,676				25,676
Total Nonoperating Revenues (Expenses)	31,318	(16,694)	(64,558)	20,596	(29,338)
Income (Loss) Before Contributions and Transfers					
Transfers in	450,000	50,000			500,000
Net Contributions and Transfers	450,000	50,000			500,000
Change in Net Position	(51,389)	94,305	(187,729)	(1,170,283)	(1,315,096)
BEGINNING NET POSITION	1,404,949	1,995,498	2,339,115	4,590,892	10,330,454
ENDING NET POSITION	\$1,353,560	\$2,089,803	\$2,151,386	\$3,420,609	\$9,015,358

CITY OF MANTECA
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Vehicle	Equipment	Payroll Tax Benefit Allocation	Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$16,423	\$2,472,310		\$2,769,195	\$5,257,928
Payments to suppliers	(431,841)	(925,940)		(3,096,210)	(4,453,991)
Payments to or on behalf of employees		(1,025,298)	(\$18,525)	(299,629)	(1,343,452)
Receipts from employee notes receivable			730		730
Claims paid				(398,682)	(398,682)
Cash Flows from (used by) Operating Activities	<u>(415,418)</u>	<u>521,072</u>	<u>(17,795)</u>	<u>(1,025,326)</u>	<u>(937,467)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	<u>450,000</u>	<u>50,000</u>			<u>500,000</u>
Cash flows from (used by) Noncapital Financing Activities	<u>450,000</u>	<u>50,000</u>			<u>500,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets		(417,516)			(417,516)
Proceeds from sale of capital assets	25,676				25,676
Long-term debt payment - principal		(115,901)			(115,901)
Long-term debt payment - interest		(17,396)			(17,396)
Cash Flows from (used by) Capital and Related Financing Activities	<u>25,676</u>	<u>(550,813)</u>			<u>(525,137)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	<u>4,307</u>	<u>702</u>	<u>(48,084)</u>	<u>5,115</u>	<u>(37,960)</u>
Cash Flows from Investing Activities	<u>4,307</u>	<u>702</u>	<u>(48,084)</u>	<u>5,115</u>	<u>(37,960)</u>
Net Cash Flows	64,565	20,961	(65,879)	(1,020,211)	(1,000,564)
Cash and investments at beginning of period	<u>904,065</u>	<u>1,977,301</u>	<u>9,911,235</u>	<u>6,627,999</u>	<u>19,420,600</u>
Cash and investments at end of period	<u>\$968,630</u>	<u>\$1,998,262</u>	<u>\$9,845,356</u>	<u>\$5,607,788</u>	<u>\$18,420,036</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$532,707)	\$60,999	(\$123,171)	(\$1,190,879)	(\$1,785,758)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	112,935	309,841			422,776
Change in assets and liabilities:					
Receivables, net	6,423		(8,576)	(15,499)	(17,652)
Prepaid items				(1,336)	(1,336)
Related party notes receivable			730		730
Accounts and other payables	(2,069)	(15,954)	88,446	(41,482)	28,941
Accrued liabilities		1,825	13,928	(185)	15,568
Compensated absences			10,848		10,848
Claims liability				153,756	153,756
Net pension liability, deferred outflows and inflows		164,361		44,163	208,524
Net OPEB obligation				26,136	26,136
Cash Flows from (used by) Operating Activities	<u>(\$415,418)</u>	<u>\$521,072</u>	<u>(\$17,795)</u>	<u>(\$1,025,326)</u>	<u>(\$937,467)</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:

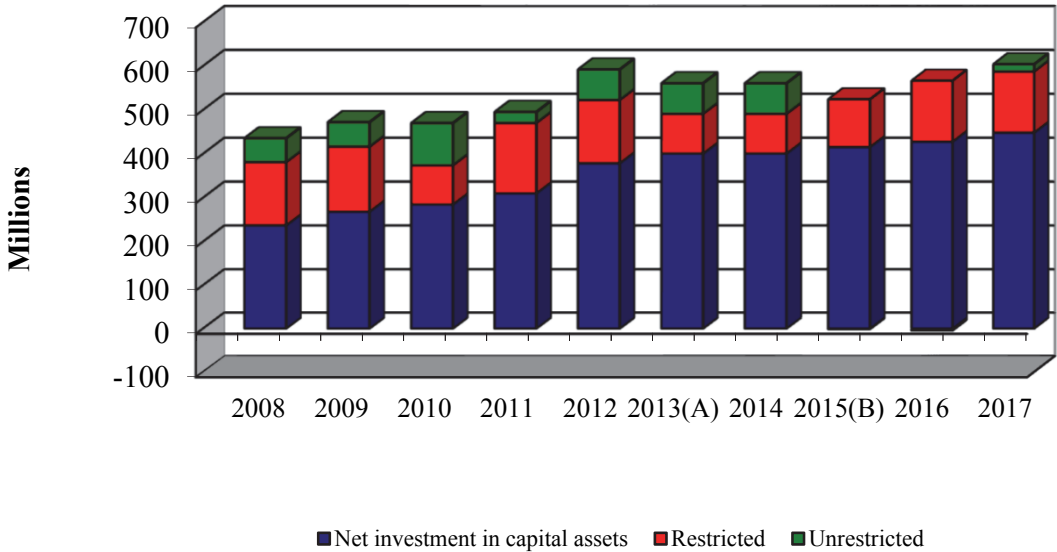
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Crime Policy Notary and Security Bonds of Principal Officials

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)



	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<i>Governmental activities</i>				
Net investment in capital assets	\$141,625,313	\$168,403,886	\$171,675,891	\$188,291,863
Restricted	144,023,997	148,127,615	89,276,875	160,477,438
Unrestricted	3,984,025	(2,956,474)	44,968,093	(26,952,930)
Total governmental activities net position	<u>\$289,633,335</u>	<u>\$313,575,027</u>	<u>\$305,920,859</u>	<u>\$321,816,371</u>
<i>Business-type activities</i>				
Net investment in capital assets	\$95,592,559	\$100,051,333	\$113,151,440	\$121,850,958
Unrestricted	50,615,963	58,841,297	51,398,693	52,096,899
Total business-type activities net position	<u>\$146,208,522</u>	<u>\$158,892,630</u>	<u>\$164,550,133</u>	<u>\$173,947,857</u>
<i>Primary government</i>				
Net investment in capital assets	\$237,217,872	\$268,455,219	\$284,827,331	\$310,142,821
Restricted	144,023,997	148,127,615	89,276,875	160,477,438
Unrestricted	54,599,988	55,884,823	96,366,786	25,143,969
Total primary government net position	<u>\$435,841,857</u>	<u>\$472,467,657</u>	<u>\$470,470,992</u>	<u>\$495,764,228</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.

2012	2013(A)	2014	2015(B)	2016	2017
\$254,330,807	\$272,862,137	\$271,754,541	\$278,800,432	\$282,954,575	\$311,611,351
144,103,748	90,527,590	104,193,296	108,825,262	139,014,904	139,177,788
14,672,681	16,479,375	19,495,181	(41,846,484)	(42,549,501)	(35,156,678)
<u>\$413,107,236</u>	<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>
\$124,505,612	\$128,003,081	\$132,768,445	\$136,876,673	\$144,968,629	\$136,859,563
54,957,132	53,338,111	54,770,104	40,706,859	38,202,656	51,856,903
<u>\$179,462,744</u>	<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>
\$378,836,419	\$400,865,218	\$400,865,218	\$415,677,105	\$427,923,204	\$448,470,914
144,103,748	90,527,590	90,527,590	108,825,262	139,014,904	139,177,788
69,629,813	69,817,486	69,817,486	(1,139,625)	(4,346,845)	16,700,225
<u>\$592,569,980</u>	<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>

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

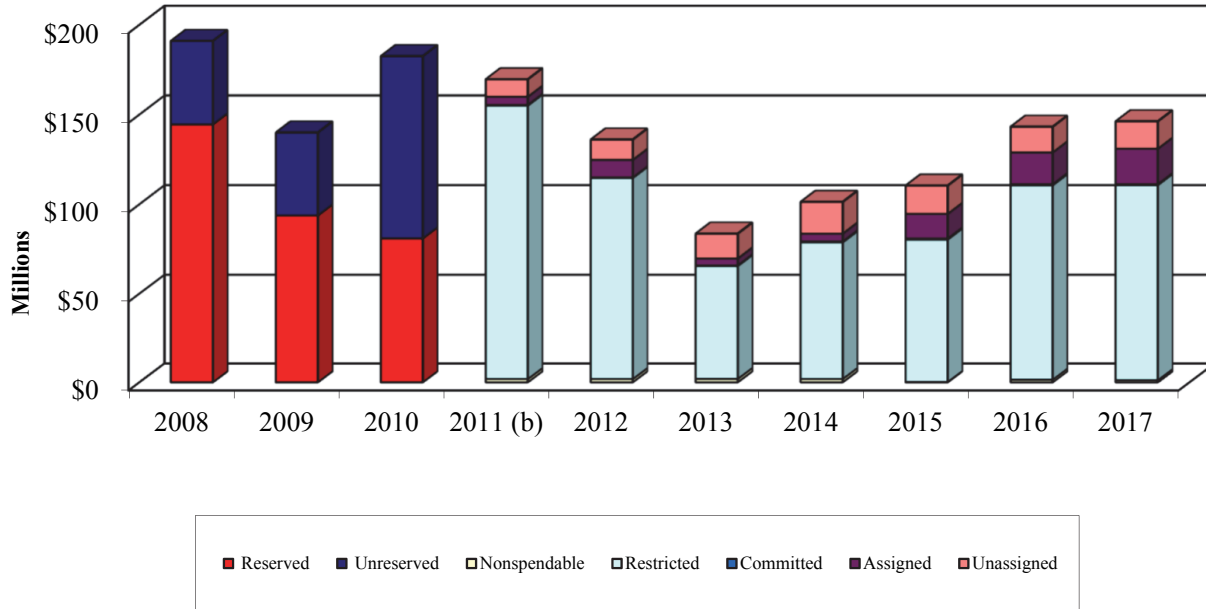
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses:					
Governmental Activities:					
General Government	\$5,520,665	\$5,058,599	\$3,109,047	\$3,174,292	\$3,072,865
Community Development	6,932,523	5,829,037	14,446,062	7,745,806	5,245,747
Public Safety	23,982,219	27,534,943	27,065,592	24,280,052	22,875,613
Library	157,466	136,037	113,092	109,752	85,762
Public Works	4,726,065	3,901,601	5,862,331	4,940,031	3,765,228
Parks and Recreation	7,260,986	7,941,094	6,652,295	6,482,442	6,456,949
Streets and Highways	4,843,101	5,112,187	4,927,588	5,882,611	6,248,464
Interest and Fiscal Charges	7,029,436	6,035,886	5,964,171	6,346,120	3,380,281
Total Governmental Activities Expenses	<u>60,452,461</u>	<u>61,549,384</u>	<u>68,140,178</u>	<u>58,961,106</u>	<u>51,130,909</u>
Business-Type Activities:					
Water	12,291,710	12,667,365	13,226,177	12,992,447	13,328,494
Sewer	10,511,796	11,067,524	12,503,682	13,103,679	13,184,836
Solid Waste	7,717,703	8,712,715	9,029,774	8,796,614	9,105,662
Golf	1,170,939	1,244,412	1,268,361	1,156,149	1,098,871
Total Business-Type Activities Expenses	<u>31,692,148</u>	<u>33,692,016</u>	<u>36,027,994</u>	<u>36,048,889</u>	<u>36,717,863</u>
Total Primary Government Expenses	<u>\$92,144,609</u>	<u>\$95,241,400</u>	<u>\$104,168,172</u>	<u>\$95,009,995</u>	<u>\$87,848,772</u>
Program Revenues:					
Governmental Activities:					
Charges for Services:					
General Government	\$3,865,283	\$3,863,991	\$2,939,727	\$2,903,308	\$2,994,366
Community Development	2,104,057	990,726	1,969,679	2,585,271	2,307,275
Public Safety	1,173,161	1,295,958	1,050,347	989,504	1,078,717
Public Works			2,003	2,003	62,029
Parks and Recreation	1,590,320	1,657,534	1,667,858	1,615,658	2,098,940
Streets and Highways	164,000	164,000	164,000	164,000	
Operating Grants and Contributions	7,075,977	4,317,151	4,177,794	6,560,679	5,968,148
Capital Grants and Contributions	30,997,048	25,070,949	8,229,819	20,103,722	10,372,326
Total Government Activities Program Revenues	<u>46,969,846</u>	<u>37,360,309</u>	<u>20,201,227</u>	<u>34,924,145</u>	<u>24,881,801</u>
Business-Type Activities:					
Charges for Services:					
Water	14,825,250	13,291,670	13,235,259	13,207,371	13,143,709
Sewer	16,137,851	15,084,085	16,332,422	19,001,593	17,478,380
Solid Waste	7,996,902	7,994,026	8,037,838	8,159,479	8,206,348
Golf	1,198,976	1,196,998	1,202,991		1,121,220
Operating Grants and Contributions					55,131
Capital Grants and Contributions	4,756,193	4,480,489	338,640	2,305,694	411,377
Total Business-Type Activities Program Revenue	<u>44,915,172</u>	<u>42,047,268</u>	<u>39,147,150</u>	<u>42,674,137</u>	<u>40,416,165</u>
Total Primary Government Program Revenues	<u>\$91,885,018</u>	<u>\$79,407,577</u>	<u>\$59,348,377</u>	<u>\$77,598,282</u>	<u>\$65,297,966</u>
Net (Expense)/Revenue:					
Governmental Activities	(\$13,482,615)	(\$24,189,075)	(\$47,940,954)	(\$24,036,961)	(\$26,249,108)
Business-Type Activities	13,223,024	8,355,252	3,119,156	7,739,216	3,698,302
Total Primary Government Net Expense	<u>(\$259,591)</u>	<u>(\$15,833,823)</u>	<u>(\$44,821,798)</u>	<u>(\$16,297,745)</u>	<u>(\$22,550,806)</u>
General Revenues and Other					
Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property Taxes	\$27,228,016	\$27,225,355	\$23,848,385	\$23,066,757	\$16,866,055
Sales Taxes	9,779,701	9,278,231	9,653,398	10,067,580	10,622,542
Other Taxes	3,940,114	3,854,252	3,270,746	4,171,694	4,195,411
Interest Income	7,243,110	4,641,537	2,257,961	1,381,906	1,607,554
Intergovernmental:					
Motor Vehicle In-Lieu Grants	308,149	244,605	151,915	236,814	
Other Revenue	312,945	418,794			
Developer Contributions	3,745,107	1,625,719	1,056,231	314,968	522,320
Gain From Sale of Capital Assets	3,737,123	842,274	48,150	60,109	61,962
Transfers, net				192,760	
Special Item				439,885	
Extraordinary item					83,664,129
Total Government Activities	<u>56,294,265</u>	<u>48,130,767</u>	<u>40,286,786</u>	<u>39,932,473</u>	<u>117,539,973</u>
Business-Type Activities:					
Interest Income	4,079,798	3,891,990	1,812,779	1,155,140	1,320,576
Other Revenue	374,597	436,866	292,200	933,153	496,009
Gain From Sale of Capital Assets			433,368	10,100	
Transfers, net				(439,885)	
Total Business-Type Activities	<u>4,454,395</u>	<u>4,328,856</u>	<u>2,538,347</u>	<u>1,658,508</u>	<u>1,816,585</u>
Total Primary Government	<u>\$60,748,660</u>	<u>\$52,459,623</u>	<u>\$42,825,133</u>	<u>\$41,590,981</u>	<u>\$119,356,558</u>
Change in Net Position:					
Governmental Activities	\$42,811,650	\$23,941,692	(\$7,654,168)	\$15,895,512	\$91,290,865
Business-Type Activities	17,677,419	12,684,108	5,657,503	9,397,724	5,514,887
Total Primary Government	<u>\$60,489,069</u>	<u>\$36,625,800</u>	<u>(\$1,996,665)</u>	<u>\$25,293,236</u>	<u>\$96,805,752</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.

2013(1)	2014	2015(2)	2016	2017
\$3,471,459	\$3,662,065	\$3,312,873	\$3,629,365	\$3,483,457
4,723,211	4,811,707	4,987,786	6,616,224	6,196,786
23,555,968	23,663,325	25,166,890	25,193,524	22,357,675
156,209	99,369	114,291	118,809	124,185
3,828,636	4,166,837	5,094,875	4,843,276	5,274,495
6,827,567	7,083,257	7,403,446	8,331,503	9,295,263
7,258,013	8,359,402	7,969,409	10,856,381	9,817,010
148,895	105,935	87,096	101,562	89,384
<u>49,969,958</u>	<u>51,951,897</u>	<u>54,136,666</u>	<u>59,690,644</u>	<u>56,638,255</u>
14,818,353	13,936,206	14,009,670	14,996,267	16,753,545
14,658,322	13,720,540	13,853,066	14,274,230	22,082,085
8,949,815	9,591,309	9,900,313	10,566,029	12,126,537
1,179,120	1,197,545	1,154,179	1,178,770	1,347,568
<u>39,605,610</u>	<u>38,445,600</u>	<u>38,917,228</u>	<u>41,015,296</u>	<u>52,309,735</u>
<u>\$89,575,568</u>	<u>\$90,397,497</u>	<u>\$93,053,894</u>	<u>\$100,705,940</u>	<u>\$108,947,990</u>
\$3,851,426	\$3,482,110	\$4,513,841	\$4,337,680	\$5,136,836
1,724,184	2,263,202	2,575,570	2,877,168	4,624,314
1,120,531	1,380,990	1,621,244	1,360,473	1,542,872
57,103	177,929	41,889	183,422	273,903
2,003,973	2,373,422	2,263,443	2,772,184	3,458,096
10,700,485	7,862,956	6,991,694	6,085,529	6,698,385
<u>10,979,228</u>	<u>20,231,150</u>	<u>20,220,600</u>	<u>41,118,815</u>	<u>33,113,697</u>
<u>30,436,930</u>	<u>37,771,759</u>	<u>38,228,281</u>	<u>58,735,271</u>	<u>54,848,103</u>
13,400,887	14,300,665	14,240,103	13,901,722	15,396,799
17,432,082	18,095,530	19,270,009	19,969,107	22,953,356
8,446,006	8,443,817	8,827,211	9,131,837	10,483,066
1,084,478	1,040,365	1,009,100	978,427	908,639
1,751,102	1,447,128	2,401,413	935,948	6,660,347
<u>42,114,555</u>	<u>43,327,505</u>	<u>45,747,836</u>	<u>44,917,041</u>	<u>56,402,207</u>
<u>\$72,551,485</u>	<u>\$81,099,264</u>	<u>\$83,976,117</u>	<u>\$103,652,312</u>	<u>\$111,250,310</u>
(\$19,533,028)	(\$14,180,138)	(\$15,908,385)	(\$955,373)	(\$1,790,152)
2,508,945	4,881,905	6,830,608	3,901,745	4,092,472
<u>(\$17,024,083)</u>	<u>(\$9,298,233)</u>	<u>(\$9,077,777)</u>	<u>\$2,946,372</u>	<u>\$2,302,320</u>
\$10,674,783	\$11,051,871	\$13,054,963	\$12,633,502	\$14,476,480
11,566,467	12,361,731	13,271,312	14,552,582	17,550,799
4,493,507	4,792,936	5,109,652	5,006,171	3,012,505
31,395	897,034	744,569	1,635,220	850,024
1,219,181	775,632	1,484,667	937,712	1,327,689
64,158	40,000	69,231	72,154	326,216
		(1,606,375)	(241,200)	(300,488)
				759,410
<u>(43,670,205)</u>	<u>29,919,204</u>	<u>32,128,019</u>	<u>34,596,141</u>	<u>38,002,635</u>
166,835	617,958	606,799	1,167,858	472,012
499,913	532,344	462,941	276,950	680,209
		1,606,375	241,200	300,488
<u>666,748</u>	<u>1,150,302</u>	<u>2,676,115</u>	<u>1,686,008</u>	<u>1,452,709</u>
<u>(\$14,953,966)</u>	<u>\$31,069,506</u>	<u>\$34,804,134</u>	<u>\$36,282,149</u>	<u>\$39,455,344</u>
(\$34,987,897)	\$15,739,066	\$16,219,634	\$33,640,768	\$36,212,483
3,009,848	6,032,207	9,506,723	5,587,753	5,545,181
<u>(\$31,978,049)</u>	<u>\$21,771,273</u>	<u>\$25,726,357</u>	<u>\$39,228,521</u>	<u>\$41,757,664</u>

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



	June 30,				
	2008	2009	2010	2011 (b)	2012
General Fund:					
Reserved	\$1,681,076	\$1,822,967	\$1,917,928		
Unreserved	12,798,045	13,346,867	10,137,693		
Nonspendable				1,716,914	\$1,773,218
Restricted					
Assigned				24,329	134,186
Unassigned				10,746,187	11,358,781
Total General Fund	\$14,479,121	\$15,169,834	\$12,055,621	\$12,487,430	\$13,266,185
All Other Governmental Funds:					
Reserved	\$142,845,030	\$91,946,949	\$79,080,523		
Unreserved, reported in:					
Special revenue funds	31,681,735	26,977,907	25,237,443		
Capital project funds	2,054,083	5,923,572	66,218,838		
Nonspendable				182,800	\$121,865
Restricted				153,102,767	112,765,524
Committed				383,968	267,919
Assigned				4,525,889	9,696,257
Unassigned				(980,085)	
Total All Other Governmental Funds	\$176,580,848	\$124,848,428	\$170,536,804	\$157,215,339	\$122,851,565

(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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$1,914,952	\$1,926,248	\$227,542	\$1,140,121	\$1,236,685
38,600	22,092	7,921,152	10,860,353	496,896
13,897,866	17,736,555	15,792,889	14,362,743	12,167,528
<u>\$15,851,418</u>	<u>\$19,684,895</u>	<u>\$23,941,583</u>	<u>\$26,363,217</u>	<u>\$29,214,332</u> (a)

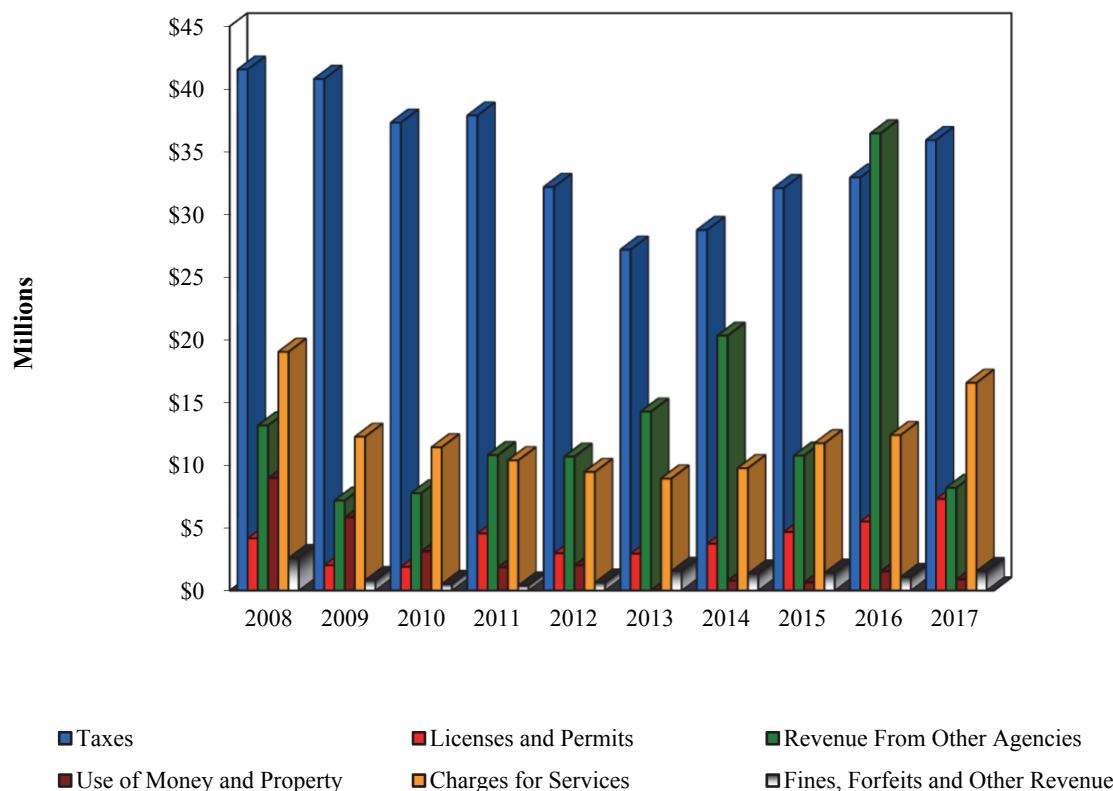
\$60,930			\$367,368	
63,581,446	76,888,357	\$80,121,549	109,084,616	\$108,951,883
347,995	443,166	542,435	566,659	513,754
3,835,995	4,364,455	5,852,064	6,873,122	7,593,864
(1,168)				
<u>\$67,825,198</u>	<u>\$81,695,978</u>	<u>\$86,516,048</u>	<u>\$116,891,765</u>	<u>\$117,059,501</u> (a)

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

	Fiscal Year Ended June 30,				
	2008	2009	2010	2011	2012
Revenues					
Taxes	\$41,549,587	\$40,802,726	\$37,315,264	\$37,885,239	\$32,190,532
Licenses and permits	4,154,266	2,018,165	1,887,780	4,550,326	2,970,397
Fines and forfeitures	292,224	289,147	227,372	182,835	322,653
Use of money and property	8,974,771	5,833,346	3,126,330	1,851,487	2,007,087
Revenue from other agencies	13,160,419	7,173,063	7,750,146	10,792,463	10,672,408
Charges for services	19,036,847	12,260,805	11,423,374	10,379,307	9,453,285
Other revenue	2,307,519	538,817	295,478	222,860	321,242
Total Revenues	89,475,633	68,916,069	62,025,744	65,864,517	57,937,604
Expenditures					
Current:					
General government	4,988,101	4,320,817	3,096,572	2,741,890	2,388,310
Community development	6,142,052	6,495,974	7,169,691	18,246,166	4,268,143
Public safety	23,235,778	24,182,106	23,849,627	23,015,102	21,935,765
Library	147,961	131,234	120,917	112,092	87,158
Public works	4,009,469	4,214,766	4,091,100	3,636,835	2,942,711
Parks and recreation	5,724,593	6,090,427	5,132,634	4,864,431	4,874,253
Streets and highways	2,818,412	2,533,710	1,970,408	1,978,593	1,995,725
Nondepartmental	1,213,134	1,393,965	1,904,961	2,334,370	2,276,198
Supplemental Educational Revenue					
Augmentation Fund payment			6,664,258	1,372,053	
Capital outlay	22,006,218	13,568,055	6,438,353	12,950,145	14,539,693
Debt service:					
Principal repayment	1,168,248	1,983,377	2,155,866	2,724,044	3,000,250
Interest and fiscal charges	7,119,245	6,100,146	5,965,342	6,380,457	3,415,000
Total Expenditures	78,573,211	71,014,577	68,559,729	80,356,178	61,723,206
Excess (deficiency) of revenues over (under) expenditures	10,902,422	(2,098,508)	(6,533,985)	(14,491,661)	(3,785,602)
Other Financing Sources (Uses)					
Transfers in	7,348,134	9,459,738	217,832	59,989,059	1,603,423
Transfers (out)	(8,071,719)	(9,459,738)	(217,832)	(59,549,174)	(1,624,923)
Issuance of long-term debt				969,360	
Proceeds from capital lease obligations	1,055,000	164,949			
Proceeds from sale of property	3,557,101			192,760	500
Extraordinary item					(29,778,417)
Total other financing sources (uses)	3,888,516	164,949		1,602,005	(29,799,417)
Net Change in Fund Balances	\$14,790,938	(\$1,933,559)	(\$6,533,985)	(\$12,889,656)	(\$33,585,019)
Debt service as a percentage of noncapital expenditures	11.8%	14.3%	12.9%	13.2%	13.5%

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$27,184,087	\$28,753,641	\$32,094,372	\$32,947,680	\$35,923,482
2,934,737	3,731,526	4,662,438	5,500,733	7,297,736
296,262	337,288	283,690	251,348	242,370
24,727	775,017	657,340	1,524,560	887,642
14,262,235	20,324,768	10,759,079	36,458,520	8,181,175
8,928,001	9,755,068	11,740,989	12,393,596	16,563,471
1,268,428	1,010,619	1,136,856	840,611	1,310,923
<u>54,898,477</u>	<u>64,687,927</u>	<u>61,334,764</u>	<u>89,917,048</u>	<u>70,406,799</u>
2,667,341	2,585,212	3,179,851	3,426,132	4,213,380
2,022,147	2,076,066	2,186,882	3,969,714	3,427,208
22,237,001	22,661,015	24,376,036	26,515,201	28,149,443
105,483	104,939	115,182	119,733	124,621
3,116,806	3,074,652	2,936,956	2,943,548	3,437,585
5,098,332	5,303,386	5,820,120	6,447,370	6,811,941
2,486,394	1,903,753	1,944,873	3,657,370	3,911,368
2,323,236	2,602,469	2,745,157	2,620,108	2,853,407
22,003,541	5,963,377	7,098,897	6,582,238	13,440,297
2,181,486	450,222	310,581	277,308	129,708
148,895	105,935	87,096	101,562	89,384
<u>64,390,662</u>	<u>46,831,026</u>	<u>50,801,631</u>	<u>56,660,284</u>	<u>66,588,342</u>
<u>(9,492,185)</u>	<u>17,856,901</u>	<u>10,533,133</u>	<u>33,256,764</u>	<u>3,818,457</u>
5,271,444	2,015,513	431,526	4,773,733	346,972
(5,271,444)	(2,180,663)	(2,037,901)	(5,814,933)	(1,147,460)
		150,000	580,000	
721,883	12,506		1,787	882
<u>(43,670,205)</u>				
<u>(42,948,322)</u>	<u>(152,644)</u>	<u>(1,456,375)</u>	<u>(459,413)</u>	<u>(799,606)</u>
<u>(\$52,440,507)</u>	<u>\$17,704,257</u>	<u>\$9,076,758</u>	<u>\$32,797,351</u>	<u>\$3,018,851</u>
5.5%	1.4%	0.9%	0.7%	0.4%

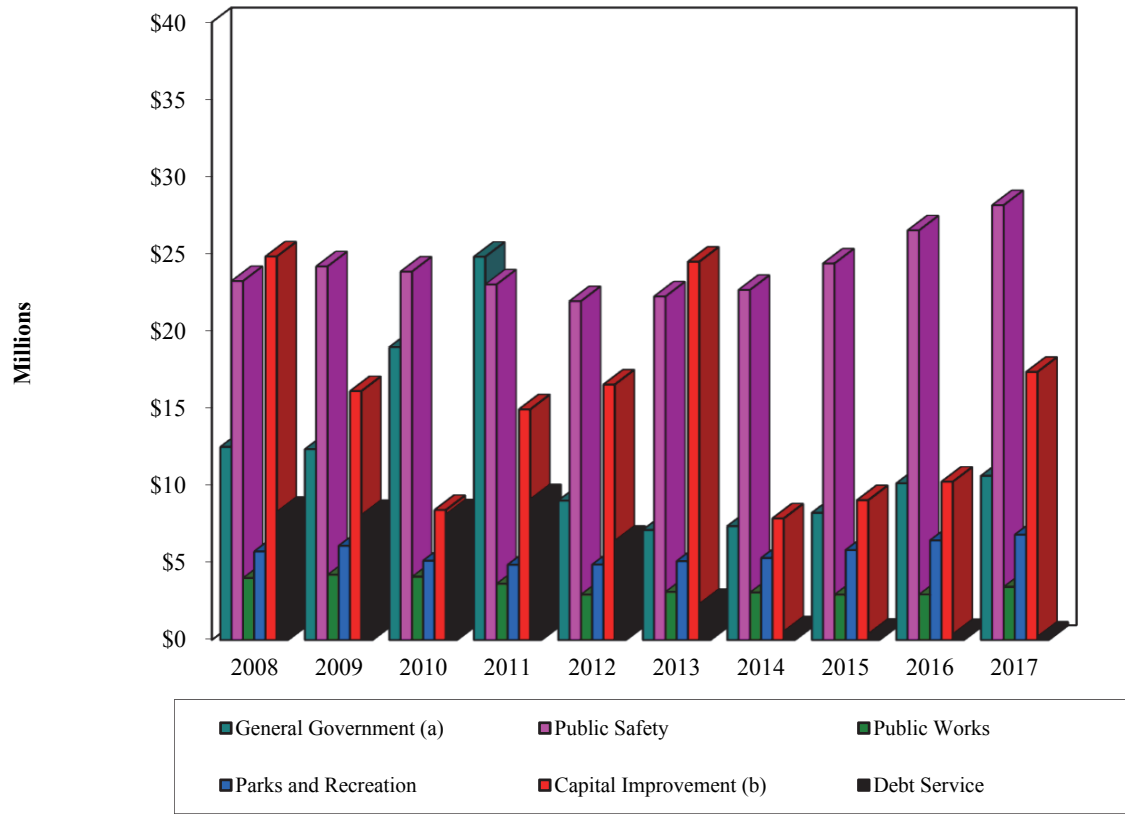
**CITY OF MANTECA
GENERAL REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
LAST TEN FISCAL YEARS**



Fiscal Year	Taxes	Licenses and Permits	Revenue From Other Agencies	Use of Money and Property	Charges for Services	Fines, Forfeits and Other Revenue	Total
2008	\$41,549,587	\$4,154,266	\$13,160,419	\$8,974,771	\$19,036,847	\$2,599,743	\$89,475,633
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

Source: City Operating Budget and City Annual Financial Report

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

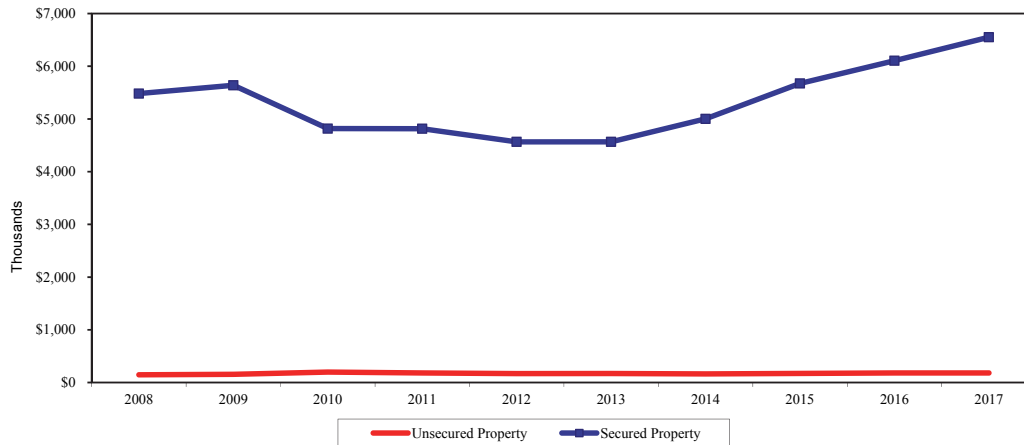


Fiscal Year	General Government (a)	Public Safety	Public Works	Parks and Recreation	Capital Improvement (b)	Debt Service	Total
2008	\$12,491,248	\$23,235,778	\$4,009,469	\$5,724,593	\$24,824,630	\$8,287,493	\$78,573,211
2009	12,341,990	24,182,106	4,214,766	6,090,427	16,101,765	8,083,523	71,014,577
2010	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

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

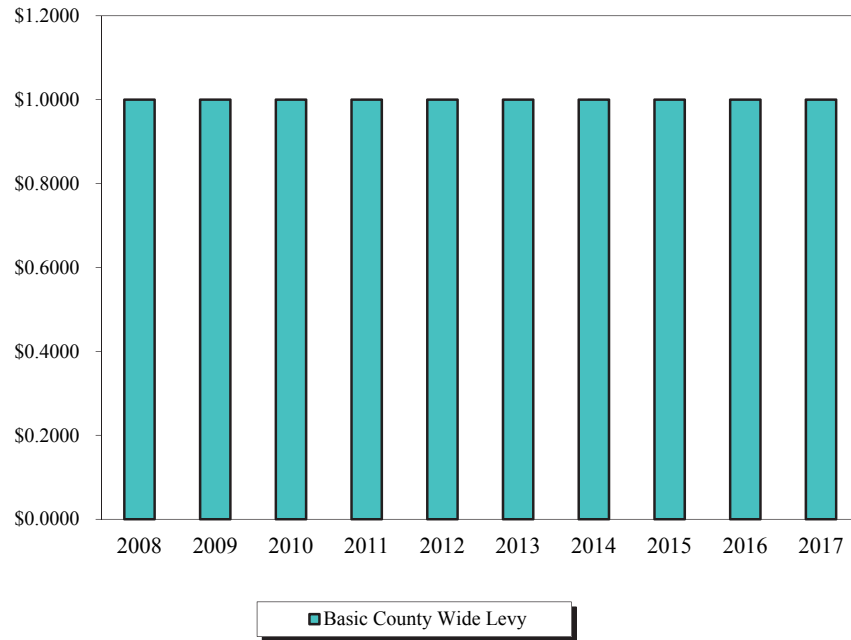


Fiscal Year	Real Property			Total Real Secured Property	(Less) Exemption	Public Utility	Net Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Land Property	Improvements Property	Personal Property								
2008	\$1,917,266	\$3,534,131	\$40,493	\$5,491,890	(\$157,668)	\$256	\$5,334,478	\$147,614	\$5,482,092	\$5,482,092	1%
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%

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**



<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>Total</u>
2008	\$1.0000	\$1.0000
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

Source: San Joaquin County Assessors Office

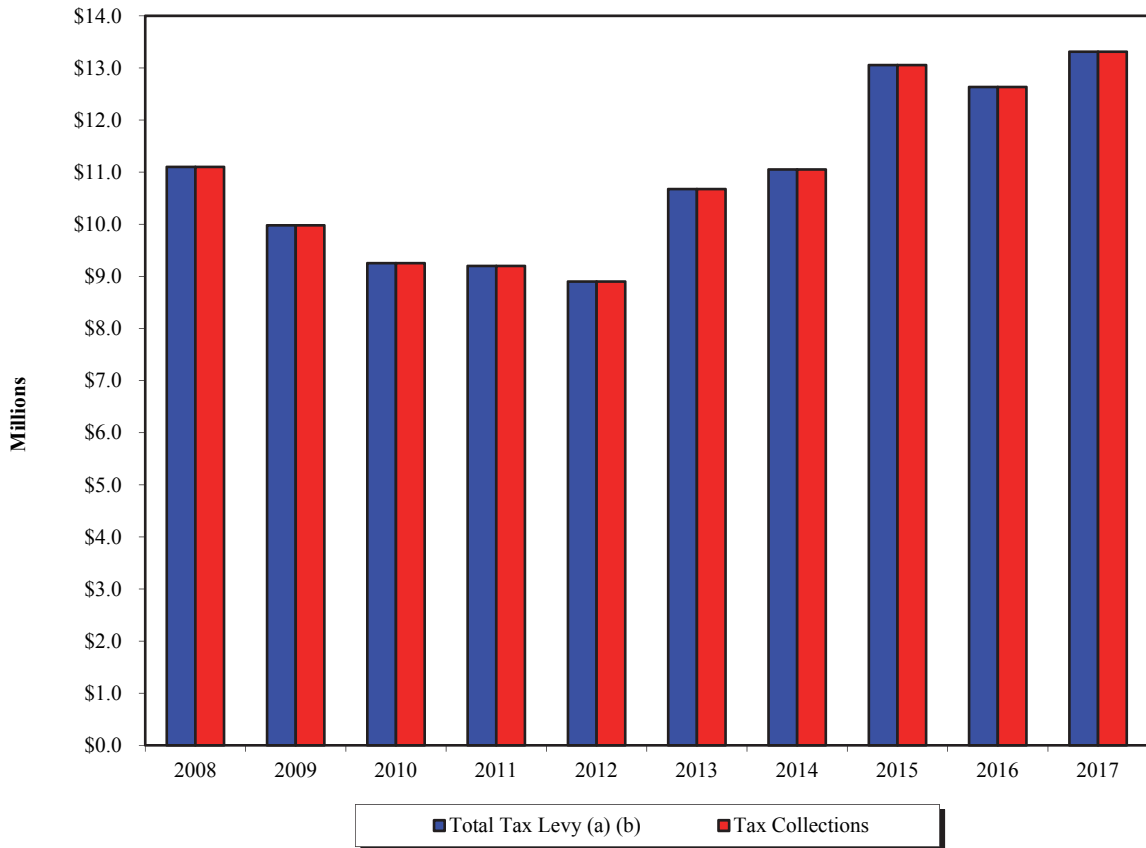
Note: The above ratios are expressed as dollars assessed per \$100 of assessed valuation

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

Taxpayer	2016-2017		2007-08	
	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	0.85%		
Manteca Lifestyle Center LLC	Shopping Center	0.81%		
Excel Manteca LLC	Shopping Center	0.66%		
Pulte Home Corp	Residential Development	0.51%		
Paseo Apartments LLC	Apartments	0.50%	Apartments	0.36%
Centerpoint Properties Trust	Industrial	0.48%		
Prologis	Warehouse	0.44%	Warehouse	0.38%
Edward J & Dolores M Cardoza	Shopping Center	0.40%	Shopping Center	0.40%
Duke Realty LP	Warehouse	0.39%		
Costco Wholesale Corporation	Commercial Store	0.38%		
Stonegate Apartments LLC	Apartments	0.37%	Apartments	0.49%
Doctors Hospital of Manteca Inc.	Hospital	0.33%	Hospital	0.37%
Ryba Real Estate Inc.	Shopping Center	0.25%		
Brocchino Family Partnership	Commercial	0.23%		
Sundance Development LLC	Residential Land	0.22%		
Wal Mart Realty Company	Commercial Store	0.21%		
VFT Family Partnership LP	Residential Properties	0.21%		
Yip Holdings Five LLC	Shopping Center	0.21%		
Argo Manteca LLC	Shopping Center	0.20%		
Development Solutions EE LLC	Residential Land	0.20%		
Bianchi Ranch Partners LLC			Commercial	0.50%
Anderson Homes Corp			Residential Development	0.60%
Standard Pacific Corp			Residential Land	0.75%
Metropolitan Life Insurance Co.			Industrial - Warehouse	0.40%
Milard Refrigerated Services Inc.			Industrial - Warehouse	0.42%
Total		<u>7.85%</u>		<u>4.67%</u>

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
2008	\$11,100,442	\$11,100,442	100.00%	\$0	\$11,100,442	100.00%
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	13,311,648	13,311,648	100.00%	0	13,311,648	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, 2017**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2016-17 Assessed Valuation</u>	<u>% Total of Assessed Valuation</u>
		2016-17 Total Local Secured Assessed Valuation Project Area No. 1	\$694,692,294
1 Doctors Hospital of Manteca Inc.	Hospital	\$21,067,803	3.03
2 Stonegate Apartments LLC	Apartments	17,816,600	2.56
3 Edward J. and Dolores M. Cardoza	Shopping Center	16,171,180	2.33
4 Wal Mart Realty Company	Shopping Center	12,841,342	1.85
5 Laurel Glen LLC	Apartments	12,111,097	1.74
6 VFT Properties LLC	Apartments	11,212,558	1.61
7 B.R. Funsten & Co. Corp.	Warehouse	10,034,010	1.44
8 Asset Procurement Partners LLC	Recreational	5,770,463	0.83
9 Brocchino Family Partnership	Commercial	5,663,429	0.82
10 Khatri Brothers Partnership	Hotel/Motel	5,611,972	0.81
11 Eckert Engineering Corp.	Warehouse	5,524,762	0.80
12 KDDC Properties	Commercial	5,436,533	0.78
13 Miner Joaquin Building Corp.	Bank	5,317,059	0.77
14 North Main Storage LLC	Mini-Storage	5,299,730	0.76
15 Lexington Tramk Manteca Remainderman LP	Commercial Stores	5,100,000	0.73
16 MN Gianni LLC et.	Commercial	4,884,789	0.70
17 SFP B LP	Commercial	4,272,069	0.61
18 William D and Miriam A Cabral Trust	Auto Sales/Service	4,076,286	0.59
19 MBLG LLC	Mini-Storage	3,990,320	0.57
20 Hensley Investment Company	Office Building	3,700,000	0.53
		<u>\$165,902,002</u>	<u>23.88%</u>

Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT PROJECT AREA NO. 2
TOP TWENTY ASSESSED VALUES
June 30, 2017

		2016-17 Total Local Secured Assessed Valuation Project Area No. 2	
		\$1,303,998,449	
Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total Assessed Valuation
1 LLH MRS Master RE LLC	Cold Storage	\$55,025,555	4.22
2 Excel Manteca LLC	Shopping Center	42,456,729	3.26
3 Prologis	Warehouse	28,138,500	2.16
4 Duke Realty LP	Warehouse	24,965,520	1.91
5 Costco Wholesale Corporation	Commercial Store	24,475,984	1.88
6 Yip Holdings Five LLC	Shopping Center	13,377,358	1.03
7 Argo Manteca LLC	Shopping Center	13,105,955	1.01
8 Kohl's Department Stores Inc.	Shopping Center	12,246,289	0.94
9 Target Corp.	Shopping Center	11,396,772	0.87
10 HD Development of Maryland Inc.	Commercial Store	9,742,899	0.75
11 Manteca Associates LP	Light Industrial	9,500,000	0.73
12 Daniel M. and Belinda A Sarich Trust	Light Industrial	8,975,120	0.69
13 Brocchini Family Partnership LP	Office Building	8,244,596	0.63
14 277 Commerce Ave. LLC	Shopping Center	8,000,000	0.61
15 Nestle Dreyers Ice Cream Co	Cold Storage	8,000,000	0.61
16 Realty Income Properties	Commercial Store	7,514,622	0.58
17 Cranbrook Realty Invest Fund LP	Warehouse	7,500,000	0.58
18 VFT Family Partnership LP	Apartments	7,200,000	0.55
19 Chevron USA Inc	Gas Station/Mini-Mart	6,819,734	0.52
20 Dhaliwal Medical Enterprises LLC	Office Building	6,660,970	0.51
		\$313,346,603	24.03%

Source: California Municipal Statistics, Inc

CITY OF MANTECA
MANTECA REDEVELOPMENT MERGED PROJECT AREA
TOP TWENTY ASSESSED VALUES
June 30, 2017

		2016-17 Total Local Secured Assessed Valuation 2005 Merged Project Amended Area	
Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total Assessed Valuation
1 Faizan Corp	Service Station	\$5,496,384	26.40
2 AP&H Inc.	Assisted Living	1,009,684	4.85
3 Major Singh Brar	Commercial Land	940,000	4.51
4 David L. Peters	Truck Terminals	633,769	3.04
5 Jasvir and Sarbjit K Singh Trust	Light Industrial	566,591	2.72
6 GHG Investment LLC	Commercial Land	560,000	2.69
7 Robert L. and Dorothy F. Mack	Residential	518,458	2.49
8 Chattarpal S. Pabla	Multi-Family Residential	395,000	1.90
9 Natalyn J. and Thomas E. Bergman, Jr.	Residential	372,000	1.79
10 Hiway Farm LLC	Commercial Land	364,081	1.75
11 Kyung Han and Mi Jwa Yoon	Residential	353,934	1.70
12 Jose Rene Diaz	Residential	341,457	1.64
13 Dale A. and April D. Matts	Residential	338,503	1.63
14 James H and Kristin Zimmerman	Residential	322,000	1.55
15 Bachan Singh	Commercial Land	313,004	1.50
16 Roger O. Beugre	Residential	294,423	1.41
17 John N. and Galatia Aretakis Trust	Residential	294,403	1.41
18 Loan Anh Nguyen	Commercial	292,751	1.41
19 Zoe Haworth Trust	Residential	291,165	1.40
20 Ranjit and Jaswinder Khangura	Residential	285,000	1.37
		<u>\$13,982,607</u>	<u>67.15%</u>

Source: California Municipal Statistics, Inc

**CITY OF MANTECA
 MANTECA REDEVELOPMENT AMENDED MERGED PROJECT AREA
 TOP TWENTY ASSESSED VALUES
 June 30, 2017**

		2016-17 Total Local Secured Assessed Valuation 2004 Amended Area	
Property Owner	Primary Land Use	2016-2017 Assessed Valuation	% of Total Assessed Valuation
1 Manteca Lifestyle Center LLC	Shopping Center	\$52,431,980	40.56
2 Big Box Property Owner A LLC	Light Industrial	11,050,000	8.55
3 Manteca Lodging LLC	Shopping Center	9,088,275	7.03
4 Exeter Louise Land LLC	Industrial Land	7,973,581	6.17
5 JC Penney Properties Inc.	Shopping Center	7,791,044	6.03
6 Lanting Family LLC	Truck Terminal	6,609,341	5.11
7 BS Family Partnership	Commercial	5,000,000	3.87
8 Andreetta Properties LP	Food Processing	4,040,695	3.13
9 Atherton Woodward Partners LLC	Commercial Land	2,294,536	1.78
10 Tesoro Commons LLC	Residential Properties	2,100,000	1.62
11 Ergonis Land Co. LP	Light Industrial	1,915,638	1.48
12 DTST Holdings LLC	Commercial Land	1,550,000	1.20
13 D'Ambroio Brothers Invest Co LP	Industrial Land	1,527,396	1.18
14 John N. and Galatia Aretakis Trust	Residential	982,203	0.76
15 West Yosemite Properties LLC	Light Industrial	795,772	0.62
16 Gateway Solar RV & Boat Storage LLC	Industrial Land	710,675	0.55
17 AT&T Communications of CA Inc.	Communications	690,000	0.53
18 Rajwinder Singh Bahia	Commercial Land	679,869	0.53
19 Harold and Dorothy Hahn Family LP	Light Industrial	667,013	0.52
20 Yosemite Square Business Park LLC	Commercial Land	630,000	0.49
		<u>\$118,528,018</u>	<u>91.70%</u>

Source: California Municipal Statistics, Inc

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

	2007-08	(a) 2008-09	2009-10	2010-11	2011-12
Department Stores	\$1,846,689	\$2,154,887	\$2,504,586	\$2,634,244	\$2,737,676
Restaurants	1,064,486	1,087,886	1,066,537	1,131,793	1,202,018
Service Stations	1,102,709	1,010,053	891,765	1,019,526	1,206,488
Heavy Industry	361,635	449,962	399,960	499,472	524,169
Recreation Products	84,655	387,863	510,777	566,090	559,345
Auto Sales - New	1,246,154	759,321	620,224	738,893	692,308
Building Materials Retail	797,176	659,120	579,490	592,270	644,140
Food Markets	605,581	572,612	606,726	655,720	686,840
Misc. Retail	523,784	500,490	528,252	564,526	589,354
Misc. Vehicle Sales	577,442	374,187	293,129	295,464	380,867
Apparel Stores	243,498	292,745	371,358	387,530	423,972
Auto Parts/Repair	396,108	338,226	327,137	325,349	362,288
Building Materials Wholesale	648,275	555,017	449,941	464,294	495,552
Light Industry					
All Other Outlets	<u>1,444,475</u>	<u>1,394,925</u>	<u>1,341,799</u>	<u>1,332,844</u>	<u>1,440,071</u>
Total	<u><u>\$10,942,667</u></u>	<u><u>\$10,537,294</u></u>	<u><u>\$10,491,681</u></u>	<u><u>\$11,208,015</u></u>	<u><u>\$11,945,088</u></u>

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

2012-13	(c) 2013-14	(c) 2014-15	2015-16	2016-17
\$2,879,701	\$2,816,168	\$2,929,648	\$3,015,578	\$3,094,157
1,300,958	1,419,912	1,554,110	1,653,435	1,769,641
1,332,043	1,337,683	1,303,785	1,128,823	1,176,442
573,362	719,972	810,640	895,035	939,937
704,107	715,298	674,828	612,671	614,522
829,842	953,685	1,049,527	1,227,704	1,303,450
678,348	721,444	749,064	812,509	922,449
680,249	705,067	697,844	657,830	670,801
614,958	713,491	814,851	858,389	982,561
425,809	494,128	534,334	670,675	761,367
514,182	554,923	601,002	599,812	646,551
386,810	422,716	431,447	479,912	509,339
472,167	544,476	558,631	600,198	632,418
	221,928 (b)	243,627	255,041	304,954
1,407,141	1,402,608	1,550,810	1,537,965	1,648,364
<u>\$12,799,677</u>	<u>\$13,743,499</u>	<u>\$14,504,148</u>	<u>\$15,005,588</u>	<u>\$15,976,953</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
2007-08	1.00	0.50	0.50	6.25
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
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

Source: California State Board of Equalization

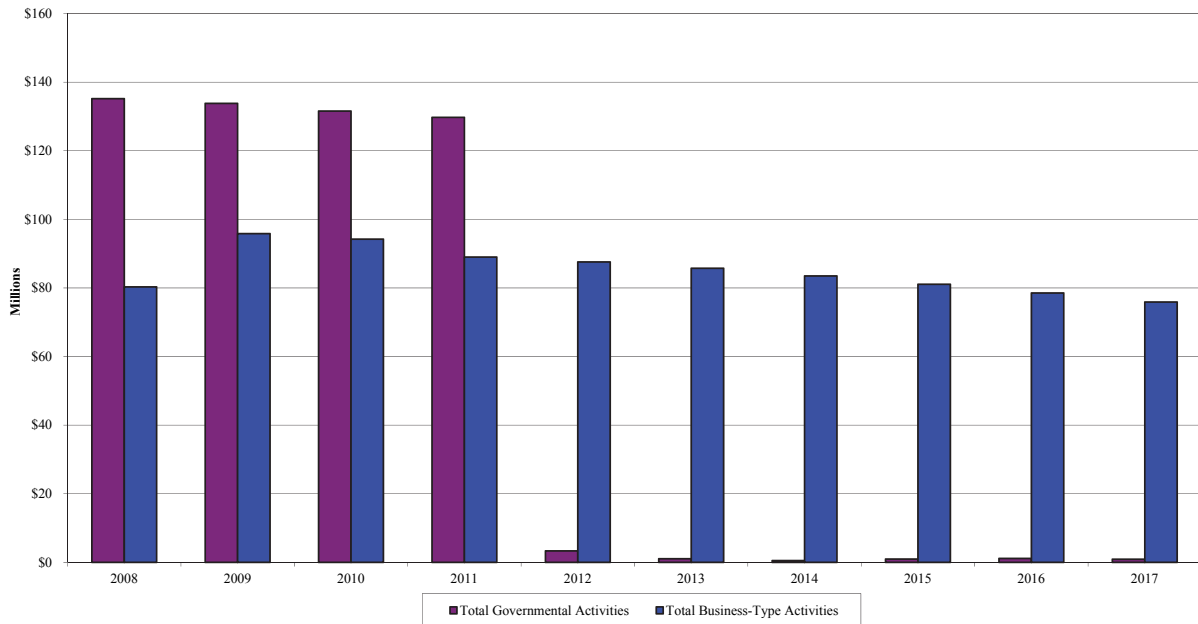
- ^(a) November 2006 Measure K Renewal passes for 30 years and Measure M special tax passes
- ^(b) April 1, 2009 the State increased the State Rate 1%
- ^(c) July 1, 2011 the State decreased the State Rate 1%
- ^(d) On both July 1, 2012 and April 1, 2013 the State increased the State Rate .125%

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

2016-17	2007-2008
American Modular Systems	American Modular Systems
Arco AM/PM Mini Marts	Arco AM/PM Mini Marts
Bass Pro Shops Outdoor World	Best RV Center
Burlington Coat Factory	Boats Direct
Cabral Chrysler Jeep Suzuki	B. R. Funsten & Company
Chevron Service Stations	Central Valley Buick/Olds/Pontiac
Costco Wholesale	Chevron Service Stations
Country Nissan	Circuit City
Home Depot	Global HVAC Distributors
J C Penney Company	Home Depot
J.M. Equipment	K Mart Stores
K Mart Stores	Kohl's Department Stores
Kohl's Department Stores	Manteca Ford/Mercury
Manteca Ford/Mercury	Manteca Dodge
Manteca Trailer & Motorhome	Mervyn's Department Store
Orchard Supply Hardware	Old Navy Clothing Co
Quick Stop Markets	Orchard Supply Hardware
Roberts & Brune Company	Save Mart Supermarkets
Ross Stores	Sexton Chevrolet
Save Mart Supermarkets	Staples Office Superstore
Target Stores	Target Stores
TJ Maxx	Top Gun Drywall Supply
Tom Duffy Company	Valero Service Stations
Valero Service Stations	Wal-Mart Stores
Wal-Mart Stores	Western Motors

Source: MuniServices

**CITY OF MANTECA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**



Governmental Activities

Fiscal Year	Tax Allocation Bonds	Capital Leases	Energy Conservation Assistance Loan	Installment Purchase Obligation	Loan Payable	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2008	\$133,280,000	\$1,536,029	\$63,747	\$317,097		\$135,196,873	\$215,492,560	10.36%	\$3,243
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

Business-Type Activities

Fiscal Year	Water Revenue Bonds	Sewer Revenue Bonds	Energy Conservation Asset Loan	Capital Leases	Lease Revenue Bonds	Total
2008	\$43,325,000	\$35,270,000	\$933,919	\$336,768	\$430,000	\$80,295,687
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

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		
2008	\$133,280,000	\$133,280,000	2.43%	\$2,005.69
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)

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, 2017**

2016-17 Assessed Valuation: \$6,625,186,105

JURISDICTION	Total Debt 6/30/2017	% Applicable (1)	City's Share of Debt 6/30/17
OVERLAPPING TAX AND ASSESSMENT DEBT			
San Joaquin Delta Community College District	\$126,614,970	8.972%	\$11,359,895
Yosemite Community College District	282,693,266	0.188%	531,463
Manteca Unified School District	101,829,885	51.928%	52,878,223
Ripon Unified School District	28,751,399	4.337%	1,246,948
Manteca Unified School District Community Facilities District No. 1989-2	27,885,000	79.150%	22,070,978
Manteca Unified School District Community Facilities District No. 2000-3	12,600,000	100.000%	12,600,000
California Statewide Communities Development Authority CFD No. 2012-2	6,180,000	100.000%	6,180,000
California Statewide Communities Development Authority 1915 Act Bonds	8,664,490	100.000%	8,664,490
Reclamation District No 17 Assessment District	<u>23,932,948</u>	6.969%	<u>1,667,887</u>
TOTAL OVERLAPPING DEBT	<u><u>\$619,151,958</u></u>		<u><u>\$117,199,884</u></u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
San Joaquin County Certificates of Participation	\$124,925,000	9.967%	12,451,275
Manteca Unified School District Certificates of Participation	25,961,000	51.928%	13,481,028
Ripon Unified School District Certificates of Participation	0	100.000%	0
CITY OF MANTECA GENERAL FUND OBLIGATIONS	0	100.000%	0
South San Joaquin Irrigation District COP	<u>0</u>		<u>0</u>
Total Gross Direct and Overlapping General Fund Debt	<u>150,886,000</u>		<u>25,932,303</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>25,932,303</u>
OVERLAPPING TAX INCREMENT DEBT:	110,615,000	100.000%	<u>110,615,000</u>
TOTAL DIRECT DEBT			<u>\$0</u>
TOTAL OVERLAPPING DEBT			<u><u>\$253,747,187</u></u>
COMBINED TOTAL DEBT			<u><u>\$253,747,187</u></u> (2)

(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	1.77%
Total Direct Debt	0.00%
Combined Total Debt	3.83%

Ratios to Redevelopment Incremental Valuation (\$1,835,995,149)

Total Overlapping Tax Increment Debt	6.02%
--------------------------------------	-------

AB:(\$475)

Source: California Municipal Statistics, Inc.

CITY OF MANTECA
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2017

ASSESSED VALUATION:

Assessed Value	\$6,551,893,905
Add back: Exempt real property	<u>73,292,200</u>
Total Assessed Valuation	<u><u>\$6,625,186,105</u></u>

BONDED DEBT LIMIT (15.0% OF ASSESSED VALUE) (a) \$993,777,916

AMOUNT OF DEBT SUBJECT TO LIMIT: 0

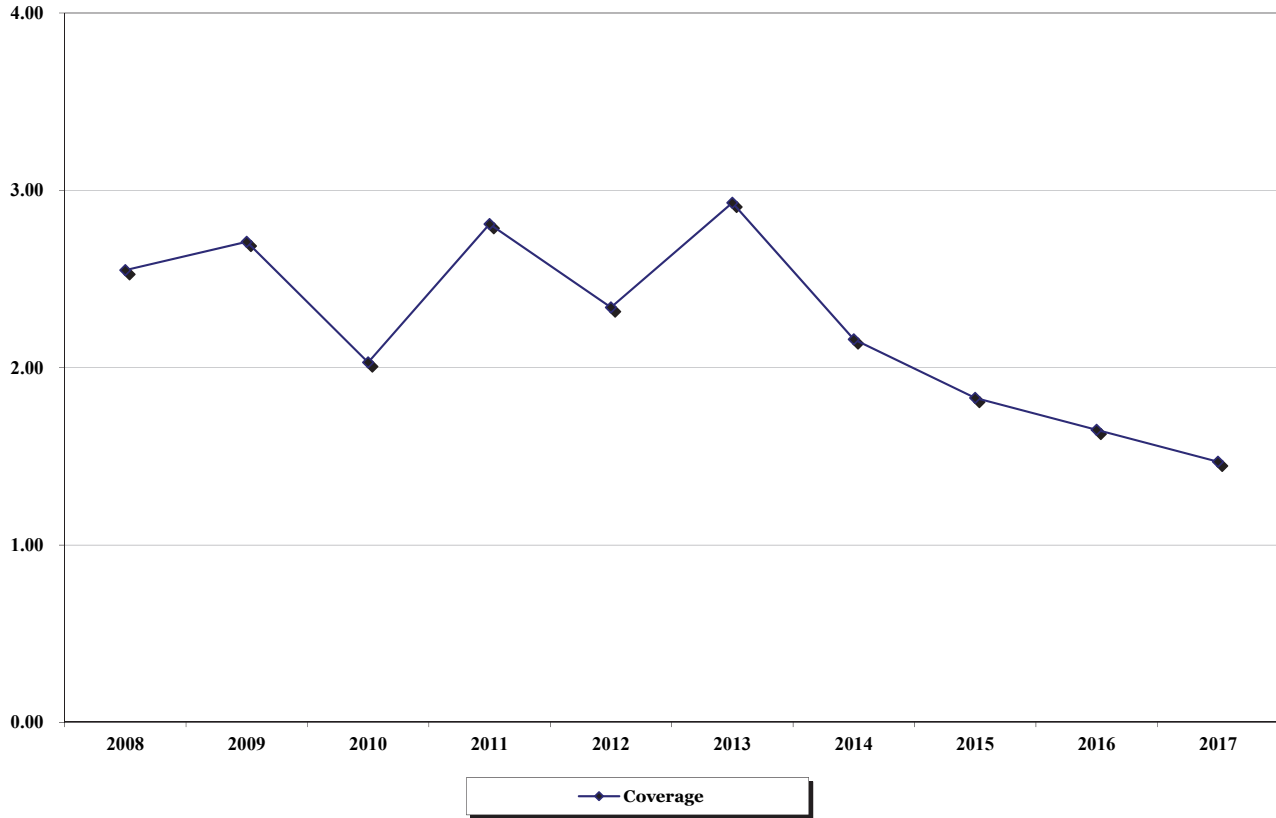
LEGAL BONDED DEBT MARGIN \$993,777,916

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
2008	\$832,768,720	\$0	\$832,768,720	0.00%
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%

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	
2008	\$14,937,151	(\$10,319,992)	\$5,018,595	\$4,976,155	\$0	\$1,954,124	\$1,954,124	2.55
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

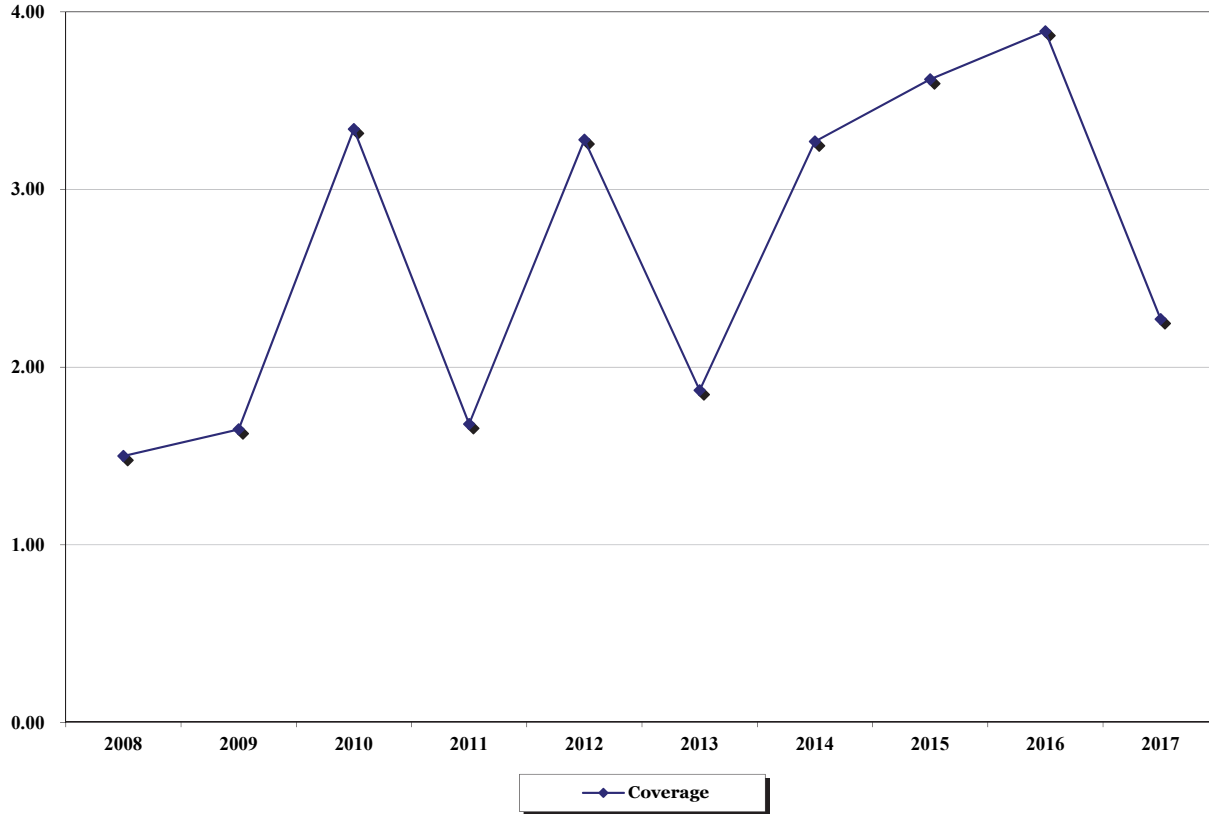
Source: City of Manteca Annual Financial Statements

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**

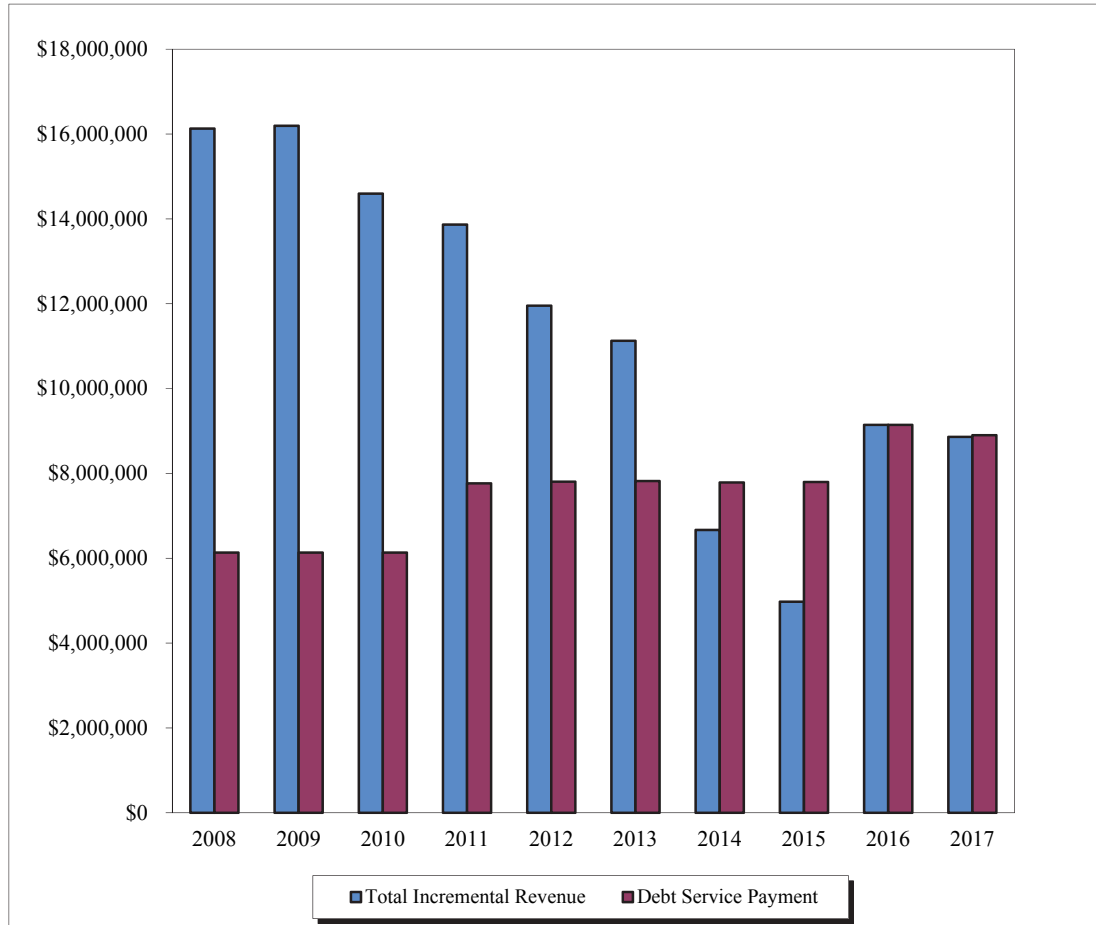


Fiscal Year	Operating Revenue	Operating Expenses	Depreciation Non-Operating Revenues (c)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2008	\$16,146,875	(\$8,697,328)	\$2,983,352	\$10,432,899	\$3,000,000 (a)	\$1,709,186	\$4,709,186	1.50
2009	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

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	
2008	\$16,127,574	\$725,000	\$5,407,366	\$6,132,366	2.63
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

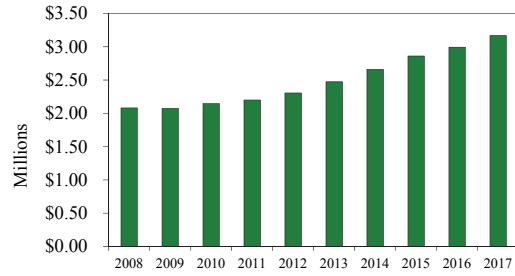
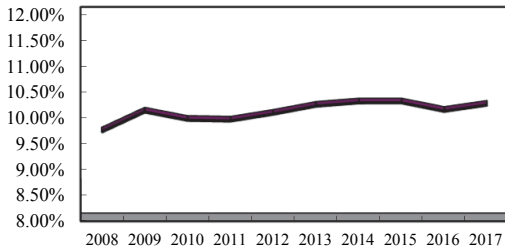
Note: (a) The Redevelopment Agency was dissolved effective January 31, 2012, and its liabilities were assumed by a Successor Agency. Amounts reported here include tax revenue and debt service of both the former Redevelopment Agency and the Successor Agency.

(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.

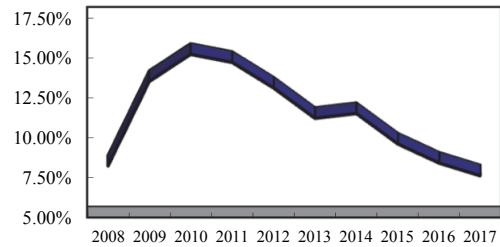
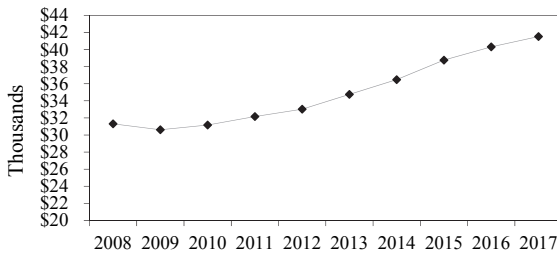
Source: City of Manteca Annual Financial Statements

**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

■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate (%) (a)	San Joaquin County Population	City Population % of County
2008	66,451	\$2,080,448	\$31,308	8.2%	685,660	9.69%
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%

Source: California State Department of Finance - City Population (1/1/17)
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

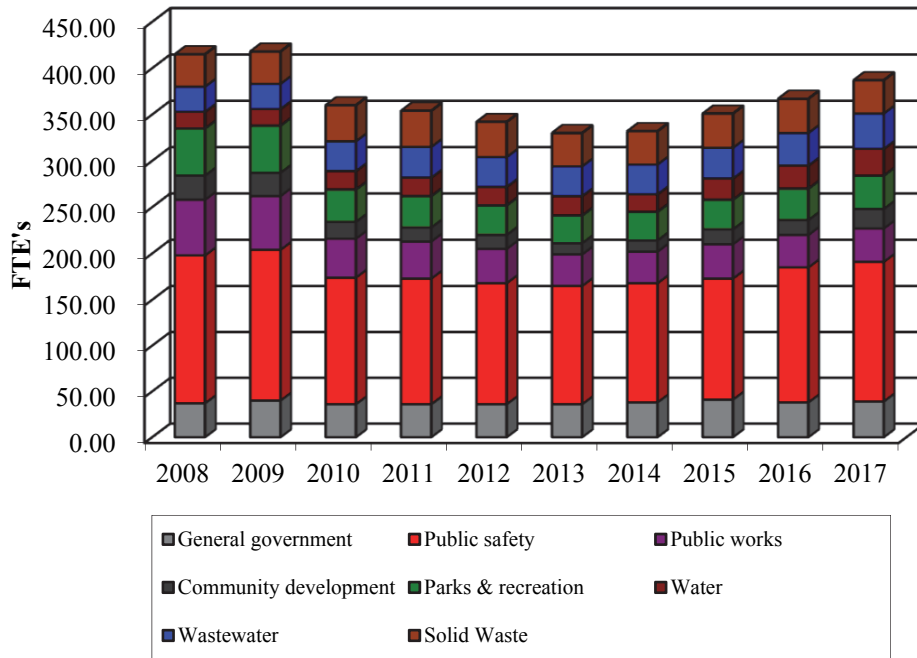
**CITY OF MANTECA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND SEVEN YEARS AGO**

<u>Employer</u>	<u>2016-17</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)	2,261	1	3.0%	1,400	1	2.0%
Tennant Sales and Service Company	800	2	1.0%			
Gardner Trucking, INC	520	3	0.7%			
Doctors Hospital of Manteca	427	4	0.6%	370	3	0.5%
City of Manteca	387	5	0.5%	360	4	0.5%
Kaiser Foundation	369	6	0.5%	590	2	0.9%
Powerhouse Retail Services LLC	350	7	0.5%			
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 Day Population	<u>76,247</u>			<u>68,847</u>		

Source: City of Manteca Community Development Department (Business License)

Notes: 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>2008</u>	<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>
Function										
General government	37.00	40.00	36.00	36.00	36.00	36.00	38.00	41.00	38.00	39.00
Public safety	161.00	164.00	138.00	137.00	132.00	129.00	130.00	132.00	147.00	152.00
Public works	60.00	58.00	42.00	40.00	37.00	34.00	34.00	37.00	35.00	36.00
Community development	26.00	25.00	18.00	15.00	15.00	12.00	12.00	16.00	16.00	21.00
Parks & recreation	51.00	51.00	35.00	34.00	32.00	30.00	31.00	32.00	34.00	36.00
Water	18.00	18.00	20.00	20.00	20.00	21.00	19.00	23.00	25.00	29.00
Wastewater	27.00	27.00	32.00	33.00	32.00	32.00	32.00	33.00	35.00	38.00
Solid Waste	35.00	35.00	39.00	39.00	38.00	36.00	36.00	37.00	37.00	36.00
Total	<u>415.00</u>	<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>

Source: City of Manteca Budget Document

CITY OF MANTECA
OPERATING INDICATORS AND CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
	2008	2009	2010	2011	2012
Population					
Citizens	66,451	67,754	68,847	68,410	69,815
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	17.52 Sq Miles	17.7 Sq Miles	17.9 Sq Miles	20.1 Sq Miles	20.61 Sq Miles
Registered Voters	24,954	26,500	26,922	27,562	27,999
Taxable Sales	\$729,782,700	\$679,545,400	\$684,299,100	\$733,739,500	\$770,125,800
Building Permits Issued	1,816	1,459	1,843	1,675	1,783
Employees from Budget Document	415	418	360	354	342
Fire Protection					
Number of Stations	3	3	3	3	3
Number of Reserve Personnel	20	11	20	20	12
Number of Sworn Fire Personnel *	42	43	42	41	39
Number of Calls Answered	4,589	4,823	4,787	4,800	5,448
Police Protection					
Number of Stations	1	1	1	1	1
Number of Police Officers	80	83	59	58	63
Number of Volunteers	74	153	100	211	102
Number of Support Personnel	33	36	26	28	21
Number of Calls Answered	37,122	37,345	35,902	35,331	32,964
Parks & Recreation					
Park Sites	47	47	52	53	53
Acres of Parks	326	335	335	335	329
Senior Centers	1	1	1	1	1
Swimming Pools	1	2	2	2	2
Tennis Courts	8	8	8	8	8
Number of Park/Golf Trees	7,596	7,600	7,320	7,320	7,320
Number of Street Trees	8,801	8,801	10,680	10,680	10,680
Acres of Golf Course	111	111	111	111	111
Public Libraries	1	1	1	1	1
Landscape Maintenance Districts	21	24	23	23	24
Benefit Area District	2	2	4	4	4
Community Facility Districts					
Public Works					
Miles of Streets	193	197	197	197	222
Number of Street Lights	4,800	4,800	4,800	4,800	4,681
Water Utility					
Number of Meters	22,172	19,800	19,700	20,071	20,338
Miles of Water Mains	254	244	236	257	258
Average Daily Consumptions (Gal)	13.82 MGD	12.62 MGD	12.68 MGD	11.83 MGD	11.83 MGD
Wastewater					
Number of Connections	22,212	22,461	23,053		23,738
Miles of Sewer Lines	184	184	184	184	223
Number of Treatment Plants	1	1	1	1	1
Average Daily Treatment	5.95 MGD	6.2 MGD	6.2 MGD	6.18 MGD	5.98 MGD
Treatment Capacity	9.87 MGD	9.87 MGD	9.87 MGD	9.87 MGD	9.87 MGD
Solid Waste					
Number of Accounts	17,799	18,262	18,765	19,400	23,397
Education					
Elementary Schools	20	23	23	24	20
High Schools	7	4	5	8	5
Alternative Schools					
Adult Education	2	1	1	1	1
Charter School					
Teachers	1,157	1,012	989	953	934
Elementary Classrooms	934	900	895	900	903
High School Classrooms	330	390	375	390	464
Adult Education Classrooms	27	47	27	47	10
Current Enrollment	23,003	22,900	22,796	23,283	23,325

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				
	2013	2014**	2015**	2016	2017
Population					
Citizens	71,164	72,880	73,787	73,841	76,247
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	20.61 Sq Miles	20.92 Sq Miles	20.92 Sq Miles	20.92 Sq Miles
Registered Voters	30,731	30,930	30,975	33,105	36,327
Taxable Sales	\$820,317,100	\$876,348,800	\$922,862,200	\$918,391,100	\$1,001,063,900
Building Permits Issued	1,891	2,134	3,027	3,418	3,565
Employees from Budget Document	330	336	351	351	384
Fire Protection					
Number of Stations	3	4	4	4	4
Number of Reserve Personnel	13	25	25	22	20
Number of Sworn Fire Personnel	39	40	41	49	60
Number of Calls Answered	5,937	5,854	6,252	6,682	7,132
Police Protection					
Number of Stations	1	1	1	1	1
Number of Police Officers	63	63	64	65	65
Number of Volunteers	124	115	94	87	62
Number of Support Personnel	23	23	24	29	33
Number of Calls Answered	37,161	33,885	35,036	42,717	43,229
Parks & Recreation					
Park Sites	55	56	58	65	69
Acres of Parks	357	362	367	382	382
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	7,520	7,600	7,600	7,600	7,600
Number of Street Trees	10,980	17,000	18,000	18,500	18,700
Acres of Golf Course	111	111	111	111	111
Public Libraries	1	1	1	1	1
Landscape Maintenance Districts	27	29	29	29	29
Benefit Area District	4	4	4	4	4
Community Facility Districts	1	1	6	9	10
Public Works					
Miles of Streets	238	241	250	250	259
Number of Street Lights	4,822	4,856	5,143	5,405	5,443
Water Utility					
Number of Meters	20,675	20,876	21,161	21,696	22,380
Miles of Water Mains	258	259	266	280	298
Average Daily Consumptions (Gal)	13.25 MGD	14.06 MGD	11.11 MGD	9.89 MGD	10.498 MGD
Wastewater					
Number of Connections	24,178	24,940	20,791	21,325	21,951
Miles of Sewer Lines	226	227	243	250	257
Number of Treatment Plants	1	1	1	1	1
Average Daily Treatment	6.25 MGD	6.29 MGD	6 MGD	6.25 MGD	6.21 MGD
Treatment Capacity	9.87 MGD	9.87 MGD	9.87 MGD	9.87 MGD	9.87 MGD
Solid Waste					
Number of Accounts	20,066	20,399	20,879	21,411	22,080
Education					
Elementary Schools	20	20	23	23	20
High Schools	5	5	5	5	5
Alternative Schools	3	3	3	3	3
Adult Education	2	2	1	1	1
Charter School			1	1	1
Teachers	978	1,094	1,019	1,041	1,092
Elementary Classrooms	903	897	895	899	899
High School Classrooms	438	451	461	457	457
Adult Education Classrooms	27	10	42	3	3
Current Enrollment	22,061	23,145	22,909	23,981	23,852

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, 2017

	<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 major fund of the Manteca Financing Authority (Authority), a component unit of the City of Manteca, as of and for the year ended June 30, 2017, 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 major fund of the Authority, a component unit of the City, as of June 30, 2017, and the change in financial position and, where applicable, cash flows thereof 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 conformity 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 March 26, 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
March 26, 2018

MANTECA FINANCING AUTHORITY

**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, 2017

	<u>2009 Sewer Revenue Bonds</u>
ASSETS	
Current Assets:	
Investments held by trustee (Note 2)	\$1,901,966
Interest receivable	<u>88,230</u>
Total Current Assets	1,990,196
Receivable from the City of Manteca (Note 3)	<u>17,098,034</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, 2017

	<u>2009 Sewer Revenue Bonds</u>
OPERATING REVENUE	
Interest on base rental payments	<u>\$1,054,292</u>
Operating Revenue	<u>1,054,292</u>
OPERATING EXPENSES	
Interest and fiscal fees	<u>1,058,762</u>
Total Operating Expenses	<u>1,058,762</u>
Operating Loss	<u>(4,470)</u>
NONOPERATING INCOME	
Interest on investments	<u>4,470</u>
Net Nonoperating Income	<u>4,470</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, 2017

	2009 Sewer <u>Revenue Bonds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from the City	\$1,056,209
Payments to bond trustees	<u>(1,058,763)</u>
Cash Flows from Operating Activities	<u>(2,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment interest received	<u>4,470</u>
Cash Flows from Investing Activities	<u>4,470</u>
Net Cash Flows	1,916
Cash and investments at beginning of period	<u>1,900,050</u>
Cash and investments at end of period	<u><u>\$1,901,966</u></u>
Reconciliation of operating loss to net cash flows from operating activities:	
Operating loss	(\$4,470)
Change in assets:	
Receivables, net	<u>1,916</u>
Cash Flows from Operating Activities	<u><u>(\$2,554)</u></u>

See accompanying notes to financial statements

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017

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, 2017

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>\$1,901,966</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, 2017 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, 2017 have an average maturity of 17 days.

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017.

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
2018		\$1,054,294	\$1,054,294
2019		1,054,294	1,054,294
2020		1,054,294	1,054,294
2021		1,054,294	1,054,294
2022		1,054,294	1,054,294
2023-2027	\$1,920,000	5,137,217	7,057,217
2028-2032	4,740,000	4,198,788	8,938,788
2033-2037	12,340,000	2,150,242	14,490,242
	<u>\$19,000,000</u>	<u>\$16,757,717</u>	35,757,717
		<u>Less:</u>	
		Investments held by trustee	1,901,966
		Amount representing interest	<u>16,757,717</u>
			<u>\$17,098,034</u>
		Receivable from the City of Manteca at June 30, 2017	<u>\$17,098,034</u>

MANTECA FINANCING AUTHORITY
NOTES TO BASIC COMPONENT UNIT FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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
2018		\$1,058,763	\$1,058,763
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
2023-2027	\$1,920,000	5,159,562	7,079,562
2028-2032	4,740,000	4,221,133	8,961,133
2033-2037	12,340,000	2,172,587	14,512,587
Total	<u>\$19,000,000</u>	<u>\$16,847,097</u>	<u>\$35,847,097</u>

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